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 a licensed securities dealer or registered institution in securities, a 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

(1) OFF-MARKET BUY-BACK OF NON-VOTING CONVERTIBLE PREFERRED SHARES
(2) CONNECTED TRANSACTION
(3) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Code IBC, the Listing Rules IBC and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 6 to 28 of this circular.

A letter of recommendation from the Code IBC is set out on pages 29 to 30 of this circular. A letter of recommendation from the Listing Rules IBC is set out on pages 31 to 32 of this circular. A letter of advice from Gram Capital to the Code IBC, the Listing Rules IBC and the Independent Shareholders regarding the Share Buy-back is set out on pages 33 to 75 of this circular.

A notice convening the SGM to be held on Thursday, 29 December 2022 at 11:30 a.m. at Unit 301, 3/F, OfficePlus@Wan Chai, 303 Hennessy Road, Wanchai, Hong Kong is set out on pages SGM-I to SGM-III of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof (i.e., by 11:30 a.m. on 27 December 2022). Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

7 December 2022

CONTENTS

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

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 15 June 2022 in relation to the off-market buy-back of non-voting convertible preferred shares and connected transaction
"Agreement"	the agreement dated 15 June 2022 entered into between the Company and Glory Keen in relation to the Share Buy-back
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"Buy-back Price"	approximately HK$0.21 per Preferred Share under the Share Buy-back
"Bye-Laws"	the bye-laws of the Company, as amended from time to time
"Code IBC"	the independent committee of the Board, comprising Mr. Li Yang, Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong, being all the non-executive Director and independent non-executive Directors (except Mr. Chen Shuai who is a non-executive Director nominated by Glory Keen), all of whom are not involved in and/or interested in the Share Buy-back, established under the Share Buy-backs Code to give recommendations to the Independent Shareholders in respect of the Agreement and the Share Buy-back
"Company"	Century Ginwa Retail Holdings Limited, a company incorporated in Bermuda with limited liability and the Ordinary Shares of which are listed on the main board of the Stock Exchange (stock code: 162)

"Completion"	completion of the Share Buy-back pursuant to the terms and conditions of the Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Existing GCX Share Charge"	the share charge dated 27 December 2012 and executed by the Company pursuant to which the entire issued share capital of GCX held by the Company was made subject to a charge in favour of Glory Keen as security for the due performance of the Company in relation to the issuance of the Preferred Shares
"GCX"	Golden Chance (Xian) Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands
"GCX Share Charge"	the share charge to be executed and delivered by the Company on Completion pursuant to which the entire issued share capital of GCX held by the Company is to be made subject to a charge in favour of Glory Keen to secure the due performance of the Company in relation to the interest-free promissory note to be issued by the Company in satisfaction of the consideration for the Share Buy-back
"Glory Keen"	Glory Keen Holdings Limited, the subscriber of the Preferred Shares and a substantial shareholder of the Company, the ultimate beneficial owners being Mr. Zhao John Huan, Mr. Cao Yonggang and Mr. Xu Minsheng
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Code IBC, the Listing Rules IBC and the Independent Shareholders (as applicable) in connection with the Agreement and the transactions contemplated thereunder (including the Share Buy-back and the GCX Share Charge)
"Independent Shareholders"	the Shareholders other than (i) Glory Keen and the parties acting in concert with it; (ii) the Shareholders who are involved in or interested in the Agreement and the transactions contemplated thereunder (including the Share Buy-back and the GCX Share Charge); and (iii) Shareholders who have a material interest in the Agreement and the transactions contemplated thereunder which is different from the interest of all other Shareholders, and who are required to abstain from voting on the relevant resolutions at the SGM
"Last Trading Day"	15 June 2022, being the last trading day of the Ordinary Shares immediately before the entering into of the Agreement
"Latest Practicable Date"	2 December 2022, the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Rules IBC"	the independent committee of the Board, comprising Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong, being all the independent non-executive Directors, established under the Listing Rules to give recommendations to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the Share Buy-back and the GCX Share Charge)
"Long Stop Date"	31 December 2022
"Ordinary Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company

"PRC"	the People's Republic of China
"Preferred Share(s)"	the 1,177,068,181 non-voting and perpetual convertible preferred share(s) of nominal value of HK$0.10 per share issued by the Company to Glory Keen pursuant to the Subscription Agreement
"Qujiang Investment"	Qujiang Cultural Financial International Investment Limited (曲江文化金融國際投資有限公司), a company holding approximately 29.24% of the total number of Ordinary Shares in issue as at the Latest Practicable Date
"Relevant Period"	the period commencing on 15 December 2021 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at Unit 301, 3/F, OfficePlus@Wan Chai, 303 Hennessy Road, Wanchai, Hong Kong at 11:30 a.m. on Thursday, 29 December 2022, to consider and, if thought fit, to approve the resolutions approving the Agreement and the transactions contemplated thereunder, including the Share Buy-back and the GCX Share Charge
"Share Buy-back"	the buy-back of the Preferred Shares by the Company from Glory Keen for cancellation pursuant to the terms and conditions of the Agreement, which constitutes an off-market share buy-back by the Company under Rule 2 of the Share Buy-backs Code
"Share Buy-backs Code"	the Hong Kong Code on Share Buy-backs
"Share(s)"	Ordinary Share(s) and Preferred Share(s)
"Shareholder(s)"	the holder(s) of the Ordinary Share(s)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement dated 22 October 2012 entered into between the Company as issuer and Glory Keen as subscriber in relation to the issue of the Preferred Shares
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Valuer"	Asia-Pacific Consulting and Appraisal Limited, the independent valuer engaged by the Company for the valuation of the Preferred Shares
"%"	per cent

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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)

Executive and Non-executive Directors:
Mr. Huang Shunxu *(Chairman)*
Mr. Qin Chuan *(Chief Executive Officer)*
Ms. Wan Qing
Mr. Li Yang
Mr. Chen Shuai

Independent Non-executive Directors:
Mr. Tsang Kwok Wai
Mr. Ruan Xiaofeng
Ms. Song Hong

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

7 December 2022

To the Shareholders

Dear Sir/Madam,

(1) OFF-MARKET BUY-BACK OF NON-VOTING CONVERTIBLE PREFERRED SHARES
(2) CONNECTED TRANSACTION
(3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Agreement.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement and the Share Buy-back; (ii) a letter of recommendations from the Code IBC to the Independent Shareholders in relation to the Agreement and the Share Buy-back; (iii) a letter of recommendations from the Listing Rules IBC to the Independent Shareholders in relation to the Agreement and the Share Buy-back; (iv) a letter of advice from Gram Capital to the Code IBC, the Listing Rules IBC and the Independent Shareholders in relation to the Agreement and the Share Buy-back; (v) other information required pursuant to the Share Buy-backs Code and the Listing Rules in relation to the Agreement and the Share Buy-back; and (vi) notice of the SGM.

THE AGREEMENT

Subject Matter

On 15 June 2022, the Company and Glory Keen entered into the Agreement, pursuant to which the Company conditionally agreed to buy back from Glory Keen, and Glory Keen conditionally agreed to sell to the Company, the Preferred Shares at the Buy-back Price of approximately HK$0.21 per Preferred Share (i.e. the Share Buy-back).

Set forth below are the principal terms of the Agreement:

Date

15 June 2022

Parties

(i) the Company; and

(ii) Glory Keen.

Subject matter

The 1,177,068,181 Preferred Shares, which are convertible into 1,294,774,999 Ordinary Shares based on the conversion ratio of 1.1 Ordinary Shares per one Preferred Share, representing approximately 112.62% of the total number of Ordinary Shares in issue as at the Latest Practicable Date and approximately 52.97% of the total number of Ordinary Shares as enlarged by the issue of the number of Ordinary Shares upon conversion of the Preferred Shares. The number of Preferred Shares to be bought back by the Company represents all the outstanding Preferred Shares as at the Latest Practicable Date.

Consideration

The Buy-back Price of approximately HK$0.21 per Preferred Share was determined after arm's length negotiations between the parties to the Agreement with reference to, among other things, (i) the conversion price of the Preferred Shares of HK$1.00 per Preferred Share (in respect of the 886,818,181 Preferred Shares issued at a subscription price of HK$1.10) and the conversion price of the Preferred Shares of HK$1.456 per Preferred Share (in respect of the 290,250,000 Preferred Shares issued at a subscription price of HK$1.60); (ii) the downward movement of the share price of the Ordinary Shares from July 2021 up to and including the Last Trading Day, with the share price reaching the lowest price of HK$0.083 per Ordinary Share on 25 April 2022; (iii) the discounts of approximately 78.40-89.84% as compared to the proportional per-share net asset values of the Group as described in paragraphs (vii) and (ix) below; and (iv) the discount of approximately 83.59% to the valuation of the Preferred Shares determined by the Valuer as described in paragraph (xi) below. The Board considers that the Buy-back Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole, having regard to the above factors. The consideration for the Share Buy-back of HK$247,184,318 is the product of the Buy-back Price of approximately HK$0.21 per Preferred Share and the 1,177,068,181 Preferred Shares held by Glory Keen, which shall be satisfied by the Company by issue of the interest-free promissory note due on the first anniversary of the date of Completion in favour of Glory Keen.

The Buy-back Price of approximately HK$0.21 per Preferred Share represents:

(i) a premium of approximately 44.83% over HK$0.145 per 1.1 Ordinary Shares calculated based on the closing price of HK$0.132 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 73.55% over HK$0.121 per 1.1 Ordinary Shares calculated based on the closing price of HK$0.11 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 79.49% over HK$0.117 per 1.1 Ordinary Shares calculated based on the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK$0.106 per Ordinary Share;

(iv) a premium of approximately 84.21% over HK$0.114 per 1.1 Ordinary Shares calculated based on the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.104 per Ordinary Share;

(v) a premium of approximately 89.19% over HK$0.111 per 1.1 Ordinary Shares calculated based on the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$0.101 per Ordinary Share;

(vi) a premium of approximately 62.79% over HK$0.129 per 1.1 Ordinary Shares calculated based on the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK$0.117 per Ordinary Share;

(vii) a discount of approximately 89.84% to the consolidated net asset value of the Group attributable to the Shareholders of approximately HK$2.066 per 1.1 Ordinary Shares (based on the consolidated net assets of the Group attributable to the Shareholders as at 31 December 2021 of approximately RMB1,756.88 million (equivalent to approximately HK$2,159.13 million) and 1,149,694,715 Ordinary Shares in issue as at the Latest Practicable Date);

(viii) a discount of approximately 88.22% to the consolidated net asset value of the Group attributable to the Shareholders of approximately HK$1.782 per 1.1 Ordinary Shares (based on the consolidated net assets of the Group attributable to the Shareholders as at 30 June 2022 of approximately RMB1,593.17 million (equivalent to approximately HK$1,862.92 million) and 1,149,694,715 Ordinary Shares in issue as at the Latest Practicable Date);

(ix) a discount of approximately 78.40% to the consolidated net asset value of the Group attributable to the Shareholders of approximately HK$0.972 per 1.1 Ordinary Shares (based on the consolidated net assets of the Group attributable to the Shareholders as at 31 December 2021 of approximately RMB1,756.88 million (equivalent to approximately HK$2,159.13 million) and 2,444,469,714 Ordinary Shares (assuming that the Preferred Shares are converted to Ordinary Shares in full but otherwise no other change in the number of Ordinary Shares in issue as at the Latest Practicable Date));

(x) a discount of approximately 74.94% to the consolidated net asset value of the Group attributable to the Shareholders of approximately HK$0.838 per 1.1 Ordinary Shares (based on the consolidated net assets of the Group attributable to the Shareholders as at 30 June 2022 of approximately RMB1,593.17 million (equivalent to approximately HK$1,862.92 million) and 2,444,469,714 Ordinary Shares (assuming that the Preferred Shares are converted to Ordinary Shares in full but otherwise no other change in the number of Ordinary Shares in issue as at the Latest Practicable Date));

(xi) a discount of approximately 83.59% to the valuation of RMB1.04 per Preferred Share (equivalent to approximately HK$1.28), being the value of a Preferred Share as determined by the Valuer, which was valued based on an asset-based valuation approach taking into account, among other things, the economic outlook in general and the nature of business and historical financial performance of the Group. For details, please refer to the valuation report from the Valuer set out in Appendix III.

