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## **Renhe Commercial Holdings Company Limited**

人和商業控股有限公司\*

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

**(Stock code: 1387)**

### **(I) PROPOSED DISPOSAL OF CERTAIN UNDERGROUND SHOPPING MALLS BY WAY OF TENDER; AND (II) POTENTIAL VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

#### **THE TENDER**

The Company announced on 25 February 2016 that DTZ was appointed as the sole agent to advise on the possible sale of the Disposal Properties and the Tender. After considering the feasibility of the Tender and its commercial benefits, the Company has commenced an invitation of tenders for the sale of the Disposal Properties to potential bidder(s). As at the date of this announcement, the Tender is open and expected to close on or around 20 April 2016, or such later date as the Board considers appropriate.

The Disposal Properties currently available for bidding under the Tender comprise of: (i) 23 completed Shopping Malls, (ii) 11 Shopping Malls under construction and (iii) 10 Shopping Malls at the planning stage with relevant construction approvals obtained. All Disposal Properties are Shopping Malls primarily focused on the sale of apparels and accessories. The Disposal Properties are located in various cities in the PRC including but not limited to Harbin, Heilongjiang, Guangzhou, Dongguan and Chongqing. The total GFA of the Disposal Properties held by the Group amount to approximately 4.1 million sq.m. and the total GFA of the completed Disposal Properties managed by the Group amount to approximately 1.3 million sq.m..

DTZ is currently soliciting interest from potential bidder(s) who are interested in the Disposal Properties. Pursuant to the Tender, the Company allows interested bidder(s) to tender for (i) one or more Disposal Property(ies), or (ii) all Disposal Properties as a bundled package. All interested bidder(s) would be required to submit letter of interest(s) under the Tender which shall specify details including but not limited to the Disposal Properties selected, the offer price, payment terms and expected time required for due diligence review.

All letters of interest received will be reviewed by the Board and will be subject to the final decision of the Board in determining the outcome of the Tender. In deciding whether to accept any letter of interest submitted by any interested buyer, the Board will primarily consider the offer price(s) and the sufficiency of proceeds in meeting the indebtedness and other payables of the Group, in particular whether the offer price(s) satisfy either the Complete Disposal Minimum Price or the Partial Disposal Minimum Price, as the case may be.

Should any Disposal under the Tender be materialised, depending on the size of the selected

Disposal Property(ies), such Disposal contemplated under the Tender may constitute a very substantial disposal as defined under Chapter 14 of the Listing Rules. As such, the Completion contemplated under such Disposal and the relevant sale and purchase agreement(s) should be conditional upon, among others, the compliance with and satisfaction of all requirements under Chapter 14 of the Listing Rules by the Company, including but not limited to obtaining the relevant Shareholders' approval at an extraordinary general meeting of the Company. In the event that the Company enters into any definitive sale and purchase agreement with any successful bidder(s), the Company will comply with the applicable requirement under the Listing Rules and separate announcement and circular regarding the Disposal under such sale and purchase agreement will be made by the Company as appropriate.

As at the date of this announcement, the Company has not received any letter of interest under the Tender. The Board will review any letter of interest(s) submitted by any bidder(s) on or before the Tender Closing Date.

In the event of Unsuccessful Tender, the Company shall, subject to the occurrence, fulfilment or waiver of other conditions precedent (as appropriate) stipulated in the Option Deed, dispose the Disposal Properties to the Standby Purchaser pursuant to the exercise of Put Option under the Option Deed entered by the Company and the Standby Purchaser.

#### **STANDBY ARRANGEMENT AND OPTION DEED**

On 18 March 2016, the Standby Purchaser had entered into the Option Deed with the Company pursuant to which the Company was granted a Put Option to sell all the Disposal Properties to the Standby Purchaser, and the Standby Purchaser should assume all Disposal Properties Payable accrued up to and including the date of Completion (amount to approximately RMB9,640 million as at 31 December 2015) for a cash consideration of US\$1,000 million (approximately RMB6,500 million), which is equivalent to the Complete Disposal Minimum Price under the Tender.

As at the date of this announcement, the Company has exercised the Put Option and the Completion contemplated thereunder is subject to the conditions precedent stated in the Option Deed have been occurred, fulfilled or waived (as appropriate) which includes, among others, the occurrence of the Unsuccessful Tender.

#### **LISTING RULE IMPLICATIONS**

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal contemplated under the exercise of the Put Option exceeds 75%, such Disposal pursuant to the exercise of Put Option constitutes a very substantial disposal (as defined under Chapter 14 of the Listing Rules) for the Company and is therefore subject to the requirements of reporting, announcement and shareholders' approval pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Dai is a Director and is interested (or deemed to be interested) in approximately 64.92% in the issued share capital of the Company, and therefore Mr. Dai is a connected person of the Company as defined under the Listing Rules. The Standby Purchaser is wholly-owned by Mr. Dai and as a result the Standby Purchaser is an associate of Mr. Dai and the Disposal contemplated under the exercise of Put Option therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, which is subject to, among other things, the Independent Shareholders' Approval in the EGM.

