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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF 100% EQUITY INTEREST OF XUYI WUZHOU PROPERTY CO., LTD*

On 25 December 2017, the Vendors entered into the Agreements with the Purchaser, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the Sale Interest which is the entire equity interest in the Disposal Company at the Purchase Price of RMB350 million.

As certain applicable ratios with respect to the Disposal exceed 5% but less than 25%, the Disposal constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and should have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 25 December 2017, the Vendors, all being subsidiaries of the Company, entered into the Agreements with the Purchaser, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the Sale Interest which is the entire equity interest in the Disposal Company at the Purchase Price of RMB350 million. The principal terms of the Agreements are set out below:

THE AGREEMENTS

Date: 25 December 2017

Vendors: Wuxi Zhongnan, Wuxi Longxiang, Wuxi Longteng, and Wuxi Longan

Purchaser: The Purchaser

To the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and connected persons (as defined under the Listing Rules) of the Company.

Subject assets: The entire equity interest in the Disposal Company, particulars of which are as follows:

Wuxi Zhongnan: 28% of the equity interest in the Disposal Company

Wuxi Longxiang: 16% of the equity interest in the Disposal Company

Wuxi Longteng: 26% of the equity interest in the Disposal Company

Wuxi Longan: 30% of the equity interest in the Disposal Company

Consideration: The aggregate price payable by the Purchaser to the Vendors for the purchase of the Sale Interest is RMB350 million (the “**Purchase Price**”) and was agreed to be payable by 15 January 2018 in cash in one lump sum. The particulars of the Purchase Price are as follows:

Wuxi Zhongnan: RMB98 million

Wuxi Longxiang: RMB56 million

Wuxi Longteng: RMB91 million

Wuxi Longan: RMB105 million

The Purchase Price as well as the method of settlement of the Purchase Price were arrived at after arm’s length negotiations among the Vendors and the Purchaser taking into account the revaluation of the assets and the financial performance of the Disposal Company, and its business prospects.

The change of registrations at the relevant authorities in the PRC regarding the change of shareholders of the Disposal Company was completed.

Nevertheless, up to the date of this announcement the Purchaser has only paid RMB10 million to the Vendors. As advised by the PRC legal adviser of the Company, given the Purchaser has not paid the Vendors the Purchase Price in full, the Disposal has not been completed and the ultimate control of the Disposal Company shall still remain in the Vendors. It was also agreed between the Group and the Purchaser that the Group shall have the right to require the reversal of the registration of the change of shareholders of the Disposal Company if the Purchaser fails to pay the Purchase Price in full.

The Group and the Vendors will continue to take steps, including bringing legal proceedings, to procure the Purchaser to complete the Disposal by fulfilling its payment obligations of the full Purchase Price or to terminate the Agreements. The Company will publish further announcements in due course if there is further update on this matter.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the information available, the Company expects to recognise an unaudited gain of approximately RMB184.5 million from the Disposal, being the difference between (i) the Purchase Price for the Disposal and (ii) the unaudited net asset value of the Disposal Company as at 31 December 2017 as extracted from its management accounts. The actual gain as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors.

It is expected that the net proceeds from the Disposal will be applied for repayment of bank loans by the Group. Upon Completion, the Disposal Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Disposal Company will no longer be consolidated into the Group's financial statements upon Completion.

INFORMATION ON THE COMPANY AND THE DISPOSAL COMPANY

The Group, comprising the Company and its subsidiaries, is principally involved in property development, property investment and provision of property management services in the PRC.

The Disposal Company principally engages in property development.

The financial information of the Disposal Company, as extracted from its unaudited management accounts for the two years ended 31 December 2015 and 31 December 2016 compiled in accordance with the generally accepted accounting principles of the PRC, were as follows:

	For the year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2,142	14,198
Loss	9,157	2,986

The unaudited net asset values of the Disposal Company as at 31 December 2017 and 31 December 2016 were approximately RMB165.5 million and RMB181.4 million respectively.