In the event that any dividend or distribution in respect to the Preferred Shares is declared by the Company and the record date of which falls before the date of the Completion, the consideration for the Share Buy-back of HK$247,184,318 will be reduced by the amount of any dividend/distribution declared by the Company and paid or payable to Glory Keen.

As at the Latest Practicable Date, the Company had not declared any dividend, did not have any intention to make, declare or pay any future dividend or make other distribution, and there are no declared but undistributed dividends in respect of the Preferred Shares before the date of the Completion.

Lock-up

Glory Keen undertook to the Company that for the period from the date of the Agreement to the earlier of the date of Completion and the date of the termination of the Agreement, save for the purchase of the Preferred Shares by the Company as contemplated under the Agreement, it shall not exercise the conversion right attaching to any of the Preferred Shares and shall not sell, transfer, encumber or otherwise dispose of any of the Preferred Shares.

GCX Share Charge

The consideration for the Share Buy-back will be satisfied by the Company by issue of the interest-free promissory note due on the first anniversary of the date of Completion in favour of Glory Keen. Taking into consideration that the consideration will not be satisfied in cash upon completion, the Company agreed to execute and deliver the GCX Share Charge in favour of Glory Keen upon Completion, pursuant to which a fixed first equitable charge shall be created over the entire issued share capital of GCX in favour of Glory Keen to secure the due performance of the Company in relation to the issuance of the interest-free promissory note in an amount of HK$247,184,318. The GCX Share Charge will be released upon repayment of all outstanding amount by the Company thereunder the promissory note.

As at the Latest Practicable Date, the entire issued share capital of GCX had been charged in favour of Glory Keen under the Existing GCX Share Charge as security for the due performance of the Company in relation to the issuance of the Preferred Shares and the Existing GCX Share Charge will be released following cancellation of the Preferred Shares, and GCX holds all of the interest of Golden Chance (Saigo) Shopping Centre Limited, an investment holding company indirectly holding an investment property located in Xi'an City, PRC, part of which the Group uses to operate its own department store and part of which is leased out as operating lease for commercial use (shopping mall).

The financial information of GCX and its proportional percentage over the Group as at 30 June 2022, 31 December 2021 and 31 December 2020 were as below:

	As at 30 June 2022 *RMB'000*	**As at 31 December 2021** *RMB'000*	**As at 31 December 2020** *RMB'000*
Total assets	3,185,664	3,134,836	3,668,711
% over the Group	44.58%	43.48%	51.79%
Net assets	1,545,423	1,574,518	1,666,438
% over the Group	94.79%	87.07%	81.77%

The Existing GCX Share Charge was executed in 2012 as security for due performance of the Company in relation to the issuance of the Preferred Shares. During negotiations regarding the Share Buy-back, it was Glory Keen's position that in order to facilitate its exit, the Company shall provide the GCX Share Charge to secure performance of the interest-free promissory note, so that the existing security arrangement provided to Glory Keen under the Preferred Shares is replicated. Glory Keen expressly stated to the Company that it would not accept alternative or other reduced forms of security to replace the Existing GCX Share Charge.

Given the size of GCX relative to the Group's total assets and net assets, if a situation arose where the GCX Share Charge was exercised by Glory Keen, the Board considers that the Group's operational and financial position may be adversely impacted. However, the Board considers that such a scenario is unlikely, given that the Company has obtained a financial support letter from Xi'an Qujiang Cultural Financial Holdings (Group) Co., Ltd., the controlling shareholder of Qujiang Investment who holds approximately 29.24% of the Ordinary Shares. Xi'an Qujiang Cultural Financial Holdings (Group) Co., Ltd. has undertaken that it will provide financial support in the amount of RMB4 billion to the Group to support the Group's continued operations. This undertaking is valid until 31 March 2024.

The Board considers that provision of the GCX Share Charge is fair and reasonable and in the interest of the Company and the Shareholders as a whole, having regard to the above factors.

Conditions precedent

Completion is conditional upon the satisfaction of each of the following conditions precedent:

(i) the Executive having approved the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;

(ii) the approval of the Share Buy-back by at least three-fourths of the votes cast by the Independent Shareholders present in person or by proxy at the SGM;

(iii) the execution and the delivery of the GCX Share Charge and the release of the Existing GCX Share Charge; and

(iv) each of the warranties given by Glory Keen under the Agreement remaining true, accurate and not misleading in all respects.

The conditions precedent set out in (i) and (ii) above are not capable of being waived by the parties to the Agreement. The condition precedent set out in (iii) above can be waived by Glory Keen and the condition precedent set out in (iv) above can be waived by the Company. If any of the conditions set out above is not fulfilled or waived (if applicable) on or before the Long Stop Date, the Agreement shall lapse and be of no further effect. As at the Latest Practicable Date, none of the conditions precedent set out in (i) to (iii) above have been satisfied or waived, and the condition precedent set out in (iv) above remains satisfied.

Completion

Completion will take place on the 5th Business Day after satisfaction of the conditions precedent set out in (i) and (ii) above.

After the Completion, the Company shall cancel the Preferred Shares.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the Latest Practicable Date; and (ii) immediately after the Completion, assuming there will be no other change in the issued share capital and the shareholding structure of the Company between the Latest Practicable Date and the date of the Completion.

Name of Shareholder	As at the Latest Practicable Date		Immediately after the Completion	
	Number of Shares held	*Approximate %*	*Number of Shares held*	*Approximate %*
Ordinary Shares				
Qujiang Investment *(Note 1)*	336,166,156	29.24	336,166,156	29.24
Glory Keen and its parties acting in concert *(Note 2)*	322,727,272	28.07	322,727,272	28.07
Mr. Ge Xin	123,500	0.01	123,500	0.01
Public Shareholders	490,677,787	42.68	490,677,787	42.68
Total	**1,149,694,715**	**100**	**1,149,694,715**	**100**
Preferred Shares				
Glory Keen *(Note 2)*	1,177,068,181	100	–	–
Total	**1,177,068,181**	**100**	**–**	**–**

Notes:

1. *Qujiang Investment held 336,166,156 Ordinary Shares. Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd. holds the entire issued share capital of Qujiang Investment. 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 interests in Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd., respectively. Each of Xi'an Qujiang New District Management Committee and Xi'an Quijiang Cultural Industry Development Center owns 99.90% and 0.10% equity interest in Xi'an Qujiang Cultural Holding Company Limited, respectively. As such, Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd. and Xi'an Qujiang New District Management Committee (each a state-owned enterprise) were deemed to be interested in 336,166,156 Ordinary Shares by virtue of the shareholding in Qujiang Investment.*

2. *The long position of 322,727,272 Ordinary Shares represents the 322,727,272 Ordinary Shares held by Glory Keen. Hony Capital Fund 2008, L.P. holds the entire issued share capital of Glory Keen. Hony Capital Fund 2008 GP, L.P. is the sole general partner of Hony Capital Fund 2008, L.P. Hony Capital Fund 2008 GP Limited, a wholly-owned subsidiary of Hony Group Management Limited, is the sole general partner of Hony Capital Fund 2008 GP, L.P. Hony Managing Partners Limited and Right Lane Limited owns 80% and 20% equity interests in Hony Group Management Limited, respectively. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited. Exponential Fortune Group Limited is a company held as to 49% by Mr. Zhao John Huan, 25.5% by Mr. Cao Yonggang and 25.5% by Mr. Xu Minsheng. Right Lane Limited is a company wholly-owned by Legend Holdings Corporation (聯想控股股份有限公司), a joint stock limited liability company incorporated under the laws of PRC and its overseas listed shares are listed on the Main Board of the Stock Exchange (Stock Code: 03396). Each of the above-mentioned parties is therefore deemed to be interested in the interest held by Glory Keen.*

As at the Latest Practicable Date, Mr. Ge Xin, the spouse of Ms. Wan Qing, an executive Director, 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, representing approximately 0.01% of the total number of Ordinary Shares in issue. Save as disclosed above, as at the Latest Practicable Date, none of the Directors was interested in any Shares. As at the Latest Practicable Date, Mr. Ge Xin has indicated to the Company that he does not intend to vote his Ordinary Shares at the SGM, because he holds only a small percentage of the Ordinary Shares in issue.

As at the Latest Practicable Date, there were 1,149,694,715 Ordinary Shares in issue. Save for the Preferred Shares, the Company does not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Ordinary Shares or other types of equity interests of the Company as at the Latest Practicable Date.

Following the Completion, the Preferred Shares will be cancelled and there will be no outstanding Preferred Shares. No less than 25% of the Ordinary Shares in issue will remain in public hands following the Completion.

In addition, it is the intention of the Company to continue to meet the public float requirements under Rule 8.08 of the Listing Rules following the Completion.

FINANCIAL EFFECTS OF THE SHARE BUY-BACK

Basic loss per Share

Assuming Completion took place on 1 January 2021[1], the Group's basic loss attributable to the Shareholders per Share for the year ended 31 December 2021 would have increased by approximately 102.53% from approximately RMB0.158 per Share to approximately RMB0.320 per Share on the assumption that all the Preferred Shares have been bought back in full and cancelled at the beginning of the year (not including the potential increase in the Group's finance expense mentioned below).

Net assets per Share

Assuming Completion took place on 30 June 2022, the consolidated net asset value of the Group as at 30 June 2022 would decrease by approximately RMB211.39 million from RMB1,630.31 million to RMB1,418.92 million, the difference being the carrying amount of the interest-free promissory note of HK$247,184,318. The net assets value per ordinary share would have been decreased from RMB1.42 to RMB1.23 accordingly.

Total liabilities

Assuming the Share Buy-back had been completed on 30 June 2022, the total liabilities of the Group would have been increased by approximately RMB211.39 million from approximately RMB5,515.87 million as at 30 June 2022 to approximately RMB5,727.26 million.

[1] In order to demonstrate the financial effect of the Share Buy-back on basic loss attributable to the Shareholders per Share for the entire year ended 31 December 2021, Completion was assumed to have taken place on 1 January 2021. For clarity, if it was assumed that Completion took place on 31 December 2021, Completion would not affect the weighted average number of ordinary shares outstanding during the year ended 31 December 2021, which is used to calculate basic loss per share.

Working capital

On the assumption that the Group will continue to obtain external debt financing (which may be applied towards, among other things, the repayment of the interest-free promissory note), it is expected that the Group will be able to continue to meet its working capital requirements and pay its debts as they fall due in the ordinary course of its business. The potential increase of external financing is also expected to increase the Group's finance expenses by approximately RMB12.07 million to RMB16.09 million per annum based on the existing interest rates of the Group's existing external borrowings in the range of 6% to 8% per annum.

Assuming the Share Buy-back had been completed on 30 June 2022, the ratio of current assets to current liabilities of the Group, will be decreased from approximately 0.033 to approximately 0.032. The gearing ratio of the Group, being bank and other borrowings, interest-free promissory note and lease liabilities less cash at bank and on hand divided by the total equity, will be increased from approximately 2.47 to approximately 2.99.

The Company considers that the above impact will not have a material adverse effect on the earnings/losses per Share, net assets per Share, the liabilities and the working capital requirements of the Group.

INFORMATION ON THE GROUP AND GCX

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 Shaanxi Province, PRC.

As at 31 December 2020, 31 December 2021 and 30 June 2022, the consolidated net asset value of the Group attributable to the Shareholders was approximately RMB1,987.34 million, RMB1,756.88 million and RMB1,593.17 million respectively.

As at the Latest Practicable Date, GCX was a wholly-owned subsidiary of the Company and held all of the interest of Golden Chance (Saigo) Shopping Centre Limited, an investment holding company indirectly holding a property located in Xi'an City, PRC, part of which the Group used to operate its own department store and part of which was leased out as operating lease for commercial use (shopping mall).

