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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**

### **Major Transaction**

#### **Disposal of a Subsidiary**

On 18 December 2009, the Seller (a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with the Purchaser pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase the Sale Share for a total consideration of HK\$2,765,431,818.

The Disposal constitutes a major transaction of the Company for the purpose of the Listing Rules and will be subject to approvals by the Shareholders. Since no Shareholders or any of their associates (within the meaning of the Listing Rules) are required to abstain from voting if a general meeting is to be convened for the approval of the Disposal, the Company has obtained a written approval from its Shareholders which holds more than 50% in nominal value of the issued share capital of the Company in lieu of holding a general meeting for the approval of the Disposal pursuant to Rule 14.44 of the Listing Rules.

A circular containing, inter alia, further information on the Disposal will be despatched to the Shareholders in accordance with the relevant requirements of the Listing Rules.

On 18 December 2009, the Seller (a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase the Sale Share for a total consideration of HK\$2,765,431,818. The principal terms of the Agreement are set out below:

#### **AGREEMENT**

##### **Date**

18 December 2009

##### **Parties**

- (1) the Seller
- (2) the Purchaser

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

### **Assets to be disposed of**

The Seller has agreed to dispose of and the Purchaser has agreed to purchase the Sale Share, representing the entire issued share capital of Victory Faith, a wholly-owned subsidiary of the Company as at the date of this announcement.

The Seller will cease to own any interest in Victory Faith after the transfer of the Sale Share and Victory Faith will cease to be a subsidiary of the Company upon completion of the Disposal.

### **Conditions precedent**

The Agreement is conditional upon the Seller having obtained the approval signed by the Shareholders in relation to the Agreement and the transaction therein or such other consents or approvals as may be required under the Listing Rules to permit the consummation of the transactions contemplated in the Agreement.

### **CONSIDERATION**

The total Consideration is HK\$2,765,431,818, 30% of which is payable in cash by the Purchaser on the Completion Date and the balance will be payable in cash by the Purchaser on or before 30 June 2010.

The Consideration was determined between the parties after arm's length negotiations with reference to, amongst others, the consolidated net asset value of approximately RMB537 million of Victory Faith and its subsidiaries as at 30 November 2009 (adjusted by the carrying value of the investment properties of Zhengzhou Project of approximately RMB602 million), an independent valuation on Zhengzhou Project of approximately RMB2,918 million as at 30 June 2009 and the disposal structure and mechanics of the subject transaction.

### **SHARE CHARGES AND GUARANTEE**

At completion, the Purchaser shall deliver to the Company a share charge over the Sale Share and a share charge over the Star Legend Share to secure the Purchaser's payment obligations for the outstanding amount of the consideration payable under the Agreement after completion and the existing financial indebtedness owing by Victory Faith and/or its subsidiaries to the Group as at completion. As at 30 November 2009, the total outstanding indebtedness owed by Victory Faith and its subsidiaries to the Group was approximately RMB502.9 million. In addition, the Purchaser shall within 45 days from the Completion Date deliver to the Seller a guarantee signed by an individual acceptable to the Seller to secure, among others, the obligations of the Purchaser under the Agreement.

### **MANAGEMENT SERVICE AGREEMENT**

The Seller (or through a wholly-owned subsidiary of the Company) and the Purchaser will also enter into a management service agreement pursuant to which the Seller will provide certain property management services to the Purchaser for the management of Zhengzhou Project and to grant a licence to use certain trademarks for a term of 1 year after the Completion Date at a monthly fee of HK\$300,000.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Whilst the Group will continue to focus on the operation of underground shopping centres in the PRC, the Directors consider that the Disposal presents a good opportunity for the Group to realise Zhengzhou Project with a respectful return in an efficient manner.

The Directors believe the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

## **INFORMATION ON VICTORY FAITH**

Victory Faith is an investment holding company with its major investment in Phase I of Zhengzhou Project. Phase I of Zhengzhou Project is a project for the development of an underground shopping centre for wholesale and retail sale of apparel and accessories in Zhengzhou, the PRC. Phase I of Zhengzhou Project has a completed GFA of approximately 94,180 sq.m. and the shopping centre commenced business in late 2008. Victory Faith currently holds approximately 71,388 sq.m. for leasing purpose while the balance of the GFA has been sold to third parties in 2008.

Victory Faith was incorporated on 27 September 2007. For the financial year ended 31 December 2007, the consolidated net loss of Victory Faith before and after taxation and extraordinary items was approximately RMB20,666 and RMB20,666 respectively and the consolidated net profit before and after taxation and extraordinary items was approximately RMB768,913,671 and RMB576,598,971 for the financial year ended 31 December 2008. The consolidated net asset value of Victory Faith as at 30 June 2009 was approximately RMB501 million.

