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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 EQUITY INTERESTS IN FUSHUN ZHONGHE
VOLUNTARY ANNOUNCEMENT:
ACQUISITION OF EQUITY INTERESTS IN CHONGQING YONGCHUAN**

THE ACQUISITION

On 17 December 2018, Zhongnongpi Construction, a wholly-owned subsidiary of Zhongnongpi, and Wuxi Longfa, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement, pursuant to which Zhongnongpi Construction has agreed to sell, and Wuxi Longfa has agreed to purchase, 34% equity interest in Chongqing Yongchuan at a consideration of approximately RMB5.1 million.

Immediately before completion of the Acquisition, 34%, 33%, 18% and 15% of equity interests in Chongqing Yongchuan were held by Zhongnongpi Construction, Wuxi Wuzhou, Wuxi Zhongnan, and Wuxi Tuomai, respectively. Upon completion of the Acquisition, the Group held 85% of equity interest in Chongqing Yongchuan.

THE DISPOSAL

On 17 December 2018, Shenyang Wuzhou, an indirect wholly-owned subsidiary of the Company, and Zhongnongpi (Beijing), a non-wholly-owned subsidiary of Zhongnongpi, entered into the Disposal Agreement, pursuant to which Shenyang Wuzhou has agreed to sell, and Zhongnongpi (Beijing) has agreed to purchase, 49.5% equity interest in Fushun Zhonghe at a consideration of approximately RMB34.0 million.

Immediately before completion of the Disposal, 49.5% and 50.5% of equity interests in Fushun Zhonghe were held by Shenyang Wuzhou and Zhongnongpi (Beijing), respectively. Upon completion, Shenyang Wuzhou no longer held any equity interest in Fushun Zhonghe.

THE SETTLEMENT AGREEMENT

On 17 December 2018, Zhongnongpi Group and Wuzhou Group entered into the Settlement Agreement, pursuant to which the consideration of the Disposal Agreement, i.e. approximately RMB34.0 million, is to be set off by (i) a debt of approximately RMB28.9 million owed by the Group to Zhongnongpi Group and (ii) the consideration of the Acquisition Agreement, i.e. approximately RMB5.1 million. In such circumstances, pursuant to the terms of the Settlement Agreement, parties are not required to pay any actual sums in respect of the Acquisition Agreement and the Disposal Agreement.

LISTING RULES IMPLICATIONS

As at the date of the Acquisition Agreement, Zhongnongpi Construction was a substantial shareholder in Chongqing Yongchuan, an indirect non-wholly owned subsidiary of the Company. Nevertheless, Chongqing Yongchuan fell within the definition of insignificant subsidiary of the Company under Rule 14A.09(1)(b) of the Listing Rules and therefore Zhongnongpi Construction was not included in the scope of connected person under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is not subject to the reporting, announcement nor shareholders' approval requirements under the Listing Rules.

As at the date of the Disposal Agreement, Zhongnongpi (Beijing) was a fellow subsidiary of Zhongnongpi Construction and was an associate of Zhongnongpi Construction.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting, announcement but not the shareholders' approval requirements under the Listing Rules.

(1) THE ACQUISITION

Background

On 17 December 2018, Zhongnongpi Construction, a wholly-owned subsidiary of Zhongnongpi, and Wuxi Longfa, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement, pursuant to which Zhongnongpi Construction has agreed to sell, and Wuxi Longfa has agreed to purchase, 34% equity interest in Chongqing Yongchuan at a consideration of approximately RMB5.1 million.

Immediately before completion of the Acquisition, 34%, 33%, 18% and 15% of equity interests in Chongqing Yongchuan were held by Zhongnongpi Construction, Wuxi Wuzhou, Wuxi Zhongnan, and Wuxi Tuomai, respectively. Upon completion of the Acquisition, the Group held 85% of equity interest in Chongqing Yongchuan.

