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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)

CONNECTED TRANSACTION MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED ACQUISITION INSIDE INFORMATION

MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED ACQUISITION

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 11 September 2018, after trading hours, Mr. Dai, the Target Company and the Purchaser, a wholly-owned subsidiary of the Company, entered into a non-legally binding MOU under which Mr. Dai proposed to sell or procure to sell and the Purchaser proposed to acquire the equity interest of the Target Company. The Target Group is principally engaged in agricultural produce wholesale and retail operations across China.

* *For identification purpose only*

In consideration for the Exclusivity Period to conduct due diligence and negotiations of the Formal Agreement, the Company or its subsidiary(ies) will pay Mr. Dai and the Target Company, an aggregate sum of RMB400 million (equivalent to approximately HK\$458 million) as Deposit in accordance with the terms and conditions of the MOU, which is fully refundable if the Formal Agreement cannot be reached upon the expiry of the Exclusivity Period or if the Proposed Acquisition does not complete. Mr. Dai is an executive Director of the Company as at the date of this announcement and a controlling shareholder of the Company and the Target Company is a company indirectly wholly-owned by Mr. Dai and hence, a connected person of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed(s) 0.1% but are all less than 5%, the payment of the Deposit under the MOU is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board wishes to emphasise that the MOU is not legally binding save as to certain provisions and the Proposed Acquisition may or may not proceed. If the Proposed Acquisition contemplated under the MOU materialises, it will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and subject to the terms of the Proposed Acquisition being finalised, it may constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. The Company will make further announcement(s) in relation to the Proposed Acquisition as and when appropriate and comply with all applicable requirements under the Listing Rules.

MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that on 11 September 2018, after trading hours, the Purchaser, a wholly-owned subsidiary of the Company, entered into the non-legally binding MOU, save as to certain provisions relating to among others the Deposit, with Mr. Dai and the Target Company in relation to the Proposed Acquisition.

Principal Terms of the MOU

Date:	11 September 2018
Parties:	哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural By-product Company Limited**), a wholly-owned subsidiary of the Company as purchaser
	Mr. Dai, as vendor
	the Target Company
Subject matter to be transferred:	All equity interest of the Target Company

The Target Company is a company indirectly wholly-owned by Mr. Dai, an executive Director of the Company and a controlling shareholder of the Company, hence, it is a connected person of the Company.

Payment of Deposit

Within ten (10) business days upon the signing of the MOU, in consideration for the Exclusivity Period to conduct due diligence and negotiations, the Company or its subsidiary(ies) will pay to Mr. Dai and the Target Company, an aggregate sum of RMB400 million (equivalent to approximately HK\$458 million), of which RMB50 million will be payable to Mr. Dai and RMB350 million will be payable to the Target Company, as Deposit in accordance with the terms and conditions of the MOU. The Deposit may be set-off against the consideration of the Proposed Acquisition in accordance with the terms and conditions of the Formal Agreement. In the event that the Formal Agreement cannot be reached upon the expiry of the Exclusivity Period or if the Proposed Acquisition does not complete in accordance with the Formal Agreement, the Deposit is fully refundable without any deduction and interests within seven (7) business days upon request by the Company or the Purchaser. Mr. Dai has undertaken to indemnify the Company if the Target Company should fail to make the said refund.

Formal Agreement

The parties to the MOU shall negotiate in good faith to enter into the Formal Agreement as soon as possible and in any event, on or before the expiry of the Exclusivity Period or such later date as the Company or the Purchaser may agree.

The terms, including the consideration of the Proposed Acquisition are subject to, among others, the obtaining of a valuation report from an independent professional valuer to be appointed by the Group, the due diligence by the Group and the entering into of the Formal Agreement.

The Proposed Acquisition, if materializes, may be completed in the PRC or outside the PRC and the Company may request for a reorganization to facilitate completion outside of the PRC.

Due Diligence

The Purchaser shall procure that its advisers shall, forthwith upon the signing of the MOU, conduct such review of the business, operations and financial and legal affairs of the Target Group as it may consider appropriate and Mr. Dai shall provide and procure the Target Group and its agents to provide such assistance as the Group and its advisers may require in connection with such review so as to enable the review to be completed on or before the expiry of the Exclusivity Period.

Exclusivity

Mr. Dai agrees that he will not, and will procure that the intermediate companies wholly-owned by him and which holds the Target Company will not, directly or indirectly, for a period of one hundred and eighty days (180) days from the date of the MOU (or such other date as agreed between the parties to the MOU) (i) initiate or continue negotiations or discussions with, or (ii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Group with respect to the sale or other disposition of the Target Company or the sale of any part thereof or any other interest of the Target Company.

Costs

Each party to the MOU shall bear its own costs and expenses incurred in connection with the preparation, negotiation, execution and performance of the MOU.

Legal Effect

The MOU is intended to record certain preliminary understanding in principle agreed between the parties to the MOU in order to serve as a platform for further negotiations and shall create no legal and binding obligations on the parties thereto save as otherwise specified therein relating to among others the Deposit.

