
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Century Ginwa Retail Holdings Limited, you should at once hand this circular with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE LEASE AGREEMENT AND NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 3 to 14 of this circular.

A notice convening the special general meeting of the Company (the “SGM”) to be held at 24/F, OfficePlus@Wan Chai, 303 Hennessy Road, Wanchai, Hong Kong on Tuesday, 28 December 2021 at 11:00 a.m. is set out on pages 43 to 44 of this circular. A form of proxy for use in connection with the SGM is enclosed with the circular. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the accompanying form of proxy enclosed with this circular in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE SGM

To safeguard the health and safety of shareholders and to prevent the spread of the novel coronavirus (COVID-19) pandemic, the following precautionary measures will be implemented at the SGM:

1. compulsory body temperature check will be conducted for every attendee at the entrance of the SGM venue. Any person with a body temperature of 37.4 degrees Celsius or above will be denied entry into the meeting venue;
2. every attendee will be required to wear a facial surgical mask throughout the SGM;
3. appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained; and
4. no souvenir gift, refreshment or drink will be provided to attendees.

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above or is subject to any Hong Kong Government prescribed quarantine will be denied entry to the SGM venue. For the health and safety of shareholders, the Company reminds all shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may exercise their right to vote at the SGM by appointing the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.

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DEFINITIONS

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

“Board”	the board of Directors
“close associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Company”	Century Ginwa Retail Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 162)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Department Store”	Renmin Road Department Store (人民路百貨), the department store (a fashion department store) which Xianyang Subsidiary currently operates at the Premises
“Director(s)”	the director(s) of the Company
“Ginwa Investments”	Ginwa Investments Holding Group Limited (金花投資控股集團有限公司), a company established in the PRC and owned as to 96% beneficially by Mr. Wu Yijian (吳一堅) and 4% by Ms. Xu Shanshan (徐珊珊) who are independent third parties not connected with the Company and its connected person
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	3 December 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Lease Agreement”	the lease agreement dated 16 November 2021 entered into between Xianyang Subsidiary as lessee and the Lessor as lessor in respect of the lease of the Premises for a term of ten years commencing from 16 September 2021
“Lessor”	Shaanxi Dongyin Industrial Co., Ltd. (陝西東銀實業有限公司), a company established under PRC laws
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Parties”	the Lessor and Xianyang Subsidiary, each a “Party”
“PRC”	the People’s Republic of China
“Premises”	Basement level 1 to upper floor level 5 and other areas of the main building of, and level 2 to level 4 of the complex of, Dongyin Building, No. 3 Renminzhonglu, Qindu District, Xianyang, the PRC, and certain façades of Dongyin Building
“Previous Lease Agreement”	the lease agreement dated 19 July 2006 in respect of the lease of the Premises for a term commencing from 16 July 2006 to 15 July 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at 24/F, OfficePlus@Wan Chai, 303 Hennessy Road, Wanchai, Hong Kong on Tuesday, 28 December 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Lease Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the official term of the Lease Agreement commencing from 16 September 2021 for 10 years
“Xianyang Subsidiary”	Xianyang Century Ginwa Trade and Commerce Company Limited [#] (咸陽世紀金花商貿有限公司), a company established under PRC laws and an indirect wholly-owned subsidiary of the Company
“%”	per cent
“m ² ”	square metres

[#] *The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Huang Shunxu (*Chairman*)
Mr. Qin Chuan (*Chief Executive Officer*)
Ms. Wan Qing

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Li Yang
Mr. Chen Shuai

Principal place of business in Hong Kong:

Unit 301, 3/F, OfficePlus@Wan Chai
303 Hennessy Road, Wanchai
Hong Kong

Independent Non-executive Directors:

Mr. Tsang Kwok Wai
Mr. Ruan Xiaofeng
Ms. Song Hong

7 December 2021

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE LEASE AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 16 November 2021. The purpose of this circular is to provide you with further information in relation to (i) the Lease Agreement and the transactions contemplated thereunder; and (ii) a notice of the SGM.

LETTER FROM THE BOARD

In view of the expiry on 15 July 2021 of the Previous Lease Agreement in respect of the lease of the Premises at which the Group operates a department store, on 16 November 2021, Xianyang Subsidiary, an indirect wholly-owned subsidiary of the Company, as lessee and the Lessor as lessor entered into the Lease Agreement for the renewal of the lease of the Premises for a term of ten years, subject to the Shareholders' approval to be obtained at the SGM.

THE LEASE AGREEMENT

The principal terms of the Lease Agreement are set out below.

Parties

- (1) Shaanxi Dongyin Industrial Co., Ltd.#(陝西東銀實業有限公司) as lessor
- (2) Xianyang Century Ginwa Trade and Commerce Company Limited#(咸陽世紀金花商貿有限公司) as lessee

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Premises

Basement level 1 to upper floor level 5 and other areas of the main building of, and level 2 to level 4 of the complex of, Dongyin Building, No. 3 Renminzhonglu, Qindu District, Xianyang, the PRC.

Under the Lease Agreement, the front, northern and southern façades of Dongyin Building shall also be leased to Xianyang Subsidiary for display of signage, logo of the Department Store and advertisement.

Whilst the actual leased floor area of the Premises is 25,438.62 m², the Parties have agreed that the floor area for the purposes of calculation of rental fee under the Lease Agreement is 25,200.00 m².

Transitional period

The Parties have agreed that the rental fee for the period from 16 July 2021 to 15 September 2021 (both dates inclusive) shall be calculated at the same rate as that for the last month of the term provided under the Previous Lease Agreement.

LETTER FROM THE BOARD

Term	A term of ten (10) years commencing from 16 September 2021 and ending on 15 September 2031.
Rental fee	<p>The rental fee payable under the Lease Agreement is inclusive of management fee and taxes.</p> <p>During the 10-year term commencing from 16 September 2021, the rental fee is approximately RMB238,654,080 in total and shall be calculated at the following rates:</p> <ol style="list-style-type: none">(1) for the period from 16 September 2021 to 15 September 2023, at the rate of RMB70.00 per m² per month (i.e. RMB21,168,000 per annum);(2) for the period from 16 September 2023 to 15 September 2025, at the rate of RMB74.20 per m² per month (i.e. RMB22,438,080 per annum);(3) for the period from 16 September 2025 to 15 September 2027, at the rate of RMB78.65 per m² per month (i.e. RMB23,783,760 per annum);(4) for the period from 16 September 2027 to 15 September 2029, at the rate of RMB83.37 per m² per month (i.e. RMB25,211,088 per annum); and(5) for the period from 16 September 2029 to 15 September 2031, at the rate of RMB88.38 per m² per month (i.e. RMB26,726,112 per annum).

LETTER FROM THE BOARD

Xianyang Subsidiary shall be responsible for paying the utility costs such as water and electricity and the air-conditioning charges incurred in respect of the Premises, which shall be governed by a separate property service agreement to be entered into between Xianyang Subsidiary and the property company which manages the Premises.

Payment terms

During the Term, the rental fee shall be payable 30 days in advance of each calendar month and is subject to the offset arrangement described below.

Pursuant to the Lease Agreement, Xianyang Subsidiary shall prepay rental fee to the Lessor in the amount of RMB42,336,000. During the 72-month period from 16 September 2021 to 15 September 2027, the amount of monthly rental fee payable shall be offset by the prepaid rental fee on an average monthly basis (i.e. the prepayment amount of RMB42,336,000 divided by 72 months), the balance of the monthly rental fee payable after the set-off shall be paid by Xianyang Subsidiary 30 days in advance of each calendar month.

Security deposit

An interest-free security deposit in the sum of RMB5,000,000 shall be placed with the Lessor to secure the due observance and performance by Xianyang Subsidiary of its obligations under the Lease Agreement.

The security deposit paid under the Previous Lease Agreement in the amount of RMB1,500,000 shall, instead of being refunded to Xianyang Subsidiary upon the expiry of the Previous Lease Agreement, be re-assigned as partial payment of the security deposit under the Lease Agreement. The balance of the security deposit in the amount of RMB3,500,000 shall be settled by Xianyang Subsidiary in a one-off payment by 15 June 2027.

LETTER FROM THE BOARD

Overdue payment

Any overdue payment of rental fee or security deposit will be subject to a daily penalty fee of 0.05% of the overdue amount.

If a payment is overdue for more than 30 days, the Lessor has the right to terminate the Lease Agreement unilaterally and the termination shall take effect immediately upon the Lessor's delivery of the termination notice. Within 30 days after Xianyang Subsidiary's receipt of the termination notice, Xianyang Subsidiary and its suppliers shall vacate from the Premises, and Xianyang Subsidiary shall pay rental fee to the Lessor in accordance with the terms of the Lease Agreement until the date of actual vacation.