#### **GENERAL**

The Independent Board Committee comprising of all of the independent non-executive Directors of the Company has been established to advise the Independent Shareholders regarding the terms and conditions of the Option Deed and the Disposal contemplated under the exercise of the Put Option. An Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Option Deed and the Disposal contemplated under the exercise of the Put Option are on normal commercial terms and are fair and reasonable, and whether it is in the interests of the Company and the Shareholders as a whole. An announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

## **EGM AND DESPATCH OF CIRCULAR**

The EGM will be convened as soon as possible to consider, and if thought fit, to approve (among others) the Disposal as contemplated under the exercise of the Put Option by the Company.

The Circular containing, amongst other information, (i) details of the Option Deed, Put Option and the Disposal contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Option Deed and the Disposal contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a valuation report in respect of the Disposal Properties; and (v) a notice of the EGM, is expected to be despatched to the Shareholders subsequent to the Tender Closing Date. As the Tender Closing Date is currently scheduled on 20 April 2016, the Circular is expected to be despatched on or before 25 April 2016.

**Shareholders and investors should note that the Tender is currently on-going and depending on the market response to the Tender, a Disposal pursuant to the Tender may or may not materialize. Further, the Disposal contemplated under the Put Option is also subject to various conditions as stated in the paragraph headed “STANDBY ARRANGEMENT AND OPTION DEED – Exercise of Put Option and the key terms of the Disposal – (c) conditions precedent for Completion”, therefore the Disposal pursuant to the exercise of Put Option may or may not complete. As such, investors and Shareholders are urged to exercise caution when dealing in the Shares.**

Reference is made to the announcements of the Company dated 31 December 2015 and 25 February 2016 in relation to, among others, the non-fulfillments of the Condition Subsequent and the Financial Covenant under the Syndicated Loan Agreement and the intention to dispose of certain Shopping Malls by way of tender (collectively, the “**Announcements**”). Unless otherwise defined in this announcement, defined terms used herein should have the meanings ascribed in the Announcements.

## **THE TENDER**

Due to the Group’s continuing non-fulfillments of the Condition Subsequent and the Financial Covenant, the Company has proceeded to consider the sale of the Disposal Properties by way of tender to obtain additional cash resources for debt repayment purposes. The Company announced on 25 February 2016 that DTZ was appointed as the sole agent to advise on the possible sale of the Disposal Properties and the Tender. After considering the feasibility of the Tender and its commercial benefits, the Company has commenced an invitation of tenders for the sale of the Disposal Properties to potential bidder(s). As at the date of this announcement, the Tender is open and is currently expected to close on or around 20 April 2016, or such later date as the Board considers appropriate. The details of the Tender are set out as follows:

### **The Disposal Properties**

The Disposal Properties currently available for bidding under the Tender comprise of: (i) 23 completed Shopping Malls, (ii) 11 Shopping Malls under construction and (iii) 10 Shopping Malls at the planning stage with relevant construction approvals obtained.

All Disposal Properties are Shopping Malls primarily focused on the sale of apparels and accessories. The Disposal Properties are located in various cities in the PRC including but not limited to Harbin, Heilongjiang, Guangzhou, Dongguan and Chongqing. The total GFA of the Disposal Properties held by the Group amount to approximately 4.1 million sq.m. and the total GFA of the completed Disposal Properties managed by the Group amount to approximately 1.3 million sq.m..

The Disposal Properties are held and managed by the relevant project companies of the Group in the PRC which, upon the completion of the Reorganisation, shall be indirectly owned by the Target Company and be disposed to the buyer at Completion (either pursuant to the Tender or under the exercise of Put Option). As such, the Group will no longer hold or manage the relevant Disposal Properties subsequent to the Disposal.

Details of each of the Disposal Properties are listed as follows:

Disposal Property(ies)	Location(s)	Project Status	Total GFA held by the Group (sq.m.)	Total GFA managed by the Group (sq.m.)
Harbin Project Phase I	Harbin	Completed	6,865	15,920
Harbin Project Phase II		Completed	19,413	26,829
Harbin Project Phase III		Completed	2,305	21,015
Harbin Spring Plaza Project		Completed	16,800	16,800
Harbin Project Phase IV		Completed	20,615	37,651
Harbin Project Phase V		Completed	6,969	18,932
Harbin Project Phase VI		Completed	5,243	9,534
Harbin Project Phase IV (松花江路)		Planning	15,738	N/A
Harbin Project Phase V (文教街)		Planning	10,000	N/A
Harbin Project Phase VI (尚志大街及十二道街)		Planning	31,500	N/A
Heilongjiang Spring Project Phase I		Heilongjiang	Completed	5,402
Heilongjiang Spring Project Phase II	Completed		3,999	9,510
Shenyang Project Phase I	Shenyang	Completed	73,735	110,500
Shenyang Project Phase II		Completed	40,802	41,490
Liaoning Renhe Project		Completed	57,851	58,612
Shenyang Phase III		Construction	118,058	N/A
Guangzhou Project Phase I	Guangzhou	Completed	4,250	47,554
Guangzhou Project Phase II		Completed	41,861	N/A
Wuhan Project	Wuhan	Completed	44,579	69,209
Handan Project	Handan	Completed	67,021	68,027
Putian Project	Putian	Completed	43,194	55,084
Ganzhou Project	Ganzhou	Completed	47,639	59,900
Fushun Project	Fushun	Completed	10,596	10,596
Jinzhou Project	Jinzhou	Completed	40,346	40,765
Anyang Project	Anyang	Completed	23,583	25,310
Yueyang Project	Yueyang	Completed	69,575	81,780
Wuxi Commercial city	Wuxi	Completed	419,911	429,255
Dongguan Humen Project Phase I	Dongguan	Construction	423,890	N/A
Dongguan Humen Project Phase II		Construction	228,000	N/A
Chongqing Bana Project Phase I	Chongqing	Construction	60,669	N/A
Chongqing Dadukou Project Phase I		Construction	40,379	N/A
Hainan Sanya Project	Hainan	Construction	135,190	N/A
Liaoning Anshan Project Phase II	Anshan	Construction	118,000	N/A
Liaoning Anshan Project Phase III		Construction	18,928	N/A
Hebei Qinhuangdao Project Phase I	Qinhuangdao	Construction	23,282	N/A
Hebei Qinhuangdao Project Phase II		Planning	96,718	N/A
Shandong Yantai Project Phase I	Yantai	Construction	30,000	N/A
Shandong Yantai Project Phase II		Planning	56,000	N/A
Jiangxi Yingtan Project Phase I	Yingtan	Construction	86,000	N/A
Jiangxi Yingtan Project Phase II		Planning	69,000	N/A
Shenzhen Project	Shenzhen	Planning	160,000	N/A
Guizhou Guiyang Project Phase I	Guiyang	Planning	420,000	N/A
Shandong Qingdao Project	Qingdao	Planning	500,000	N/A
Henan Zhengzhou Project Phase II	Zhengzhou	Planning	350,000	N/A
		Total:	4,063,906	1,266,163

