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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)

POSSIBLE VERY SUBSTANTIAL DISPOSAL DISPOSAL MANDATE IN RELATION TO POTENTIAL DISPOSAL OF SHARES IN GINWA ENTERPRISE (GROUP) INC.*

DISPOSAL MANDATE

As at the date of this announcement, Century Ginwa, a non-wholly-owned subsidiary of the Company, held an aggregate of 30,000,000 A-Shares, representing approximately 8.04% of the issued share capital of the A-Shares Company based on public information available to the Company as at the date of this announcement.

The Company intends to seek the Shareholders' approval for the Disposal Mandate for possible Disposal of up to 30,000,000 A-Shares in one or more transactions. The Directors consider that the Company should obtain the approval of the Disposal Mandate from the Shareholders in advance so as to allow flexibility in effecting any future disposal(s) of the A-Shares (in whole or in part) expeditiously when market condition is favourable.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal as contemplated thereunder the Disposal Mandate exceeds 75%, the Disposal as contemplated thereunder the Disposal Mandate constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

GENERAL

As at the date of this announcement, none of the Directors has a material interest in the Disposal as contemplated thereunder the Disposal Mandate and was required to abstain from voting from the Board resolutions for considering and approving the Disposal as contemplated thereunder the Disposal Mandate pursuant to the bye-laws of the Company and applicable laws and regulations.

A SGM will be convened and held by the Company to seek Shareholders' approval of the Disposal as contemplated thereunder the Disposal Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders are considered to be interested in the Disposal and are required to abstain from voting at the SGM.

A circular containing, among other things, detailed information regarding the Disposal as contemplated thereunder the Disposal Mandate and a notice of the SGM is expected to be despatched to the Shareholders on or before 16 May 2022 to allow sufficient time required for the preparation and finalization of the relevant information for inclusion in the circular.

Completion of the Disposal is conditional upon the satisfaction of the condition set out in the section headed "Condition Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DISPOSAL MANDATE

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The Company intends to seek the Shareholders' approval for the Disposal Mandate for possible Disposal of up to 30,000,000 A-Shares in one or more transactions. The Directors consider that the Company should obtain the approval of the Disposal Mandate from the Shareholders in advance so as to allow flexibility in effecting any future disposal(s) of the A-Shares (in whole or in part) expeditiously when market condition is favourable.

The Disposal Mandate to be sought from the Shareholders will be on the following terms:

Period of the Disposal Mandate

The Disposal Mandate will be valid for a period of 12 months from the date of its approval from the Shareholders having been obtained.

Maximum number of A-Shares to be disposed of under the Disposal Mandate

The maximum number of A-Shares to be disposed of is 30,000,000 A-Shares (subject to adjustment in the event of a share consolidation or share subdivision of the A-Shares Company), being approximately 8.04% of the issued share capital of the A-Shares Company based on public information available to the Company as at the date of this announcement.

Manner of Disposal under the Disposal Mandate

The Disposal under the Disposal Mandate may be conducted (i) through on-market transactions conducted on, or through block trade platform of, the Shanghai Stock Exchange where the A-Shares are listed; and/or (ii) by way of placing through block trade(s) to Independent Third Parties by entering into placing agreement(s) with placing agent(s). The terms and conditions for any block trade(s) will be negotiated on an arms' length basis and the Company will ensure the placing agent(s) to be engaged is/are properly reputable and licensed to carry on the activity of dealing in securities listed on the Shanghai Stock Exchange.

In deciding whether or not to effect a disposal pursuant to the Disposal Mandate, the Directors will take into account the then current market sentiment and the prevailing market prices of the A-Shares, subject to the following conditions:

- (i) the Disposal will be conducted on normal commercial terms and will be fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (ii) the price of the A-Shares to be disposed of pursuant to the Disposal Mandate will be settled in cash;
- (iii) the disposal price of each A share will be the highest of (a) no lower than RMB8.5 per A-Share; (b) the arithmetic average of the daily weighted average price for 30 trading days immediately prior to the date of the indicative announcement in relation to the Disposal to be published by the A-Shares Company; and (c) the audited net asset value per A-Share of the A-Shares Company for the most recent fiscal year; and
- (iv) the persons to whom the A-Shares will be disposed of and/or their respective ultimate beneficial owners, will, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, be Independent Third Parties, provided that in case where the Disposal is effected on open market, the identity of the counterparty to the Disposal may not be ascertained.