If the vacation does not take place within the 30-day time limit, Xianyang Subsidiary shall pay the Lessor an amount twice the rental fee from the date of expiry of the time limit until the date of actual vacation as compensation in accordance with the Lease Agreement. The non-removable fittings installed within the Premises which are contributed by Xianyang Subsidiary shall also be forfeited.

Right of first refusal

In the event that the Lessor proposes to sell the whole or any portion of the Premises to any third party, the Lessor shall provide written notice of the proposed sale to Xianyang Subsidiary and Xianyang Subsidiary shall have a right of first refusal to purchase such portion of the Premises for 30 days after its receipt of the Lessor's notice.

Termination

The Parties agree not to terminate the Lease Agreement unilaterally within the first five years of the Term. If either Party terminates the lease agreement unilaterally within such period, the defaulting party shall pay the non-defaulting party an amount twice the security deposit, i.e. RMB10,000,000 as penalty.

LETTER FROM THE BOARD

If Xianyang Subsidiary intends to terminate the Lease Agreement after the fifth year of the Term, it must notify the Lessor in writing six months in advance. The security deposit placed with the Lessor shall be refunded to Xianyang Subsidiary without interest after deducting the fees owed to the Lessor. The non-removable fittings installed within the Premises which are contributed by Xianyang Subsidiary shall also be forfeited.

In the event that Xianyang Subsidiary decides to exercise its right of first refusal as described above in the future, Xianyang Subsidiary and the Lessor shall enter into a formal agreement setting out the specific terms of the purchase of such portion of the Premises, and the Company shall comply with all applicable requirements under the Listing Rules.

The Lease Agreement shall take effect upon the fulfilment of the Parties having obtained their respective internal approvals in respect of the Lease Agreement, which shall include the Company, being the controlling shareholder of Xianyang Subsidiary, having convened the SGM in accordance with the relevant requirements of the Listing Rules and obtained the Shareholders' approval in respect of the Lease Agreement and the transactions contemplated by passing ordinary resolution by way of poll at the SGM. If a Party is not able to obtain its internal approvals in respect of the Lease Agreement, the Lease Agreement shall cease to have any force and shall not take effect, and the Parties shall not have any claim against each other and shall be restored to their original positions as if the Lease Agreement had not been entered into. The restoration may involve the refund of any prepaid fee, such as the rental fee and security deposit (if so prepaid) and the delivery of vacant possession of the Premises back to the Lessor, and the Parties shall resolve such matters that have occurred in accordance with the Civil Code under PRC law.

As at the Latest Practicable Date, all conditions for the Lease Agreement to take effect have been fulfilled save for the Company having obtained the Shareholders' approval in respect of the Lease Agreement at the SGM.

LETTER FROM THE BOARD

The rental fee and its payment arrangement were determined after arm's length negotiations between the Parties with reference to (i) the historical transaction amount under the Previous Lease Agreement; (ii) the prevailing market rent for comparable premises in the vicinity of the Premises, which was RMB67.17 per m² per month as valued by an independent professional valuer, Xi'an Tianzheng Property Assets Appraisal Consulting Co., Ltd. (西安天正房地產資產評估顧問有限公司) which is a registered real estate appraisal company in the PRC and a member institution of the China Appraisal Association; and (iii) an increment in rental fee at a rate of 6% every two years having taken into account that the growth trend of the rental fee in the Xianyang City and Shaanxi Province commercial property markets is approximately 3% per annum, which was observed by the local property agents based on market rental evidence of comparable properties. The rental fee is expected to be funded through the internal resources of the Group.

Set out below is the valuation methodology for valuing the prevailing market rent for comparable premises, as extracted from the valuation report prepared by the said valuer:

According to the Code for Real Estate Appraisal, the valuation approaches mainly include comparison approach, income approach, cost approach, and hypothetical development approach. The comparison approach is applicable to valuation of real estates with more transaction cases of similar real estates; the income approach is applicable to the valuation of real estates with profit or potential profitability; the cost approach shall be chosen when the real estate can be used as an independent development and construction project for redevelopment; the hypothetical development method is applicable to the valuation of real estates with development or redevelopment potential.

The valuation target is a non-residential property. The analysis of the specific approach selection is as follows:

Hypothetical development approach: the hypothetical development approach is not applicable, as the purpose of this valuation is to assess the market rent of the valuation target under prevailing entrusted conditions, without considering the hypothetical development situation.

Income approach: the income approach is not applicable to the determination of market rental, as the purpose of this valuation is to inquire the market rent of the valuation target.

Comparison approach: it is appropriate to adopt the comparison approach, as there are many rental examples of real estate similar to the valuation target, the non-residential property, as at the valuation date in the same supply and demand circle.

LETTER FROM THE BOARD

Comparison approach represents a method of selecting a certain number of comparable instances, comparing them with the valuation target, and obtaining its value or price after processing the transaction prices of the comparable instances based on the differences between them. The formula is as follows:

Comparison value = Price of comparable instances x Correction factor of trading condition x Adjustment factor of market condition x Adjustment factor of real estate condition

Cost approach: it is not suitable to adopt the cost approach, as the valuation target is a non-residential property, and the rental price of such property is, in practice, less relevant to the cost.

In conclusion, this valuation adopts the comparison approach for the calculation of the rent.

The Company noted that the said valuer had made reference to three comparable transactions conducted during 2021 in relation to the property leasing in Xianyang of Shaanxi Province in arriving its valuation.

THE RIGHT-OF-USE ASSET

The unaudited value of the right-of-use asset to be recognized by the Group under the Lease Agreement amounts to approximately RMB176.42 million which is calculated with reference to the present value of the total rental fee payable under the Lease Agreement and adjustment to fair value at initial recognition of the rental payment in accordance with HKFRS 16. Incremental borrowing rate of 7.02% is applied to compute the present value of total rental fee payable under the Lease Agreement. Shareholders should note that the above figures are unaudited and may be subject to adjustment.

INFORMATION ON THE PARTIES

The Lessor

The Lessor was established under PRC laws with limited liability. The Lessor principally engages in the business management, property leasing and property management. As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Lessor was owned as to 51% by Zhang Yong (張勇) and as to 49% by Tan Qifang (譚啟芳), both are independent third parties not connected with the Company and its connected person.

LETTER FROM THE BOARD

Xianyang Subsidiary

Xianyang Subsidiary was established under PRC laws with limited liability and is an indirect wholly-owned subsidiary of the Company. It principally engages in the operation of department stores and supermarkets.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE LEASE AGREEMENT

The Group principally engages in the operation of department stores, a shopping mall and supermarkets in the PRC.

The Department Store has been in business for more than 16 years since its opening in October 2005. The Group has been operating the Department Store since the Company's acquisition of Ideal Mix Limited as described in the announcement of the Company dated 31 January 2011 and the circular of the Company dated 26 April 2011. The Department Store is located on Renminzhonglu, Xianyang, which is in the prosperous downtown area of Xianyang. The core business district with the largest people flow in Xianyang is within the 500 metre radius of the Department Store, with many large-scale commercial enterprises and a good business atmosphere. For the nine months ended 31 December 2020, the sales of the Department Store accounted for 10.26% of the total revenue of the Group. The Department Store, with its long-term business accumulation, is the core asset of Xianyang Subsidiary and in the forefront amongst comparable operators in Shaanxi Province in terms of key indicators such as people flow, sales and floor area efficiency.

The lease in respect of the Premises under the Previous Lease Agreement already expired on 15 July 2021. In view of the outstanding performance in operating the Premises and the expiry of the Previous Lease Agreement, the Group has been in negotiation with the Lessor to renew the lease of the Premises since February 2021 in order to continue its operation at the Premises. However, as the Lessor had initially made it clear that it wished to operate the Premises itself and would not renew the lease with Xianyang Subsidiary, and it was only after active coordination by the local government that the Lessor reconsidered renewing the lease with Xianyang Subsidiary.

