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## **WUZHOU INTERNATIONAL HOLDINGS LIMITED**

**五洲國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01369)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **FINANCIAL HIGHLIGHTS**

- For the six months ended 30 June 2020, turnover of the Group amounted to approximately RMB514 million, representing an increase of 21.5% from approximately RMB423 million for the corresponding period in 2019.
- Revenue derived from property development increased by 51.2% to approximately RMB413 million for the six months ended 30 June 2020.
- Gross profit increased by 15.0% to approximately RMB123 million for the six months ended 30 June 2020 from approximately RMB107 million for the corresponding period in 2019.
- Loss after tax for the period attributable to owners of the Company decreased by 77.4% to approximately RMB641 million for the six months ended 30 June 2020 from approximately RMB2,838 million for the corresponding period in 2019.

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 2020 together with comparative figures for the corresponding period in 2019, as follows:

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

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	6	513,535	422,817
Cost of sales		(390,279)	(315,602)
Gross profit		123,256	107,215
Other income		20,322	43,615
Distribution and selling expenses		(27,988)	(61,446)
Administrative expenses		(183,593)	(184,558)
Change in investment at fair value through profit or loss		(166,244)	(676,038)
Finance costs	7	(290,736)	(348,909)
Share of result of associates		(31,339)	(74,176)
Change in fair value of investment properties		(91,255)	(2,389,302)
<b>Loss before tax</b>		<b>(647,577)</b>	<b>(3,583,599)</b>
Income tax credit	8	4,334	417,663
<b>Loss for the period</b>	9	<b>(643,243)</b>	<b>(3,165,936)</b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(641,309)	(2,838,497)
Non-controlling interests		(1,934)	(327,439)
		<b>(643,243)</b>	<b>(3,165,936)</b>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(641,309)	(2,838,497)
Non-controlling interests		(1,934)	(327,439)
		<b>(643,243)</b>	<b>(3,165,936)</b>
<b>Loss per share</b>	11	<b>RMB cents</b>	<b>RMB cents</b>
Basic and diluted		<b>(12.85)</b>	<b>(56.88)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		135,244	139,194
Investment properties	12	4,890,200	5,043,800
Right of use asset		2,212	2,212
Intangible assets		18	833
Investments in associates		104,445	135,784
Investments in a joint venture		87,126	87,126
Investments at fair value through profit or loss		14,626	14,626
Long-term deferred expenses		–	262
		<u>5,233,871</u>	<u>5,423,837</u>
<b>Current assets</b>			
Inventories		169	164
Properties for sale under development		1,922,370	2,088,439
Properties held for sale		3,868,866	4,109,744
Trade receivables	13	73,136	87,750
Prepayments, deposits and other receivables		1,938,379	2,160,427
Prepaid land lease payments		327,852	327,851
Investments at fair value through profit or loss		690,815	708,815
Restricted bank balances		265,193	89,588
Pledged deposits		65,507	49,690
Bank and cash balances		183,586	282,733
		<u>9,335,873</u>	<u>9,905,201</u>
<b>Current liabilities</b>			
Trade and bills payables	14	2,506,667	2,595,916
Contract liabilities		2,912,019	3,044,888
Accruals and other payables		3,771,143	3,347,792
Lease liabilities		1,474	1,579
Borrowings		2,606,719	2,684,887
Convertible notes		573,603	518,335
Senior notes		2,137,844	2,107,860
Corporate bonds		3,285,648	3,401,010
Current tax liabilities		610,490	783,261
		<u>18,405,607</u>	<u>18,485,528</u>
<b>Net current liabilities</b>		<u>(9,069,734)</u>	<u>(8,580,327)</u>

	<b>30 June 2020</b>	31 December 2019
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Total assets less current liabilities</b>	<b>(3,835,863)</b>	<b>(3,156,490)</b>
<b>Non-current liabilities</b>		
Borrowings	462,742	498,685
Lease liabilities	–	684
Deferred tax liabilities	24,329	24,329
	<u>487,071</u>	<u>523,698</u>
<b>NET LIABILITIES</b>	<b><u>(4,322,934)</u></b>	<b><u>(3,680,188)</u></b>
<b>Capital and reserves</b>		
Share capital	313,354	313,354
Reserves	(4,686,961)	(4,042,285)
	<u>(4,373,607)</u>	<u>(3,728,931)</u>
Equity attributable to owners of the Company	(4,373,607)	(3,728,931)
Non-controlling interests	50,673	48,743
	<u>(4,322,934)</u>	<u>(3,680,188)</u>
<b>TOTAL EQUITY</b>	<b><u>(4,322,934)</u></b>	<b><u>(3,680,188)</u></b>

# NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

For 30 June 2020

## 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 period, 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 2019 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 2019.