INFORMATION ON THE PURCHASER

The Purchaser is a limited liability company established in the PRC and principally engages in the sales of diesel, petrol, natural gas and petrochemical products.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As set out in the paragraph headed “Financial effects of the Disposal” above, the Company expects to recognise an unaudited accounting gain of approximately RMB184.5 million. The Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in the Disposal Company and to allow the Group to allocate more resources to its repayment of bank loans.

Considering the above factors, the Directors consider that the Agreements is on normal commercial terms and is in the interest of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As certain applicable ratios with respect to the Disposal exceed 5% but less than 25%, the Disposal constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and should have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company is aware that this announcement in respect of the Agreements entered into by the Company in December 2017 constituted a late announcement under the Listing Rules. The Company regrets the delay and omission of such disclosure which only came to the senior management’s attention as part of an internal governance review made in July this year.

According to the best of knowledge, information and belief of the Directors, other than the Disposal, the Company complies with the listing rules requirements under Rule 14.34 of the Listing Rules.

REMEDIAL MEASURES

To ensure the Company’s failure to comply with the requirements of Chapter 14 of the Listing Rules will not occur in the future, the Company has taken or will take the following remedial actions:

- (i) the Company has published this announcement to inform the shareholders of the details of the Disposal;
- (ii) the Company has engaged a legal advisor to provide training to the directors and senior management on, inter alia, compliance with the Listing Rules and other applicable laws and regulations. In addition, the Company is in progress of drafting of approval and reporting flow for transactions which may have Listing Rules implications; and

(iii) the Company has formed a new composition of the Board on 7 August 2018 with 6 executive Directors and 3 independent non-executive Directors (the “**New Board**”). For further information of the newly appointed executive Directors and the newly appointed independent non-executive Director, please refer to the announcement of the Company dated 7 August 2018.

The Company believes that the composition of the New Board, the addition of members who have been involved in the PRC’s projects of development and operation, and comprehensive background of engineering, legal, finance and tax, forensic accounting and valuer, could (i) strengthen the communication of the Board and the management team, (ii) enhance the assurance of the compliance with the applicable rules and regulations and strengthen the corporate governance and (iii) strengthen internal control procedures.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the same meanings as set out below:

“Agreements”	the four agreements dated 25 December 2017 entered into between each of the Vendors and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Company”	Wuzhou International Holdings Limited (五洲國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal in accordance with the Agreements
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Interest, details of which are set out in the paragraph headed “Agreements” in this announcement
“Disposal Company”	盱眙五洲國際置業有限公司 (Xuyi Wuzhou International Property Co., Ltd.*), a limited liability company established in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan

“Purchaser”	江蘇潤港石化有限公司 (Jiangsu Rungang Petrochemical Co., Ltd.*), a limited liability company established in the PRC
“Purchase Price”	the aggregate price of RMB350 million payable by the Purchaser to the Vendors for the purchase of the Sale Interest
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the entire equity interest in the Disposal Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively, Wuxi Zhongnan, Wuxi Longxiang, Wuxi Longteng, and Wuxi Longan, all being subsidiaries of the Company
“Wuxi Longan”	無錫市崇安新城龍安置業有限公司 (Wuxi Chonganxincheng Longan Commercial Property Management Co., Ltd.*), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“Wuxi Longteng”	無錫市龍騰商業投資發展有限公司 (Wuxi Longteng Commercial Investment & Development Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
“Wuxi Longxiang”	無錫市龍祥投資有限公司 (Wuxi Longxiang Investment Co., Ltd.*), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“Wuxi Zhongnan”	無錫中南置業投資有限公司 (Wuxi Zhongnan Property Investment Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company

By Order of the Board
WUZHOU INTERNATIONAL HOLDINGS LIMITED
Shu Cecheng
Chairman

Hong Kong, 20 August 2018

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

* For identification purpose only