The financial information of GCX and % over the Group as at 30 June 2022, 31 December 2021 and 31 December 2020 were as below:

	As at 30 June 2022 *RMB'000*	As at 31 December 2021 *RMB'000*	As at 31 December 2020 *RMB'000*
Total assets	3,185,664	3,134,836	3,668,711
% over the Group	44.58%	43.48%	51.79%
Net assets	1,545,423	1,574,518	1,666,438
% over the Group	94.79%	87.07%	81.77%

INFORMATION ON GLORY KEEN

Glory Keen is a limited liability company incorporated in the British Virgin Islands and is principally engaged in project investment.

As at the Latest Practicable Date, Glory Keen is wholly-owned by Hony Capital Fund 2008, L.P.. Hony Capital Fund 2008 GP, L.P. is the sole general partner of Hony Capital Fund 2008, L.P. Hony Capital Fund 2008 GP Limited, a wholly-owned subsidiary of Hony Group Management Limited, is the sole general partner of Hony Capital Fund 2008 GP, L.P. Hony Managing Partners Limited and Right Lane Limited owns 80% and 20% equity interests in Hony Group Management Limited, respectively. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited. Exponential Fortune Group Limited is a company held as to 49% by Mr. Zhao John Huan, 25.5% by Mr. Cao Yonggang and 25.5% by Mr. Xu Minsheng. Right Lane Limited is a company wholly-owned by Legend Holdings Corporation (聯想控股股份有限公司), a joint stock limited liability company incorporated under the laws of PRC and its overseas listed shares are listed on the Main Board of the Stock Exchange (Stock Code: 03396).

As at the Latest Practicable Date, Glory Keen was beneficially interested in 322,727,272 Ordinary Shares, representing approximately 28.07% of the total number of Ordinary Shares in issue, and 1,177,068,181 Preferred Shares, representing 100% of the total number of Preferred Shares in issue.

FUNDING OF THE SHARE BUY-BACK

The consideration for the Share Buy-back will be satisfied by the Company by issue of the interest-free promissory note in the amount of HK$247,184,318 due on the first anniversary of the date of Completion in favour of Glory Keen. The Company intends to fund the repayment of the promissory note by debt financing (including but not limited to financing from banks and financial institutions), which is expected to be obtained from lenders including banks.

REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK AND THE GCX SHARE CHARGE

The Preferred Shares were issued to Glory Keen pursuant to the Subscription Agreement for the purposes of raising additional equity funding for the Group's business expansion in 2012. 886,818,181 Preferred Shares were issued at a subscription price of HK$1.10 and 290,250,000 Preferred Shares were issued at a subscription price of HK$1.60.

The Preferred Shares are non-interest bearing, non-voting, perpetual and convertible into Ordinary Shares based on the conversion ratio of one Preferred Share to 1.1 Ordinary Shares. The rights and privileges conferred on the holders of the Preferred Shares under the Bye-Laws include, but are not limited to, the following:

(1) Ranking

The Preferred Shares constitute direct, unconditional, unsecured and unsubordinated obligations of the Company and rank *pari passu* without any preference among themselves.

(2) Negative pledge

So long as any Preferred Share remains unconverted into Ordinary Shares, the Company will not, and will ensure that none of its subsidiaries will, create, permit to subsist or have outstanding, any encumbrance, upon the whole or part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any future and present indebtedness, or any guarantee or indemnity in respect of any future and present indebtedness, unless at the same time or prior thereto the Company's obligations under the Preferred Shares are secured equally and rateably therewith or by such other security, guarantee or indemnity or other arrangement as shall be approved by all holders of Preferred Shares at a class meeting of holders of Preferred Shares.

(3) Conversion

Subject to and upon compliance with the terms of the Preferred Shares, each holder of the Preferred Shares shall have the right, at any time and at the sole option of such holder, to convert the Preferred Shares held by such holder provided that (a) the conversion of the Preferred Shares will not directly result in the Company breaching the Listing Rules from time to time in respect of the minimum prescribed percentage of securities pursuant to Rule 8.08 of the Listing Rules; and (b) the conversion of the Preferred Shares will not result in the holder of the Preferred Shares or any party acting in concert with it holding 30% or more of the issued ordinary share capital of the Company, or otherwise being required to make a mandatory general offer for the Ordinary Shares under the Takeovers Code.

(4) Dividend rights

Holders of the Preferred Shares shall rank pari passu with other Shareholders in respect of its entitlement to dividend or other distribution of the Company, save and except in case of liquidation of the Company.

(5) Transferability

Subject to any restrictions in the Listing Rules and the Bye-Laws, the Preferred Shares are freely transferable by following the procedures in the Bye-Laws. Pursuant to the Bye-Laws, registered holders of Shares may transfer all or any of its Shares by an instrument of transfer executed by or on behalf of the transferor and the transferee.

(6) Liquidation preference

In the event of the liquidation of the Company, holders of the Preferred Shares would be entitled to receive, in preference to the holders of Ordinary Shares, such amount to be determined under the terms of the Preferred Shares in the Bye-Laws.

Reasons for the Share Buy-back

The Company has considered the following factors when entering into the Subscription Agreement for the Share Buy-back:

Potential dilutive effect

As at the Latest Practicable Date, there were 1,177,068,181 Preferred Shares in issue. If the Preferred Shares are converted to Ordinary Shares in full, 1,294,774,999 new Ordinary Shares, representing approximately 112.62% of the total number of Ordinary Shares in issue as at the Latest Practicable Date and approximately 52.97% of the total number of Ordinary Shares as enlarged by the issue of the number of Ordinary Shares upon conversion of the Preferred Shares, will be issued. The conversion of the Preferred Shares has a significant dilutive effect on the Ordinary Shares.

As at the date of the Agreement, given that Glory Keen is interested in approximately 28.07% of the total number of Ordinary Shares in issue, there is only limited room which Glory Keen may convert the Preferred Shares to Ordinary Shares (being 28,806,679 Preferred Shares, representing approximately 2.45% of the total number of Preferred Shares in issue, convertible into 31,687,346 Ordinary Shares) without triggering a mandatory general offer for the Ordinary Shares under the Takeovers Code, which is restricted under the terms of the Preferred Shares. However, Glory Keen is a financial investor and is wholly-owned by a fund whose term has ended. Glory Keen informed the Company that if the Share Buy-back is not completed, it intends to, subject to compliance with the terms of the Preferred Shares, including those set out in paragraph (5) Transferability on page 19, dispose of all the Ordinary Shares and Preferred Shares held by it. If disposal is made to a number of independent investors who are not acting in concert with each other, holders of the Preferred Shares may then be able to convert some or all of the Preferred Shares without triggering a mandatory general offer for the Ordinary Shares or resulting in the Company breaching the minimum public float requirement under the Listing Rules.

Impact on performance of share price

The Company considers that the potential significant dilutive effect of the Preferred Shares has created a negative investment appetite for investors and potential investors of the Company in the market and has therefore suppressed the past performance of the Ordinary Shares in terms of share price. For a majority of time after the Preferred Shares were issued on 27 December 2012, the share price of the Ordinary Shares had been trading below HK$1.747 (being the share price of the Ordinary Shares on the date when the Preferred Shares were issued). The share price of the Ordinary Shares has also shown a downward movement with the highest price of HK$1.922 per Ordinary Share on 10 June 2013 and the lowest price of HK$0.083 per Ordinary Share on 25 April, 26 April and 27 April 2022. The Board is of the view that the elimination of the potential significant dilutive effect of the Preferred Shares as soon as practicable will enhance market confidence in the Company, which will be in the interests of the Company and the Shareholders in the long run.

Following the issue of the Announcement on 15 June 2022, after digestion of the significance of the proposed Share Buy-back, there was positive development of the performance of the share price of the Ordinary Shares. The average closing price of the Ordinary Shares for the period from 16 June 2022 to the Latest Practicable Date was approximately HK$0.139 per Share, which is approximately 37.62% higher than the average of the closing prices of the Ordinary Shares for the 30 trading days up to and including the Last Trading Day of approximately HK$0.101 per Share. The Company believes that the proposed Share Buy-back was well received by the Shareholders and investors of the Company in general.

Impact on return to Shareholders

Under the Bye-Laws, holders of the Preferred Shares shall rank *pari passu* with other Shareholders in respect of its entitlement to dividend or other distribution of the Company, save and except in case of liquidation of the Company. The Preferred Shares, upon conversion to Ordinary Shares in full, represent approximately 112.62% of the total number of Ordinary Shares in issue as at the Latest Practicable Date and approximately 52.97% of the total number of Ordinary Shares as enlarged by the issue of the number of Ordinary Shares upon conversion of the Preferred Shares. Following completion of the Share Buy-back, if the financial conditions of the Group improve, the return to the holders of Ordinary Shares would significantly increase. Since Preferred Shares rank *pari passu* with Ordinary Shares in respect of entitlement to dividends, without the Share Buy-back, holders of the Preferred Shares will be entitled to share the dividends with holders of the Ordinary Shares on an as-converted basis. If the Share Buy-back is completed and all the Preferred Shares are bought back and cancelled, holders of the Ordinary Shares will be entitled to a higher level of dividend distribution, as there would be a smaller number of shares which are entitled to the distribution.

Impact on the Group's ability to raise funds

The Company considers that the Preferred Shares have hindered the ability of the Company to raise funds by way of equity and debt financings, which in turn has hindered the development of the Group. Due to the potential significant dilutive effect of the Preferred Shares, the Company has become unattractive to equity investors. Since the issue of the Preferred Shares, the Company has not been able to secure any equity investor.

Under the terms of the Preferred Shares, so long as any Preferred Share remains unconverted into Ordinary Shares, creation by the Company or its subsidiaries of encumbrance over its present or future undertaking, assets or revenues to secure any future and present indebtedness, or any guarantee or indemnity in respect of any future and present indebtedness is restricted. The restriction limits the ability of the Group to obtain secured loans from lenders.

Increase in net tangible asset value attributable to the Ordinary Shares

As at 30 June 2022, the consolidated net tangible assets of the Company was RMB1,350.70 million (equivalent to approximately HK$1,579.39 million (calculated based on the adjusted consolidated net asset value of the Company after deducting intangible assets and goodwill)). Assuming that all the Preferred Shares are converted into Ordinary Shares, the Company will have 2,444,469,714 Ordinary Shares in issue and the amount of net tangible assets attributable to each Ordinary Share on an as-converted basis will be HK$0.65 per Ordinary Share. After completion of the Share Buy-back, the net tangible assets attributable to each Ordinary Share will be increased to HK$1.16 per Ordinary Share, representing an increase of HK$0.51 per Share.

Available financial resources

The Company has been seeking solutions to enhance its financial position through the Group's continuous effort to enter into various types of financing arrangement(s). As stated in the Company's annual report for the year ended 31 December 2021, the Group has obtained a short-term loan from a bank in the amount of RMB90,000,000 after the end of the reporting period, which is subject to an interest rate of approximately 6% per annum.

Xi'an Qujiang Cultural Financial Holdings (Group) Co., Ltd. has undertaken that it will provide financial support in the amount of RMB4 billion to the Group to support the Group's continued operations. This undertaking is valid until 31 March 2024. Xi'an Qujiang Cultural Financial Holdings (Group) Co., Ltd. has also undertaken that existing loans provided to the Group of approximately RMB1,550,000,000 may be extended when they fall due.

With the continuous support to be given by the Shareholders, including but not limited to financial support to be given by the controlling shareholder of Qujiang Investment, Glory Keen and the Company entered into discussion to devise a plan for Glory Keen's exit in its investment in the Company.

The consideration for the Share Buy-back will be satisfied by the Company by issue of the interest-free promissory note due on the first anniversary of the date of Completion, which will be secured by the GCX Share Charge. The Company will not be required to settle the consideration in cash immediately.

For the above reasons, the Company considered that it should buy back all the outstanding Preferred Shares held by Glory Keen and believed that the arrangement under the Subscription Agreement and the Share Buy-back is the optimal solution to resolve the longstanding issue of the Preferred Shares. The commercial terms of the Share Buy-back were confirmed with Glory Keen by Mr. Qin Chuan, executive Director and Chief Executive Officer of the Company, and Mr. Leung Kee Wai, Chief Financial Officer and Company Secretary of the Company. Qujiang Investment and its nominated directors, namely, Mr. Huang Shunxu and Mr. Li Yang, did not participate in discussions or negotiations with Glory Keen regarding the Share Buy-back, save for discussions within the Board.