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 RMB641,309,000 for the six months ended 30 June 2020 and as at 30 June 2020 the Group had net current liabilities and net liabilities of RMB9,069,734,000 and RMB4,322,934,000 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current period, 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 period beginning on 1 January 2020. 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 period and prior years.

## 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:

	<b>Property development RMB’000</b>	<b>Property management and investment RMB’000</b>	<b>Others RMB’000</b>	<b>Total RMB’000</b>
<b>Six months ended 30 June 2020</b>				
Revenue from external customers	<u>412,556</u>	<u>100,710</u>	<u>269</u>	<u>513,535</u>
Segment loss	(117,131)	56,889	(265,261)	(325,503)
Income tax credit/(expenses)	(328)	(967)	5,629	<u>4,334</u>
Other material non-cash items:				–
Change in fair value of investment properties	–	(91,255)	–	(91,255)
Depreciation	<u>(556)</u>	<u>(438)</u>	<u>(814)</u>	<u>(1,808)</u>
<b>Six months ended 30 June 2019</b>				
Revenue from external customers	<u>272,926</u>	<u>144,140</u>	<u>5,751</u>	<u>422,817</u>
Segment loss	(2,212,003)	31,999	(980,510)	(1,194,297)
Income tax credit/(expenses)	(2,790)	420,667	(214)	<u>417,663</u>
Other material non-cash items:				
Change in fair value of investment properties	–	(2,389,302)	–	(2,389,302)
Depreciation	<u>(1,155)</u>	<u>(453)</u>	<u>(90)</u>	<u>(1,698)</u>

## 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.

	<b>For the six months ended 30 June</b>	
	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Sale of properties	<b>412,556</b>	272,926
Commercial management service income	<b>55,913</b>	79,654
Property consulting service income	<b>390</b>	4,385
Property management service income	<b>2,139</b>	5,519
Others	<b>269</b>	5,751
	<hr/>	<hr/>
Revenue from contracts with customers	<b>471,267</b>	368,235
Rental income	<b>42,268</b>	54,582
	<hr/>	<hr/>
	<b>513,535</b>	422,817
	<hr/> <hr/>	<hr/> <hr/>

Disaggregation of revenue from contracts with customers:

<b>2020</b>	<b>Property development <i>RMB'000</i></b>	<b>Property management and investment <i>RMB'000</i></b>	<b>Others <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
<b>Major products/service</b>				
Properties	<b>412,556</b>	–	–	<b>412,556</b>
Commercial management service	–	<b>55,913</b>	–	<b>55,913</b>
Property consulting service	–	<b>390</b>	–	<b>390</b>
Property management service	–	<b>2,139</b>	–	<b>2,139</b>
Department store operation and providing consulting services	–	–	<b>269</b>	<b>269</b>
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>412,556</b>	<b>58,442</b>	<b>269</b>	<b>471,267</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Timing of revenue recognition</b>				
At a point in time	<b>412,556</b>	–	–	<b>412,556</b>
Over time	–	<b>58,442</b>	<b>269</b>	<b>58,711</b>
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>412,556</b>	<b>58,442</b>	<b>269</b>	<b>471,267</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

2019	Property development <i>RMB'000</i>	Property management and investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Major products/service</b>				
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
	<u>272,926</u>	<u>89,558</u>	<u>5,751</u>	<u>368,235</u>
<b>Timing of revenue recognition</b>				
At a point in time	272,926	–	–	272,926
Over time	–	89,558	5,751	95,309
	<u>272,926</u>	<u>89,558</u>	<u>5,751</u>	<u>368,235</u>