LETTER FROM THE BOARD

The rental payment under the Previous Lease Agreement was RMB13,574,972, RMB13,724,912 and RMB8,057,220 for the two years ended 31 December 2020 and for the period from 1 January 2021 to 15 July 2021, respectively. The Directors noted that there was a substantial increase in rental payment under the Lease Agreement as compared with the Previous Lease Agreement with the rental prepayment of RMB42,336,000, and the term of the Lease Agreement is shorter than the Previous Lease Agreement (i.e. a 15-year term). The Directors further noted that the rental fee under the Lease Agreement was above the prevailing market rent for comparable premises in the vicinity of the Premises. Therefore, in evaluating the options of renewal of lease of the Premises under the Lease Agreement or leasing new premises for relocating the Department Store, the Directors have considered (i) the prime location of the Premises and the lack of availability of new premises which are comparable to the Premises in the vicinity for relocating the Department Store; (ii) the estimated costs of approximately RMB70.44 million associated with the relocation of the Department Store including but not limited to assets impairment costs for write-off of the existing leasehold improvements and furniture and fixtures, compensation costs to be paid to sub-lessees as a result of early termination of the sub-leasing arrangement of the Premises, and renovation cost for the premises at a new location under the new lease; (iii) the customer stickiness gained from operating the Department Store at the same location since 2005 and the likelihood of retaining the same customer base should the Department Store relocate; (iv) the ensured stability and continuity of the operations of the Department Store should the lease of the Premises be renewed; (v) the loss of profits for operating the Department Store at a new location before reaching the optimal operating level similar to the existing Department Store at the Premises should the Department Store be relocated; and (vi) the continuity of the existing synergy effect created between the Premises and the commercial properties owned by Xianyang Subsidiary which are located in the Datang Shopping Center adjacent to the Premises, which had been used as a supermarket, and are of the view that the terms of the Lease Agreement are fair and reasonable and it is in the interests of the Company and Shareholders to enter into the Lease Agreement.

As explained above, the original intention of the Lessor was to operate the Premises itself rather than leasing it to the Group upon the expiry of the Previous Lease Agreement. It was after a considerable amount of time in negotiation with the Lessor that the Lessor agreed to enter into the Lease Agreement at the current terms including the rental prepayment arrangement. Although it is a common practice for properties leasing in general to have the rental fee settled in advance on a monthly basis or quarterly basis without other substantial rental prepayment, the Board noted that there are individual cases which lessors leasing out premises occupying a large site area for a long term to have required a substantial amount of rental prepayment. As the terms of the Lease Agreement have been agreed after arm's length negotiation between the Parties and having taken into account the aforementioned reasons, the Directors consider that the terms of the Lease Agreement (including the rental prepayment arrangement) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE TRANSACTIONS CONTEMPLATED UNDER THE LEASING AGREEMENT

The value of the right-of-use asset to be recognized by the Group under the Lease Agreement amounts to approximately RMB176.42 million which is calculated with reference to the present value of the total rental fee payable under the Lease Agreement and adjustment to fair value at initial recognition of the rental payment in accordance with HKFRS 16. Incremental borrowing rate of 7.02% is applied to compute the present value of total rental fee payable under the Lease Agreement. The right-of-use asset will be depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Interest expenses on the lease liabilities will be recognised at the rate of 7.02% per annum. After the commencement date of the lease, the lease liabilities are adjusted by the interest accretion and lease payments.

Upon commencement of the lease term under the Lease Agreement, the consolidated total assets of the Group will increase by approximately RMB176.42 million, and a corresponding amount of lease liabilities of approximately RMB176.42 million will be recognized at the same time. The Group expects the transaction contemplated under the Lease Agreement will increase the annual depreciation charges of right-of-use assets by approximately RMB5.74 million and finance costs in relation to the lease liability by approximately RMB8.17 million in the first year of the Lease Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the entering into of the Lease Agreement by Xianyang Subsidiary as lessee will require the Group to recognize right-of-use asset on its consolidated statement of financial position in relation to the Premises. Therefore, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use asset to be recognized by the Group under the Lease Agreement amounts to approximately RMB176.42 million.

As one of the applicable percentage ratios as defined under the Listing Rules in respect of the acquisition of right-of-use asset to be recognized by the Group under the Lease Agreement is more than 100%, the entering into of the Lease Agreement constitutes a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Lease Agreement. As such, no Shareholder nor his close associates would be required to abstain from voting at the SGM on the resolution to approve the same.

LETTER FROM THE BOARD

SGM

A notice of the SGM to be held at 24/F, OfficePlus@Wan Chai, 303 Hennessy Road, Wanchai, Hong Kong on Tuesday, 28 December 2021 at 11:00 a.m. is set out on pages 43 to 44 of this circular. At the SGM, an ordinary resolution will be proposed to consider and, if thought fit, to approve the Lease Agreement and the transactions contemplated thereunder.

A form of proxy for use in connection with the SGM is enclosed with this circular. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the Company, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event by not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In accordance with bye-law 66 of the amended and restated bye-laws of the Company, the chairman of the SGM will therefore demand a poll on the resolution to be proposed at the SGM.

RECOMMENDATION

The Directors consider that the terms of the Lease Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Lease Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

On behalf of the Board
Century Ginwa Retail Holdings Limited
Huang Shunxu
Chairman

1. FINANCIAL SUMMARY

The published audited consolidated financial statements of the Group for the years ended 31 March 2019 and 2020, the nine months ended 31 December 2020 and the six months ended 30 June 2021 were set out in the Company's annual reports for each of the years ended 31 March 2019 and 2020, and for the nine months ended 31 December 2020, and the Company's interim report for the six months ended 30 June 2021, respectively, which are incorporated by reference into this circular. The said annual reports and interim report can be accessed on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cgrh.com.hk).

The following is a quick link to the annual report of the Company published on 29 July 2019 with its audited consolidated financial statements for the year ended 31 March 2019 on pages 109 to 256:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0729/ltn20190729339.pdf>

The following is a quick link to the annual report of the Company published on 30 July 2020 with its audited consolidated financial statements for the year ended 31 March 2020 on pages 119 to 264:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0730/2020073001154.pdf>

The following is a quick link to the annual report of the Company published on 29 April 2021 with its audited consolidated financial statements for the nine months ended 31 December 2020 on pages 133 to 268:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901027.pdf>

The following is a quick link to the interim report of the Company published on 28 September 2021 with its unaudited consolidated financial statements for the six months ended 30 June 2021 on pages 6 to 57:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0928/2021092800445.pdf>

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

During the first half of 2021, in the face of the complicated and volatile domestic and international environment, consolidating the achievements made in epidemic prevention and accelerating the economic and social development have both been processed among various departments in different regions. China's economy recovered in a sustained and stable manner, thus consolidating its development foundation. The agricultural economy has been steady and positive, while the livestock industry has maintained sustainable growth. The industrial production has been growing steadily, thus improving the business operations of enterprises. Energy production increased while energy consumption dropped. The recovery of the service sector showed a steady upward trend. New business forms have been developing vigorously.

In general, though China's service sector economy has maintained a steady recovery trend, there are still various domestic and foreign uncertainties and instability. The foundation for recovery of the service sector requires to be strengthened. At the next stage, the Group shall accelerate the stimulation of the potential of domestic demand, smooth the economic cycle, consolidate the recovery of the overall stability of the service sector, and promote the steady and sound development of the national economy.

Although the domestic and international economic environment has been greatly impacted by the epidemic and competition in the domestic retail market has become increasingly fierce, with the orderly advancement of domestic epidemic prevention and control, the effective measures of economic recovery implemented by the Party Central Committee and the State Council, and a series of measures such as consumer coupons recently implemented by the Xi'an Municipal Government and Qujiang New District Management Committee, have injected more drive and stimulation to the recovery of the macro economy and the rebound of the consumer market. Subsequent to the vertical deepening of the national system transformation and reform, the national policies will create a macro-environment conducive to enterprise development. The Company will also adjust its strategies and formulate corresponding policies in a timely manner while advancing with the times to improve the Company's operating capabilities, business scale, and influence and competitiveness in Xi'an, Shaanxi and nationwide.

The Company has established a flat management plan, optimized the work process, and improved time-effectiveness of work. At the same time, in accordance with the principle of "Expanding coverage of surrounding markets with an established presence in Xi'an", the new management team of the Company has successively strengthened its ties with the governmental departments in Yan'an, Xianyang, Yulin and other cities in Shaanxi Province, as well as certain potential investors and acquisition targets, so as to gradually expand the influence and scale of the Century Ginwa brand.

3. STATEMENT OF INDEBTEDNESS

	Balance at 12 October 2021 RMB'000
Bank loans	
– Secured and guaranteed	1,098,000
– Unsecured and guaranteed	160,000
– Unsecured and unguaranteed	190,000
	<hr/>
	1,448,000

	Balance at 12 October 2021 <i>RMB'000</i>
Loans from other financial institutions	
– Secured and guaranteed	1,000,000
– Unsecured and unguaranteed	986,009
	<hr/>
	1,986,009
Lease liabilities	
– Unsecured and unguaranteed	87,781
	<hr/>
Total outstanding debts	<u><u>3,521,790</u></u>

Material Contingent Liabilities

At the close of business on 12 October 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had issued the following material guarantees:

A guarantee provided by a subsidiary of the Company in respect of a payable for acquisition of a property by Ginwa Investments in August 2005. Ginwa Investments has defaulted repayment of the above payable.

