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CENTURY GINWA RETAIL HOLDINGS LIMITED

世紀金花商業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 162)

MAJOR AND CONNECTED TRANSACTION

ENTERING INTO THE LEASE CONTRACT AS THE LESSEE IN RESPECT OF THE PREMISES LOCATED IN XI'AN, THE PRC

On 30 November 2021, Honghui Property, an indirect wholly-owned subsidiary of the Company, entered into the Lease Contract with Jinmeida in respect of the Premises located in Xi'an, the PRC, pursuant to which Jinmeida has agreed to lease, and Honghui Property has agreed to rent the Premises, with a lease term from 1 February 2022 to 31 January 2024.

As at the date of this announcement, Qujiang Financial Holdings, who indirectly holds approximately 29.24% of the ordinary shares in issue of the Company through Qujiang Investment, is a substantial shareholder of the Company; meanwhile, Qujiang Financial Holdings indirectly holds approximately 88.28% of equity interest in Jinmeida, thus Jinmeida is a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and therefore entering into the Lease Contract and the transactions contemplated thereunder constitute a connected transaction of the Company under the Listing Rules.

Pursuant to HKFRS 16, the Group (as the lessee) entering into the Lease Contract requires to recognise an amount of approximately RMB92.38 million as the right-of-use assets, which is calculated with reference to the total rental and discounted at the discount rate. Therefore, entering into the Lease Contract and the transactions contemplated thereunder will be regarded as an acquisition of assets by the Group. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of entering into the Lease Contract and the transactions contemplated thereunder is more than 25% but less than 100%, entering into the Lease Contract and the transactions contemplated thereunder constitute a major and connected transaction of the Company under the Listing Rules, and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

LEASE CONTRACT

On 30 November 2021, Honghui Property, an indirect wholly-owned subsidiary of the Company, entered into the Lease Contract with Jinmeida in respect of the Premises located in Xi'an, the PRC, pursuant to which Jinmeida has agreed to lease, and Honghui Property has agreed to rent the Premises. The principal terms of the Lease Contract are set out below:

Date	:	30 November 2021
Parties	:	Honghui Property, as the lessee Jinmeida, as the lessor
Premises to be leased	:	The commercial block of No.9 Street, Qujiang Harbour City, No. 659 Yannanyilu, Qujiang New District, Xi'an, with a total area of approximately 81,998 square meters (including all parking spaces on and under the ground for shopping malls). The Premises is for commercial purposes
Lease term	:	Two years, being from 1 February 2022 to 31 January 2024
Rental and method of payment	:	The total rental payable by the lessee during the lease term is RMB95.7243 million (tax inclusive), which shall be paid by bank transfer in installments for the following lease terms. The rental amount for each period is as follows:

Period	Amount (RMB'000)
1 February 2022-15 March 2022	5,274.3
16 March 2022-15 June 2022	11,100.0
16 June 2022-15 September 2022	11,100.0
16 September 2022-15 December 2022	11,100.0
16 December 2022-15 March 2023	12,450.0
16 March 2023-15 June 2023	12,700.0
16 June 2023-15 September 2023	12,700.0
16 September 2023-15 December 2023	12,700.0
16 December 2023-31 January 2024	6,600.0
Total	<u>95,724.3</u>

The initial rent should be paid before 15 March 2022, and thereafter, the rent should be paid 15 days before the end of the period.

- Renewal of lease : After the expiration of the lease term, if Honghui Property needs to renew the lease, it shall propose such request to Jinmeida 3 months before such expiration; under the same commercial conditions, Honghui Property has the priority to lease the Premises. The rental standard for each year during the lease renewal period shall be otherwise negotiated by Honghui Property and Jinmeida.
- Effective date of the Lease Contract : It will become effective after being signed and sealed by the legal representatives or lawful attorneys of both parties to the Lease Contract, subject to the approval by the general meeting of the Company

BASIS FOR DETERMINATION OF THE RENTAL

The rental of the Premises was determined based on an arm's length basis between Honghui Property and Jinmeida, with reference to (i) the prevailing market rates of other properties comparable to the Premises assessed by an independent valuer; and (ii) the leasable area, geographic location and surrounding conditions of the Premises.

INFORMATION ON THE PARTIES

Honghui Property

Xi'an Honghui Property Management Company Limited Qujiang New District Branch* (西安鴻輝物業管理有限公司曲江新區分公司), a company established in the PRC, is an indirect wholly-owned subsidiary of the Company and principally engaged in provision of property management services.

Jinmeida

Xi'an Jinmeida Commercial Real Estate Development Co., Ltd.* (西安金美達商業地產開發有限公司) is principally engaged in investment in commercial real estate projects. As of the date of this announcement, Qujiang Financial Holdings indirectly holds approximately 88.28% of equity interest in Jinmeida.