It is proposed that, pursuant to the Disposal Mandate, the Board will be authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Disposal, including but not limited to the number of batches of disposals, the number of A-Shares to be sold under each disposal, the timing of each disposal, the manner of disposal (whether in the open market or through block trade(s)) and the disposal price (subject to the parameters set out in paragraph (iii) above).

Basis for determining the disposal price

As aforesaid, the disposal price of each A-Share will be the highest of (a) no lower than RMB8.5 per A-Share (representing a premium of approximately 4.51% to the average closing price of A-Shares for the 30 consecutive trading days immediately prior to the date of this announcement); (b) the arithmetic average of the daily weighted average price for 30 trading days immediately prior to the date of the indicative announcement in relation to the Disposal to be published by the A-Shares Company; and (c) the audited net asset value per A-Share of the A-Share Company for the most recent fiscal year, which was determined taking into consideration of:

- (i) the original acquisition costs of RMB10.52 per A-Share; and
- (ii) the recent market price of the A-Shares, which as at the date of this announcement, amounted to RMB8.08 per A-Share.

Based on the foregoing, the Directors consider that the basis for determining the disposal price (and the Minimum Disposal Price) is fair and reasonable.

Condition precedent

The Disposal Mandate shall be conditional upon the approval by the Shareholders at the SGM.

In the event that all 30,000,000 A-Shares held by Century Ginwa would be disposed by Century Ginwa pursuant to the Disposal Mandate, Century Ginwa shall cease to hold (directly or indirectly) any A-Share.

INFORMATION ON THE A-SHARES COMPANY

The A-Shares Company is a company established in the PRC, of which the A-shares are listed on the Shanghai Stock Exchange (Stock Code: 600080) since 12 June 1997. The A-Shares Company mainly operates in the pharmaceutical manufacturing industry and is principally engaged in the research and development, production and sale of pharmaceutical products.

According to the published consolidated financial statements of the A-Shares Company prepared in accordance with the PRC Accounting Standards, the financial results of the A-Shares Company for the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 are as follow:

	For the year ended 31 December 2019 RMB'000 (audited)	For the year ended 31 December 2020 RMB'000 (audited)	For the nine months ended 30 September 2021 RMB'000 (unaudited)
Net profit before taxation	41,762	46,263	30,147
Net profit after taxation	26,410	36,952	23,018

The net assets value of the A-Shares Company as at 30 September 2021 was approximately RMB1,711.14 million.

The A-Shares Company has a dividend policy in place which stipulates that (i) any dividend to be distributed every year shall not be less than 10% of the distributable profit as attributable to the parent company; and (ii) there should be at least one cash dividend distribution in every three consecutive years and the cumulative cash dividend distributed in any three-year period shall not be less than 30% of the annual average distributable profit realized in three-year period. For the years ended 31 December 2018, 2019 and 2020, the A-Shares Company declared dividend of RMB40 cents, RMB30 cents and RMB90 cents for every 10 A-Shares respectively. Total amounts of RMB1,200,000, RMB900,000 and RMB2,700,000 of dividend payments were received for the A-Shares held by Century Ginwa for the year 2018, year 2019 and year 2020, respectively.

As at the date of this announcement, Century Ginwa held an aggregate of 30,000,000 A-Shares, representing approximately 8.04% of the issued share capital of the A-Shares Company based on public information available to the Company as at the date of this announcement. The 30,000,000 A-Shares were acquired by the Century Ginwa at original acquisition costs of RMB315,600,000, representing an average of RMB10.52 per A-Share. As at 31 December 2021, the carrying value of the 30,000,000 A-Shares in the Group's accounts amounted to RMB255,900,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE DISPOSAL MANDATE

Taking into consideration of the recent market price of the A-Shares, the Directors are of the view that the Disposal represents an opportunity for the Company to realize its investment in the A-Shares Company at a reasonable exit price whilst obtaining additional cash flow and enhancing liquidity for the Group.