The Directors do not consider it is probable that a claim will be made against the Group under the guarantee. The maximum liability of the Group at 12 October 2021 under the guarantee issued is the outstanding amount of the liability of RMB9,500,000 plus accrued interest.

Saved as aforesaid and apart from intra-group liabilities and normal trade payable in the ordinary course of business, the Group did not, at the close of business on 12 October 2021, have any material debt securities issued and outstanding, authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments or outstanding mortgages, charges or guarantees or other material contingent liabilities.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the internally generated funds, existing facilities available to the Group and financial resources presently available to the Group, the Group will have sufficient working capital to satisfy its requirements for at least twelve months from the date of this circular in the absence of any unforeseeable circumstances.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for the each of the two years ended 31 March 2019 and 2020, the nine months ended 31 December 2020 and the six months ended 30 June 2021 extracted from the Company's annual reports for each of the years ended 31 March 2019 and 2020 and the nine months ended 31 December 2020, and the Company's interim report for the six months ended 30 June 2021, respectively. Unless otherwise defined in this circular or the context otherwise requires, capitalised terms used in this section shall have the same meanings as those ascribed in the abovementioned annual reports and interim report of the Company, as the case may be.

FOR THE YEAR ENDED 31 MARCH 2019**Financial Results**

During the year under review, the performance of the Group was illustrated as follows.

- (i) Gross revenue of the Group for the year ended 31 March 2019 decreased to RMB2,729.1 million as compared to RMB3,093.1 million for the year ended 31 March 2018. The decrease was primarily due to increased market competition arising from surrounding shopping malls and online retail shops which leads to a decrease in concession sales during the year.
- (ii) Annualized area efficiency (annualized gross revenue per department store average operating area) for the year ended 31 March 2019 was RMB31,600 per square meter, as compared to RMB36,300 for the year ended 31 March 2018.

- (iii) Revenue of the Group for the year ended 31 March 2019 decreased to RMB1,054.1 million as compared to RMB1,159.1 million for the year ended 31 March 2018. It was because net income from concession sales decreased by 16% compared to the same period last year.
- (iv) The rental income and management and administrative service fee income of the Group for the year ended 31 March 2019 were RMB133.6 million, as compared to RMB127.7 million for the year ended 31 March 2018.
- (v) The Group's operating loss for the year ended 31 March 2019 was RMB159.7 million as compared to the operating profit of RMB143.5 million for the year ended 31 March 2018. Regardless of the impairment losses on goodwill of RMB194.7 million recorded in this year, the operating profit margin (profit from operation over gross revenue) decreased from 4.6% to 1.3%.
- (vi) Net finance costs for the year ended 31 March 2019 were RMB88.1 million (2018: RMB97.0 million). The change in net finance cost was mainly due to increase in interest expenses capitalised.
- (vii) The Group's loss for the year ended 31 March 2019 and loss attributable to shareholders of the Company were RMB263.8 million (profit for 2018: RMB23.6 million) and RMB261.6 million (profit attributable to shareholders of the Company for 2018: RMB27.2 million) respectively.

Liquidity and Financial Resources

As at 31 March 2019, the Group's consolidated net asset value was RMB4,088.2 million (2018: RMB4,385.6 million). As at 31 March 2019, the Group had cash at bank and on hand amounting to RMB544.7 million (2018: RMB614.7 million). The current ratio of the Group as at 31 March 2019 was 0.52 (2018: 0.62). The gearing ratio, being bank and other loans less cash at bank and on hand and short-term investments divided by the total equity, as at 31 March 2019, was 0.45 (2018: 0.36).

Contingent Liabilities

The Group's contingent liabilities are disclosed in note 30 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend in respect of the reporting year (2018: HK\$Nil).

Human Resources

As at 31 March 2019, the number of the Group's staffs was approximately 7,000 (2018: 6,900), including directly employed approximately 1,700 (2018: 1,800) full time employees, and the remaining were concession sales staffs managed on behalf of the suppliers. Most of the employees are employed in Mainland China. The directly employed employees' remuneration, promotion and salary increments are assessed based on both individuals' and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. Apart from the general remuneration package, the Group also granted share options and discretionary bonus to the eligible staffs based on their performance and contribution to the Group. The Group regards high-calibre staffs as one of the key factors to corporate success.

FOR THE YEAR ENDED 31 MARCH 2020**Financial Results**

During the year under review, the performance of the Group was illustrated as follows.

- (i) Gross revenue of the Group for the year ended 31 March 2020 decreased to RMB1,812.7 million as compared to RMB2,729.1 million for the year ended 31 March 2019. The decrease was primarily due to increased market competition arising from surrounding shopping malls and online retail shops which leads to a decrease in concession sales during the year.
- (ii) Annualized area efficiency (annualized gross revenue per department store average operating area) for the year ended 31 March 2020 was RMB21,200 per square meter, as compared to RMB31,600 for the year ended 31 March 2019.
- (iii) Revenue of the Group for the year ended 31 March 2020 decreased to RMB642.0 million as compared to RMB1,054.1 million for the year ended 31 March 2019. The decline was primarily attributable to drop in sales of goods and concession sales.
- (iv) The rental income and management and administrative service fee income of the Group for the year ended 31 March 2020 were RMB114.5 million, as compared to RMB133.6 million for the year ended 31 March 2019.

- (v) The Group's operating loss for the year ended 31 March 2020 was RMB1,169.3 million as compared to the operating loss of RMB159.7 million for the year ended 31 March 2019. Regardless of the impairment losses on goodwill of RMB470.6 million and expected credit loss on receivables due from the Prepaid Card Management Company of RMB586.5 million recorded in this year, the operating profit margin (profit from operation over gross revenue) decreased from 1.3% to -6.2%.
- (vi) Net finance costs for the year ended 31 March 2020 were RMB118.5 million (2019: RMB88.1 million). The increase in net finance cost was mainly due to increase in balances of bank and other borrowings.
- (vii) The Group's loss for the year ended 31 March 2020 and loss attributable to shareholders of the Company were RMB1,312.6 million (2019: RMB263.8 million) and RMB1,279.1 million (2019: RMB261.6 million) respectively.

Liquidity and Financial Resources

As at 31 March 2020, the Group's consolidated net asset value was RMB2,708.7 million (2019: RMB4,088.2 million). As at 31 March 2020, the Group had cash at bank and on hand amounting to RMB500.8 million (2019: RMB544.7 million). The current ratio of the Group as at 31 March 2020 was 0.27 (2019: 0.52). The gearing ratio, being bank and other borrowings less cash at bank and on hand divided by the total equity, as at 31 March 2020, was 0.81 (2019: 0.45).

Contingent Liabilities

The Group's contingent liabilities are disclosed in note 30 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend in respect of the reporting year (2019: HK\$Nil).

Human Resources

As at 31 March 2020, the number of the Group's staffs was approximately 6,500 (2019: 7,000), including directly employed approximately 1,500 (2019: 1,700) full time employees, and the remaining were concession sales staffs managed on behalf of the suppliers. Most of the employees are employed in Mainland China. The directly employed employees' remuneration, promotion and salary increments are assessed based on both individuals' and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. Apart from the general remuneration package, the Group also granted share options and discretionary bonus to the eligible staffs based on their performance and contribution to the Group. The Group regards high-calibre staffs as one of the key factors to corporate success.

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

Financial Results

During the period under review, the performance of the Group was illustrated as follows.

- (i) Gross revenue of the Group for the nine months ended 31 December 2020 decreased to RMB1,282.0 million as compared to RMB1,812.7 million for the year ended 31 March 2020. The decline was primarily attributable to a drop in concession sales and sales of goods.
- (ii) Annualised area efficiency (annualised gross revenue per average operating area of department stores) for the nine months ended 31 December 2020 was RMB20,600 per square meter, as compared to RMB21,200 per square meter for the year ended 31 March 2020.
- (iii) Revenue of the Group for the nine months ended 31 December 2020 decreased to RMB397.0 million as compared to RMB642.0 million for the year ended 31 March 2020. The decline was due to a drop in concession sales and sales of goods.
- (iv) The gross rental income and management and administrative service fee income of the Group for the nine months ended 31 December 2020 were RMB77.6 million, as compared to RMB114.5 million for the year ended 31 March 2020.
- (v) The Group's loss from operations (EBIT) for nine months ended 31 December 2020 was RMB603.0 million as compared to loss of RMB1,169.3 million for the year ended 31 March 2020. The operating profit margin (loss from operations over gross revenue) changed from -64.5% to -47.0%.

- (vi) Net finance costs of the Group for the nine months ended 31 December 2020 were RMB115.8 million (year ended 31 March 2020: RMB118.5 million).