For the above reasons, the Board (including members of the Code IBC and the Listing Rules IBC whose views are set out in their respective letters after having considered the advice and recommendation of Gram Capital) believes that the terms and conditions of the Agreement and the GCX Share Charge are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

REGULATORY REQUIREMENTS

Share Buy-backs Code

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, the approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the SGM.

Other arrangements

As at the Latest Practicable Date, to the best awareness of the Company, none of Glory Keen or parties acting in concert with it:

(i) held, owned, controlled or directed any Ordinary Shares, convertible securities, warrants, options or derivatives in respect of the Ordinary Shares, other than (a) the approximately 28.07% interest in the existing total issued ordinary share capital of the Company owned by Glory Keen; and (b) the Preferred Shares, which are proposed to be bought back by the Company pursuant to the Agreement;

(ii) had secured an irrevocable commitment to vote in favour of or against the Agreement and the transactions contemplated thereunder (including but not limited to the Share Buy-back);

(iii) held outstanding warrants, options or securities convertible into Ordinary Shares or derivatives in respect of the Ordinary Shares, other than (a) the approximately 28.07% interest in the existing total issued ordinary share capital of the Company owned by Glory Keen; and (b) the Preferred Shares, which are proposed to be bought back by the Company pursuant to the Agreement;

(iv) had any arrangement (whether by way of option, indemnity or otherwise) or contracts under Note 8 to Rule 22 of the Takeovers Code in relation to the Ordinary Shares which might be material to the Agreement and/or the Share Buy-back;

(v) save for the Agreement, had any agreement or arrangement to which Glory Keen or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Agreement and/or the Share Buy-back; or

(vi) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, none of the Company or parties acting in concert with it:

(i) held, owned, controlled or directed any Ordinary Shares, convertible securities, warrants, options or derivatives in respect of the Ordinary Shares;

(ii) had secured an irrevocable commitment to vote in favour of or against the Agreement and the transactions contemplated thereunder (including but not limited to the Share Buy-back);

(iii) held outstanding warrants, options or securities convertible into Ordinary Shares or derivatives in respect of the Ordinary Shares;

(iv) had any arrangement (whether by way of option, indemnity or otherwise) or contracts under Note 8 to Rule 22 of the Takeovers Code in relation to the Ordinary Shares which might be material to the Agreement and/or the Share Buy-back;

(v) save for the Agreement, had any agreement or arrangement to which the Company or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Agreement and/or the Share Buy-back; or

(vi) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

(i) Apart from the consideration as provided in the paragraph headed "Consideration" in this circular, there is no consideration, compensation or benefit in whatever form paid or to be paid or payable by the Group to Glory Keen or any party acting in concert with it in connection with the Share Buy-back; (ii) apart from the Agreement, there is no understanding, arrangement, agreement or special deal between the Group on the one hand, and Glory Keen and any party acting in concert with it on the other hand in respect of the Share Buy-back; and (iii) there is no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2) the Company, its subsidiaries or associated companies in respect of the Share Buy-back.

Listing Rules

Glory Keen is beneficially interested in 322,727,272 Ordinary Shares, representing approximately 28.07% of the total number of Ordinary Shares in issue. Accordingly, Glory Keen is a substantial shareholder and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of each of the Share Buy-back and the entering into of the GCX Share Charge is 5% or more, the Share Buy-back and the entering into of the GCX Share Charge constitute connected transactions for the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The register of members of the Company will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022 (both dates inclusive) for determining the entitlements to attend the SGM. No transfer of Shares will be registered during this period.

The SGM will be held to consider and, if thought fit, pass the resolution to approve, among other things, the Agreement. Only the Independent Shareholders will be entitled to vote on the resolution to approve the Agreement and the Share Buy-back at the SGM.

The voting in respect of the Agreement and the transactions contemplated thereunder (including the Share Buy-back and the GCX Share Charge) at the SGM will be conducted by way of poll. As at the Latest Practicable Date, Glory Keen directly holds 322,727,272 Ordinary Shares, representing approximately 28.07% of the existing issued ordinary share capital of the Company. (i) Glory Keen together with its associates and parties acting in concert; (ii) the Shareholders who are interested in or involved in the Agreement and the transactions contemplated thereunder (including the Share Buy-back and the GCX Share Charge); and (iii) Shareholders who have a material interest in the Agreement and the transactions contemplated thereunder which is different from the interest of all other Shareholders, will be required under the Share Buy-backs Code and the Listing Rules to abstain from voting on the resolution(s) approving the Agreement and the transactions contemplated thereunder (including the Share Buy-back and the GCX Share Charge). Save for Glory Keen, no other Shareholder is required to abstain from voting on the resolutions in respect of the Agreement and the transactions contemplated thereunder (including the Share Buy-back and the GCX Share Charge) at the SGM.

Save for Mr. Chen Shuai, who is a non-executive Director nominated by Glory Keen, none of the other Directors has material interest in the Share Buy-back and hence no Director has abstained from voting on such Board meeting approving the Share Buy-back.

The form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting (i.e., by 11:30 a.m. on 27 December 2022). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form appointing a proxy shall be deemed to be revoked.

VOTING BY WAY OF POLL

All votes at the SGM will be taken by poll pursuant to Rule 2 of the Share Buy-backs Code.

GENERAL

The Code IBC, comprising all the non-executive Directors (except Mr. Chen Shuai who is a non-executive Director nominated by Glory Keen), namely Mr. Li Yang, Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong, has been established to advise and give recommendation to the Independent Shareholders on the Agreement and the Share Buy-back.

The Listing Rules IBC, comprising all the independent non-executive Directors, namely Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong, has been established to advise and give recommendation to the Independent Shareholders on the Agreement.

Gram Capital has been appointed with the approval of the Code IBC and the Listing Rules IBC to advise the Code IBC, the Listing Rules IBC and the Independent Shareholders thereon.

VALUATION REPORT

The Valuer has been engaged to prepare a valuation report for consideration by the Board and the Shareholders in relation to the Share Buy-back. The duty of the Valuer was to undertake a valuation exercise for the purpose of providing an independent appraisal of the value of the Preferred Shares as at 31 December 2021. The Valuer conducted its valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council.

Pursuant to the valuation report, the Valuer is of the opinion that the valuation per Preferred Share as at 31 December 2021 is RMB1.04. The Valuer has confirmed that, based on the Group's unaudited results for the six months ended 30 June 2022, it considers that there was no material change in the valuation per Preferred Share as at 30 June 2022 compared to the valuation as at the Valuation Date contained in the valuation report, being 31 December 2021. Accordingly, the Buy-back Price represents a discount of approximately 83.59% to the value of Preferred Shares as determined by the Valuer. The Board further notes that Gram Capital had reviewed and assessed the Valuation Report in terms of the Valuer's background, the methodology used in the Valuation Report, and the bases and assumptions used in arriving at the valuation of the Preferred Shares. It is noted that Gram Capital is of the opinion that the Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the valuation report competently, and that the Valuer had taken necessary steps and due diligence work to prepare the valuation report. As it is common for valuers to adopt asset-based approach to value companies, in particular for those (including the Company) involved in capital intensive industry and having also considered the Valuer's qualification and experience, Gram Capital is also of the view that the Valuer's adoption of the asset-based approach for the valuation of the Company is reasonable. Independent Shareholders are advised to review the letter from Gram Capital in conjunction with the Valuation Report.

For details, please refer to the valuation report from the Valuer set out in Appendix III, as well as the letter of confirmation from the Valuer on Appendix IV.

RECOMMENDATION

On the basis of the information set out in this circular, the Directors (including members of the Code IBC and the Listing Rules IBC whose views are set out in their respective letters after having considered the advice and recommendation of Gram Capital) consider that although the Share Buy-back is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole, and is on normal commercial terms. Therefore, the Directors (including members of the Code IBC and the Listing Rules IBC whose views are set out in their respective letters after having considered the advice and recommendation of Gram Capital) recommend the Independent Shareholders to vote in favour of the resolution as set out in the notice of the SGM.

Your attention is drawn to the letters from the Code IBC and the Listing Rules IBC as set out on pages 29 to 30 and 31 to 32 of this circular respectively and the letter from Gram Capital as set out on pages 33 to 75 of this circular which contain their recommendations to the Independent Shareholders regarding the Agreement and the Share Buy-back. The Independent Shareholders are advised to read the aforesaid letters before deciding or how to vote on the relevant resolution to be proposed at the SGM.

PRECAUTIONARY MEASURES FOR THE SGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. In view of the recent development of the COVID-19 pandemic and in order to better protect the safety and health of the attending Shareholders, staff and other stakeholders, the Company will implement the following preventive measures at the SGM:

(i) compulsory body temperature check will be conducted for every person at the entrance of the venue of SGM. Any person who has a body temperature of over 37.5 degree celsius or is subject to the mandatory quarantine order imposed by the Hong Kong Government will be denied entry into or be required to leave the meeting venue, and the Company will request such persons to stay in an isolated place for completing the voting procedures;

(ii) every person is required to wear facial mask at the venue of the SGM;

(iii) the Company will not serve souvenirs gifts, refreshments or drinks at the SGM to avoid participants coming into close contact with each other; and

(iv) persons who are not Shareholders or their proxy will not be admitted into the SGM venue.

The Company wishes to remind the Shareholders and other participants who will attend the SGM in person to take personal precautions and abide by the requirements of precaution and control at the venue of the SGM. In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of COVID-19, **the Company also reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights.** The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the SGM, and appoint the chairman of the SGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the SGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the SGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right to vote on the resolutions to be proposed at the SGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

ADDITIONAL INFORMATION

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

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

In this letter from the Board, the exchange rates between RMB and HK$ shall be RMB0.8137: HK$1 (as at 31 December 2021) and RMB0.8552: HK$1 (as at 30 June 2022) respectively. These exchange rates are adopted for illustration purposes only and do not constitute representations that any amounts have been, could have been, or may be exchanged at there rates.

The following is the text of the letter from the Code IBC setting out its recommendations to the Independent Shareholders in relation to the Agreement.

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)

7 December 2022

To the Independent Shareholders

Dear Sir or Madam,

(1) OFF-MARKET BUY-BACK OF NON-VOTING CONVERTIBLE PREFERRED SHARES
(2) CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 7 December 2022 (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Code IBC to advise you as to whether, in our opinion, the Agreement and the Share Buy-back and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and as to voting. Gram Capital has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 33 to 75 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 28 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the advice of Gram Capital, we consider that the terms of the Agreement and the Share Buy-back are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement and the Share Buy-back.

Yours faithfully,
For and on behalf of the Code IBC
Mr. Li Yang, Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong
Non-executive Directors

The following is the text of the letter from the Listing Rules IBC setting out its recommendations to the Independent Shareholders in relation to the Agreement.

世 纪 金 花

曲江金控

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)

7 December 2022

To the Independent Shareholders

Dear Sir or Madam,

(1) OFF-MARKET BUY-BACK OF NON-VOTING CONVERTIBLE PREFERRED SHARES
(2) CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 7 December 2022 (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Listing Rules IBC to advise you as to whether, in our opinion, the Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, although the Share Buy-back is not in the ordinary and usual course of business of the Group. Gram Capital has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 33 to 75 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 28 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the advice of Gram Capital, we consider that the terms of the Agreement are fair and reasonable as far as the Independent Shareholders are concerned and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, although the Share Buy-back is not in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement and the Share Buy-back.