The Board wishes to emphasise that the MOU is not legally binding save as to certain provisions and the Proposed Acquisition may or may not proceed. If the Proposed Acquisition contemplated under the MOU materialises, it will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and subject to the terms of the Proposed Acquisition being finalised, it may constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. The Company will make further announcement(s) in relation to the Proposed Acquisition as and when appropriate and comply with all other requirements under the Listing Rules.

REASONS AND BENEFITS OF THE PROPOSED ACQUISITION

The Target Group is the operator of the “Dili Fresh” supermarket chain, with hundreds of retail shops across China, offering a wide range of agricultural and other food produce to end customers through its supermarkets and other sales channels. The Target Group has its own procurement team, which sources agricultural food produce from its land of origin and has cold-chain logistics and storage capabilities to enable food produce to be freshly transported to the points of sales. To facilitate its operations, the Target Group also possesses food production and processing bases across China.

The Group is principally engaged in business operation of eight agricultural produce markets in seven cities in the PRC namely Shouguang, Guiyang, Harbin, Qiqihar, Mudanjiang, Shenyang and Hangzhou, which are engaged in the wholesaling of primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce. It has been looking for opportunity to diversify and tap into the downstream retail market(s) of agricultural products. With the existing scale of operations of the Target Group and its geographical network of retail shops, the Proposed Acquisition provides an attractive opportunity for the Company to tap into this market and enhance its future development. If the Proposed Acquisition materialises, the Company will have direct access to the vast consumer market of agricultural and other food produce in China through the extensive network of retail shops of the Target Group, which possesses growth potentials in terms of new shops and e-commerce sales. The Target Group will also bring along food procurement, production and logistics capabilities to the Group.

Taking into account (i) the estimated revenue expected to be generated by the Target Group, (ii) the large-scale existing operations of the Target Group in terms of number of retail shops and customers and the potential growth thereof; (iii) the expansion opportunities in e-commerce and the industry prospects of the agricultural wholesale and retail markets in China; and (iv) the Exclusivity Period granted by Mr. Dai, the Directors (including the

independent non-executive Directors) consider the terms of the MOU and payment of Deposit thereunder, which were determined after arm's length negotiations between the parties thereto, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Dai, an executive Director of the Company as at the date of this announcement and a controlling shareholder of the Company, hence, it is a connected person of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed(s) 0.1% but are all less than 5%, the payment of the Deposit under the MOU is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from Mr. Dai who has abstained from voting on the Board resolutions approving the MOU in view of his interest, and Ms. Zhang Xingmei, Mr. Dai Bin and Mrs. Hawken Xiu Li, who have abstained from voting in view of being associates of Mr. Dai, no other Directors were in any way materially interested in and therefore have abstained from voting on the Board resolutions approving the MOU.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Rene Commercial Holdings Company Limited (Stock Code: 1387), a company incorporated in the Cayman Islands with limited liability, the shares of which is listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit”	the money deposit in an aggregate amount of RMB400 million (equivalent to approximately HK\$458 million), of which RMB50 million and RMB350 million are payable by the Company or its subsidiaries to Mr. Dai and the Target Company, respectively, pursuant to the MOU
“Director(s)”	the director(s) of the Company
“Exclusivity Period”	A 180-day period after the date of execution of the MOU (or such other date as agreed between the parties to the MOU)

“Formal Agreement”	the definitive and formal binding agreement which may or may not be entered into in relation to terms of the Proposed Acquisition
“Group”	The Company and its subsidiaries (from time to time)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding save as to certain provisions dated 11 September 2018 and entered into between the Purchaser, Mr. Dai and the Target Company in relation to the Proposed Acquisition
“Mr. Dai”	Mr. Dai Yongge, an executive Director as at the date of this announcement and a controlling shareholder and hence, a connected person of the Company. With reference to the announcement dated 4 September 2018, Mr. Dai resigned as an executive Director with effect from 30 September 2018. As at the date of this announcement, Mr. Dai (together with his associates) is interested in approximately 51.49% of the issued share capital of the Company
“PRC”	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
“Proposed Acquisition”	the proposed acquisition of equity interest of the Target Company as contemplated in the MOU
“Purchaser”	哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural By-product Company Limited**), a company established in the PRC, a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	哈爾濱地利生鮮農產品企業管理有限公司 (Harbin Dili Fresh Agricultural Produce Enterprise Management Company Limited**), a company established in the PRC which is indirectly wholly-owned by Mr. Dai

“Target Group” The Target Company, its subsidiaries and branch entities which engage in agricultural produce wholesale and retail operations across China

“%” per cent.

By order of the Board
Renhe Commercial Holdings Company Limited
Wang Yan
Chairman

Hong Kong, 11 September 2018

As at the date of this announcement, the Board comprises Mr. Wang Yan, Mr. Dai Bin and Mr. Dai Yongge as executive Directors, Mrs. Hawken Xiu Li, Ms. Jiang Mei, Ms. Zhang Xingmei, Mr. Zhang Dabin and Ms. Wang Chunrong as non-executive Directors and Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive Directors.

For the purpose of this announcement only, the conversion of Hong Kong dollars to Renminbi is based on the exchange rate of HK\$1.00 to RMB0.87248.

* *For identification purpose only*

** *English names are unofficial translation of the Chinese names, included for identification purpose only and in the event of inconsistency, the Chinese names shall prevail.*