The Company and the Group

The Company is a limited liability company incorporated in Bermuda. The Group is principally engaged in operation of department stores, a shopping mall and supermarkets in the PRC.

Qujiang Financial Holdings

Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd.* (西安曲江文化金融控股(集團)有限公司) is a state-owned enterprise funded and established by Qujiang New District of Xi'an City in the PRC and principally engaged in financial investment business.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE CONTRACT

The Company is of the view that the Premises is strategically located with outstanding block advantages, and has a large number of high-quality shops. Therefore, the transaction is conducive to the operation of retail business of the Company.

The Directors consider that the Lease Contract has been entered into on normal commercial terms in the ordinary and usual course of business of the Company, and that the terms thereof are fair and reasonable and in the interest of the Company and its shareholders as a whole.

LISTING RULES APPLICATIONS

As at the date of this announcement, Qujiang Financial Holdings, who indirectly holds approximately 29.24% of the ordinary shares in issue of the Company through Qujiang Investment, is a substantial shareholder of the Company; meanwhile, Qujiang Financial Holdings indirectly holds approximately 88.28% of equity interest in Jinmeida, thus Jinmeida is a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and therefore entering into the Lease Contract and the transactions contemplated thereunder constitute a connected transaction of the Company under the Listing Rules.

Pursuant to HKFRS 16, the Group (as the lessee) entering into the Lease Contract requires to recognise an amount of approximately RMB92.38 million as the right-of-use assets, which is calculated with reference to the total rental and discounted at the discount rate. Therefore, entering into the Lease Contract and the transactions contemplated thereunder will be regarded as an acquisition of assets by the Group. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of entering into the Lease Contract and the transactions contemplated thereunder is more than 25% but less than 100%, entering into the Lease Contract and the transactions contemplated thereunder constitute a major and connected transaction of the Company under the Listing Rules, and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

A special general meeting will be convened to, among other things, consider and, if thought fit, approve the Lease Contract and the transactions contemplated thereunder. Qujiang Investment will abstain from voting on the resolution in connection with the Lease Contract.

The Company has established the Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong, to advise the independent shareholders as to whether the terms and conditions of the Lease Contract are fair and reasonable and in the interests of the Company and the independent shareholders as a whole. The Company will also appoint Gram Capital Limited as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the independent shareholders regarding the Lease Contract.

As additional time is required for preparing the information below to be included in the circular which contain, among others, (i) information relating to the Lease Contract; (ii) a letter of advice from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent shareholders; and (iv) a notice convening the special general meeting, the Company expects that the circular will be despatched to shareholders on or before 7 January 2022.

Except for the related Directors Mr. Huang Shunxu and Mr. Li Yang who have abstained from voting on relevant board meeting to approve the Lease Contract and the transactions thereunder, no Director has an interest in these transactions and is required to abstain from voting on the resolutions on the Lease Contract and the transactions thereunder.

DEFINITIONS

“Company”	Century Ginwa Retail Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code:162)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Honghui Property”	Xi’an Honghui Property Management Company Limited Qujiang New District Branch* (西安鴻輝物業管理有限公司曲江新區分公司), a company established in the PRC, and an indirect wholly-owned subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong
“Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, will be appointed as the independent financial adviser to the Independent Board Committee and the independent shareholders to advise on the Lease Contract
“HKRS 16”	Hong Kong Financial Reporting Standard 16 Lease issued by the Hong Kong Institute of Certified Public Accountants
“Jinmeida”	Xi’an Jinmeida Commercial Real Estate Development Co., Ltd.* (西安金美達商業地產開發有限公司), a company established in the PRC

“Lease Contract”	the lease contract entered into by Honghui Property and Jinmeida on 30 November 2021
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the Peoples’ Republic of China
“Premises”	the commercial block of No.9 Street, Qujiang Harbour City, No. 659 Yannanyilu, Qujiang New District, Xi’an, with a leasable area of approximately 81,998 square meters
“Qujiang Financial Holdings”	Xi’an Qujiang Cultural Financial Holdings (Group) Co. Ltd.* (西安曲江文化金融控股(集團)有限公司), a company established in the PRC and a substantial shareholder of the Company
“Qujiang Investment”	Qujiang Cultural Financial International Investment Limited* (曲江文化金融國際投資有限公司), a company established in the PRC and a substantial shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

By order of the Board
Century Ginwa Retail Holdings Limited
Huang Shunxu
Chairman

Hong Kong, 30 November 2021

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Huang Shunxu, Mr. Qin Chuan, and Ms. Wan Qing; two non-executive Directors, being Mr. Li Yang and Mr. Chen Shuai; and three independent non-executive Directors, being Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong.

* *For identification purposes only*