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

### Sales of properties

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

### Provision management and consulting service

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

## 7. FINANCE COSTS

	For the six months ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses on borrowings	146,712	258,296
Interest expenses on convertible notes	54,058	48,718
Interest expenses on corporate bonds	121,389	107,010
	<u>322,159</u>	<u>414,024</u>
Less: Amount capitalised	(31,423)	(65,115)
	<u>290,736</u>	<u>348,909</u>

## 8. INCOME TAX

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax	(4,334)	12,179
Deferred tax	–	(429,842)
	<u>(4,334)</u>	<u>(417,663)</u>

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2020 as the Group did not generate any assessable profits arising in Hong Kong during that period (2019: 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 profit for the period is stated after charging the following:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Total cost of sales	305,602	248,850
Depreciation	870	1,071
Amortisation of intangible assets	676	228
Amortisation of long-term deferred expenses	262	399
Other expenses		
Loss on disposal of items of property, plant and equipment	–	18
Staff costs:		
Salaries, bonus and allowances	23,840	34,145
Pension and social welfare	1,414	1,587

## 10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2020 (2019: Nil).

## 11. LOSS PER SHARE

### Basic earnings per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period of approximately RMB641,309,000 (2019: RMB2,838,497,000) attributable to owners of the Company and the weighted average number of 4,990,259,914 (2019:4,990,259,914) 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 2020 and 30 June 2019.

## 12. INVESTMENT PROPERTIES

The Group's investment properties were revalued at 30 June 2020 and 2019 on an open market value basis by reference to valuation performed by Savills Valuation (2019: Savills Valuation), 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 2020, certain of the Group's investment properties with an aggregate carrying amount of RMB3,361,768,000 (2019: RMB3,361,768,000) are pledged to secure general facilities granted to the Group.

## 13. TRADE RECEIVABLES

	<b>30 June 2020</b>	31 December 2019
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>112,061</b>	126,675
Less: impairment losses	<b>(38,925)</b>	(38,925)
	<b><u>73,136</u></b>	<u>87,750</u>

### Trade receivable

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

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

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

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
0 to 90 days	5,262	11,261
91 to 180 days	6,901	10,843
181 to 365 days	5,856	5,262
1 to 2 years	55,117	60,384
	<u>73,136</u>	<u>87,750</u>

#### 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:

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Within 1 year	515,650	436,236
Over 1 year	1,991,017	2,159,680
	<u>2,506,667</u>	<u>2,595,916</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Contracted Sales**

During the six months ended 30 June 2020, the Group recorded contracted sales and contracted sales area of approximately RMB413 million and 114,948 sq.m., representing an increase of 51.3% and 180.6% respectively as compared to the six months ended 30 June 2019 (approximately RMB273 million; 40,966 sq.m.).

#### *Project development*

As at 30 June 2020, the Group had 14 development projects in Jiangsu, Zhejiang, Shangdong, Hubei, Yunnan, Heilongjing, Jilin, Chongqing, Hebei, Fujian, including 10 trade logistics centers, 2 multi-functional commercial complexes and 2 residential projects.

#### *Completed projects*

During the six months ended 30 June 2020, the Group completed a total of 14 projects or project phases with a gross floor area (“GFA”) of approximately 1,226,708 sq.m.

#### *Projects under development*

As at 30 June 2020, the Group had a total of 15 projects or project phases under development with a total planned GFA of 1,003,054 sq.m.

#### *Projects planned for future developments*

As at 30 June 2020, the Group had a total of 14 projects or project phases planned for future development, with a total planned GFA of approximately 1,418,920 sq.m.

#### **Land Bank**

As of 30 June 2020, the total planned GFA of land bank amounted to approximately 1,418,920 sq.m..

#### **Future Prospects**

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

## **Centralised Operation, Management and Marketing**

Most of the purchasers of our retail stores entered into exclusive operation and management agreements with the Group, 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 those 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 increased by approximately RMB91 million from approximately RMB423 million for the six months ended 30 June 2019 to approximately RMB514 million for the six months ended 30 June 2020. The increase in revenue was due to the increase in revenue from sales of properties.

### **Gross Profit and Margin**

Gross profit increased by approximately RMB16 million to approximately RMB123 million in the six months ended 30 June 2020 as compared to approximately RMB107 million in the six months ended 30 June 2019. The gross profit margin decreased to 24.0% in the six months ended 30 June 2020 as compared to 25.4% in the six months ended 30 June 2019. The decrease in gross profit margin was the effects of change in product mix.

