WUZHOU INTERNATIONAL HOLDINGS LIMITED
五洲國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01369)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

— For the six months ended 30 June 2019, turnover of the Group amounted to approximately RMB423 million, representing a decrease of 71.4% from approximately RMB1,477 million for the corresponding period in 2018.

— Revenue derived from property development decreased by 78.8% to approximately RMB273 million for the six months ended 30 June 2019.

— Gross profit decreased by 74.2% to approximately RMB107 million for the six months ended 30 June 2019 from approximately RMB416 million for the corresponding period in 2018.

— Loss after tax for the period attributable to owners of the Company decreased by 11.6% to approximately RMB2,838 million for the six months ended 30 June 2019 from approximately RMB3,211 million for the corresponding period in 2018.

The board (the "**Board**") of directors (the "**Directors**") of Wuzhou International Holdings Limited (the "**Company**" or "**Wuzhou International**") announces the unaudited financial results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 together with comparative figures for the corresponding period in 2018, as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*6*	**422,817**	1,477,383
Cost of sales		**(315,602)**	(1,061,383)
Gross profit		**107,215**	416,000
Other income		**43,615**	11,919
Distribution and selling expenses		**(61,446)**	(106,770)
Administrative expenses		**(184,558)**	(190,785)
Change in investment at fair value through profit or loss		**(676,038)**	(166,878)
Finance costs	*7*	**(348,909)**	(680,195)
Share of result of associates		**(74,176)**	(40,918)
Loss on disposal of subsidiaries		**–**	(424,554)
Change in fair value of investment properties		**(2,389,302)**	(893,909)
Impairment loss on various assets		**–**	(940,456)
Loss before tax		**(3,583,599)**	(3,016,546)
Income tax expenses	*8*	**417,663**	(133,904)
Loss for the period	*9*	**(3,165,936)**	(3,150,450)
Loss for the period attributable to:			
Owners of the Company		**(2,838,497)**	(3,211,222)
Non-controlling interests		**(327,439)**	60,772
		(3,165,936)	(3,150,450)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(2,838,497)**	(3,211,222)
Non-controlling interests		**(327,439)**	60,772
		(3,165,936)	(3,150,450)
Loss per share	*11*	***RMB cents***	*RMB cents*
Basic and diluted		**(56.88)**	(64.35)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2019

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**143,060**	147,085
Investment properties	*12*	**5,112,298**	7,501,600
Right of use asset		**327,852**	–
Intangible assets		**1,191**	1,301
Investments in associates		**244,895**	319,071
Investments in a joint venture		**87,126**	87,126
Investment at fair value through profit or loss		**14,626**	11,626
Long-term deferred expenses		**647**	661
		5,931,695	8,068,470
Current assets			
Inventories		**238**	114
Properties for sale under development		**2,110,679**	2,510,955
Properties held for sale		**3,984,456**	4,235,808
Trade receivables	*13*	**106,353**	88,427
Prepayments, deposits and other receivables		**2,390,198**	1,891,701
Prepaid land lease payments		**–**	350,321
Investments at fair value through profit or loss		**748,033**	1,427,071
Restricted bank balances		**162,558**	130,807
Pledged deposits		**115,247**	150,998
Bank and cash balances		**195,088**	250,885
		9,812,850	11,037,087
Current liabilities			
Trade and bills payables	*14*	**2,863,446**	2,837,865
Contract liabilities		**2,920,161**	3,223,044
Accruals and other payables		**3,320,013**	2,879,106
Borrowings		**2,875,344**	2,472,558
Convertible notes		**527,072**	423,141
Senior notes		**2,066,880**	2,082,930
Corporate bonds		**3,290,806**	2,048,692
Current tax liabilities		**886,381**	865,463
		18,750,103	16,832,799
Net current liabilities		**(8,937,253)**	(5,795,712)
Total assets less current liabilities		**(3,005,558)**	2,272,758

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Borrowings	**403,377**	1,224,902
Corporate bonds	**–**	1,139,956
Deferred tax liabilities	**280,547**	471,287
	683,924	2,836,145
NET LIABILITIES	**(3,689,482)**	(563,387)
Capital and reserves		
Share capital	**313,354**	313,354
Reserves	**(4,072,001)**	(1,275,860)
Equity attributable to owners of the Company	**(3,758,647)**	(962,506)
Non-controlling interests	**69,165**	399,119
TOTAL EQUITY	**(3,689,482)**	(563,387)

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

For 30 June 2019

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018.