## Stages of the Tender

### *Letter of interest*

DTZ is currently soliciting interest from potential bidder(s) who are interested in the Disposal Properties.

Pursuant to the Tender, the Company allows interested bidder(s) to tender for (i) one or more Disposal Property(ies), or (ii) all Disposal Properties as a bundled package.

All interested bidder(s) would be required to submit letter of interest(s) under the Tender which shall specify details including but not limited to the Disposal Properties selected, the offer price, payment terms and expected time required for due diligence review.

### *Board assessment*

All letters of interest received will be reviewed by the Board and will be subject to the final decision of the Board in determining the outcome of the Tender. In deciding whether to accept any letter(s) of interest submitted by any interested buyer, the Board will primarily consider, among other factors, the offer price(s) and sufficiency of proceeds in meeting the indebtedness and other payables of the Group.

In the event that the letter(s) of interest received cover all Disposal Properties (“**Complete Disposal Scenario**”), the Board would proceed with such letter(s) of interest if the highest offer price (or highest aggregated offer prices) amount to not less than US\$1,000 million (the “**Complete Disposal Minimum Price**”). In this scenario, the relevant bidder(s) would be required to assume all the indebtedness, construction payable and capital expenditures related to the Disposal Properties (the “**Disposal Properties Payable**”) accrued up to and including the date of Completion. As at 31 December 2015, the Disposal Properties Payable amounted to approximately RMB9,640 million.

The Complete Disposal Minimum Price was formulated based on the following factors:

- the amount of sales proceeds necessary to enable the Company to discharge its current offshore indebtedness subject to potential acceleration of approximately US\$760 million (equivalent to approximately RMB4,940 million);
- the general working capital need of approximately RMB1,560 million for further development of the Remaining Business;
- the assumption of the Disposal Properties Payable by the buyer(s) as a result of the Disposal, which amount to approximately RMB9,640 million as at 31 December 2015;
- the negative market outlook in relation to the commercial property sector in the PRC and the Shopping Mall Business as stated in the paragraph headed “REASON OF THE DISPOSAL” of this announcement;
- the general negative market sentiment towards Disposal Properties which are underground civil air defense shelters, particularly that government authorities in the PRC are entitled to take over for use as civilian shelters during times of war; and
- the scale of the Disposal Properties and the timely need of the Group to obtain additional cash resources should there be an acceleration of Syndicated Loan and cross-default of other loan(s) of the Group.

In the event that the letter(s) of interest received do not cover all Disposal Properties (“**Partial Disposal Scenario**”), the Board would only proceed with such letter(s) of interest if the highest offer price (or aggregate highest offer prices) amount to not less than the sum of:

- a. US\$1,000 million (approximately RMB6,500 million); and

- b. any and all remaining Disposal Properties Payable attached to the unsold Disposal Properties (the “**Partial Disposal Minimum Price**”).

The relevant information regarding indebtedness, construction payables and capital expenditures for each Disposal Property is made available to interested bidders.

The Completed Disposal Minimum Price or Partial Disposal Minimum Price (as the scenario may be) represents the minimum pricing requirement for any bid(s) to be successful in the Tender.

#### *Memorandum of Understanding*

Once the Board has reviewed and decided to accept one or more of the letter(s) of interest submitted, the Company will engage with the relevant successful bidder(s) to enter into a non-binding memorandum of understanding setting forth an exclusivity period, if required, for pursuing the acquisition of the Disposal Properties selected.

The successful bidder(s) would be required to provide the relevant proof of funding and an earnest money deposit up to approximately 0.5% of the aggregate offer price to the Company before the successful bidder(s) may commence the relevant due diligence exercise.

#### *Binding sale and purchase agreement*

Assuming satisfaction of the due diligence review, the successful bidder(s) will enter into a definitive sale and purchase agreement with the Company in relation to the Disposal. Should such Disposal under the Tender materialise, depending on the size of the selected Disposal Property(ies), such Disposal under the Tender may constitute a very substantial disposal as defined under Chapter 14 of the Listing Rules. As such, the Completion contemplated under such sale and purchase agreement with the Company should be conditional upon, among others, the compliance with and satisfaction of all requirements under Chapter 14 of the Listing Rules, including but not limited to obtaining the relevant Shareholders’ approval at an extraordinary general meeting of the Company.