Yours faithfully,
For and on behalf of the Listing Rules IBC
Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong
Independent non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

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Nan Fung Tower
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173 Des Voeux Road Central
Hong Kong

7 December 2022

To: The independent board committees and the independent shareholders of Century Ginwa Retail Holdings Limited

Dear Sir/Madam,

OFF-MARKET BUY-BACK OF NON-VOTING CONVERTIBLE PREFERRED SHARES AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder (including the Share Buy-back and the GCX Share Charge) (the "**Transactions**"), details of which are set out in the Board Letter contained in the circular dated 7 December 2022 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 15 June 2022, the Company and Glory Keen entered into the Agreement, pursuant to which the Company conditionally agreed to buy back from Glory Keen, and Glory Keen conditionally agreed to sell to the Company, the Preferred Shares at the Buy-back Price of approximately HK$0.21 per Preferred Share (i.e. the Share Buy-back). The consideration for the Share Buy-back will be satisfied by the Company by issue of the interest-free promissory notes due on the first anniversary of the date of Completion in favour of Glory Keen. Taking into consideration that the consideration will not be satisfied in cash upon completion, the Company agreed to execute and deliver the GCX Share Charge in favour of Glory Keen upon Completion, pursuant to which a fixed first equitable charge shall be created over the entire issued share capital of GCX in favour of Glory Keen to secure the due performance of the Company in relation to the issuance of the interest-free promissory notes in an amount of HK$247,184,318. The GCX Share Charge will be released upon repayment of all outstanding amount by the Company thereunder the promissory notes.

With reference to the Board Letter, the Transactions constitute connected transaction for the Company and are subject to the reporting, announcement, circular, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Share Buy-back also constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, the approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the SGM.

The Code IBC comprising Mr. Li Yang, Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong, being all the non-executive Directors (except Mr. Chen Shuai who is a non-executive Director nominated by Glory Keen), has been established under the Share Buy-backs Code to advise the Independent Shareholders on whether the terms of the Share Buy-back are fair and reasonable and how to vote in relation to Share Buy-back at the SGM.

The Listing Rules IBC comprising Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in relation to the Transactions at the SGM.

We, Gram Capital Limited, have been appointed with the approval of the Code IBC and the Listing Rules IBC as the Independent Financial Adviser to advise the Code IBC and the Listing Rules IBC and the Independent Shareholders in this respect.

INDEPENDENCE

Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to a major and connected transaction of the Company, details of which are set out in the Company's circular dated 11 January 2022. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial advisory engagement and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committees and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report in respect of the value of Preferred Shares prepared by the Valuer (the "**Valuation Report**") as contained in Appendix III to the Circular. Since we are not experts in the valuation of business, we have relied solely upon the Valuation Report for the value of the Preferred Shares as at 31 December 2021 (the "**Valuation Date**") after performing our independent work on the Valuation Report (including review and enquire into the term of engagement of the Valuer with the Company, Valuer's qualification in preparing the Valuation Report, the steps and due diligence measures taken by the Valuer in conducting the valuation and the scope of assets and liabilities subject to valuation, and assess the reasonableness of the valuation methodology, the assumptions and parameters adopted in the valuation) as set out under the sub-section headed "The Valuation Report" of the section headed "D. Principal terms of the Share Buy-back" of this letter.

Your attention is drawn to the responsibility statements as set out in the section headed "RESPONSIBILITY STATEMENT" of Appendix II to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Glory Keen, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

A. Information on the Group

With reference to in the Board Letter, 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 Shaanxi Province (including Xi'an City and Xianyang City), PRC.

As at the Latest Practicable Date, there were 1,149,694,715 Ordinary Shares and 1,177,068,181 Preferred Shares in issue.

Financial performance

Set out below are the consolidated financial performance of the Group for the nine months ended 31 December 2020, for the year ended 31 December 2021 ("**FY2021**") and for the six months ended 30 June 2022 (with comparative figures for the six months ended 30 June 2021), as extracted from the Company's annual report for the year ended 31 December 2021 (the "**2021 Annual Report**") (Note: The Board resolved to change the financial year end date of the Company from 31 March to 31 December with effect from 3 September 2020) and the Company's interim report for the six months ended 30 June 2022 ("**2022 Interim Report**"):

	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Year on year change	For the year ended 31 December 2021	For the nine months ended 31 December 2020
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*		*(audited)*	*(audited)*
Gross revenue *(Note)*	495,294	832,620	(40.51)	1,316,396	1,282,002
Revenue	230,610	288,920	(20.18)	494,280	397,021
– Department stores and shopping mall	*99,326*	*149,521*	*(33.57)*	*250,237*	*223,973*
– Supermarkets	*131,284*	*139,399*	*(5.82)*	*244,043*	*173,048*
Profit/(loss) for the year/period attributable to equity shareholders of the Company	(185,817)	(133,430)	39.26	(367,967)	(635,095)

Note: Gross revenue represents the gross amount arising from the sales of goods, concession sales charged to retail customers, gross rental income and management and administrative service fee income charged to tenants in relation to the Group's department stores and shopping mall, and supermarkets operations.

The Group's loss attributable to shareholders of the Company was approximately RMB368.0 million for the year ended 31 December 2021 (nine months ended 31 December 2020: approximately RMB635.1 million). The Group's loss attributable to equity shareholders of the Company for the year ended 31 December 2021 decreased significantly, which was mainly due to the impairment losses on goodwill and intangible assets decreased to RMB72.0 million (nine months ended 31 December 2020: RMB365.9 million) and the non-recurrence of provisions for obligation from Cash Coupon Card (customers' prepaid cards within the Group's department stores, shopping mall and supermarkets) to be consumed (nine months ended 31 December 2020: RMB194.5 million).

For the six months ended 30 June 2022, the Group's loss attributable to shareholders of the Company increased by approximately 39.26% as compared to that for the six months ended 30 June 2021. According to the 2022 Interim Report and as advised by the Directors, the aforesaid increase was mainly due to (i) a drop in the Group's revenue by approximately 20.18%, which was due to a drop in net income from concession sales as a result of the implementation of renovation plan of two department stores and a shopping mall of the Group in Xi'an City, the PRC; (ii) the provisions for impairment of goodwill and intangible assets of approximately RMB30.2 million, which was determined based on (a) the delay in the opening of one of the department stores as mentioned in item (i) (which was expected to be reopened in July 2023 as advised by the Directors as at the Latest Practicable Date); and (b) a conservative estimate of the sales situation of the department store after its opening; and (iii) the increase in net finance costs by approximately 36.36% as compared to the corresponding period in 2021 attributable to the increase in loan amount (i.e. outstanding bank and other borrowings) and lease liability (i.e. the financial obligation for the lease payment in relation to the lease contracts entered into by the Group).

Financial position

Set out below are the consolidated financial position of the Group as at 31 December 2020 and 2021 and as at 30 June 2022, as extracted from the 2021 Annual Report and 2022 Interim Report:

	As at 30 June 2022 *RMB'000* *(unaudited)*	**As at 31 December 2021** *RMB'000* *(audited)*	**As at 31 December 2020** *RMB'000* *(audited)*
Property and equipment	3,171,775	3,134,933	2,998,451
% of the Group's total assets	44.38%	43.48%	42.32%
Investment properties	1,265,300	1,347,798	1,265,300
% of the Group's total assets	17.71%	18.69%	17.86%
Prepayments for acquisitions of properties	2,058,088	1,982,153	1,555,682
% of the Group's total assets	28.80%	27.49%	21.96%
Cash at bank and on hand	33,280	36,520	393,556
% of the Group's total assets	0.47%	0.51%	5.56%
Bank and other borrowings *(Note)*	3,874,206	3,611,062	3,115,455
% of the Group's total liabilities	70.24%	66.86%	61.73%
Net current liabilities	(3,352,262)	(2,638,621)	(2,046,659)
Total assets	7,146,177	7,209,445	7,084,498
Total liabilities	5,515,868	5,401,185	5,046,526

Note: As at 31 December 2020, 31 December 2021 and 30 June 2022, the Group's bank and other borrowings included the amount of approximately RMB690.0 million, RMB1,221.5 million and RMB1,550.1 million respectively, due to Xi'an Qujiang Cultural Financial Holdings (Group) Co., Ltd. ("**Qujiang Financial Holdings**"), a substantial Shareholder.

As depicted from the above table, the Group's property and equipment, investment properties and prepayments for acquisitions of properties, in aggregate, accounted for approximately 82.14%, 89.66% and 90.89% of the Group's total assets as at 31 December 2020, 31 December 2021 and 30 June 2022 respectively. The Group's (i) property and equipment, and investment properties in aggregate increased from approximately RMB4,263.8 million as at 31 December 2020 to approximately RMB4,482.7 million as at 31 December 2021 (representing an increase of approximately 5.14%) and remained at similar level as at 30 June 2022 as compared to 31 December 2021; and (ii) the Group's prepayments for acquisitions of properties increased from approximately RMB1,555.7 million as at 31 December 2020 to approximately RMB1,982.2 million as at 31 December 2021 (representing an increase of approximately 27.41%) and further increased to approximately RMB2,058.1 million (representing an increase of approximately 3.83%).

As advised by the Directors, prepayments for acquisitions of properties represents partial payments made by the Group for its intended acquisition of commercial properties under development in the PRC, the acquisition agreement of which was entered into by Century Ginwa Company Ltd. (being a non wholly-owned subsidiary of the Company) and a vendor on 4 December 2014. Pursuant to the acquisition agreement, the vendor agreed to procure a project company to develop the properties in accordance with the requirements of Century Ginwa Company Ltd., and Century Ginwa Company Ltd. agreed to purchase part of the properties. The substantial construction of the commercial properties commenced in October 2016 and delivery of the commercial properties shall be no later than 31 December 2022 pursuant to a supplemental agreement dated 20 September 2021. These commercial properties are intended to be used by the Group to expand its retail operations.

With reference to the 2021 Annual Report and as advised by the Directors, the aforesaid increase in the Group's property and equipment, and investment properties in aggregate was primarily due to the addition of properties leased for own use and investment properties during FY2021 and the increase in the Group's prepayments for acquisitions of properties were primarily due to the entering into of an agreement between the Group, the vendor and a debtor of the Group during FY2021, pursuant to which the debtor agreed to settled its payment obligations of approximately RMB414.2 million through the payment of the final instalment for the acquisition of commercial properties under development by the project company, and the capitalization of interest expenses.

The Group's bank and other borrowings also increased from approximately RMB3,115.5 million as at 31 December 2020 to approximately RMB3,611.1 million as at 31 December 2021, and further increased to approximately RMB3,874.2 million as at 30 June 2022. As advised by the Directors, as at 30 June 2022, property and equipment with an aggregate net book value of approximately RMB2,844.0 million, investment property of approximately RMB1,265.3 million and cash at bank and on hand of approximately RMB1.0 million (approximately RMB4,110.3 million in aggregate) had been pledged to secure the Group's bank and other borrowings.

As depicted from the above table, the Group recorded net current liabilities position as at 31 December 2020, 31 December 2021 and 30 June 2022. The Group's net current liabilities increased from approximately RMB2,046.7 million as at 31 December 2020 to approximately RMB2,638.6 million as at 31 December 2021, representing an increase of approximately 28.92%, and further increased to approximately RMB3,352.3 million as at 30 June 2022, representing a further increase of approximately 27.05%.

Notwithstanding, among other things, the abovementioned condition, with reference to the 2022 Interim Report, based on a cash flow forecast for the twelve months ending 30 June 2023 prepared by the Group's management, which took into account of a financial support letter from Qujiang Financial Holdings (a state-owned enterprise and a substantial Shareholder) who agreed to (a) provide loan facility of RMB4 billion to the Group and provide guarantees for the loan facilities from banks or any other financial institutions; and (b) extend its short-term loans granted to the Group of approximately RMB1.55 billion when they fall due, the Directors are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelve months from 30 June 2022 and do not consider that material uncertainties related to events or conditions exist which may cast significant doubt on the Group's ability to continue as a going concern. As the interest-free promissory note will be due on the first anniversary of the date of Completion in favour of Glory Keen, being later than 30 June 2023, the impact of the promissory note was not included in the cash flow forecast for the twelve months ending 30 June 2023. However, based on a cash flow forecast[*(Note)*] up to the maturity date of the promissory note and having considered the Financial Support Letter (as defined below), the Directors are of the opinion that the Group will have adequate funds to meet its liabilities (including the promissory note) as and when they fall due and do not consider that material uncertainties related to events or conditions exist which may cast significant doubt on the Group's ability to continue as a going concern.

Information on GCX

GCX is a wholly-owned subsidiary of the Company and holds all of the interest of Golden Chance (Saigo) Shopping Centre Limited, an investment holding company indirectly holding an investment property located in Xi'an City, PRC, part of which the Group uses to operate its own department store and part of which is leased out as operating lease for commercial use (shopping mall).

