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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)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE

FORMATION OF JOINT VENTURE

The Board is pleased to announce that on 28 December 2023 (after trading hours), Qujiang Century Ginwa Group, a wholly-owned subsidiary of the Company, entered into the JV Articles with Wenfei Commercial and Zhuoqun Taihe in relation to the formation of the Joint Venture. The Joint Venture will be held as to 40% by Qujiang Century Ginwa Group, 30% by Wenfei Commercial and 30% by Zhuoqun Taihe. The Joint Venture will be principally engaged in the operation and management of the Gaoxin Shopping Mall.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the total capital commitment of Qujiang Century Ginwa Group pursuant to the JV Articles is more than 5% but is less than 25%, the formation of the Joint Venture constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

INTRODUCTION

On 28 December 2023 (after trading hours), Qujiang Century Ginwa Group, a wholly-owned subsidiary of the Company, entered into the JV Articles with Wenfei Commercial and Zhuoqun Taihe in relation to the formation of the Joint Venture. The principal terms of the JV Articles are summarised below.

THE JV ARTICLES

Date of execution of the JV Articles

28 December 2023

Parties

- (i) Qujiang Century Ginwa Group;
- (ii) Wenfei Commercial; and
- (iii) Zhuoqun Taihe

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, Wenfei Commercial, Zhuoqun Taihe and their ultimate beneficial owner(s) are Independent Third Parties.

Proposed scope of business

The Joint Venture will be principally engaged in the operation and management of the Gaoxin Shopping Mall.

Shareholding Structure and Capital commitment

Pursuant to the JV Articles, the Joint Venture will be held as to 40% by Qujiang Century Ginwa Group, 30% by Wenfei Commercial and 30% by Zhuoqun Taihe. The Joint Venture will have a registered capital of RMB20,000,000, which will be contributed by Qujiang Century Ginwa Group as to RMB8,000,000, Wenfei Commercial as to RMB6,000,000 and Zhuoqun Taihe as to RMB6,000,000 in cash, respectively. Each of the Parties is required to pay up its respective committed registered capital on or before 30 June 2024 pursuant to the JV Articles.

The amount of the capital commitment was determined after arm's length negotiation between the Parties, with reference to, among others, the expected capital requirements of the Joint Venture and the capital contribution intentions of the Parties.

The registered capital to be contributed by Qujiang Century Ginwa Group pursuant to the JV Articles will be funded by internal resources of the Group.

Management of the Joint Venture

The board of directors of the Joint Venture shall consist of three (3) directors. Each of the Parties shall have the right to appoint one (1) director. The term of office of each director is three years, and the director may be re-elected upon expiry of the term of office. The chairman of the Joint Venture shall be elected by the board of directors of the Joint Venture. The chairman of the Joint Venture shall serve as the legal representative of the Joint Venture.

The Joint Venture has no supervisory board but shall have 1 supervisor, who shall be elected by the members' meeting of the Joint Venture. The term of office of the supervisor is three years, and the supervisor may be re-elected upon expiry of the term of office.

The Joint Venture shall have a general manager who shall be appointed by the decision of the board of directors of the Joint Venture. The general manager will be responsible to, among other matters, preside over the management and operation of the Joint Venture, implement the annual business plan, investment proposal and resolutions as determined by the board of directors of the Joint Venture.

Restrictions on equity transfer

Each of the Parties may transfer to any other Party all or any part of its equity interest in the Joint Venture. In the event that a Party proposes to transfer its equity interest in the Joint Venture to a third party, the other Parties shall have the right of first refusal to such equity interest in accordance with the company laws of the PRC. If both of the other two Parties intend to exercise the right of first refusal, those Parties are entitled to purchase the equity interest in the Joint Venture which is proposed to be transferred based on the proportion of their respective equity interest in the Joint Venture on the date of transfer.

INFORMATION OF THE PARTIES

Qujiang Century Ginwa Group, a company established in the PRC, is an indirect wholly-owned subsidiary of the Company and an investment holding company which holds the equity interest of the subsidiaries within the Group. The Group is principally engaged in operation of department stores, a shopping mall and supermarkets in the PRC.