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

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

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

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

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

(i) Publish all outstanding financial results and address any audit modifications;

(ii) Conduct an appropriate investigation into the Suspected Unapproved Transfers, announce findings and take appropriate remedial actions;

(iii) Demonstrate its compliance with Rule 13.24 of the Listing Rules;

(iv) Inform the market of all material information for shareholders and investors to appraise the Company's position;

(v) Demonstrate the Company has in place adequate internal controls and procedures to comply with the Listing Rules;

(vi) Demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which will pose a risk to investors and damage market confidence; and

(vii) Demonstrate that all directors of the Company meet a standard of competence commensurate with their position as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rules 3.08 and 3.09 of the Listing Rules.

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

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

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

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

3. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of RMB2,838,497,000 for the six months ended 30 June 2019 and as at 30 June 2019 the Group had net current liabilities and net liabilities of RMB8,937,253,000 and RMB3,005,558,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

A. IFRS 16 "Leases"

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

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

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

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

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

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

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

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

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

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

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

The reconciliation of operation lease commitment to lease liabilities

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

5. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property management and investment segment engages in providing commercial management services, property management services, property consulting services and investing in properties for their rental income potential and/or for capital appreciation; and

(c) the "others" segment engages in department store operation and providing consulting services.

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

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses do not include finance costs, dividend income and share of results of associates and joint venture. Segment assets do not include investments at fair value through profit or loss and interests in associates and a joint venture as these assets are managed on a group basis.

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

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

	Property development *RMB'000*	**Property management and investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Six months ended 30 June 2019				
Revenue from external customers	**272,926**	**144,140**	**5,751**	**422,817**
Segment (loss)/profit	**(2,212,003)**	**31,999**	**(980,510)**	**(1,194,297)**
Income tax credit/(expenses)	**(2,790)**	**220,667**	**(214)**	**217,663**
Other material non-cash items:				
Change in fair value of investment properties	**–**	**(2,389,302)**	**–**	**(2,389,302)**
Depreciation	**(1,155)**	**(453)**	**(90)**	**(1,698)**
Six months ended 30 June 2018				
Revenue from external customers	1,288,979	181,083	7,321	1,477,383
Segment loss	(1,367,216)	(42,435)	(885,781)	(2,295,432)
Income tax expenses	(128,133)	(4,153)	(1,618)	(133,904)
Other material non-cash items:				
Change in fair value of investment properties	–	(893,909)	–	(893,909)
Depreciation	(1,426)	(577)	(96)	(2.099)

6. REVENUE

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

	For the six months ended 30 June	
	2019 *RMB'000*	2018 *RMB'000*
Sale of properties	**272,926**	1,288,979
Commercial management service income	**79,654**	108,169
Property consulting service income	**4,385**	9,274
Property management service income	**5,519**	10,057
Others	**5,751**	7,321
Revenue from contracts with customers	**368,235**	1,423,800
Rental income	**54,582**	53,583
	422,817	1,477,383

Disaggregation of revenue from contracts with customers:

2019	**Property development** *RMB'000*	**Property management and investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Major products/service				
Properties	**272,926**	**–**	**–**	**272,926**
Commercial management service	**–**	**79,654**	**–**	**79,654**
Property consulting service	**–**	**4,385**	**–**	**4,385**
Property management service	**–**	**5,519**	**–**	**5,519**
Department store operation and providing consulting services	**–**	**–**	**5,751**	**5,751**
	272,926	**89,558**	**5,751**	**368,235**
Timing of revenue recognition				
At a point in time	**272,926**	**–**	**–**	**272,926**
Over time	**–**	**89,558**	**5,751**	**95,309**
	272,926	**89,558**	**5,751**	**368,235**

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

2018	Property development *RMB'000*	Property management and investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Major products/service				
Sale of properties	1,288,979	–	–	1,288,979
Commercial management service income	–	108,169	–	108,169
Property consulting service income	–	9,274	–	9,274
Property management service income	–	10,057	–	10,057
Department store operation and providing consulting services	–	–	7,321	7,321
	1,288,979	127,500	7,321	1,423,800
Timing of revenue recognition				
At a point in time	1,288,979	–	–	1,288,979
Over time	–	127,500	7,321	134,821
	1,288,979	127,500	7,321	1,423,800