Note: The impacts of (i) the Company's entering into of a lease agreement dated 17 June 2022 (which constituted a very substantial acquisition of the Company and was announced by the Company on 17 June 2022); and (ii) the Company's possible disposal of up to 30,000,000 A shares of Ginwa Enterprise (Group) Inc. (stock code: 600080) (which constituted very substantial disposal of the Company and was announced on 7 April 2022) were considered in the cash flow forecast up to the maturity date of the promissory note.

As at the Latest Practicable Date, the entire issued share capital of GCX had been charged in favour of Glory Keen under the Existing GCX Share Charge as security for the due performance of the Company in relation to the issuance of the Preferred Shares.

Set out below are the unaudited financial information of GCX as at and for the years ended 31 December 2020 and 2021:

	As at 30 June 2022	**As at 31 December 2021**	**As at 31 December 2020**
	RMB'000	*RMB'000*	*RMB'000*
Investment properties	1,265,300	1,265,300	1,265,300
% of the Group's investment properties	100%	93.88%	100%
Property and equipment	1,134,601	1,071,660	1,076,787
% of the Group's property and equipment	35.77%	34.18%	35.91%
Bank and other borrowings	531,685	548,000	990,000
% of the Group's bank and other borrowings	13.72%	15.18%	31.78%
Total assets	3,185,664	3,134,836	3,668,771
% of the Group's total asset	44.58%	43.48%	51.79%
Net assets	1,545,423	1,574,518	1,666,438
% of the Group's net asset	94.79%	87.07%	81.77%

Key terms of the Preferred Shares

Summary of the key terms of the Preferred Shares are set out under the section headed "REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK AND THE GCX SHARE CHARGE" of the Board Letter.

Industry overview

Retail price index of the PRC

Set out below are retail price index of the PRC for the five years ended 31 December 2021, being the latest five full-year statistics published by the National Bureau of Statistics of the PRC:

	2017	**2018**	**2019**	**2020**	**2021**
Retail price index of the PRC	453.60	462.20	471.40	478.0	485.60
Growth rate (%)		*1.90*	*1.99*	*1.40*	*1.59*

As depicted from the statistics above, the retail price index recorded year-on-year increase for each of the year 2018, 2019, 2020 and 2021. Despite the growth of retail price index of the PRC slightly decreased to approximately 1.40% for the year 2020 as compared to approximately 1.90% and 1.99% for the year 2018 and 2019 respectively, the growth of retail price index of the PRC slightly recovered to approximately 1.59% for the year 2021.

Total retail sales of consumer goods in the PRC

Set out below are the total retail sales of consumer goods in the PRC for the five years ended 31 December 2021, being the latest five full-year statistics published by the National Bureau of Statistics of the PRC:

	2017	**2018**	**2019**	**2020**	**2021**
Total retail sales of consumer goods in the PRC *(RMB' billion)*	32,432.67	37,778.31	40,801.72	39,198.06	44,082.30
Growth rate (%)		*16.48*	*8.00*	*(3.93)*	*12.46*

As depicted from the statistics above, the total retail sales of consumer goods in the PRC recorded year-on-year increase for each of the year 2018, 2019 and 2021. Despite the total retail sales of consumer goods in the PRC slightly decreased to approximately RMB39,198.06 billion or by approximately 3.93% for the year 2020, the total retail sales of consumer goods in the PRC rebounded to approximately RMB44,082.30 billion for the year 2021, representing an increase of approximately 12.46% as compared to that for the year 2020 and being approximately 8.04% higher than that for the year 2019.

The total retail sales of consumer goods in the PRC increased from approximately RMB32,432.67 billion for the year 2017 to approximately RMB44,082.30 billion for the year 2021, representing a compound annual growth rate ("**CAGR**") of approximately 7.97%.

Per capita disposable income and consumption expenditure of residents of the PRC

Set out below are the per capita disposable income and consumption expenditure of residents of the PRC for the five years ended 31 December 2021, being the latest five full-year statistics published by the National Bureau of Statistics of the PRC:

	2017	2018	2019	2020	2021
Per capita disposable income of residents of the PRC *(RMB)*	25,974	28,228	30,733	32,189	35,128
Growth rate (%)		*8.68*	*8.87*	*4.74*	*9.13*
Per capita consumption expenditure of residents of the PRC *(RMB)*	18,322	19,853	21,559	21,210	24,100
Growth rate (%)		*8.36*	*8.59*	*(1.62)*	*13.63*

As depicted from the statistics above, the per capita disposal income of residents of the PRC recorded year-on-year increase for each of the year 2018, 2019, 2020 and 2021, and the per capita consumption expenditure of residents of the PRC recorded year-on-year increase for each of the year 2018, 2019 and 2021. Despite the per capita consumption expenditure of residents of the PRC slightly decreased to RMB21,210 or by approximately 1.62% for the year 2020 as compared to that for the year 2019, the per capital consumption expenditure of residents of the PRC rebounded to RMB24,100 for the year 2021, representing an increase of approximately 13.63% as compared to that for the year 2020 and being approximately 11.79% higher than that for the year 2019.

The per capital disposable income of residents of the PRC increased from RMB25,974 for the year 2017 to RMB35,128 for the year 2021, representing a CAGR of approximately 7.84%; and the per capita consumption expenditure of residents of the PRC increased from RMB18,322 for the year 2017 to RMB24,100 for the year 2021, representing a CAGR of 7.09%.

According to the 2021 National Economy Operating Condition of the Province (2021年全省國民經濟運行情況) published by the Shaanxi Provincial Bureau of Statistics, in 2021, the operating income of the wholesale and retail industry in Shaanxi Province recorded a year-on-year growth of 5.6%, the total retail sales of consumer goods in Shaanxi Province was approximately RMB1,025.05 billion for the year 2021, representing a year-on-year growth of 6.7%, while the merchandise retail sales amounted to approximately RMB910.17 billion, representing a year-on-year growth of 5.5%.

Having considered the statistics relating to the retail industry of both the PRC and Shaanxi Province (where the Group's department stores, a shopping mall and supermarkets are located) as highlighted above, we are of the view that the prospect of the retail industry in the PRC (including Shaanxi Province) is generally positive.

B. Information on Glory Keen

With reference to the Board Letter, Glory Keen is a limited liability company incorporated in the British Virgin Islands and is principally engaged in project investment. As at the Latest Practicable Date, Glory Keen is wholly-owned by Hony Capital Fund 2008, L.P.. Hony Capital Fund 2008 GP, L.P. is the sole general partner of Hony Capital Fund 2008, L.P. Hony Capital Fund 2008 GP Limited, a wholly-owned subsidiary of Hony Group Management Limited, is the sole general partner of Hony Capital Fund 2008 GP, L.P. Hony Managing Partners Limited and Right Lane Limited owns 80% and 20% equity interests in Hony Group Management Limited, respectively. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited. Exponential Fortune Group Limited is a company held as to 49% by Mr. Zhao John Huan, 25.5% by Mr. Cao Yonggang and 25.5% by Mr. Xu Minsheng. Right Lane Limited is a company wholly-owned by Legend Holdings Corporation (聯想控股股份有限公司), a joint stock limited liability company incorporated under the laws of PRC and its overseas listed shares are listed on the Main Board of the Stock Exchange (Stock Code: 03396).

As at the Latest Practicable Date, Glory Keen was beneficially interested in (i) 322,727,272 Ordinary Shares, representing approximately 28.07% of the total number of Ordinary Shares in issue; and (ii) 1,177,068,181 Preferred Shares, representing 100% of the total number of Preferred Shares in issue.

C. Reasons for and benefits of the Share Buy-back

With reference to the Board Letter, the Preferred Shares were issued to Glory Keen pursuant to the Subscription Agreement for the purpose of raising additional equity funding for the Group's business expansion in 2012. On 27 December 2012, 886,818,181 Preferred Shares were issued at a subscription price of HK$1.10 per Preferred Share and 290,250,000 Preferred Shares were issued at a subscription price of HK$1.60 per Preferred Share. The Preferred Shares are non-interest bearing, non-voting, perpetual and convertible into Ordinary Shares based on the conversion ratio of one Preferred Share to 1.1 Ordinary Shares.

Pursuant to the terms of the Preferred Shares, Glory Keen will only be allowed to exercise its conversion rights of the Preferred Shares provided that (a) the conversion of the Preferred Shares will not directly result in the Company breaching the Listing Rules from time to time in respect of the minimum prescribed percentage of securities pursuant to Rule 8.08 of the Listing Rules; and (b) the conversion of the Preferred Shares will not result in the holder of the Preferred Shares or any party acting in concert with it holding 30% or more of the issued ordinary share capital of the Company, or otherwise being required to make a mandatory general offer for the Ordinary Shares of the Company under the Takeovers Code.

As at the Latest Practicable Date, Glory Keen was beneficially interested in (i) 322,727,272 Ordinary Shares, representing approximately 28.07% of the total number of Ordinary Shares in issue; and (ii) 1,177,068,181 Preferred Shares, representing 100% of the total number of Preferred Shares in issue. Given the existing shareholding of Glory Keen in the Company, there is only limited room which Glory Keen may convert the Preferred Shares to Ordinary Shares (being 28,806,679 Preferred Shares, representing approximately 2.45% of the total number of Preferred Shares in issue, convertible into 31,687,346 Ordinary Shares) without triggering a mandatory general offer for the Ordinary Shares under the Takeovers Code, which is restricted under the terms of the Preferred Shares. With reference to the Board Letter, subject to any restriction in the Listing Rules and the Bye-Laws, the Preferred Shares are freely transferable by following the procedures in the Bye-Laws (i.e. by an instrument of transfer executed by or on behalf of the transfer or and the transferee).

Impact on the Group's ability to raise funds

With reference to the Board Letter, the Company considers that the Preferred Shares have hindered the ability of the Company to raise funds by way of equity and debt financings, which in turn has hindered the development of the Group. Due to the potential significant dilutive effect of the Preferred Shares, the Company has become unattractive to equity investors. Since the issue of the Preferred Shares, the Company has not been able to secure any equity investor.

Although Glory Keen is unable to convert the Preferred Shares into Ordinary Shares based on the terms of the Preferred Shares, the Preferred Shares are freely transferable by following the procedures in the Bye-Laws (i.e. by an instrument of transfer executed by or on behalf of the transferor and the transferee, subject to any restriction in the Listing Rules and the Bye-Laws). The potential dilution arising from the potential transfer and the subsequent conversion of the Preferred Shares has created an overhang and has affected the Group's ability to conduct equity fundraising.

We noted from the Company's announcements dated 4 September 2015 and 15 May 2018 that the Company attempted but were unable to conduct equity fundraising since the issuance of Preferred Shares on 27 December 2012. The Company had not been able to take advantage of the Stock Exchange platform and the listing status of the Ordinary Shares for equity fundraising activities.

As detailed in the sub-section headed "Financial position" under the section headed "A. Information on the Group" above, the Group's bank and other borrowings was approximately RMB3,874.2 million as at 30 June 2022, representing approximately 70.24% of the Group's total liabilities. As also noted from the 2022 Interim Report, the Group's gearing ratio as at 30 June 2022 was approximately 2.47 times (247%). The Group is heavily geared and its gearing ratio far exceeds those of the Comparable Companies (excluding outlier) as detailed in the sub-section headed "Other approaches" under the section headed "Consideration" below.

We further enquired into the Directors regarding details of the Group's bank and other borrowing. Based on the information provided by the Directors, we noted that as at 30 June 2022, (i) the Group's other borrowings with the carrying amount of approximately RMB1,550.1 million were provided by Qujiang Financial Holdings; (ii) Qujiang Financial Holdings or its associates provided guarantees for certain of the Group's bank and other borrowings with the carrying amounts of approximately RMB1,155.5 million; and (iii) the Group's bank and other borrowings with the carrying amount of approximately RMB1,168.5 million were either unsecured or secured by the Group's assets. The Group placed heavy reliance on Qujiang Financial Holdings to obtain debt financing.