In the event that the Company enters into any definitive sale and purchase agreement with any successful bidder(s) under the Tender, the Company will comply with the applicable requirement under the Listing Rules and a separate announcement and circular regarding the Disposal under such sale and purchase agreement will be made by the Company as appropriate.

#### **Structure of the Tender and the Reorganisation**

The Disposal contemplated under the Tender would be conducted through the sale of the entire issued share capital in one or more Target Companies to the successful bidder(s).

The Company will undergo a Reorganisation pursuant to which all the shares in each of the relevant offshore subsidiaries of the Company indirectly holding the Disposal Properties would be transferred into the Target Company(ies). Subject to the completion of the Reorganisation and satisfaction of all conditions contained in the relevant sale and purchase agreement(s) of the Disposal, upon Completion, the entire issued share capital of the Target Company(ies) would be transferred to the successful bidder(s).

Each Target Company will be an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company immediately before the Completion. Each Target Company will not have any operation and will not have generated any revenue since its establishment. Upon Completion, the sole asset of the Target Company(ies) will be the relevant Disposal Properties selected by the relevant successful bidder(s).

#### **Time frame of the Tender**

As at the date of this announcement, the Tender is open and is expected to close on or around 20 April 2016, or such later date as the Board considers appropriate.

As at the date of this announcement, the Company has not received any letter of interest. The Board will review any letter of interest(s) submitted by any bidder(s) on or before the Tender Closing Date.

In the event of Unsuccessful Tender, the Company shall, subject to the occurrence, fulfilment or waiver of other conditions precedent (as appropriate) stipulated in the Option Deed, dispose the Disposal Properties to the Standby Purchaser pursuant to the exercise of the Put Option under the Option Deed, further details of which are set out below in the paragraph headed “STANDBY ARRANGEMENT AND THE OPTION DEED” of this announcement.

## REASON OF THE DISPOSAL

Since 2013, the Shopping Mall Business has encountered difficult operating environment attributable to weaker domestic consumption, an over-supply of newly built commercial property space and increasing competition from e-commerce evolution. The revenue of the Shopping Mall Business derived from the transfer of operation rights of the underground shopping mall units had decreased in the recent years – decreased by 66% to RMB92.7 million in 2013 from RMB270.5 million in 2012, by some further 77% to RMB21.6 million in 2014 and by some further 90% to RMB2.2 million in 2015.

The Group also continued to have suffered substantial net valuation loss on investment properties in respect of the Shopping Mall Business since 2013. Net valuation loss amounted to RMB832.3 million in 2013, RMB1,364.5 million in 2014 and RMB 4,441.7 million in 2015. The continuing increase of valuation loss was due in part to the delays in construction of various shopping mall projects of the Shopping Mall Business.

Based on the unaudited consolidated management accounts of the relevant offshore subsidiaries of the Company indirectly holding the Disposal Properties, assuming the Reorganisation has taken place from the very first day of the financial period, the net profits/loss (both before and after taxation and extraordinary items) attributable to the Disposal Properties for the two years ended 31 December 2015 is set out below:

	For the Financial Year ended	
	31 December 2014 (RMB'000 approx.)	31 December 2015 (RMB'000 approx.)
Net profit/(loss) before taxation	(1,307,862)	(4,519,407)
Net profit/(loss) after taxation	(1,146,418)	(3,483,116)

The Board believes that the outlook of the commercial property sector in the PRC and consequentially the Shopping Mall Business will remain challenging under the current operating conditions in the PRC, especially in light of the trends of wholesale and retail consumption shifting away from physical shopping space towards online channels as e-commerce evolves.

Meanwhile, the Group has completed the acquisition of Yield Smart Limited on 27 July 2015 and since then commenced the operation of Agricultural Market Business. The revenue attributable to the Agricultural Market Business during the period from 27 July 2015 to 31 December 2015 amount to RMB386.6 million, which represent 44.4% of the revenue of the Group for the year ended 31 December 2015. The agriculture sector is one of the most supported industries by the PRC Government and there are enormous potential business opportunities. As such, the Company is confident and positive on the outlook of Agricultural Market Business.

As a result, in light of the financial needs of the Group arising from the non-fulfilment of the Condition Subsequent and the Financial Covenant and the consequential potential acceleration of the Syndicated Loan and cross-defaults of other loan(s) of the Group, the Board considered that the Disposal, either by way of Tender or pursuant to the exercise of the Put Option, would be in the interest of the Company and the Shareholders, as such Disposal would enable the Company to obtain additional cash resources in the most timely manner to meet the potential immediate repayment obligation of the indebtedness of the Group, while retaining the profitable segment of the Group's business, namely the Agricultural Market Business, at the same time. The Group will retain a total of nine projects with approvals for construction which may potentially be planned and developed into shopping malls focussing on the sale of agricultural produce. Please refer to the paragraph headed “FUTURE STRATEGY AND BUSINESS FOCUS OF THE REMAINING GROUP” of this announcement for further details on the Group's future business strategy subsequent to the Disposal.