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

Sales of properties

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

Provision management and consulting service

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

7. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest expenses on borrowings	**258,296**	468,187
Interest expenses on senior notes	**–**	139,738
Interest expenses on convertible notes	**48,718**	26,630
Interest expenses on corporate bonds	**107,010**	107,010
	283,794	741,565
Less: Amount capitalised	**(65,115)**	(61,370)
	348,909	680,195

8. INCOME TAX

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax	**12,179**	122,878
Deferred tax	**(429,842)**	11,026
	(417,663)	133,904

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2019 as the Group did not generate any assessable profits arising in Hong Kong during that period (2018: Nil).

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

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

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

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

9. LOSS FOR THE PERIOD

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Total cost of sales	**248,850**	(1,059,871)
Depreciation	**1,071**	1,620
Amortisation of intangible assets	**228**	161
Amortisation of long-term deferred expenses	**399**	318
Staff costs:		
Salaries, bonus and allowances	**34,145**	45,156
Pension and social welfare	**1,587**	2,273

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2019 (2018: Nil).

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period of approximately RMB2,838,497,000 (2018: RMB3,211,222,000) attributable to owners of the Company and the weighted average number of 4,990,259,914 (2018:4,990,259,914) ordinary shares in issue during the period.

Diluted earnings per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2019 and 30 June 2018.

12. INVESTMENT PROPERTIES

The Group's investment properties were revalued at 30 June 2019 and 2018 on an open market value basis by reference to valuation performed by Savills Valuation (2018: Savills Valuation and Yinxin Assets Appraisal Co., Limited), an independent firm of chartered surveyors. Valuations were based on capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties. The investment properties are leased to third parties under operating leases.

At 30 June 2019, certain of the Group's investment properties with an aggregate carrying amount of RMB3,361,768,000 (2018: RMB4,657,115,000) are pledged to secure general facilities granted to the Group.

13. TRADE RECEIVABLES

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables	**145,278**	127,352
Less: impairment losses	**(38,925)**	(38,925)
	106,353	88,427

Trade receivable

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

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

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

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
0 to 90 days	**54,483**	29,235
91 to 180 days	**6,901**	16,599
181 to 365 days	**5,856**	957
1 to 2 years	**39,113**	41,636
	106,353	88,427

14. TRADE AND BILLS PAYABLES

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

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 1 year	**2,227,153**	1,282,175
Over 1 year	**636,293**	1,555,690
	2,863,446	2,837,865

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Contracted Sales

During the six months ended 30 June 2019, the Group recorded contracted sales and contracted sales area of RMB273 million and 40,966 sqm., representing a decrease of 78.8% and 78.4% respectively as compared to the six months ended 30 June 2018 (RMB1,289 million; 190,311 sqm).

Project development

As at 30 June 2019, the Group had 12 development projects in Jiangsu, Zhejiang, Shangdong, Hubei, Yunnan, Heilongjing, Jilin, Chongqing, Hebei, Fujian, including 8 trade logistics centers, 1 multi-functional commercial complexes and 3 residential projects.

Completed projects

During the six months ended 30 June 2019, the Group completed a total of 20 projects or project phases with a gross floor area ("**GFA**") of approximately 1,953,647 sq.m.

Projects under development

As at 30 June 2019, the Group had a total of 15 projects or project phases under development with a total planned GFA of 1,100,606 sq.m.

Projects planned for future developments

As at 30 June 2019, the Group had a total of 14 projects or project phases planned for future development, with a total planned GFA of approximately 2,037,810 sq.m.

Land Bank

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

As of 30 June 2019, the total planned GFA of land bank amounted to approximately 1,204,160 sq.m..

Centralised Operation, Management and Marketing

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

The Group develops and operates its trade logistics centers and multi-functional commercial complexes under the brands of “Wuzhou International” and “Columbus”. In order to unify the brand image of its trade logistics centers and multi-functional commercial complexes, its professional planning and marketing team is responsible for formulating the nation-wide promotion strategies and coordinating marketing activities. After years of effort that included delivering high quality products and successful brand strategy, the asset management, construction, design and operation capability of the Group were highly recognized in the industry. As a result, the brands “Wuzhou International” and “Columbus” were well-received in the places where the Group operates.