Based on the recent price movement of the A-Shares, the Board is of the view that the market price of the A-Shares may continue to fluctuate due to the severe international situation and the impact of the repeated outbreak of the coronavirus (COVID-19), which may result in negative impact to the financials of the Group as a whole. Accordingly, it is the intention of Century Ginwa to dispose of the Group's investment in the A-Shares Company from time to time expeditiously when market conditions are favourable. However, a disposal (or series of disposals) of the entire 30,000,000 A-Shares will constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and requires Shareholders' approval in a general meeting of the Company. Given the volatility of the stock market, disposing of A-Shares at the best possible price requires prompt actions at the right timing and it is not practicable to seek Shareholders' approval for each disposal of such number of A-Shares. Furthermore, due to the length of time required to meet the disclosure and Shareholders' approval requirements under Chapter 14 of the Listing Rules, market opportunities may be missed if approval from the Shareholders is not sought in advance. Therefore, the Company intends to obtain the Disposal Mandate for the possible Disposal of up to 30,000,000 A-Shares in one or more transactions from the Shareholders in order to enable the Group to dispose of its A-Shares in an effective and efficient manner, and to allow flexibility in effecting any future disposal(s) of A-Shares (in whole or in part) expeditiously when market conditions are favourable. The Directors are of the view that the Disposal Mandate provides flexibility with the Group during the 12-month period to act promptly, effectively and efficiently to dispose of its investment in A-Shares at the appropriate time and at the appropriate prices in order to maximize the return to the Group. As such, the Directors consider that the Disposal Mandate and the Disposal contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

USE OF NET PROCEEDS

Given the maximum number of 30,000,000 A-Shares to be disposed of under the Disposal Mandate and the Minimum Disposal Price of RMB8.5 per A-Share, the gross proceeds from the Disposal will be approximately RMB255,000,000.

It is intended that the net proceeds from the Disposal will be used for repayment of a portion of the existing debts and used as general working capital of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

Given the maximum number of 30,000,000 A-Shares to be disposed of under the Disposal Mandate and the Minimum Disposal Price of RMB8.5 per A-Share, the gross proceeds from the Disposal will be approximately RMB255,000,000.

The 30,000,000 A-Shares held by Century Ginwa were recognised as financial assets measured at fair value through other comprehensive income in the Company's financial statements after initial application of HKFRS 9, *Financial instruments* from 1 April 2018.

Assuming all 30,000,000 A-Shares are sold at the Minimum Disposal Price, the total cash assets of the Group will be increased by RMB255,000,000. A loss of approximately RMB900,000 will be incurred. The loss is calculated with reference to the difference between the carrying value of the 30,000,000 A-Shares as at 31 December 2021 and the gross proceeds from the Disposal. The final gain/loss on the Disposal will be subject to final audit.

INFORMATION ON THE COMPANY AND THE CENTURY GINWA

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

Century Ginwa is a non-wholly owned subsidiary of the Company owned as to 83.88% by the Company, principally engaged in operation of department store in the PRC.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal as contemplated thereunder the Disposal Mandate exceeds 75%, the Disposal as contemplated thereunder the Disposal Mandate constitutes a very substantial disposal for the Company pursuant to Rule 14.06 (4) of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

GENERAL

As at the date of this announcement, none of the Directors has a material interest in the Disposal as contemplated thereunder the Disposal Mandate and was required to abstain from voting from the Board resolutions for considering and approving the Disposal as contemplated thereunder the Disposal Mandate pursuant to the bye-laws of the Company and applicable laws and regulations.

A SGM will be convened and held by the Company to seek Shareholders' approval of the Disposal as contemplated thereunder the Disposal Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders are considered to be interested in the Disposal and are required to abstain from voting at the SGM.

A circular containing, among other things, detailed information regarding the Disposal as contemplated thereunder the Disposal Mandate and a notice of the SGM is expected to be despatched to the Shareholders on or before 16 May 2022 to allow sufficient time required for the preparation and finalization of the relevant information for inclusion in the circular.

Completion of the Disposal is conditional upon the satisfaction of the condition set out in the section headed “Condition Precedent” in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the following terms used in this announcement shall have the following meanings when used herein:

“A-Shares”	the A-shares of the A-Shares Company
“A-Shares Company”	金花企業(集團)股份有限公司 (Ginwa Enterprise (Group) Inc.*), a company of which A-shares are listed on the Shanghai Stock Exchange (Stock Code: 600080)
“Board”	the board of the Directors
“Century Ginwa”	世紀金花股份有限公司 (Century Ginwa Company Limited*), a joint stock company established in the PRC, a non-wholly owned subsidiary of the Company owned as to 83.88% by the Company
“Company”	Century Ginwa Retail Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the A-Shares pursuant to the Disposal Mandate
“Disposal Mandate”	a specific mandate proposed by the Board to seek approval from the Shareholders to allow Century Ginwa to dispose of up to 30,000,000 A-Shares (in whole or in part) on the terms as set out under the paragraph headed “Disposal Mandate” in this announcement
“Group”	the Company and its subsidiaries

“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Disposal Price”	RMB8.5 per A-Share, being the minimum price of which the A-Shares will be disposed pursuant to the Disposal Mandate
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, if thought fit, the Disposal Mandate and the Disposal contemplated thereunder
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 7 April 2022

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