## **FINANCIAL EFFECT ON THE GROUP SUBSEQUENT TO DISPOSAL**

Assuming all the Disposal Properties are disposed for not less than US\$1,000 million, either by way of Tender or pursuant to the exercise of Put Option by the Company, the Company would be able to repay all of its existing offshore indebtedness while all existing onshore indebtedness of the Group will be assumed by the buyer(s) of the Disposal Properties.

As such, the Company will achieve a net cash position as a result of the Disposal. Further, the Company could also utilise the remaining proceeds of the Disposal as general working capital for further development of the Agricultural Market Business, in particular the Group would continue to seek to develop an e-commerce trading platform for the wholesale and retail of agricultural produce with a view to tapping online-to-offline opportunities in the PRC's agriculture sector.

Based on the unaudited consolidated management accounts of the relevant offshore subsidiaries of the Company indirectly holding the Disposal Properties, the aggregate net asset value of all the relevant offshore subsidiaries of the Company indirectly holding all the Disposal Properties amount to approximately RMB20.6 billion as at 31 December 2015. Assuming the Disposal Properties is disposed at US\$1,000 million, either pursuant to the Tender or the exercise of the Put Option by the Company, the Company shall incur an expected loss of approximately RMB14.1 billion, being the difference between US\$1,000 million and the aggregate net asset value of all the offshore subsidiaries of the Company holding all the Disposal Properties. Shareholders should note that the expected disposal loss is shown for reference only and the amount of disposal loss eventually to be recognised in the consolidated accounts of the Company depends on the financial position of the Target Company(ies) as at the date of Completion.

## **USE OF PROCEEDS**

All proceeds from the Disposal, either pursuant to the Tender or through the exercise of the Put Option by the Company, will primarily be applied towards the repayment of all offshore indebtedness of the Group, with the remaining balance to be applied to general working capital purpose for future development of the Remaining Businesses.

## **FUTURE STRATEGY AND BUSINESS FOCUS OF THE REMAINING GROUP**

Subsequent to the Disposal (either by way of Tender or pursuant to exercise of the Put Option), the Group will engage in the Remaining Business which consists of:

- (a) the Shopping Mall Business – subsequent to the Disposal, the key assets for this business segment would contain nine Shopping Malls projects with approval for construction (as well as any other future new projects) which could potentially be developed into Shopping Malls focussing on the sale of agricultural produce; and
- (b) the Agricultural Market Business.

Further, the Group is also seeking to develop the e-commerce trading platform for the wholesale and retail of agricultural produce.



The aggregated approved GFA of the abovementioned nine shopping malls projects amounted to approximately 1.78 million sq.m., details of which are set out as follows:

Remaining projects of the Group subsequent to Disposal	Location	GFA (sq.m.) (note)
Tianjin Project	Tianjin	121,220
Tianjin West Station South Plaza Project		100,000
Hubei Wuhan XibeiHu Project	Wuhan	450,000
Jiangsu Wuxi Taihu Plaza Project	Wuxi	250,000
Hebei Zhangjiakou Project	Zhangjiakou	150,000
Henan Luoyang Project	Luoyang	194,840
Anhui Wuhu Project	Wuhu	150,000
Yunnan Kunming Project	Kunming	200,000
Jiangxi Nanchang Bayi Tunnel Project	Nanchang	162,000
	Total GFA:	1,778,060

*Note: The total GFA refers to the maximum gross floor area permitted for development under the relevant licences and approvals issued by the PRC authorities in respect of such project sites.*

Subsequent to the Disposal, the Company aims to strategically focus on business areas related to the sale of agricultural products. The Company believes that the Group is well positioned to further develop the Remaining Business, given its established expertise from the Shopping Mall Business and the Agricultural Market Business in relation to commercial property operation and management and sale of agricultural produce. Following the completion of the Disposal, it is expected that management will be able to better focus its attention on developing the strategic growth areas in the Remaining Business.

#### **STANDBY ARRANGEMENT AND OPTION DEED**

On 18 March 2016, the Standby Purchaser had entered into the Option Deed with the Company pursuant to which the Standby Purchaser has granted a Put Option in favour of the Company regarding the Disposal. For the reason and benefit of the Option Deed and the Put Option thereunder, please refer to the paragraph headed "BENEFIT OF THE PUT OPTION" of this announcement.

The principle terms of the Option Deed are set out below:

#### **Date**

18 March 2016

#### **Parties**

- (1) the Standby Purchaser; and
- (2) the Company.

#### **Subject Matter**

The Standby Purchaser has granted a Put Option in favour of the Company pursuant to which the Company shall have the right to exercise the Put Option to sell all the Disposal Properties (together with relevant trademarks and intellectual property rights of the relevant Disposal Properties, if any) to Standby Purchaser for a cash consideration of US\$1,000 million (approximately RMB6,500 million), equivalent to the Complete Disposal Minimum Price under the Tender.

Similar to the successful bidders under the Complete Disposal Scenario, by acquiring all the Disposal Properties, Standby Purchaser will also assume the Disposal Properties Payable accrued up to and including the date of Completion pursuant to the exercise of the Put Option. As at 31 December 2015, such Disposal Properties Payable amounted to approximately RMB9,640 million.

The Disposal will be effected by way of transfer of the entire issued share capital of the Target Company, which immediately upon completion of the Reorganisation, should hold all the issued share capital of the relevant offshore subsidiaries of the Company indirectly holding the Disposal Properties.