## **Other Income**

Other income decreased by approximately RMB23 million to approximately RMB20 million in the six months ended 30 June 2020 as compared to approximately RMB44 million in the six months ended 30 June 2019. Other income recorded in the six months ended 30 June 2020 included subsidy income, interest income and certain non-recurring income and gains.

## **Selling and Distribution Expenses**

Selling and distribution expenses decreased by approximately RMB33 million or 54.5% from approximately RMB61 million in the six months ended 30 June 2019 to approximately RMB28 million in the six months ended 30 June 2020, which was mainly due to the decrease in general selling, marketing and advertising activities during the period under review.

## **Administrative Expenses**

Administrative expenses decreased by approximately RMB1 million from approximately RMB185 million in the six months ended 30 June 2019 to approximately RMB184 million in the six months ended 30 June 2020, which was mainly due to the increased in foreign exchange losses and decreased in staff costs during the period under review.

## **Finance Costs**

Finance costs decreased by approximately RMB58 million from approximately RMB349 million in the six months ended 30 June 2019 to approximately RMB291 million in the six months ended 30 June 2020, which was mainly due to the decrease in interest-bearing debt during the period under review.

## **Income Tax Expenses**

The Group recorded income tax credit of approximately RMB4 million in the six months ended 30 June 2020, which was mainly due to write back of provision for income tax.

## **Loss for The Period Attributable to Owners of The Company**

The Group recorded a loss of approximately RMB641 million in the six months ended 30 June 2020 as compared to the loss of approximately RMB2.8 billion in the six months ended 30 June 2019. The decrease in losses was mainly due to the combined effects of decrease in loss on investment properties, loss on investment at fair value through profit and loss and financial cost, which was partially offset by the decrease in income tax credit.

## **Dividends**

The Company does not recommend an interim dividend for the six months ended 30 June 2020 (2019: Nil).

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

### **Cash Position**

As at 30 June 2020, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB514 million (2019: approximately RMB422 million), representing an increased of 21.9% as compared to that as at 31 December 2019. 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 2020, the Group's restricted cash was approximately RMB265 million (2019: approximately RMB90 million), representing an increase of 196.0% as compared to that as at 31 December 2019.

### **Current Ratio and Gearing Ratio**

As at 30 June 2020, the Group has a current ratio (being current assets over current liabilities) of 0.51 compared to that of 0.54 as at 31 December 2019. The gearing ratio was -197.8% as at 30 June 2020 as compared to that of -238.8% as at 31 December 2019. The gearing ratio was calculated 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 capital of the Group plus net debts. The total debt (being aggregated interest-bearing bank and other borrowings, corporate bonds, senior and convertible notes) over total assets ratio was 62.2% as at 30 June 2020 as compared to that of 60.1% as at 31 December 2019.

### **Borrowings and Charges on the Group's Assets**

As at 30 June 2020, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds of approximately RMB3.1 billion (2019: approximately RMB3.2 billion) and approximately RMB6.0 billion (2019: approximately RMB6.0 billion), respectively. Amongst the interest-bearing bank and other borrowings, approximately RMB2.6 billion (2019: approximately RMB2.7 billion) will be repayable within 1 year, approximately RMB462 million (2019: approximately RMB499 million) will be repayable between 2 to 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, approximately RMB3.3 billion (2019: approximately RMB3.4 billion) are repayable within 1 year.

As at 30 June 2020, a substantial part of the interest-bearing bank and other borrowings were secured by land use rights and properties of the Group. The senior and convertible notes were jointly and severally guaranteed by certain subsidiaries of the Group and secured by pledge of their shares. The interest-bearing bank and other borrowings and corporate bonds were denominated in RMB while the senior and convertible notes were denominated in U.S. Dollar.

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.

## **Capital Commitments**

As at 30 June 2020, the Group had committed payment for properties under development amounting to approximately RMB1.9 billion (2019: approximately RMB2.1 billion).

## **Contingent Liabilities**

As at 30 June 2020, the Group had (i) the share of a joint venture's contingent liabilities of approximately RMB23 million (2019: approximately 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 approximately RMB1.3 billion (2019: approximately RMB1.3 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 2020 as the default risk is low.