- (vii) The Group's loss for the nine months ended 31 December 2020 and loss attributable to shareholders of the Company were RMB665.2 million (year ended 31 March 2020: RMB1,312.6 million) and RMB635.1 million (year ended 31 March 2020: RMB1,279.1 million) respectively. The Group's loss for the nine months ended 31 December 2020 was mainly due to the impairment losses on goodwill and intangible assets of RMB365.9 million (year ended 31 March 2020: RMB470.6 million) and an increase in provisions for obligation from Cash Coupon Card (customers' prepaid cards within the Group's department stores, shopping mall and supermarkets) to be consumed of RMB194.5 million (year ended 31 March 2020: RMB94.0 million).

Liquidity and Financial Resources

As at 31 December 2020, the Group's consolidated net asset value was RMB2,038.0 million (31 March 2020: RMB2,708.7 million). As at 31 December 2020, the Group had cash at bank and on hand amounting to RMB393.6 million (31 March 2020: RMB500.8 million). The current ratio of the Group as at 31 December 2020 was 0.25 (31 March 2020: 0.27). The gearing ratio, being bank and other borrowings and lease liabilities less cash at bank and on hand divided by the total equity, as at 31 December 2020, was 1.38 (31 March 2020: 0.85).

Material Acquisition and Disposal and Significant Investments

For the nine months ended 31 December 2020, the Company did not make any material acquisitions or disposals of subsidiaries, associates or joint ventures. As at 31 December 2020, the Group did not hold any significant investments.

Charge on the Group's Assets

As at 31 December 2020, property, plant and equipment with an aggregate net book value of approximately RMB2,743,000,000 (31 March 2020: RMB2,857,700,000), investment property amounting to RMB1,265,300,000 (31 March 2020: RMB1,265,300,000) and cash at bank and on hand amounting to RMB282,900,000 (31 March 2020: RMB443,100,000) of the Group had been pledged to secure the Group's bank and other borrowings.

Material Plan for Investment or Capital Assets

The Group intends to expand its retail operations via opening of new branches. The source of funding will be primarily from the proceeds from bank and other borrowings.

Property Held for Investment

The Group leased out an investment property under operating leases for commercial use (shopping mall). It is held under medium term lease and located in Blocks 1 and 3, Saigo Shopping Centre, South of Feng Cheng Wu Road, West of Wei Yang Road, Economic and Technological Development Zone, Xi'an City, Shaanxi Province, The PRC.

Contingent Liabilities

The Group's contingent liabilities are disclosed in note 31 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend in respect of the reporting period (year ended 31 March 2020: HK\$Nil).

Human Resources

As at 31 December 2020, the number of the Group's staffs was approximately 6,100 (31 March 2020: 6,500), including approximately 1,300 (31 March 2020: 1,500) directly employed full time employees, and the remaining being concession sales staffs managed on behalf of the suppliers. Most of the employees are employed in Mainland China. The directly employed employees' (including directors') remuneration, promotion and salary increments are assessed based on both the Group's performance and the professional and working experience of the individual as well as by reference to prevailing market practice and standards. Apart from the general remuneration package, the Group also grants share options and discretionary bonus to the eligible staffs based on their performance and contribution to the Group. The Group regards high-calibre staffs as one of the key factors to corporate success.

FOR THE SIX MONTHS ENDED 30 JUNE 2021**Business Review**

During the first half of 2021, in the face of the complicated and volatile domestic and international environment, consolidating the achievements made in epidemic prevention and accelerating the economic and social development have both been processed among various departments in different regions. China's economy recovered in a sustained and stable manner, thus consolidating its development foundation. The agricultural economy has been steady and positive, while the livestock industry has maintained sustainable growth. The industrial production has been growing steadily, thus improving the business operations of enterprises. Energy production increased while energy consumption dropped. The recovery of the service sector showed a steady upward trend. New business forms have been developing vigorously.

The recovery of the service sector showed a steady upward trend. In preliminary accounting, the added value of the service sector in the first half of the year was RMB29,661.1 billion, representing a year-on-year increase of 11.8% and an average increase of 4.9% for the two years. The added value of the service sector accounted for 55.7% of the GDP, and contributed 53.0% to the national economic growth, driving the GDP growth by 6.7 percentage points, which was 16.8, 9.4, and 1.2 percentage points higher than that of the secondary industry respectively. Investment in services continued growing. In the first half of the year, the completion of fixed asset investment in the service sector increased by 10.7% year-on-year, with an average growth rate of 4.8% in the two years. The trade deficit in services fell sharply. From January to May, the growth rate of service exports stabilized, thus resulting in a narrowed decline in imports. The deficit in trade in services decreased by RMB235.59 billion year-on-year. The modern service industry maintained steady growth. In the first half of the year, the added-value of the information transmission, software and information technology service industry and the real estate industry increased by 20.3%, 13.6% and 4.7% respectively, as compared to that of last year. The average increase for the two years was 17.3%, 6.1%, and 5.6%, resulting in an increase of 4.1 percentage points in the added-value of the service industry. New forms of business in the service sector were thriving. In the first half of the year, the commodity goods online retail sales increased by 18.7% year-on-year, and the average growth rate for the two years was 16.5%, which accounted for 23.7% of the total retail sales of consumer goods of the same period. The express delivery industry maintained strong growth momentum. Mobile Internet traffic continued growing rapidly. The development of the key fields has been steadily strengthened. In the first half of this year, the fixed asset investment in the high-tech service industry maintained a rapid growth, which was 12.0% year-on-year, outpacing all fixed asset investment in the service industry by 1.3 percentage points, and growing by an average of 9.5% in two years.

Business expectations have been improved. Looking ahead, the expected index of business activities in the service sector averaged 61.2% in the first half of the year, 60.5% in the first quarter and 61.8% in the second quarter respectively, indicating that service enterprises were generally positive and optimistic about future market development.

In general, though China's service sector economy has maintained a steady recovery trend, there are still various domestic and foreign uncertainties and instability. The foundation for recovery of the service sector requires to be strengthened. At the next stage, we shall accelerate the stimulation of the potential of domestic demand, smooth the economic cycle, consolidate the recovery of the overall stability of the service sector, and promote the steady and sound development of the national economy.

In July 2021, the total retail volume of social consumer goods was RMB3,492.5 billion, increased by 8.5% year-on-year, which increased 7.2% from July 2019 with a two-year average of 3.6%. Among them, the retail sales of consumer goods excluding motor vehicles amounted for RMB3,157.8 billion, representing an increase of 9.7%. Excluding prices, retail sales recorded an actual increase of 6.4% in July. During January to July, the retail sales volume of social consumer goods was RMB24,682.9 billion, increased by 20.7% year-on-year, with an average growth rate for the two years of 4.3%. Among them, the retail sales of consumer goods excluding motor vehicles amounted to RMB22,163.1 billion, with an increase of 20.2%.

In July, based on the geographical locations of the operating units, retail sales of consumer goods in urban areas was RMB3,037.9 billion, representing a year-on-year increase of 8.4%. Retail sales of rural consumer goods amounted to RMB454.7 billion, representing an increase of 8.8%. From July to November, retail sales of consumer goods in urban areas amounted to RMB21,447.6 billion, representing a year-on-year increase of 20.9%; the retail sales of rural consumer goods amounted to RMB3,235.3 billion, representing an increase of 19.4%.

By consumption pattern, retail sales of goods amounted to RMB3,117.4 billion in July, representing a year-on-year increase of 7.8%; food and beverage revenue was RMB375.1 billion, representing 14.3%. During January to July, retail sales of goods amounted to RMB22,136.6 billion, representing a year-on-year increase of 18.7%; food and beverage revenue was RMB2,546.3 billion, representing an increase of 42.3%.

From January to July, national online retail sales amounted to RMB7,110.8 billion, representing a year-on-year increase of 21.9%. Among them, the commodity goods online retail sales amounted to RMB5,813 billion, representing an increase of 17.6% and accounting for 23.6% of the total retail sales of consumer goods. Among the commodity goods online retail sales, the categories of food, clothing and basic necessities increased by 23.7%, 21.6% and 15.8% respectively.

In general, the economic operation in 2021 has been sustained and stable. The overall planning on epidemic prevention and development has yielded remarkable results. Except for a small downward adjustment in economic data caused by disasters in some areas due to heavy rainfall in July and by recurrent epidemics in some cities, the overall economy was on a steady uptrend. However, it should be noted that the international environment remains complex and severe, with many uncertainties and instability. The pressure of guarding against imported cases and avoiding internal outbreak remains heavy, the economy is still in the process of recovery, and the foundation for sustained recovery needs to be further strengthened.