### **Exercise of Put Option and the key terms of the Disposal**

The Company has exercised the Put Option as at the date of this announcement, and the Completion under the exercise of the Put Option is subject to the conditions precedent stated under the Option Deed have been occurred, fulfilled or waived (as appropriate), which includes, among others, the occurrence of the Unsuccessful Tender.

The key terms of the Disposal contemplated under the exercise of the Put Option are set out as follow:

#### ***(a) Consideration***

The Standby Purchaser should acquire the Disposal Properties and assume all the Disposal Property Payable accrued up to and including the date of Completion (amount to approximately RMB9,640 million as at 31 December 2015) in the consideration of US\$1,000 million, which should be payable in cash and settled in full upon Completion.

The Consideration has been arrived at after arm's length negotiation between the Standby Purchaser and the Company with reference to, among other things, (i) the Standby Purchaser is required to offer no less than the Complete Disposal Minimum Price that would have been accepted by the Board in the Completed Disposal Scenario under the Tender and (ii) the basis in formulating the Complete Disposal Minimum Price, details of which is set out in the paragraph headed "TENDER – Stages of the Tender – Board assessment" of this announcement above.

Having considered aforesaid, the Directors (excluding the independent non-executive Directors who will give their view after receiving advice from the Independent Financial Adviser) are of the view that the Consideration is fair and reasonable under the current financial circumstance encountered by the Company and the transaction contemplated under the Put Option as a standby arrangement is in the interests of the Company and the Shareholder as a whole.

#### ***(b) Non-competition undertaking***

The Standby Purchaser irrevocably undertakes that none of the Disposal Properties to be bought pursuant to the Put Option would be engaged in (or be developed to engage in, operate, manage, hold, invest or otherwise be interested in) shopping malls or markets which conduct the sale of agricultural produce in the PRC which may directly or indirectly compete with any of the Group's Remaining Business.

#### ***(c) Conditions precedent for Completion***

The following conditions precedent should have been occurred, fulfilled or waived (if applicable) on or before 30 June 2016, failing which the Option Deed should be terminated and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof:

- (a) the occurrence of Unsuccessful Tender;
- (b) the Independent Shareholders' Approval has been obtained in the EGM;
- (c) all relevant licences, permissions, waivers, orders, exemptions, notifications, authorisations, consents, confirmations and approvals from the relevant governmental or regulatory authorities necessary for the consummation and implementation of the transactions contemplated by the Reorganisation and the Option Deed have been obtained, effective and not being revoked;
- (d) no relevant governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that restrict or prohibit the implementation of Disposal, Reorganisation or other transactions contemplated under the Option Deed;
- (e) the completion of the Reorganisation in compliance with all applicable laws and regulations;

- (f) all relevant waivers, notifications and consents from any third parties required in relation to the transactions contemplated under the exercise of the Put Option have been obtained, effective and not being revoked;
- (g) the representations and warranties given by the Company as set forth in the Option Deed remain true and accurate as at the date of Completion; and
- (h) the transfer of the relevant intellectual property rights of the Disposal Properties, including the relevant trademarks, patents and copyrights of the Disposal Properties (if any) to the Target Company in accordance with the Option Deed has been completed.

Standby Purchaser may in its discretion waive any of the conditions set out in paragraphs (f) to (h) above, but no parties to the Option Deed shall have the right to waive any of the conditions set out in paragraph (a) to (e).

#### **(d) Completion**

The Completion is expected to take place by no later than the fifth Business Days immediately after but not including the date on which all conditions precedent for Completion have been occurred, fulfilled or waived (as appropriate), and in any event the Completion should take place by no later than 8 July 2016.

Upon Completion, the Group shall no longer have any interest in the Disposal Properties and the Target Company will no longer be a subsidiary of the Group.

#### **INFORMATION ON STANDBY PURCHASER**

The Standby Purchaser is an investment holding company incorporated in the British Virgin Islands and is wholly-owned by Mr. Dai, and Mr. Dai is the controlling shareholder of the Company which (together with his associates) is interested in aggregate of 64.92% of the issued share capital of the Company, and therefore the Standby Purchaser and Mr. Dai are connected persons as defined in the Listing Rules.

#### **BENEFIT OF THE PUT OPTION**

As stated in the paragraph headed "THE TENDER" of this announcement, as at the date of this announcement, no letter of interest has been received by the Company under the Tender. There can be no assurance that the Company will be successful in soliciting letter(s) of interest from interested buyers and consequently selling the Disposal Properties to the successful bidder(s).

The Board believes that the Option Deed and the Disposal contemplated under the exercise of the Put Option serves as a standby arrangement to ensure the Company could raise sufficient fund in a timely manner. In the event of Unsuccessful Tender, the Disposal Properties could be sold for cash immediately pursuant to the Disposal contemplated under the exercise of Put Option, thereby enable the Company to meet all of its potential immediate repayment obligations in the event of acceleration of Syndicated Loan and the consequential cross-default.

For the reason and the financial benefit of the Disposal, either by way of Tender or exercise of the Put Option, please refer to the paragraphs headed "REASON OF THE DISPOSAL" and "FINANCIAL EFFECT ON THE GROUP SUBSEQUENT TO DISPOSAL" of this announcement above.

#### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal contemplated under the Put Option exceeds 75%, such Disposal pursuant to the Put Option constitutes a very substantial disposal for the Company and is therefore subject to the requirements of reporting, announcement and Shareholders' approval pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Dai is the Director and is interested (or deemed to be interested) in approximately 64.92% in the issued share capital of the Company, Mr. Dai is a connected person of the Company as defined under the Listing Rules.

The Standby Purchaser is wholly-owned by Mr. Dai and as a result the Standby Purchaser is an associate of Mr. Dai and the Disposal contemplated under the exercise of Put Option therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, which is subject to, among other things, the Independent Shareholders' Approval in the EGM.

Given that Mr. Dai has a material interest in the Disposal pursuant to the exercise of Put Option, Mr. Dai and his associates have abstained from voting at the meeting of the Board for approving the Disposal pursuant to the exercise of Put Option. Mr. Dai and his associates, which together hold 28,544,702,571 Shares, representing approximately 64.92% of the issued share capital of the Company as at the date of this announcement, will abstain from voting at the EGM for approving the Disposal pursuant to the Put Option.

### **INFORMATION OF THE GROUP**

The Group is principally engaged in (i) the Shopping Mall Business; and (ii) Agricultural Market Business.

As at 31 December 2015, the Group managed 22 malls across 12 cities in the PRC with a total GFA of approximately 1.27 million sq.m. under management and leasable GFA amounts to approximately 0.87 million sq.m.. The Group's project reserved stand at approximately 4.81 million sq.m., which includes 12 projects with total planned GFA of approximately 1.32 million sq.m. where construction has been commenced, and also 19 projects with a total approved GFA of approximately 3.49 million sq.m. which the Group has received approvals for the construction. As disclosed in the announcement of the Company dated 27 July 2015, the Group has completed the acquisition of the entire issued share capital of Yield Smart Limited and since then the Group is also engaged in the Agricultural Market Business. As at 31 December 2015, the Group operated a total of eight agricultural produce wholesale markets across six cities in the PRC.

### **GENERAL**

The Independent Board Committee comprising all of the independent non-executive Directors of the Company has been established to advise the Independent Shareholders regarding the terms and conditions of the Option Deed and the Disposal contemplated under the Put Option. An Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Option Deed and the Disposal contemplated under the exercise of the Put Option are on normal commercial terms and are fair and reasonable, and whether it is in the interests of the Company and the Shareholders as a whole. An announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

### **EGM AND DESPATCH OF CIRCULAR**

The EGM will be convened as soon as possible to consider, and if thought fit, to approve (among others) the Disposal as contemplated under the exercise of the Put Option by the Company.

The Circular containing, amongst other information, (i) the details of the Option Deed, Put Option and the Disposal contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Option Deed and the Disposal contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a valuation report in respect of the Disposal Properties; and (v) a notice of the EGM, is expected to be despatched to the Shareholders subsequent to the Tender Closing Date. As the Tender Closing Date is currently scheduled on 20 April 2016, the Circular is expected to be despatched on or before 25 April 2016.

Shareholders and investors should note that the Tender is currently on-going and depending on the market response to the Tender, a Disposal pursuant to the Tender may or may not materialize. Further, the Disposal contemplated under the Put Option is also subject to various conditions as stated in the paragraph headed “STANDBY ARRANGEMENT AND OPTION DEED – Exercise of Put Option and the key terms of the Disposal – (c) conditions precedent for Completion”, therefore the Disposal pursuant to the Put Option may or may not complete. As such, investors and Shareholders are urged to exercise caution when dealing in the Shares.

## DEFINITIONS

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

<b>Agricultural Business</b>	<b>Market</b>	the business of operating wholesale and retail markets for the sale of agricultural produce in the PRC conducted by the Group
<b>associate(s)</b>		has the meaning ascribed thereto in the Listing Rules
<b>Board</b>		the board of Directors
<b>Business day</b>		a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
<b>Circular</b>		the circular containing, amongst other information (i) the details of the Option Deed, Put Option and the Disposal contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Option Deed and the Disposal contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a valuation report in respect of the Disposal Properties; and (v) a notice of the EGM, which is expected to be despatched on or before 25 April 2016
<b>Company</b>		Renhe Commercial Holdings Company Limited (Stock Code: 1387), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed in the Stock Exchange
<b>Completion</b>		the completion of Disposal either pursuant to Tender or the exercise of the Put Option by the Company under the Option Deed, as the context requires
<b>connected person(s)</b>		has the meaning ascribed to it under the Listing Rules
<b>Consideration</b>		the cash consideration of US\$1,000 million (equivalent to RMB6,500 million) being the amount the Standby Purchaser required to settle for the purpose of acquiring the Disposal Properties pursuant to the exercise of the Option Deed
<b>Disposal</b>		the disposal of the Disposal Properties either by way of Tender or pursuant to the exercise of Put Option, as the context requires
<b>Disposal Property(ies)</b>		any one or more of the Shopping Mall made available for Disposal, either by Tender or pursuant to the exercise of the Put Option, details of which are set out in the paragraph headed “THE TENDER – The Disposal Properties” of this announcement
<b>Director(s)</b>		the director(s) of the Company