It is expected that the Company will realise a net gain before tax of approximately HK\$2,155 million as a result of the Disposal which is estimated based on the difference between the Consideration and the consolidated net asset value of Victory Faith, subject to final audit. The Company intends to use the net proceeds of the Disposal as general working capital of the Group.

## **LISTING RULES IMPLICATIONS**

As the relevant percentage ratios in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the approval by the Shareholders which may be given by a majority vote at a general meeting of the Shareholders or a written Shareholders' approval in lieu of holding a general meeting on the conditions that (i) no Shareholder is required to abstain from voting if the Company is to convene a general meeting for the approval of the transaction and (ii) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the securities giving the right to attend and vote at that general meeting to approve the transaction.

Since no Shareholder or any of their associates (within the meaning of the Listing Rules) are required to abstain from voting if a general meeting is to be convened for the approval of the Disposal and a written approval for the Disposal has been obtained from Super Brilliant Investments Limited and Wealthy Aim Holdings Limited (both of which are ultimately owned by Mrs. HAWKEN Xiuli) which, as at the date of this announcement, are interested in 11,856,907,217 Shares and 566,364,000 Shares, respectively (or 12,423,271,217 Shares in aggregate, representing approximately 56.46% of the issued share capital of the Company), all the conditions set out in Rule 14.44 of the Listing Rules have been met by the Company and no general meeting of the Shareholders will need to be convened.

A circular containing, amongst other things, further details of the Disposal and a valuation report of the properties held by Victory Faith and its subsidiaries will be despatched to the Shareholders in accordance with relevant requirements of the Listing Rules.

## **GENERAL**

The Group is principally engaged in operating and developing underground shopping centres for wholesale and retail sale of apparel and accessories in the PRC.

The Purchaser is a company incorporated in the BVI, and its principal activity is investment holding. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

## **DEFINITIONS**

Agreement	the sale and purchase agreement dated 18 December 2009 entered into between the Seller and the Purchaser in relation to the Disposal
BVI	British Virgin Islands
Company	Renhe Commercial Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 1387)
Completion Date	the date on which completion of the Agreement takes place
Consideration	total consideration of HK\$2,765,431,818 for the Disposal
Directors	directors of the Company
Disposal	the disposal of the Sale Share by the Seller to the Purchaser pursuant to the Agreement
GFA	gross floor area
Group	the Company and its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
PRC	People's Republic of China
Purchaser	First Achieve Holdings Limited, a company incorporated in the BVI. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules)

RMB	Renminbi, the lawful currency of the PRC
Sale Share	one share of US\$1.00 each in the share capital of Victory Faith, representing the entire issued share capital of Victory Faith, which will be transferred from the Seller to the Purchaser pursuant to the Agreement
Seller	Fine Genius Enterprises Limited, a company incorporated in the BVI, being a wholly-owned subsidiary of the Company
Shares	ordinary shares of HK\$0.01 each in the share capital of the Company
Shareholder(s)	shareholder(s) of the Company
sq.m.	square metre(s)
Star Legend	Star Legend Group Limited, a company incorporated in Hong Kong, being a wholly-owned subsidiary of Victory Faith
Star Legend Share	one share of HK\$1.00 each in the share capital of Star Legend, representing the entire issued share capital of Star Legend
Stock Exchange	The Stock Exchange of Hong Kong Limited
Victory Faith	Victory Faith Group Limited, a company incorporated in the BVI, being a wholly-owned subsidiary of the Company prior to completion of the Disposal
Zhengzhou Project	an underground shopping centre for wholesale and retail sale of apparel and accessories in Zhengzhou, the PRC, developed and operated by a subsidiary of Victory Faith

*Note:* the figures in RMB are converted into HK\$ at the rate of HK\$1 = RMB0.88 throughout this announcement for indication purposes only.

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

Hong Kong, 18 December 2009

*As at the date of this announcement, the board of directors comprises: Mr. Dai Yongge, Mr. Zhang Dabin, Mr. Wang Hongfang, Ms. Wang Chunrong and Mr. Wang Luding as executive directors, Mrs. Hawken Xiuli, Ms. Jiang Mei, Ms. Zhang Xingmei, Mr. Ho Gilbert Chi Hang, Mr. Ho Hsiang-Ming James and Mr. Chi Miao as non-executive directors and Mr. Fan Ren-Da Anthony, Mr. Wang Shengli and Mr. Wang Yifu as independent non-executive directors.*

\* *for identification purposes only*