FINANCIAL REVIEW

Revenue

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

Revenue decreased by RMB1,054 million from RMB1,477 million for the six months ended 30 June 2018 to RMB423 million for the six months ended 30 June 2019. The decrease in revenue was due to the decrease in revenue from sales of properties.

Gross Profit and Margin

Gross profit decreased by RMB309 million to RMB107 million in the six months ended 30 June 2019 as compared to RMB416 million in the six months ended 30 June 2018. The gross profit margin decreased to 25.3% in the six months ended 30 June 2019 as compared to 28.2% in the six months ended 30 June 2018. The decrease in gross profit margin was the effects of change in product mix.

Other Income

Other income increased by RMB32 million to RMB44 million in the six months ended 30 June 2019 as compared to RMB12 million in the six months ended 30 June 2018. Other income recorded in the six months ended 30 June 2019 comprised of subsidy income, interest income and certain non-recurring income and gains.

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB46 million or 43.0% from RMB107 million in the six months ended 30 June 2018 to RMB61 million in the six months ended 30 June 2019 mainly due to the decrease in general selling, marketing and advertising activities during the period under review.

Administrative Expenses

Administrative expenses decreased by RMB6 million from RMB191 million in the six months ended 30 June 2018 to RMB185 million in the six months ended 30 June 2019 mainly due to the decrease in foreign exchange losses and staff costs during the period under review. The decrease in staff costs was due to decrease in head count during the period under review.

Finance Costs

Finance costs decreased by RMB331 million from RMB680 million in the six months ended 30 June 2018 to RMB349 million in the six months ended 30 June 2019 mainly due to the decrease in interest on senior notes and bank borrowings during the period under review.

Income Tax Expenses

The Group recorded income tax credit of RMB418 million in the six months ended 30 June 2019 due mainly to write back of provision for income tax.

Loss for The Year Attributable to Owners of The Company

The Group recorded a loss of RMB2.8 billion in the six months ended 30 June 2019 as compared to the loss of RMB3.2 billion in the six months ended 30 June 2018. The decrease in losses was mainly due to the combined effects of decreases in distribution and selling expenses, administrative expenses, finance costs, impairment loss on various assets and loss on disposal of subsidiaries.

Dividends

The Company does not recommend for an interim dividend for the six months ended 30 June 2019 (2018: Nil).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2019, the Group's bank balances and cash (including restricted cash and pledged deposits) was RMB473 million (2018: RMB533 million), representing a decrease of 11.2% as compared to that as at 31 December 2018. A portion of our cash are restricted bank deposits that are restricted for use of property development. The restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 30 June 2019, the Group's restricted cash was RMB163 million (2018: RMB131 million), representing an increase of 24.4% as compared to that as at 31 December 2018.

Current Ratio and Gearing Ratio

As at 30 June 2019, the Group has a current ratio (being current assets over current liabilities) of 0.52 compared to that of 0.66 as at 30 June 2018. The gearing ratio was 235.6% as at 30 June 2019 compared to that of 1,075.9% as at 31 December 2018. The gearing ratio was measured by net debts (aggregated interest-bearing bank and other borrowings, corporate bonds, senior and convertible notes net of cash and cash equivalents, pledged deposits and restricted cash) over the total equity of the Group. The total debt (being aggregated interest-bearing bank and other borrowings, corporate bonds, senior and convertible notes) over total assets ratio was 58.2% as at 30 June 2019 as compared to that of 49.2% as at 31 December 2018.

Borrowings and Charges on The Group's Assets

As at 30 June 2019, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds of RMB3.3 billion (2018: RMB3.7 billion) and RMB5.9 billion (2018: RMB5.7 billion), respectively. Amongst the interest bearing bank and other borrowings, RMB2.9 billion (2018: RMB2.5 billion) will be repayable within 1 year, RMB403 million (2018: RMB1.0 billion) will be repayable between 2 to 5 years and RMB Nil (2018: RMB233 million) will be repayable after 5 years. The senior notes are repayable within 1 year and convertible notes are redeemable on or after 30 September 2017. Amongst the corporate bonds, RMB3.2 billion (2018: RMB2.0 billion) are repayable within 1 year and RMB Nil (2018: RMB1.1 billion) are repayable between 2 to 5 years.