<b>DTZ</b>	DTZ   Cushman & Wakefield, the sole agent of the Tender engaged by the Company for the purpose of advising and executing on the Disposal under the Tender
<b>EGM</b>	the extraordinary general meeting of the Company to be convened at which, among others, the Disposal pursuant to the exercise of the Put Option and the terms contemplated thereunder pursuant to the Option Deed will be considered, and if thought fit, approved by the Independent Shareholders
<b>GFA</b>	gross floor area
<b>Group</b>	the Company and its subsidiaries from time to time
<b>Hong Kong</b>	Hong Kong Special Administrative Region of the PRC
<b>Independent Board Committee</b>	the independent board committee established by the Company consisting of all the independent non-executive Directors to advise the Independent Shareholders in relation to the terms and conditions of the Option Deed and the transactions contemplated thereunder
<b>Independent Financial Adviser</b>	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Option Deed and the transactions contemplated thereunder
<b>Independent Shareholder(s)</b>	Shareholders other than Mr. Dai and its associates and any person who is involved in, or interested in, the Disposal pursuant to the Put Option, who are entitled to attend and vote at the relevant shareholders' meeting of the Company under the applicable laws and regulations and the articles of association of the Company
<b>Independent Shareholders' Approval</b>	ordinary resolution(s) by the Independent Shareholders at the EGM for the approval of, among others, the Disposal pursuant to the exercise of the Put Option by the Company
<b>Listing Rules</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>Mr. Dai</b>	Mr. Dai Yongge, the chairman, executive Director and controlling shareholder (as defined in the Listing Rules) of the Company. As at the date of this announcement, Mr. Dai (together with his associates) is interested in approximately 64.92% of the issued share capital of the Company
<b>Option Deed</b>	the Option Deed entered into by the Company and Standby Purchaser on 18 March 2016 in respect of, among others, the Put Option
<b>PRC</b>	the People's Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
<b>Put Option</b>	the option exercisable by the Company to sell all the Disposal Properties at the Consideration to Standby Purchaser
<b>Remaining Business</b>	the business to be conducted by the Remaining Group subsequent to the Disposal, detail of which is set out in the paragraph headed "FUTURE STRATEGY AND BUSINESS FOCUS OF THE REMAINING GROUP"
<b>Remaining Group</b>	the Group immediately after the Completion

<b>Reorganisation</b>	the reorganisation contemplated under the Disposal either pursuant to the Tender or the exercise of Put Option, detail of which is set out in the paragraph headed “THE TENDER – Structure of the Tender and Reorganisation” of this announcement
<b>RMB</b>	Renminbi, the lawful currency of the PRC
<b>Shareholder</b>	holders of the shares of the Company
<b>Shopping Mall(s)</b>	the underground or ground level shopping mall(s) of the Shopping Mall Business operated or managed by the Group
<b>Shopping Business</b>	<b>Mall</b> the business of developing, leasing and managing Shopping Malls which engage in the sale of a wide variety of products, such as apparel, accessories and small commodities in the PRC
<b>Sq.m.</b>	square meter
<b>Standby Purchaser</b>	Apex Assure Limited (盛諾有限公司), a limited liability company incorporated in the British Virgin Islands and is wholly-owned by Mr. Dai
<b>Target Company(ies)</b>	company(ies) incorporated in the British Virgin Islands with limited liability and wholly-owned subsidiary(ies) of the Company immediately before the Completion which upon completion of Reorganisation, should hold the relevant offshore subsidiaries of the Company indirectly holding the relevant Disposal Property(ies); for the Disposal pursuant to the exercise of Put Option by the Company, such Target Company being Stone Wealth Limited (碩裕有限公司), a company incorporated in the British Virgin Islands with limited liability and wholly-owned subsidiary of the Company as at the date of this announcement
<b>Tender</b>	the tender conducted by DTZ as sole agent for and on behalf of the Company for the purpose of the Disposal
<b>Tender Closing Date</b>	the last date which letter(s) of interest regarding the Disposal Properties are opened for submission under the Tender, which is currently expected to be 20 April 2016 or such other date as the Board considers appropriate, including any extended closing date(s)
<b>Unsuccessful Tender</b>	refers to any one of the following events: (i) no letter of interest in relation to the Disposal Properties received by the Company on or before the Tender Closing Date; or (ii) the letter(s) of interest received on or before the Tender Closing Date is/are not acceptable to the Board, in particular where the offer price indicated in such letter(s) of interest do not meet the Completed Disposal Minimum Price or the Partial Disposal Minimum Price, as the case may be
<b>US\$</b>	The United States of America Dollars, a lawful currency of the United States of America
<b>%</b>	per cent.

*In this announcement, for illustration purpose only, conversion of USD into RMB is based on the approximate exchange rate of USD1 to RMB6.5. Such exchange rate is for illustration purpose only and does not constitute a representation that any amounts were or may have been exchange at this or any other rates or at all.*

By Order of the Board  
**Renhe Commercial Holdings Company Limited**  
**Dai Yongge**  
Chairman

Hong Kong, 18 March 2016

*As at the date of this announcement, the executive Directors are Mr. Dai Yongge, Mr. Wang Hongfang, Mr. Hu Yuzhou, Mr. Dai Bin and Mr. Zhou Jun; the non-executive Directors are Mrs. Hawken Xiu Li, Ms. Jiang Mei, Ms. Zhang Xingmei, Mr. Zhang Dabin and Ms. Wang Chunrong; and the independent non-executive Directors are Mr. Wang Shengli, Mr. Wang Yifu, Mr. Fan Ren-Da, Anthony, Mr. Leung Chung Ki and Mr. Tang Hon Man.*

*\* For identification purposes only*