Under the terms of the Preferred Shares, so long as any Preferred Share remains unconverted into Ordinary Shares, creation by the Company or its subsidiaries of encumbrance over its present or future undertaking, assets or revenues to secure any future and present indebtedness, or any guarantee or indemnity in respect of any future and present indebtedness is restricted. The restriction limits the ability of the Group to obtain secured loans from lenders.

We concur with the Company that the Preferred Shares have hindered the ability of the Company to raise funds by way of equity and debt financings after taking into account of the following factors:

- there is a substantial potential significant dilution effect associated with the Preferred Shares, which will immediately dilute the potential equity investors' shareholding in the Company upon the conversion of the Preferred Shares, and therefore making the Company unattractive according to market conditions; and

- the Existing GCX Share Charge was executed in 2012 as security for due performance of the Company in relation to the issuance of the Preferred Shares and would continue to exist should the Preferred Shares not be cancelled. The underlying asset of the Existing GCX Share Charge is the entire issued share capital of GCX. As at 30 June 2022, the total asset value of GCX was approximately RMB3,185.66 million, representing approximately 44.58% to the Group's total asset value; while net asset value of GCX was approximately RMB1,545.4 million, representing approximately 94.79% to the Group's net asset value.

Impact on the Group's gearing ratio

With reference to the 2022 Interim Report, as at 30 June 2022, the Group's cash at bank and on hand, bank and other borrowings, lease liabilities and total equity were approximately RMB33.3 million, RMB3,874.2 million, RMB191.8 million and RMB1,630.3 million respectively, while the Group's gearing ratio was approximately 2.47 times (247%) as at 30 June 2022.

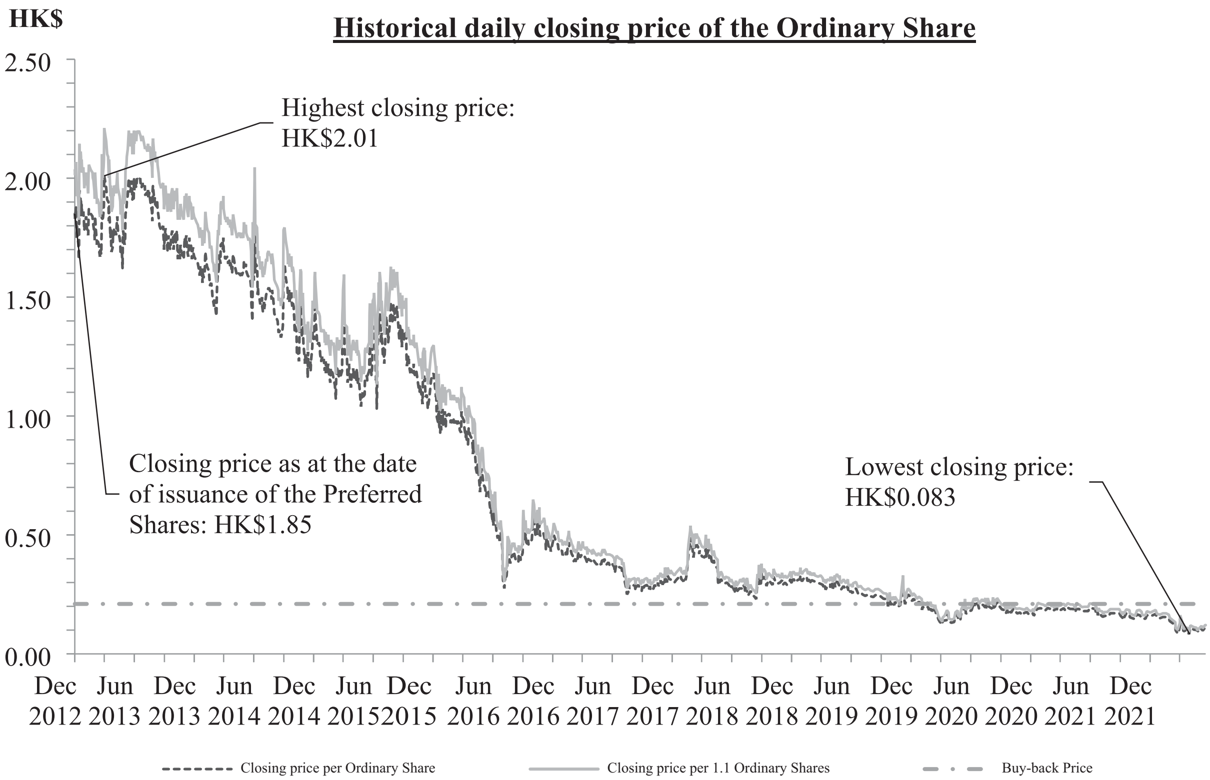
Based on the calculation provided by the Company, had the Share Buy-back been completed on 30 June 2022, the Group's bank and other borrowings would increase by approximately RMB211.4 million (being the RMB equivalent amounts of the consideration) while the Group's total equity would decrease by approximately RMB211.4 million. Furthermore, the Group's gearing ratio would increase from approximately 2.47 times (247%) to approximately 2.99 times (299%) as at 30 June 2022.

Although the Share Buy-back will result in the increase in the Group's gearing ratio upon Completion, as discussed in the section headed "Impact on the Group's ability to raise funds" above, the Preferred Shares have hindered the ability of the Company to raise funds by way of equity and debt financing. Should the Company successfully conduct fundraising activities by way of equity financing in the future (the ability to do so have been hindered due to the existence of the Preferred Shares), the Group's gearing ratio would decrease upon completion of such equity financing.

Timing of the Share Buy-back

With reference to the Board Letter, Glory Keen is a financial investor and is wholly-owned by a fund whose term has ended in June 2020. Therefore, as advised by the Directors, Glory Keen initiated the exit of its investment in the Company in March 2021.

We also reviewed the daily closing price of the Ordinary Shares as quoted on the Stock Exchange for the period from the date of issuance of Preferred Shares to the date of Agreement. The comparison of daily closing price of the Ordinary Share, the subscription prices of the Preferred Shares, and the Buy-back Price are illustrated as follows:



Source: the Stock Exchange's website and Wind Financial Terminal

As illustrated from the above table, the lowest closing price of Ordinary Share as quoted on the Stock Exchange was HK$0.083 per Share (equivalent to HK$0.0913 per 1.1 Ordinary Shares) recorded on 25 April 2022, 26 April 2022 and 27 April 2022, and the highest closing price of the Ordinary Share as quoted on the Stock Exchange was HK$2.01 per Share (equivalent to HK$2.211 per 1.1 Ordinary Shares) recorded on 27 March 2013. The Buy-back Price of HK$0.21 is at the lower end of the historical closing price of Ordinary Shares since the issuance of the Preferred Shares.

As advised by the Directors, the Company have had ongoing discussion with Glory Keen regarding the terms (in particular, the Buy-back Price) since Glory Keen's notification of its intention to exit its investment in the Company in March 2021 up to the date of the Agreement (the "**Discussion Period**") and the Buy-back Price of HK$0.21 per Preferred Shares was a result of the lowest price which the Company was able to bargain during such discussion process. We noted that the Agreement was executed within two months after the Ordinary Shares recorded its lowest closing price during the Discussion Period (i.e. end of April 2022). Despite that the Preferred Shares are perpetual, non-interest bearing and non-voting, having considered (i) the aforementioned performance of Ordinary Shares since the issuance of the Preferred Shares; and (ii) the Buy-back Price of HK$0.21 per Preferred Share was a result of the lowest price which the Company was able to bargain during the discussion process between the Company and Glory Keen, we consider the entering into of the Agreement at such timing with such price was justifiable.

Settlement of consideration

As mentioned above, the Group recorded cash at bank and on hand of approximately RMB33.3 million as at 30 June 2022. Pursuant to the Agreement, the consideration of HK$247,184,318 for the Share Buy-back will be satisfied by the Company by issue of the interest-free promissory notes due on the first anniversary of the date of Completion in favour of Glory Keen. Therefore, there will be no immediate need for the Company to settle the consideration in cash. Taking into consideration that the consideration will not be satisfied in cash upon Completion, the Company agreed to execute and deliver the GCX Share Charge in favour of Glory Keen upon Completion, pursuant to which a fixed first equitable charge shall be created over the entire issued share capital of GCX in favour of Glory Keen to secure the due performance of the Company in relation to the issuance of the interest-free promissory notes in an amount of HK$247,184,318.

Conclusion

Having considered the above factors, in particular that:

(i) the potential dilution arising from the potential transfer and subsequent conversion of the Preferred Shares have affected the Group's ability to conduct equity fundraising; and the Group were not able to conduct equity fundraising since the issuance of Preferred Shares on 27 December 2012;

(ii) the Group is heavily geared and its gearing ratio (i.e. approximately 2.47 times (247%)) far exceeds those of the Comparable Companies (excluding outlier) as detailed in the sub-section headed "Other approaches" under the section headed "Consideration" below, the Group placed heavy reliance on Qujiang Financial Holdings to obtain debt financing;

(iii) the restrictions imposed by the terms of the Preferred Shares have hindered the ability of the Company to raise funds by way of equity and debt financings, which in turn hindered the development of the Group;

(iv) although the Share Buy-back will result in the increase in the Group's gearing ratio upon Completion, the Company's ability to raise funds by way of equity and debt financing was hindered by the existence of the Preferred Shares. Should the Company successfully conduct fundraising activities by way of equity financing in the future, the Group's gearing ratio would decrease upon completion of such equity financing;

(v) the timing for entering into the Agreement was justifiable given (a) the movement in closing prices of Ordinary Shares since the issuance of Preferred Shares; and (b) that the Agreement was executed within two months after the Ordinary Shares recorded its lowest closing price during the Discussion Period. The Buy-back Price of HK$0.21 per Preferred Share was a result of the lowest price which the Company was able to bargain during the discussion process between the Company and Glory Keen.

we are of the view that although the Share Buy-back is not conducted in the ordinary and usual course of business of the Group, the Share Buy-back is in the interest of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Despite the significance of GCX to the Group as illustrated in the sub-section headed "Information on GCX" above, having also considered that:

(i) the execution of the GCX Share Charge is a prerequisite for the existing payment arrangement (i.e. the issuance of the interest-free promissory notes due on the first anniversary of the date of Completion in favour of Glory Keen) as requested by Glory Keen. As stated in the Board Letter, Glory Keen expressly stated to the Company that it would not accept alternative or other reduced forms of security to replace the Existing GCX Share Charge;

(ii) it is reasonable to carry forward the same charge over GCX Shares for the Share Buy-Back due to the following reasons: (a) the Existing GCX Share Charge would continue to exist should the Preferred Shares not be cancelled. On the other hand, the entering into of the GCX Share Charge would allow such charge to be released upon fulfilment of the payment obligations under the promissory note by the Group (regardless of whether by the Group's self-owned fund or debt financing); and (b) the underlying assets under the Existing GCX Share Charge are the same as the GCX Share Charge, thus the Independent Shareholders' interests were not worse off in this respect;

(iii) the Group's cash position as at 30 June 2022 (which was not sufficient for the settlement of the consideration for the Share Buy-back) and thus a form of security is needed by Glory Keen to secure the Company's obligation under the promissory note; and

(iv) our analysis on the ability of the Group to honour its obligation under the promissory note as set out under the section headed "GCX Share Charge" below,

we are of the view that although the GCX Share Charge is not conducted in the ordinary and usual course of business of the Group, the GCX Share Charge together with the Share Buy-back are in the interest of the Company and the Shareholders (including the Independent Shareholders) as a whole.

D. Principal terms of the Share Buy-back

Set out below is a summary of the principal terms of the Agreement, details of which are set out in the section headed "THE AGREEMENT" of the Board letter.

Date

15 June 2022

Parties

(i) the Company; and

(ii) Glory Keen

Subject matter

The 1,177,068,181 Preferred Shares, which are convertible into 1,294,774,999 Ordinary Shares based on the conversion ratio of 1.1 Ordinary Shares per one Preferred Share, representing approximately 112.62% of the total number of Ordinary Shares in issue as at the Latest Practicable Date and approximately 52.97% of the total number of Ordinary Shares as enlarged by the issue of the number of Ordinary Shares upon conversion of the Preferred Shares. The number of Preferred Shares to be bought back by the Company represents all the outstanding Preferred Shares as at the Latest Practicable Date.