The Acquisition Agreement

The principal terms of the Acquisition Agreement are set out as follows:

- Date of the Agreement : 17 December 2018
- Parties : (a) Zhongnongpi Construction as vendor; and
(b) Wuxi Longfa as purchaser
- Asset to be acquired : According to the Acquisition Agreement, Zhongnongpi Construction has agreed to sell, and Wuxi Longfa has agreed to purchase, 34% of equity interest in Chongqing Yongchuan. Zhongnongpi Construction has contributed RMB17 million for the said equity interest.
- Consideration : The consideration as agreed under the Acquisition Agreement is approximately RMB5.1 million and shall be settled pursuant to the Settlement Agreement.
- The consideration of the Acquisition was determined after arm's length negotiations having regard to the factors stated in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE DISPOSAL" set out below and the net asset value of Chongqing Yongchuan.
- Completion : Completion of the Acquisition shall take place within 10 business days after the Acquisition Agreement becomes effective. Upon completion of the Acquisition, the Group held 85% of equity interest in Chongqing Yongchuan.

Information on Chongqing Yongchuan

Chongqing Yongchuan was incorporated in the PRC on 17 February 2016 and is principally engaged in property development. Prior to completion of the Acquisition, total capital contribution to Chongqing Yongchuan made by Zhongnongpi Construction is approximately RMB17 million and Chongqing Yongchuan is held as to 34% by Zhongnongpi Construction, 33% by Wuxi Wuzhou, 18% by Wuxi Zhongnan and 15% by Wuxi Tuomai.

According to the unaudited financial statements prepared in accordance with the generally accepted accounting standards in the PRC, the net asset value of Chongqing Yongchuan is approximately RMB13.0 million as of 31 August 2018. The audited financial information of Chongqing Yongchuan for each of the two years ended 31 December 2017 and the unaudited financial information of Chongqing Yongchuan for the eight months ended 31 August 2018 prepared in accordance with the generally accepted accounting standards in the PRC is set out below:

	For the year ended 31 December 2016 (approximately) RMB '000	For the year ended 31 December 2017 (approximately) RMB '000	For the eight months ended 31 August 2018 (approximately) RMB '000
Net profit (loss) before tax and extraordinary items	(3,793.3)	(20,638.8)	(4,581.9)
Net profit (loss) after tax and extraordinary items	(3,793.3)	(20,638.8)	(4,581.9)

General Information

Zhongnongpi Construction

Zhongnongpi Construction is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Zhongnongpi. It is principally engaged in property development, professional contracting, property management and investment management.

Wuxi Longfa

Wuxi Longfa is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in development and construction of large-scale niche markets.

(2) THE DISPOSAL

Background

On 17 December 2018, Shenyang Wuzhou, an indirect wholly-owned subsidiary of the Company, and Zhongnongpi (Beijing), a non-wholly owned subsidiary of Zhongnongpi, entered into the Disposal Agreement, pursuant to which Shenyang Wuzhou has agreed to sell, and Zhongnongpi (Beijing) has agreed to purchase, 49.5% equity interest in Fushun Zhonghe at a consideration of approximately RMB34.0 million.

Immediately before completion of the Disposal, 49.5% and 50.5% of equity interests in Fushun Zhonghe were held by Shenyang Wuzhou and Zhongnongpi (Beijing), respectively. Upon completion, Shenyang Wuzhou no longer held any equity interest in Fushun Zhonghe.

The Disposal Agreement

The principal terms of the Disposal Agreement are set out as follows:

- Date of the Agreement : 17 December 2018
- Parties : (a) Shenyang Wuzhou as vendor; and
(b) Zhongnongpi (Beijing) as purchaser
- Asset to be sold : According to the Disposal Agreement, Shenyang Wuzhou has agreed to sell, and Zhongnongpi (Beijing) has agreed to purchase, 49.5% equity interest in Fushun Zhonghe.
- Immediately before completion of the Disposal, 49.5% of equity interests in Fushun Zhonghe was held by Shenyang Wuzhou. Upon completion of the Disposal, the Group no longer held any equity interest in Fushun Zhonghe.
- Consideration : The consideration as agreed under the Disposal Agreement is approximately RMB34.0 million and shall be settled pursuant to the Settlement Agreement.
- The consideration of the Disposal was determined after arm's length negotiations having regard to the factors stated in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE DISPOSAL" set out below and the net asset value of Fushun Zhonghe.
- Completion : Completion of the Disposal shall take place within 10 business days after the Disposal Agreement becomes effective. Upon completion of the Disposal, the Group no longer held any equity interest in Fushun Zhonghe.