Wenfei Commercial is a limited liability company established in the PRC, and its scope of business includes but not limited to the provision of commercial complex management services, business management consultancy and planning services. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Wenfei Commercial is owned as to 70% by Ma Wenzhong (馬文忠) (“**Mr. Ma**”) who is the legal representative of Wenfei Commercial, as to 20% by Cao Yuan (曹媛) and as to 10% by Yang Cheng (楊誠). Mr. Ma has extensive and long-term stable brand resources and merchant relationships, and has been previously responsible for the operation and management of several commercial projects for the subsidiaries of Fujian Dongbai (Group) Company Limited* (福建東百集團股份有限公司) (a listed company on the Shanghai Stock Exchange, Stock Code: 600693).

Zhuoqun Taihe is a limited liability company established in the PRC, and its scope of business includes but not limited to the sale of construction materials, sale of general merchandise and office supplies and retail of clothing and apparels. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Zhuoqun Taihe is owned as to 60% by Mr. Zhu Jianqin (朱建秦) (“**Mr. Zhu**”) who is the legal representative of Zhuoqun Taihe, as to 16% by Wang Chunsheng (王春生), as to 16% by Liu Yongqian (劉勇前) and as to 8% by Huo Lei (霍蕾). Mr. Zhu has substantial investment experience in the catering industry and possess extensive and long-term stable brand resources and merchant relationships. Mr. Zhu has been previously responsible for several commercial projects and supermarket operations and management of Minsun Department Store* (民生百貨) in Xianyang.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

The Gaoxin Shopping Mall has been managed and operated by Xi’an Century Ginwa since 2005. In recent years, the outbreak of COVID-19 pandemic and intense competition from surrounding shopping malls posed great challenges and impact to the operational and financial performance of the Gaoxin Shopping Mall. Through the formation of the Joint Venture, the Group will be able to collaborate with Mr. Ma and Mr. Zhu to enhance the capability and efficiency of operational management and brand procurement, and to complement the strength of each other and share the resources and expertise for the operation and management of the Gaoxin Shopping Mall. It is intended that following the formation of the Joint Venture, (i) Xi’an Century Ginwa will enter into an entrusted operation and management agreement (the “**Management Agreement**”) with the Joint Venture, pursuant to which the Joint Venture will be entrusted to provide brand operation and management service in respect of the Gaoxin Shopping Mall for a term of 10 years, and (ii) Honghui Property (as lessor) will enter into the lease contract (the “**Lease Contract**”) with Xi’an Century Ginwa (as co-lessee) and the Joint Venture (as co-lessee) to lease the Gaoxin Shopping Mall and its ancillary facilities to Xi’an Century Ginwa and the Joint Venture for operation at a total rental fee of approximately RMB177,395,400 for a term of 10 years, which shall be payable by Xi’an Century Ginwa to Honghui Property. It is intended that the initial rental fee rate shall be RMB50 per square meter per month (“**Initial Rental Fee Rate**”), and shall be adjusted and increased by RMB5 per square meter per month every five years. For the first year from the date of the execution of the Lease Contract, it is intended that the rental fee rate would be one half of the Initial Rental Fee Rate.