In terms of the situation in Xi'an, as the epidemic prevention and control situation has become stable, the results of the policies to expand domestic demand and promote consumption have become apparent, market consumption has gradually become active, and the recovery momentum of the consumer market has continuously gained strength. Xi'an's GDP in the past six months of 2021 was RMB509.962 billion, representing an increase of 7.8% year-on-year and an average increase of 5.3% for the two years. Among them, the added-value of the primary industry was RMB10.905 billion, representing a year-on-year increase of 3.0% and an average increase of 2.3% for the two years. The added-value of the secondary industry was RMB165.425 billion, representing a year-on-year increase of 6.3% and an average increase of 5.9% for the two years. The added-value of the tertiary industry was RMB333.632 billion, representing an increase of 8.8% year-on-year and an average increase of 5.0% over the two years. In the first half of 2019, total retail sales of consumer goods of Xi'an amounted to RMB252.229 billion, representing a year-on-year increase of 20.9% and an increase of 4.8% on the first half of 2019, with an average increase of 2.4% for the two years. Among them, the retail sales of consumer goods of enterprises (entities) above designated size amounted to RMB127.993 billion, representing a year-on-year increase of 18.4% and an increase of 5.3% as compared to the first half of 2019, with an average increase of 2.6% for the two years. Based on the geographical locations of the operating units, retail sales of consumer goods in urban areas of the entities above designated size are RMB127.755 billion, representing a year-on-year increase of 18.5% and an average increase 2.7% for the two years. The retail sales of rural consumer goods amounted to RMB237 million, representing a year-on-year decrease of 8.1% and an average decrease of 21.8% for the two years. By consumption pattern, among the entities above designated size, retail sales of goods amounted to RMB121.972 billion, representing a year-on-year increase of 16.6% and an average increase of 2.7% for the two years; catering revenues were RMB6.021 billion, representing a year-on-year increase of 72.7% and an average increase of 1.5% for the two years. By category of goods, among the entities above designated size, the retail sales of 14 categories of the 22 categories of goods realized a year-on-year growth, of which, the growth rate of 11 categories have exceeded 10%. The volume of retail sales of motor vehicles of entities above designated size increased by 18.8% year-on-year, with an average increase of 0.5% for the two years. The volume of retail sales of oil and petroleum products increased by 7.7% year-on-year, with an average decrease of 2.8% for the two years; the volume of retail sales of clothing, footwear and pin-based textiles increased by 28.0% year-on-year, with an average increase of 5.2% for the two years. The volume of retail sales (via public networks) of entities above designated size realized RMB35.620 billion, representing a year-on-year increase of 27.8% and an average increase of 29.3% for the two years; online retail sales accounted for 27.8% of the total retail sales above designated size in the Xi'an.

In the first half of the year, the consumer prices in Xi'an increased 1.3% year-on-year, representing an increase of 0.8 percentage point as compared to the first quarter, which included a 1.9% increase recorded in June, and a month-on-month decline of 0.7%. Specifically, prices of food, alcohol and tobacco increased 2.1%, prices of clothing increased 0.4%; prices of housing increased 1.3%; prices of daily necessities and services increased 0.3%; prices of transportation and communications increased 2.2%; prices of education, culture and entertainment increased 2.3%; prices of other necessities and services increased 3.4% and prices of healthcare fell 2.4%. In the first half of the year, service prices in Xi'an increased by 1.9% year-on-year while consumer prices in Xi'an increased by 0.9%. In general, Xi'an's GDP growth remained relatively high in 2020. With the rapid narrowing of the decrease in the total retail sales of consumer goods and the total retail sales of commodities of enterprises above designated size, the growth rate of retail sales of goods increased significantly. The consumption stimulus measures have continued to be effective, with commodity consumption gradually picking up and the wholesale and retail sectors recovering rapidly, leading to a rapid decline in the decrease in commodity retail sales. The overall economic environment has been relatively optimistic as the consumer goods market continues to recover.

The competition among the department store markets in Xi'an remains fierce in the context of the epidemic. According to statistics, more than 20 department stores and shopping centers have opened and will open in Xi'an in 2020 and 2021, including influential companies, such as "Longfor Xiangti Paradise Walk", "Chanba IMIX Park", "Fengxi Wuyue Plaza", "Lifeng Urban Life Plaza", as well as new market entrants including "Xi'an Suning Plaza". On the other hand, traditional department stores in Xi'an such as "Parkson" and "Minsheng" have also accelerated the closure of stores in old commercial districts. It can be seen that, as new companies continue to enter and new strong players have continuous access to the commercial retail market of Xi'an, long-established companies and companies that have lost competitiveness are leaving the market one after another, reflecting the growth in the intensity of market competition and elimination rate.

In a highly competitive environment, on the one hand, the Company insists on providing exclusive services and maintaining specialty business operations to ensure the stability of sales. On the other hand, after Xi'an Qujiang Culture Financial Holdings (Group) Co., Ltd realized its holding of the Company, the new management team of the Company has stepped up efforts to actively optimise the Group's organisational structure, merge related functions, reduce personnel costs, and improve work efficiency. The Company has established a segmented business model, which clearly delineates the Company's existing and new business segments. The Company has established a flat management plan, optimized the work process, and improved time-effectiveness of work. At the same time, in accordance with the principle of "Expanding coverage of surrounding markets with an established presence in Xi'an", the new management team of the Company has successively strengthened its ties with the governmental departments in Yan'an, Xianyang, Yulin and other cities in Shaanxi Province, as well as certain potential investors and acquisition targets, so as to gradually expand the influence and scale of the Century Ginwa brand. In addition, after completion of the acquisition on 5 June of this year, the Company carried out seven major battles including "breakthroughs in marketing", "store upgrade", "activation of membership", "team empowerment", "online business", "overcoming funding difficulties and financial innovation" and "tackling toughness by attracting investment", which achieved remarkable results. Through the efforts of the team and the full support of Xi'an Qujiang Culture Financial Holdings (Group) Co., Ltd, a substantial shareholder of the Company, the Group has resolved the supplier debt problem through batch payments and a comprehensive financial plan, allowing business partners to regain confidence in the Company. Our investment team followed up quickly and the current occupancy rate reached 95%, as compared to less than 70% at the beginning.

Future and Outlook

The new management team of the Company has established the overall goal of “becoming stronger and bigger achievers”, and set the goal of regaining its position as the market leader in Shaanxi in terms of operation. In terms of specific operations, investment promotion, member recruitment, external expansion, talent echelon, business model, etc., the Company abandoned the original methods and adopted new ideas and methods to achieve new breakthroughs in new fields.

In terms of new business layout, the online business of the Company has been relaunched under the leadership of the Group’s senior management, which, upon completion, will enable the Company to fully catch up with and surpass competitors in terms of technology. The gradual realization of the financial innovation business also allows us to establish closer business relations with Xi’an Qujiang Culture Financial Holdings (Group) Co., Ltd, and develop a unique advantage in the competitive field. Meanwhile, the Company is also exploring new business areas and directions including self-operated business, commerce business and supermarket business.

In terms of customer base, the Company has accumulated a large number of loyal customers with high purchasing power during its 22 continuous years of operation. While business is gradually recovering from the epidemic, the Company will maintain high-quality services by continuously innovative methods to attract existing customers to return to purchase in stores and attract new target customers to increase the customer base and the number of members.

In terms of operating capabilities, providing customers with a nearly perfect consumption experience has been the key to the Company’s success over the years. In this regard, the Company will gradually start to improve the interior design and facilities of each store. While improving the standard of hardware facilities, the Company will strengthen FAB (features, advantages, benefits) of employees to enhance their understanding of products and improve their professional ability and service standards in sales work, so as to provide customers with a brand new customer experience and sincere and quality services in terms of our software and hardware service capabilities.

Although the domestic and international economic environment has been greatly impacted by the epidemic and competition in the domestic retail market has become increasingly fierce, with the orderly advancement of domestic epidemic prevention and control, the effective measures of economic recovery implemented by the Party Central Committee and the State Council, and a series of measures such as consumer coupons recently implemented by the Xian Municipal Government and Qujiang New District Management Committee, have injected more drive and stimulation to the recovery of the macro economy and the rebound of the consumer market. Subsequent to the vertical deepening of the national system transformation and reform, the national policies will create a macro-environment conducive to enterprise development. The Company will also adjust its strategies and formulate corresponding policies in a timely manner while advancing with the times to improve the Company's operating capabilities, business scale, and influence and competitiveness in Xi'an, Shaanxi and nationwide.

In terms of the expansion of existing businesses, on the basis of maintaining its market share in Xi'an, the Company will make full use of its successful practice and accumulated experience over the past two decades, and actively explore new business models in the middle of integration and optimisation of existing businesses. In addition, through various forms such as asset-heavy investment, investment mergers and acquisitions, asset-light operation, management output, and goodwill output, the Company will increase the coverage of other cities and strong counties in Shaanxi to achieve orderly growth of the Company's scale and continuous enhancement of competitiveness.