As at 30 June 2019, a substantial part of the interest-bearing bank and other borrowings were secured by land use rights and properties of the Group. The senior and convertible notes were jointly and severally guaranteed by certain subsidiaries of the Group and secured by pledged of their shares. The interest-bearing bank and other borrowings and corporate bonds were denominated in RMB while the senior and convertible notes were denominated in U.S. Dollar.

The Company has defaulted its senior and convertible notes and corporate bonds. Please refer to the Company's announcement dated 7 July 2018, 10 August 2018, 23 August 2018, 24 August 2018, 21 September 2018 and 4 October 2018 for details.

Exchange Rate Risk

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

Commitments

As at 30 June 2019, the Group had committed payment for properties under development amounting to RMB1.9 billion (2018: RMB2.1 billion).

Contingent Liabilities

As at 30 June 2019, the Group had (i) the share of a joint venture's contingent liabilities of RMB23 million (2018: RMB23 million) arising from litigations, details of which are set out in Note 22 to the consolidated financial statements; and (ii) provided guarantees amounting to RMB1.3 billion (2018: RMB1.4 billion) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loan together with accrued interests thereon and any penalty owed by the defaulting purchasers to banks. The Group is then entitled to take over the legal title of the relevant properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the six months ended 30 June 2019 as the default risk is low.

Employees and Remuneration Policies

As at 30 June 2019, the Group had approximately 634 employees. Total staff costs (including Directors' emoluments) during the six months ended 30 June 2019 amounted to RMB35 million (2018: RMB4.7 million). Remuneration is determined by reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

The remuneration policy for the Directors is based on their experience, level of responsibilities, lengths of services and general market conditions. Any discretionary bonus and other merit payments are linked to the financial results of the Group and the individual performance of the Directors.

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

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

EVENTS AFTER THE REPORTING PERIOD

Save for the transactions and events disclosed below, there were no major subsequent event occurred since the six months ended 30 June 2019 up to 30 September 2019. Please also refer to the 2019 annual report for events subsequent to 30 September 2019.

On 18 July 2019, Hangzhou Longan Zhiye Co. Limited* (杭州龍安置業有限公司) ("**Hangzhou Longan**") and Yiwushi Hengfeng Luqiao Co., Ltd* (義烏市恒風路橋有限公司) ("**Yiwushi Hengfeng**") entered into a commercial property transaction framework agreement, pursuant to which Hangzhou Longan agreed to sell, and Yiwushi Hengfeng agreed to acquire, an investment commercial property of the Group comprising of Wuzhou International Commercial Centre, No. 799, Yuhangtong Road, West Lake District, Hangzhou, Zhejiang Province, the PRC with a gross floor area of approximately 1,583.91 square metres at a total consideration of RMB36.1 million. Please refer to the announcement of the Company dated 18 July 2019 for further details.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules. The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the code provisions contained in the CG Code during the six months ended 30 June 2019 except for code provisions A.2.1, A.2.7, A.6.7 and E.1.2.

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

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

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive Directors and the non-executive Director did not attend any general meetings since the annual general meeting of the Company held on 1 June 2018 since the Company had not convened any annual general meeting since 1 June 2018.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. All Directors have not attended any general meetings since the annual general meeting of the Company held on 1 June 2018 since the Company had not convened any annual general meeting since 1 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for the Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code regarding Directors' securities transactions during the six months ended 30 June 2019 and all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and risk management and internal control of the Company. As at the date of this report, the audit committee of the Company comprised three independent non-executive Directors, including Mr. Liu Chaodong, Dr. Song Ming and Prof. Shu Guoying, while Mr. Liu Chaodong was the chairman of the audit committee. The main responsibilities of the audit committee is to review important accounting policies, supervise the Company's financial reporting processes, monitor the performance of the external auditor and the internal audit department, review and evaluate the effectiveness of the Company's financial reporting procedures and risk management and internal control and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

The audit committee together with the management of the Company reviewed the accounting policies and practices adopted by the Group and discussed, among other things, financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.wz-china.com). The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

CONTINUED SUSPENSION OF TRADING OF THE SHARES

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

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

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

Hong Kong, 18 August 2020

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