Leveraging on the extensive experience of Mr. Ma and Mr. Zhu in the commercial retail business, in particular the operation and management of large-scale shopping malls, pursuant to the Management Agreement, the Joint Venture will appoint the general manager and a team of experienced management personnel which will be led by Mr. Ma and Mr. Zhu to implement the overall operation of the Gaoxin Shopping Mall, which include but not limited to brand procurement, operational management, marketing and promotion, project renovation and maintenance of external social relations. Pursuant to the Management Agreement, it is intended that the Joint Venture shall pay a security deposit to Xi'an Century Ginwa in an aggregate amount of RMB20 million in three instalments, with the first instalment of RMB10 million being paid within 7 days of the Management Agreement, the second instalment of RMB5 million being paid within 3 months of the Management Agreement and the remaining balance of RMB5 million being paid within 6 months of the Management Agreement, for securing the due performance of the obligations of the Joint Venture under the Management Agreement. Furthermore, it is intended that the Joint Venture will receive the management fees in respect of the operation and management of the Gaoxin Shopping Mall based on the amount equivalent to the EBIDTA for every 6 months pursuant to the terms of the Management Agreement. If the EBIDTA in the relevant period records a loss, Xi'an Century Ginwa will be entitled to deduct such loss from the security deposit paid by the Joint Venture. If the Gaoxin Shopping Mall continues to record a loss during the term of the Management Agreement which results in the amount of the security deposit being deducted in full, the Joint Venture will be required to pay RMB2 million to Xi'an Century Ginwa as a supplementary security deposit within 60 days of the receipt of notification from Xi'an Century Ginwa. If the EBIDTA in the relevant period records a profit, the amount of the security deposit which has been deducted in the previous period shall be compensated and made up by such amount of profit in the current period, and the balance (if any) shall be paid in one lump sum to the Joint Venture as the management fees. The Directors are of the view that the aforesaid arrangement will not only maximize the incentive of the management team of the Joint Venture to devote more effort towards enhancing the operational management and financial performance of the Gaoxin Shopping Mall, but also allow the Group, being a member of the Joint Venture, to benefit from the revenue derived from the management fees in the event that the Gaoxin Shopping Mall is able to record a positive EBITDA in the relevant period.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the formation of the Joint Venture and the terms of the JV Articles are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the total capital commitment of Qujiang Century Ginwa Group pursuant to the JV Articles is more than 5% but is less than 25%, the formation of the Joint Venture constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the transaction contemplated under the Management Agreement will be a transaction of a revenue nature in the ordinary and usual course of business of the Company, it will be exempted from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The lease to be entered into between Honghui Property, Xi'an Century Ginwa and the Joint Venture under the Lease Contract will be an operating lease and as the total monetary value or the number of leases involved represents less than 200% in the scale of the Group's existing operations conducted through lease arrangements of such kind, the transaction contemplated under the Lease Contract does not constitute a "transaction" of the Company under Rule 14.04(1)(d) of the Listing Rules.

DEFINITIONS

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

“Board”	the board of the 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 (stock code: 162)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EBIDTA”	the agreed formula of the earnings before interest, taxes, depreciation, and amortization in respect of the Gaoxin Shopping Mall pursuant to the terms of Management Agreement
“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)”	party(ies) which is/are independent of the Company and its connected persons
“Joint Venture”	a limited liability company to be established in the PRC under the proposed name of Xi’an Century Jinhua Zhuohe Commercial Management Company Limited* (西安世紀金花卓合商業管理有限公司)
“JV Articles”	the articles of association of the Joint Venture dated 28 December 2023 entered into between the Parties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	parties to the JV Articles, being Qujiang Century Ginwa Group, Wenfei Commercial and Zhuoqun Taihe, each a “Party”
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Gaoxin Shopping Mall”	the shopping mall at Gaoxin (高新店購物中心) owned by Honghui Property, which is located at 1-4/F, Century Golden Flower Shopping Centre, No. 33 Science and Technology Road, Yanta District, Xi’an, Shaanxi Province, the PRC (中國陝西省西安市雁塔區科技路33號世紀金花購物中心1-4層), with a total gross floor area of 29,565.9 square meters

“Honghui Property”	Xi’an Honghui Property Management Company Limited* (西安鴻輝物業管理有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Qujiang Century Ginwa Group”	Xi’an Qujiang Century Ginwa Commercial Management Group Limited* (西安曲江世紀金花商業管理集團有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Wenfei Commercial”	Xi’an Wenfei Commercial Operation Management Company Limited* (西安文斐商業運營管理有限公司), a limited liability company established in the PRC
“Xi’an Century Ginwa”	Xi’an Century Ginwa Shopping Mall Company Limited* (西安世紀金花購物有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Zhuoqun Taihe”	Xi’an Zhuoqun Taihe Trade Company Limited* (西卓群泰合商貿有限公司), a limited liability company established in the PRC

By order of the Board
Century Ginwa Retail Holdings Limited
Yao Jiangang
Chairman

Hong Kong, 28 December 2023

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

* *For identification purpose only*