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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)

**CONNECTED TRANSACTION
TERMINATION OF THE LEASE CONTRACT**

On 28 July 2022, Honghui Property, an indirect wholly-owned subsidiary of the Company, and Jinmeida entered into the Termination Agreement to terminate the Lease Contract in advance, with effect from 16 June 2022. Since the same date, Honghui Property will no longer perform its obligations under the Lease Contract, and Honghui Property and Jinmeida will also not be required to pay any liquidated damages or fees to each other in respect of the termination of the Lease Contract.

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

In accordance with HKFRS 16, the Group has recognised the value of right-of-use assets in its consolidated statement of financial position in connection with the lease of the Premises under the Lease Contract. Entering into the Termination Agreement will result in a decrease of RMB82.50 million in the amount of right-of-use assets recognised by the Group. Therefore, entering into the Termination Agreement and the transactions contemplated thereunder will be considered as a disposal of assets by the Group. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of entering into the Termination Agreement and the transactions contemplated thereunder is more than 0.1% but less than 5%, entering into the Termination Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under the Listing Rules, and are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

References are made to the announcement dated 30 November 2021 and the circular dated 11 January 2022 of the Company in relation to entering into the Lease Contract between Honghui Property and Jinmeida in respect of the Premises. Pursuant to the Lease Contract, the lease term is two years commencing from 1 February 2022 to 31 January 2024, and the total rent payable by the Group during the lease term is RMB95.7243 million.

TERMINATION OF THE LEASE CONTRACT

On 28 July 2022, Honghui Property, an indirect wholly-owned subsidiary of the Company, and Jinmeida entered into the Termination Agreement to terminate the Lease Contract in advance, with effect from 16 June 2022. The principal terms of the Termination Agreement are set out below:

Date:	28 July 2022
Premises:	The commercial block of No.9 Street, Qujiang Harbour City, No. 659 Yannanyilu, Qujiang New District, Xi'an, with a total area of approximately 81,998 square meters (including all parking spaces on and under the ground for shopping malls)
Termination of the Lease Contract:	The Lease Contract is terminated with effect from 16 June 2022. Honghui Property shall no longer perform its obligations under the Lease Contract, and hand over the Premises and facilities to Jinmeida since that date
Transition period:	From 16 June 2022 to 15 September 2022. During the transition period, Honghui Property shall assist Jinmeida in handover procedures; all income and expenditure shall be borne by Jinmeida, and Honghui Property is not required to pay rent and any fees to Jinmeida during such period

Since the date of termination, Honghui Property will no longer perform its obligations under the Lease Contract, and Honghui Property and Jinmeida will also not be required to pay any liquidated damages or fees to each other in respect of the termination of the Lease Contract, which are determined after arm's length negotiation between them. According to HKFRS 16, the carrying amount of the right-of-use assets to be sold by the Group pursuant to the Termination Agreement is approximately RMB82.50 million (at fair value), as compared to the outstanding balance of the lease liability recognised in respect of the Lease Contract of approximately RMB70.13 million (at amortised cost). The Group is expected to record a net loss of approximately RMB12.37 million (being the difference between the outstanding balance of the lease liability recognised less the carrying amount of the right-of-use assets) after entering into of the Termination Agreement.

On the other hand, the Group is expected to record a decrease in the net loss of approximately RMB24 million (which is estimated based on actual losses incurred during the operating period) due to the entering into of the Termination Agreement.

The above calculations are for illustrative purposes only and the accounting for entering into the Termination Agreement is subject to further review/audit by the auditors of the Company.

GENERAL INFORMATION

Honghui Property

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

Jinmeida

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

The Company and the Group

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

Qujiang Financial Holdings

Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd.* (西安曲江文化金融控股(集團)有限公司) is a state-owned enterprise funded and established by Qujiang New District of Xi'an City in the PRC and principally engaged in financial investment business. Xi'an Qujiang New District Management Committee beneficially owns 80.05% equity interest in Qujiang Financial Holdings.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TERMINATION AGREEMENT

The Company has continued to assess the business strategy of the Premises during the lease period, and various measures have been taken to enhance its influence in the local business community. However, as the Premises are close to Datang Everbright City (大唐不夜城) in Yanta District, Xi'an City, with continued strong influx of visitors, and repeated outbreaks of the COVID-19 pandemic have resulted in the area where it is located being classified as a medium-or high-risk region of the COVID-19 pandemic for several times, the Group is currently under the dual financial pressure of the flow of the Premises declining beyond expectation and a potential need to reduce or exempt rents for the merchants. Moreover, projects such as Saigo and Daming Palace that the Group plans to operate require massive manpower and material resources for

operations. Therefore, in the long run, the Company believes that entering into the Termination Agreement to terminate the Lease Contract in advance will help reduce the financial burden of the Company and protect the overall interests of the Company and its shareholders.

The Directors (including the independent non-executive Directors) consider that the Termination Agreement has been entered into on normal commercial terms or better in the ordinary and usual course of business of the Company, and that the terms thereof are fair and reasonable and in the interest of the Company and its shareholders as a whole.

LISTING RULES APPLICATIONS

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

In accordance with HKFRS 16, the Group has recognised the value of right-of-use assets in its consolidated statement of financial position in connection with the lease of the Premises under the Lease Contract. Entering into the Termination Agreement will result in a decrease of RMB82.50 million in the amount of right-of-use assets recognised by the Group. Therefore, entering into the Termination Agreement and the transactions contemplated thereunder will be considered as a disposal of assets by the Group. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of entering into the Termination Agreement and the transactions contemplated thereunder is more than 0.1% but less than 5%, entering into the Termination Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under the Listing Rules, and are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable inquiries, Mr. Huang Shunxu and Mr. Li Yang (who were Directors on the date of the Termination Agreement) are also the chairman and the general manager of Qujiang Financial Holdings, respectively, and were therefore considered as having material interests in the Termination Agreement and the transactions contemplated thereunder and had abstained from voting at the Board resolution for approving the entering into of the Termination Agreement and the transactions contemplated thereunder. Save as otherwise, no other Directors were considered as having a material interest in the Termination Agreement and the transactions thereunder and required to abstain from voting at the relevant Board resolution.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“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
“connected transaction(s)”	has the meaning ascribed to it in the Listing Rules
“Group”	the Company and its subsidiaries
“Director(s)”	the director(s) of the Company
“Jinmeida”	Xi’an Jinmeida Commercial Real Estate Development Co., Ltd.* (西安金美達商業地產開發有限公司), a company established in the PRC
“Lease Contract”	the lease contract dated 30 November 2021, the principal terms of which were set out in the announcement of the Company dated 30 November 2021
“Termination Agreement”	the termination agreement dated 28 July 2022, the principal terms of which were set out in this announcement
“Honghui Property”	Xi’an Honghui Property Management Company Limited Qujiang New District Branch* (西安鴻輝物業管理有限公司曲江新區分公司), a company established in the PRC, and an indirect wholly-owned subsidiary of the Company
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 Lease issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“Premises”	the commercial block of No.9 Street, Qujiang Harbour City, No. 659 Yannanyilu, Qujiang New District, Xi’an, with a leasable area of approximately 81,998 square meters
“Qujiang Financial Holdings”	Xi’an Qujiang Cultural Financial Holdings (Group) Co. Ltd.* (西安曲江文化金融控股(集團)有限公司), a company established in the PRC and a substantial shareholder of the Company
“Qujiang Investment”	Qujiang Cultural Financial International Investment Ltd.* (曲江文化金融國際投資有限公司), a company incorporated in Hong Kong and a substantial shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

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

Hong Kong, 28 July 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.