Information on Fushun Zhonghe

Fushun Zhonghe was incorporated in the PRC on 9 September 2013 and is principally engaged in property development and construction. Prior to completion of the Disposal, total capital contribution to Fushun Zhonghe made by Shenyang Wuzhou is approximately RMB43.5 million and Fushun Zhonghe was held as to 49.5% by Shenyang Wuzhou and 50.5% by Zhongnongpi (Beijing).

According to the unaudited financial statements prepared in accordance with the generally accepted accounting standards in the PRC, the net asset value of Fushun Zhonghe is approximately RMB68.7 million as of 31 August 2018. The unaudited financial information of Fushun Zhonghe for each of the two years ended 31 December 2017 and the eight months ended 31 August 2018 prepared in accordance with the generally accepted accounting standards in the PRC is set out below:

	For the year ended 31 December 2016 <i>(approximately)</i> RMB'000	For the year ended 31 December 2017 <i>(approximately)</i> RMB'000	For eight months ended 31 August 2018 <i>(approximately)</i> RMB'000
Net profit (loss) before tax and extraordinary items	(1,325.3)	(7,257.8)	(11,226.3)
Net profit (loss) after tax and extraordinary items	(1,325.3)	(7,257.8)	(11,226.3)

The carrying amount of Fushun Zhonghe as at 31 December 2017 was approximately RMB53.4 million. The Group recorded an unaudited loss of approximately RMB13.84 million as a result of the Disposal, which represents the difference between (i) the consideration of approximately RMB34.0 million and (ii) the sum of the carrying amount of Fushun Zhonghe as at 31 December 2017 deducting the Group's share of net loss of Fushun Zhonghe during the eight months ended 31 August 2018 of approximately RMB5.56 million.

General Information

Shenyang Wuzhou

Shenyang Wuzhou is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development and construction.

Zhongnongpi (Beijing)

Zhongnongpi (Beijing) is a company incorporated in the PRC with limited liability and a non-wholly-owned subsidiary of Zhongnongpi. It is principally engaged in management of agricultural product wholesale market and project operation.

(3) THE SETTLEMENT AGREEMENT

On 17 December 2018, Zhongnongpi, Zhongnongpi Construction, Zhongnongpi (Beijing) (together as "**Zhongnongpi Group**") and Wuxi Wuzhou, Shenyang Wuzhou, Chongqing Yongchuan, Wuxi Longfa and Henan Zhonghe ("**Wuzhou Group**") entered into the Settlement Agreement, pursuant to which the consideration of the Disposal Agreement, i.e. approximately RMB34.0 million, is to be set off by (i) a debt of approximately RMB28.9 million owed by the Group to Zhongnongpi Group and (ii) the consideration of the Acquisition Agreement, i.e. approximately RMB5.1 million. In such circumstances, pursuant to the terms of the Settlement Agreement, parties are not required to pay any actual sums in respect of the Acquisition Agreement and the Disposal Agreement.

(4) REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE DISPOSAL

The Group is principally engaged in property development, property investment and the provision of property management services.

The Acquisition and the Disposal

The cross-shareholding between Zhongnongpi Group and the Group had been existing since the parties decided to form a strategic partnership. The reason for the Acquisition and the Disposal is to restore the status before such partnership existed. From the perspective of the Group, the benefits of the Acquisition and the Disposal are that the Group may re-acquire interests of property projects with better performance while disposing of interests of property projects with worse performance. After a series of negotiation, the Group has reached favorable outcome by entering into the Acquisition Agreement and the Disposal Agreement.

The Settlement Agreement

The Settlement Agreement is beneficial to the Group as it (i) clears all the debt obligations owed by the Group to Zhongnongpi Group and (ii) facilitates the Acquisition by exempting the Group from actual payment of the consideration, thereby does not affect the Group's cash flow.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition Agreement, the Disposal Agreement and the Settlement Agreement are fair and reasonable and on normal commercial terms. The Acquisition, the Disposal and the Settlement Agreement are in the interests of the Company and the shareholders of the Company as a whole.

No Director has a material interest in the transaction and has abstained from voting on the board resolutions approving the Acquisition, the Disposal and the Settlement Agreement.