## **Employees and Remuneration Policies**

As at 30 June 2020, the Group had approximately 558 employees. Total staff costs (including Directors' emoluments) during the six months ended 30 June 2020 amounted to approximately RMB25 million (2019: approximately RMB35 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

The remuneration policy of 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.

## **RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE**

Save as disclosed in this announcement, there had been no material changes on the business operation of the Group since 30 June 2020.

## **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 2020 up to the date of this announcement.

On 4 August 2020, Wuxi Longxiang Investment Company Limited\* (無錫市龍祥投資有限公司) (the “**Vendor**”), each of Zhengzhou Ruimaotong Supply Chain Company Limited\* (鄭州瑞茂通供應鏈有限公司) (the “**Purchaser 1**”) and Henan Yian Supply Chain Management Company Limited\* (河南怡安供應鏈管理有限公司) (the “**Purchaser 2**”) entered into the agreement of property sale and bonds cancellation 1 and agreement of property sale and bonds cancellation 2 respectively, pursuant to which the Vendor agreed to sell, and the Purchaser 1 and Purchaser 2 agreed to acquire a total of 52 commercial property units situated on 5/F, Area A, Wuzhou Galaxy City and a total of 71 commercial property units situated on 4/F, Area C of Wuzhou Galaxy City at a consideration of approximately RMB43.74 million and approximately RMB20.22 million respectively. For details, please refer to the announcement of the Company dated 4 August 2020.

On 21 August 2020, the Company has published an announcement in relation to the winding up of Hong Kong Wuzhou International Group Limited (“**Hong Kong Wuzhou**”) by way of creditors’ voluntary liquidation. As part of the Group’s restructuring and upon request by the relevant creditors, Wuzhou International Investment Limited, the sole shareholder of Hong Kong Wuzhou, an indirect wholly-owned subsidiary of the Company, resolved that Hong Kong Wuzhou could not by reason of its liabilities, continue its business, and that it should be wound up. For details, please refer to the announcement of the Company dated 21 August 2020.

On 24 August 2020, the Company has published an announcement in relation to the independent review of the independent advisor on (i) the suspected unapproved transfers and (ii) unauthorised fund transfers as required by the special investigation committee of the Company. The special investigation committee has considered the findings of the report of the independent advisor and formed views and recommendations. Further, the Board has taken remedial actions in addressing concerns over the internal control of the Group. For details, please refer to the announcement of the Company dated 26 August 2020.

## **CHANGE OF DIRECTORS AND CHIEF EXECUTIVES**

As at the date of this announcement, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors of the Company are as follows:

On 23 July 2020, Mr. Shu Cewan (“**Mr. Shu**”) tendered his resignation as an executive director of the Company, the chairman of the Board (the “**Chairman**”), the chief executive officer of the Company (the “**CEO**”), a member of the remuneration committee and the chairman of the nomination committee of the Company and ceased to be an authorized representative of the Company (the “**Authorized Representative**”) under Rule 3.05 of the Listing Rules. Subsequent to Mr. Shu’s resignation, Mr. Shen Xiaowei has been appointed as the CEO and the Authorized Representative. As there was a vacancy in the role of the chairman of the nomination committee of the Company since 23 July 2020, the Company deviated from code provision A.5.1 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules (the “**CG Code**”) that the nomination committee shall be chaired by the chairman of the Board or an independent non-executive director.

On 3 August 2020, Mr. Shu Guoying has been appointed as the chairman of the nomination committee of the Company and following the appointment of Mr. Shu Guoying as the chairman of the nomination committee of the Company, the Company has been in compliance with code provision A.5.1 of the CG Code. For details, please refer to the announcements of the Company dated 23 July 2020 and 3 August 2020.

Save as disclosed above, the Directors are not aware of any other change in the information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the code provisions as set out in the CG Code. 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 2020 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 because 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 2020 and all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2020.

## **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 2020.

#### **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 2020.

#### **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](http://www.hkexnews.hk)) and the Company ([www.wz-china.com](http://www.wz-china.com)). The interim report of the Company for the six months ended 30 June 2020 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, 31 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.*