In terms of brand introduction, the Company will gradually expand the target customer base in the boutique and high-end market segments, and continue to introduce domestic and foreign well-known brands to provide consumers with more high-quality choices while actively exploring new business models and channels to supply goods more directly to consumers, thereby transforming the business models and the pattern of profit distribution. We believe that with the support of Qujiang New District Management Committee and substantial shareholder, Qujiang Culture Financial Holdings (Group) Co., Ltd, and under the effective leadership of the new management team, the Company is enabled to achieve satisfactory financial performance with its strong brand strength and outstanding operational efficiency. The Company will continue to maintain its leading position in the industry and obtain due returns for shareholders and investors through the unremitting efforts of the new management team and collective leadership.

Financial Results

During the period under review, the performance of the Group was illustrated as follows.

- (i) Gross revenue of the Group for the six months ended 30 June 2021 increased by 9% to RMB832.6 million as compared to RMB763.6 million for the six months ended 30 September 2020. The increase was primarily attributable to a rise in sales of goods.
- (ii) Annualised area efficiency (annualised gross revenue per average operating area of department stores) for the six months ended 30 June 2021 was RMB20,100 per square meter, as compared to RMB18,300 per square meter for the six months ended 30 September 2020.
- (iii) Revenue of the Group for the six months ended 30 June 2021 increased by 9% to RMB288.9 million as compared to RMB264.9 million for the six months ended 30 September 2020. The increase was due to a rise in sales of goods.
- (iv) The rental income and management and administrative service fees of the Group for the six months ended 30 June 2021 increased to RMB62.6 million, as compared to RMB52.6 million for the six months ended 30 September 2020.
- (v) The Group's loss from operations (EBIT) for the six months ended 30 June 2021 was RMB55.7 million, as compared to loss of RMB572.7 million for the six months ended 30 September 2020. The operating profit margin (loss from operations over gross revenue) changed from -75.0% to -6.7%.
- (vi) Net finance costs of the Group for the six months ended 30 June 2021 were RMB74.7 million (six months ended 30 September 2020: RMB75.6 million).
- (vii) The Group's loss for the six months ended 30 June 2021 and loss attributable to shareholders of the Company were RMB138.2 million (six months ended 30 September 2020: RMB646.3 million) and RMB133.4 million (six months ended 30 September 2020: RMB614.6 million) respectively. The Group's loss for the six months ended 30 June 2021 decreased significantly, which was mainly due to the provisions for impairment of goodwill and intangible assets of RMBNil (six months ended 30 September 2020: RMB365.9 million) and an increase in provisions for Cash Coupon Card (customers' prepaid cards within the Group's department stores, shopping mall and supermarkets) to be consumed of RMBNil (six months ended 30 September 2020: RMB194.5 million).

Liquidity and Financial Resources

As at 30 June 2021, the Group's consolidated net asset value was RMB1,994.6 million (31 December 2020: RMB2,038.0 million). As at 30 June 2021, the Group had cash at bank and on hand amounting to RMB447.3 million (31 December 2020: RMB393.6 million). The current ratio of the Group as at 30 June 2021 was 0.33 (31 December 2020: 0.25). The gearing ratio, being bank and other borrowings and lease liabilities less cash at bank and on hand divided by the total equity, as at 30 June 2021, was 1.61 (31 December 2020: 1.38).

Contingent Liabilities

As at the end of the reporting period, the Group had issued the following guarantee:

A guarantee provided by Ginwa Bell Tower in respect of a payable for acquisition of a property by Ginwa Investments in August 2005. Ginwa Investments has defaulted repayment of the above payable. As at the end of the reporting period, the directors of the Company did not consider it is probable that a claim will be made against the Group under the above guarantee. The maximum liability of the Group at the end of the reporting period under the guarantee issued is the outstanding amount of the liability of RMB9,500,000 (31 December 2020: RMB9,500,000) plus accrued interest.

Material Acquisition and Disposal and Investments

For the six months ended 30 June 2021, the Company did not make any material acquisitions or disposals of subsidiaries, associates or joint ventures. As at 30 June 2021, the Group did not hold any significant investments.

Charge on the Group's Assets

As at 30 June 2021, property, plant and equipment with an aggregate net book value of approximately RMB2,844,000,000 (31 December 2020: RMB2,743,000,000), investment property amounting to RMB1,265,300,000 (31 December 2020: RMB1,265,300,000) and cash at bank and on hand amounting to RMB291,078,000 (31 December 2020: RMB282,900,000) had been provided as bank collaterals.

Material Plan for Investment or Capital Assets

The Group did not have any other plan for material investment or capital assets as at 30 June 2021 but the Group intended to expand its retail operations via opening of new branches. The source of funding will be primarily from the proceeds from bank and other borrowings.

Dividends

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 September 2020: RMB Nil).

Human Resources

As at 30 June 2021, the number of the Group's staffs was approximately 4,000 (31 December 2020: 6,100), including approximately 1,300 (31 December 2020: 1,300) directly employed full time employees. The remaining were concession sales staffs managed on behalf of the suppliers. Most of the employees are employed in Mainland China. The directly employed employees' remuneration, promotion and salary increments are assessed based on both the individuals' and the Group's performance, professional and working experience and by reference to prevailing market practice and standards. Apart from the general remuneration package, the Group also grants share options and discretionary bonus to eligible staffs based on their performance and contribution to the Group. The Group regards high-calibre staff as one of the key factors to corporate success.

Foreign Exchange Exposure

During the six months ended 30 June 2021, the Group's operation of department stores, shopping mall and supermarkets earned revenue and incurred costs in Renminbi. The Group was not subject to any significant exposure to foreign exchange risk as most of the transactions, assets and liabilities were denominated in Renminbi. Hence, no financial instrument hedging was made.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executive was taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Nature of interest	Number of issued Shares held	Approximate percentage of the issued Share capital of the Company
Ms. Wan Qing	Interests of spouse	123,500 <i>(Note 1)</i>	0.01%

Note:

- (1) Mr. Ge Xin, the spouse of Ms. Wan Qing, was beneficially interested in 123,500 Shares. Therefore, Ms. Wan Qing was deemed to be interested in 123,500 Shares in the Company under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, save as disclosed below, none of the other Directors was a director or employee of a company which had, or was deemed to have, an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Title	Company in which the Director was a director or employee as at the Latest Practicable Date
Mr. Huang Shunxu	Chairman of the board	Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd.
Mr. Li Yang	General manager	Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd
Mr. Chen Shuai	Managing director	Hony Capital

(b) Substantial Shareholders' and other Shareholders' interests

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

(i) Long positions/short positions in the Shares

Name of Shareholder	Long positions/ short positions	Nature of interests	Number of issued Shares held	Approximate percentage of the issued Share capital of the Company
Qujiang Cultural Financial International Investment Limited	Long positions	Corporate interests	336,166,156 <i>(Note 1)</i>	29.24%
Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd.	Long positions	Interest in a controlled corporation	336,166,156 <i>(Note 1)</i>	29.24%
Xi'an Qujiang New District Management Committee	Long positions	Interest in a controlled corporation	336,166,156 <i>(Note 1)</i>	29.24%
Glory Keen Holdings Limited ("Glory Keen")	Long positions	Corporate interests	322,727,272 <i>(Note 2)</i>	28.07%
Hony Capital Fund 2008, L.P.	Long positions	Interest in a controlled corporation	322,727,272 <i>(Note 2)</i>	28.07%
Hony Capital Fund 2008 GP, L.P.	Long positions	Interest in a controlled corporation	322,727,272 <i>(Note 2)</i>	28.07%
Hony Capital Fund 2008 GP Limited	Long positions	Interest in a controlled corporation	322,727,272 <i>(Note 2)</i>	28.07%
Hony Group Management Limited	Long positions	Interest in a controlled corporation	322,727,272 <i>(Note 2)</i>	28.07%
Hony Managing Partners Limited	Long positions	Interest in a controlled corporation	322,727,272 <i>(Note 2)</i>	28.07%
Exponential Fortune Group Limited	Long positions	Interest in a controlled corporation	322,727,272 <i>(Note 2)</i>	28.07%
Mr. Zhao John Huan	Long positions	Interest in a controlled corporation	322,727,272 <i>(Note 2)</i>	28.07%

(ii) Long position/short position in the underlying Shares of equity derivatives of the Company (as defined in Part XV of the SFO)