(5) LISTING RULES IMPLICATION

The Acquisition

As at the date of the Acquisition Agreement, Zhongnongpi Construction was a substantial shareholder in Chongqing Yongchuan, an indirect non-wholly owned subsidiary of the Company. Nevertheless, Chongqing Yongchuan fell within the definition of insignificant subsidiary of the Company under Rule 14A.09(1)(b) of the Listing Rules and therefore Zhongnongpi Construction was not included in the scope of connected person under Chapter 14A of the Listing Rules. Subject to the aforesaid, to the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, Zhongnongpi Construction and its ultimate beneficial owners are third parties independent of and not connected with the Company and the connected persons (as defined under the Listing Rules) of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is not subject to the reporting, announcement nor shareholders' approval requirements under the Listing Rules.

The Disposal

As at the date of the Disposal Agreement, Zhongnongpi (Beijing) was a fellow subsidiary of Zhongnongpi Construction and was an associate of Zhongnongpi Construction. Subject to the aforesaid, to the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, Zhongnongpi (Beijing) and its ultimate beneficial owners are third parties independent of and not connected with the Company and the connected persons (as defined under the Listing Rules) of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting, announcement but not the shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of 34% equity interest in Chongqing Yongchuan by Wuxi Longfa from Zhongnongpi Construction pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the equity transfer agreement dated 17 December 2018 in relation to the Acquisition entered into between Zhongnongpi Construction and Wuxi Longfa;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Chongqing Yongchuan”	Chongqing Yongchuan District Wuzhou Zhonghe Business Logistics Co., Ltd.* (重慶市永川區五洲中合商貿物流有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company;
“Company”	Wuzhou International Holdings Limited (五洲國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1369);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;

“Disposal”	the disposal of 49.5% equity interest in Fushun Zhonghe by Shenyang Wuzhou to Zhongnongpi (Beijing) pursuant to the Disposal Agreement;
“Disposal Agreement”	the equity transfer agreement dated on 17 December 2018 in relation to the Disposal entered into between Shenyang Wuzhou and Zhongnongpi (Beijing);
“Fushun Zhonghe”	Fushun Zhonghe Market Development Co., Ltd.* (撫順中合市場開發有限公司), a company incorporated in the PRC with limited liability;
“Group”	the Company and its subsidiaries;
“Henan Zhonghe”	Henan Zhonghe Wuzhou Agriculture Logistics Co., Ltd.* (河南中合五洲農貿物流有限公司), a company incorporated in the PRC with limited liability;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Settlement Agreement”	the settlement agreement dated 17 December 2018 in relation to the settlement of the consideration of the Acquisition Agreement and the Disposal Agreement;
“Shenyang Wuzhou”	Shenyang Wuzhou International Industrial Expo City Real Estate Co., Ltd.* (瀋陽五洲國際工業博覽城置業有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wuxi Longfa”	Wuxi Longfa Commercial Development Co., Ltd.* (無錫龍發商業發展有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;

“Wuxi Tuomai”	Wuxi Tuomai Investment Partnership (Limited Partnership)* (無錫拓邁投資合夥企業(有限合夥)), a limited partnership established in the PRC;
“Wuxi Wuzhou”	Wuxi Wuzhou International Decoration City Co., Ltd.* (無錫五洲國際裝飾城有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Wuxi Zhongnan”	Wuxi Zhongnan Real Estate Investment Co., Ltd.* (無錫中南置業投資有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Zhongnongpi”	China Supply and Marketing Agricultural Products Wholesale Market Holdings Co., Ltd.* (中國供銷農產品批發市場控股有限公司), a company incorporated in the PRC with limited liability;
“Zhongnongpi (Beijing)”	Zhongnongpi (Beijing) Enterprise Operation Management Co., Ltd.* (中農批(北京)企業運營管理有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of Zhongnongpi;
“Zhongnongpi Construction”	Zhongnongpi Construction Development Co., Ltd.* (中農批建設開發有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Zhongnongpi;
“%”	per cent.

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

* *Translation for reference purpose only*

Hong Kong, 26 February 2019

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 Yongqiu, Mr. Shen Xiaowei, Ms. Cai Qiaoling and Mr. Zhou Chen, and three independent non-executive Directors, being Dr. Song Ming, Prof. Shu Guoying and Mr. Liu Chaodong.