Name of Shareholder	Long positions/ short positions	Nature of interests	Number of underlying Shares held	Approximate percentage of the issued Share capital of the Company
Glory Keen	Long positions	Corporate interests	1,294,774,999 <i>(Note 3)</i>	112.62%
Hony Capital Fund 2008, L.P.	Long positions	Interest in a controlled corporation	1,294,774,999 <i>(Note 3)</i>	112.62%
Hony Capital Fund 2008 GP, L.P.	Long positions	Interest in a controlled corporation	1,294,774,999 <i>(Note 3)</i>	112.62%
Hony Capital Fund 2008 GP Limited	Long positions	Interest in a controlled corporation	1,294,774,999 <i>(Note 3)</i>	112.62%
Hony Group Management Limited	Long positions	Interest in a controlled corporation	1,294,774,999 <i>(Note 3)</i>	112.62%
Hony Managing Partners Limited	Long positions	Interest in a controlled corporation	1,294,774,999 <i>(Note 3)</i>	112.62%
Exponential Fortune Group Limited	Long positions	Interest in a controlled corporation	1,294,774,999 <i>(Note 3)</i>	112.62%
Mr. Zhao John Huan	Long positions	Interest in a controlled corporation	1,294,774,999 <i>(Note 3)</i>	112.62%

Notes:

- (1) Qujiang Cultural Financial International Investment Limited held 336,166,156 Shares. Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd. holds the entire issued share capital of Qujiang Cultural Financial International Investment Limited. Each of Xi'an Qujiang New District Management Committee and Xi'an Qujiang Cultural Holding Company Limited beneficially owns 80.05% and 19.95% equity interest in Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd., respectively. Xi'an Qujiang New District Management Committee owns 99.9% equity interest in Xi'an Qujiang Cultural Holding Company Limited. As such, Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd. and Xi'an Qujiang New District Management Committee were deemed to be interested in 336,166,156 Shares by virtue of its shareholding in Qujiang Cultural Financial International Investment Limited.
- (2) The long position of 322,727,272 Shares represents the 322,727,272 Shares held by Glory Keen. Honky Capital Fund 2008, L.P. holds the entire issued share capital of Glory Keen. Honky Capital Fund 2008 GP, L.P. is the sole general partner of Honky Capital Fund 2008, L.P.. Honky Capital Fund 2008 GP Limited, a wholly-owned subsidiary of Honky Group Management Limited, is the sole general partner of Honky Capital Fund 2008 GP, L.P.. Honky Managing Partners Limited owns 80% equity interest in Honky Group Management Limited. Honky Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited. Mr. Zhao John Huan held 49% of the issued share capital of Exponential Fortune Group Limited. Each of the above-mentioned parties is therefore deemed to be interested in the interest held by Glory Keen.

- (3) The long position of 1,294,774,999 underlying Shares represents the interest in the 1,294,774,999 conversion shares which may be issued under the Hony Convertible preferred shares. The exercise of the conversion rights attaching to the Hony Convertible preferred shares are subject to the restrictions as stated in the paragraph headed “Other terms of the Preferred Shares” under the section headed “Subscription Agreement” in the circular of the Company dated 19 November 2012.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

5. DIRECTORS’ INTERESTS IN ASSETS OR CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors (i) had any direct or indirect interest in any assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; or (ii) were materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date and which are, or may be, material to the Group:

- (a) the trademark assignment agreement dated 8 May 2020 (the “**Trademark Assignment Agreement**”) entered into between Xi’an Century Ginwa Shopping Mall Company Limited#(西安世紀金花購物有限公司) (the “**Purchaser**”), a wholly owned subsidiary of the Company, and Xi’an Ginwa Commercial Management Services Company Limited#(西安金花商務管理服務有限公司) (the “**Vendor**”) in relation to the acquisition of 67 trademarks owned by the Vendor prior to the date of the Trademark Assignment Agreement, as supplemented and amended by the Supplemental Trademark Agreement (as defined below), at a consideration of RMB100,000,000 which was settled by the Purchaser to the Vendor by way of the Loan Agreement (as defined below);
- (b) the loan assignment agreement dated 8 May 2020 (the “**Loan Agreement**”) entered into by and among the Purchaser, the Vendor and Xi’an Century Ginwa Epin Life Supermarket Company Limited#(西安世紀金花宜品生活用品有限公司) (the “**Debtor**”) in relation to the assignment of the loan in the amount of RMB100,000,000 due by the Debtor to the Group and assigned by the Purchaser to the Vendor;
- (c) the agreement dated 30 September 2020 entered into between the Purchaser and the Vendor to supplement the Trademark Assignment Agreement (the “**Supplemental Trademark Agreement**”);
- (d) the subscription agreement dated 30 December 2020 (the “**Subscription Agreement**”) and entered into by the Company in relation to the subscription of the non-voting and participating shares of a nominal value of US\$0.001 each in Serica Segregated Portfolio (the “**Sub-Fund**”), a segregated portfolio created by HNW Investment Fund Series SPC (the “**HNW Investment Fund**”), for a total of HK\$17 million, as supplemented and amended by the Supplemental Subscription Agreement (as defined below);
- (e) the letter agreement dated 30 December 2020 entered into by and among Overseas Chinese Town (Asia) Holdings Limited (華僑城(亞洲)控股有限公司), the Company together with other investors of the Sub-Fund, the Sub-Fund, CCB International Asset Management Limited, the HNW Investment Fund, City Turbo Limited (港名有限公司) and Xi’an OCT Real Estate Limited (西安華僑城置地有限公司) to govern certain terms and conditions for existing and future investments made by the investors in the Sub-Fund;

- (f) the supplemental agreement dated 9 April 2021 and entered into between the parties to the Subscription Agreement to amend certain terms of the Subscription Agreement (the “**Supplemental Subscription Agreement**”);
- (g) the second supplemental agreement dated 20 September 2021 entered into by and among Century Ginwa Company Limited#(世紀金花股份有限公司), a non-wholly owned subsidiary of the Company, Xi’an Shangya Business Management Company Limited#(西安尚雅商務管理有限公司), Xi’an Yigao Property Development Company Limited#(西安億高置業有限公司) (the “**Project Company**”), Shanghai Huade Investment Company Limited#(上海花德投資有限公司) and Ningbo Xingyi Industrial Investment Partnership (Limited Partnership)#(寧波行誼實業投資合夥企業(有限合夥)) to further amend certain terms of the agreement dated 4 December 2014 in relation to the development of the commercial part of the development known as “Xi’an Centre” being developed by the Project Company in the Xi’an Hi-tech Industries Development Zone of Xi’an, the PRC; and
- (h) the Lease Agreement.

8. GENERAL

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is located at Unit 301, 3/F, OfficePlus@Wan Chai, 303 Hennessy Road, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Leung Kee Wai, who is a fellow member of The Chartered Governance Institute, The Hong Kong Chartered Governance Institute, and a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants.
- (d) The Company’s Hong Kong branch share registrar and transfer office is Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (e) The English text of this circular and the proxy form shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS ON DISPLAY

The following documents are on display and are published on the websites of the Stock Exchange (www.hkexnews.com) and the Company (www.cgrh.com.hk) for a period of 14 days from the date of this circular:

- (a) the material contracts referred to in the paragraph headed “7. Material Contracts” in this appendix;
- (b) the valuation report prepared by Xi’an Tianzheng Property Assets Appraisal Consulting Co., Ltd. (西安天正房地產資產評估顧問有限公司); and
- (c) this circular.

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that the Special General Meeting (the “SGM”) of Century Ginwa Retail Holdings Limited (the “Company”) will be held at 24/F, OfficePlus@Wan Chai, 303 Hennessy Road, Wanchai, Hong Kong on Tuesday, 28 December 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

the lease agreement dated 16 November 2021 entered into between Xianyang Century Ginwa Trade and Commerce Company Limited#(咸陽世紀金花商貿有限公司) as lessee and Shaanxi Dongyin Industrial Co., Ltd.#(陝西東銀實業有限公司) as lessor (the “Lease Agreement”) and the transactions contemplated thereunder be approved, ratified and confirmed; and any one director of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the Lease Agreement and the transactions contemplated thereunder.”

On behalf of the Board
Century Ginwa Retail Holdings Limited
Huang Shunxu
Executive Director

Hong Kong, 7 December 2021

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 301, 3/F, OfficePlus@Wan Chai
303 Hennessy Road
Wanchai
Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he/she or they represent as such member could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
4. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within 12 months from such date.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any shares, any one of such joint holders may vote either in person or by proxy in respect of such shares as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
7. The register of members of the Company will be closed from 22 December 2021 to 28 December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to determine the eligibility of the members who are entitled to attend and vote at the meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 December 2021.
8. If tropical cyclone warning signal number 8 or above or "extreme conditions" caused by super typhoon, or a black rainstorm warning signal is in effect any time after 8:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.cgrh.com.hk and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify the members of the date, time and venue of the rescheduled meeting.

As at the date of this notice, 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.