Consideration

The Buy-back Price was approximately HK$0.21 per Preferred Shares. The consideration for the Share Buy-back is HK$247,184,318, being the product of the Buy-back Price of approximately HK$0.21 per Preferred Share and the number of Preferred Shares held by Glory Keen of 1,177,068,181, which shall be satisfied by the Company by issue of the interest-free promissory note due on the first anniversary of the date of Completion in favour of Glory Keen.

With reference to the Board Letter, the Buy-back Price of approximately HK$0.21 per Preferred Share was determined after arm's length negotiations between the parties to the Agreement with reference to, among other things, (i) the conversion price of the Preferred Shares of HK$1.00 per Preferred Share (in respect of the 886,818,181 Preferred Shares issued at a subscription price of HK$1.10) and the conversion price of the Preferred Shares of HK$1.456 per Preferred Share (in respect of the 290,250,000 Preferred Shares issued at a subscription price of HK$1.60); (ii) the downward movement of the share price of the Ordinary Shares from July 2021 up to and including the Last Trading Day, with the share price reaching the lowest price of HK$0.083 per Ordinary Share on 25 April 2022; (iii) the discounts of approximately 78.40-89.84% as compared to the proportional per-share net asset values of the Group (i.e. the then latest net asset value per 1.1 Ordinary Shares, based on the number of Ordinary Shares in issued as at the Last Trading Day and the Enlarged Ordinary Shares (as defined below)); and (iv) the discount of approximately 83.59% to the value of the Preferred Shares of approximately RMB1.04 per Preferred Share (equivalent to approximately HK$1.28 per Preferred Share based on the exchange rate of HK$1:RMB0.8137) as at 31 December 2021 based on the Valuation Report.

Analysis on the Buy-back Price

The Buy-back Price of approximately HK$0.21 per Preferred Shares represents:

(a) a premium of approximately 44.83% over approximately HK$0.145 per 1.1 Ordinary Shares, calculated based on the closing price of HK$0.132 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 73.55% over HK$0.121 per 1.1 Ordinary Shares, calculated based on the closing price of HK$0.11 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 79.49% over approximately HK$0.117 per 1.1 Ordinary Shares, calculated based on the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK$0.106 per Ordinary Share;

(d) a premium of approximately 84.21% over approximately HK$0.114 per 1.1 Ordinary Shares, calculated based on the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.104 per Ordinary Share;

(e) a premium of approximately 89.19% over approximately HK$0.111 per 1.1 Ordinary Shares, calculated based on the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$0.101 per Ordinary Share;

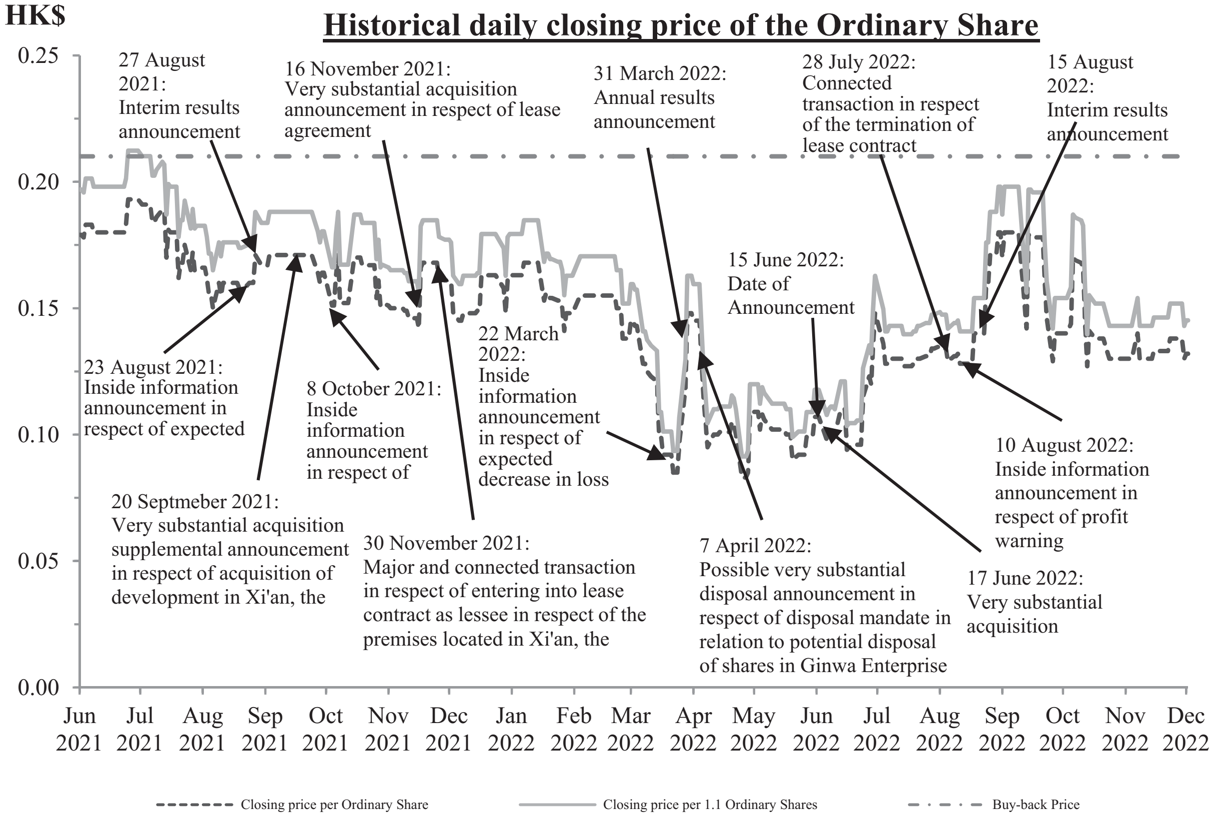
(f) a premium of approximately 62.79% over approximately HK$0.129 per 1.1 Ordinary Shares, calculated based on the average of the closing prices of the Ordinary Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK$0.117 per Ordinary Share;

(g) a discount of approximately 89.84% to the audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK$2.066 per 1.1 Ordinary Shares (based on the audited consolidated net asset of the Group attributable to the Shareholders as at 31 December 2021 of approximately RMB1,756.88 million (equivalent to approximately HK$2,159.13 million based on HK$1:RMB0.8137) and 1,149,694,715 Ordinary Shares in issue as at the Latest Practicable Date;

(h) a discount of approximately 88.22% to the unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK$1.782 per 1.1 Ordinary Shares (based on the unaudited consolidated net asset of the Group attributable to the Shareholders as at 30 June 2022 of approximately RMB1,593.17 million (equivalent to approximately HK$1,862.92 million based on HK$1:RMB0.8552) and 1,149,694,715 Ordinary Shares in issue as at the Latest Practicable Date ("**NAV Discount**"); and

(i) a discount of approximately 74.94% to the consolidated net asset value of the Group attributable to the Shareholders of approximately HK$0.838 per 1.1 Ordinary Shares (based on the unaudited consolidated net assets of the Group attributable to the Shareholders as at 30 June 2022 of approximately RMB1,593.17 million (equivalent to approximately HK$1,862.92 million based on HK$1:RMB0.8552) and 2,444,469,714 Ordinary Shares (assuming that the Preferred Shares are converted to Ordinary Shares in full but otherwise no other change in the number of Ordinary Shares in issue as at the Latest Practicable Date, the "**Enlarged Ordinary Shares**")).

In order to assess the fairness and reasonableness of the Buy-back Price, we reviewed the daily closing price of the Ordinary Shares as quoted on the Stock Exchange during the period from 1 June 2021 (being approximately one year prior to the Last Trading Day, which is a commonly adopted period for analysis) up to and including the Latest Practicable Date (the "**Review Period**"). The comparison of daily closing price of the Ordinary Share and the Buy-back Price is illustrated as follows:



Source: the Stock Exchange's website

During the Review Period, the lowest closing price of Ordinary Share as quoted on the Stock Exchange was HK$0.083 per Share (equivalent to HK$0.0913 per 1.1 Ordinary Shares) recorded on 25 April 2022, 26 April and 27 April, and the highest closing price of the Ordinary Share as quoted on the Stock Exchange was HK$0.193 per Share (equivalent to HK$0.2123 per 1.1 Ordinary Shares) recorded on 25 June 2021, 28 June 2021, 29 June 2021 and 30 June 2021. The Buy-back Price of HK$0.21 is within the range of the lowest and highest closing price per 1.1 Ordinary Shares during the Review Period but is higher than the closing price per 1.1 Ordinary Shares for 368 trading days out of the total of 375 trading days during the Review Period.

The closing price per 1.1 Ordinary Shares fluctuated between the range of HK$0.1518 to HK$0.2123 from the start of the Review Period to early March 2022. Thereafter, the closing price per 1.1 Ordinary Shares dropped significantly and rebound during the period from early March 2022 to early April 2022 and reached the closing price of HK$0.121 per 1.1 Ordinary Shares on the Last Trading Day. As advised by the Management, they could not identify any specific reason which caused the aforesaid fluctuation in the closing price of the Shares.

Following the publication of the Announcement on 15 June 2022 and up to the Latest Practicable Date, the closing prices of the Ordinary Shares fluctuated between HK$0.094 and HK$0.18 (equivalent to approximately HK$0.103 per 1.1 Ordinary Shares to HK$0.198 per 1.1 Ordinary Shares).

The Valuation Report

We noted that the Company engaged the Valuer to undertake a valuation exercise to express an independent opinion on the value of Preferred Shares as at 31 December 2021. As part of our due diligence work, we obtained and reviewed the Valuation Report.

We noted from the Valuation Report that the value of the Preferred Shares was approximately RMB1.04 per Preferred Share (equivalent to approximately HK$1.28 per Preferred Share based on the exchange rate of HK$1:RMB0.8137) as at 31 December 2021 (i.e. the Valuation Date). Accordingly, the Buy-back Price represents a discount of approximately 83.59% to the value of Preferred Shares. Details of the Valuation Report are set out in Appendix III to the Circular.

1. Background of the Valuer

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of Valuer with the Company; (ii) Valuer's qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the valuation. From the mandate letter provided by the Valuer, we were satisfied with the terms of engagement of the Valuer. We have also conducted checks to assess the relevant qualification and experience of the Valuer, including reviewing the supporting documents on the qualification of the Valuer and discussing with the Valuer on their qualifications and experience.

Based on the information provided by the Valuer, we noted that the Valuer is registered as a firm regulated by the Royal Institution of Chartered Surveyors (the "**RICS**") and the signatory of the Valuation Report is a chartered financial analyst, a professional member of the RICS and is registered as a public valuer under China Appraisal Society, while the other member of key personnel responsible for the preparation of the Valuation Report is a professional member of the RICS and is also registered as a public valuer under the China Appraisal Society. The Valuer and the aforesaid personnel are experienced in conducting business valuation for listed and unlisted companies. Details of our report on the qualification and experience of the Valuer pursuant to Rule 11.1(b) of the Takeovers Code are set out in Appendix V to the Circular.

Upon our enquiry, the Valuer advised us that they (i) discussed with the management of the Company to understand the operating conditions and the condition of each type of assets; (ii) obtained and reviewed the audited consolidated financial statements and relevant breakdown of the Group for FY2021; (iii) performed verification procedures such as conduct circularisation with suppliers of the Group and cross-check the book value of properties and other non-current assets with the relevant ownership certificates and acquisition documents; and (iv) performed physical inspection on the Group's properties and other non-current assets to verify their existence, condition and newness rate.

On the basis of the foregoing, we are of the opinion that the Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation Report competently and the Valuer had taken necessary steps and due diligence work to prepare the Valuation Report.

The Valuer also confirmed that they are independent to the Group, Glory Keen and its parties acting in concert.

2. Valuation methodology

The Valuation Report was prepared by the Valuer by the asset-based approach when determining the value of the Company. Upon our further enquiry with the Valuer, we understood that market approach, cost approach and income approach are the three generally adopted approaches for the purpose of valuation. With reference to the Valuation Report and as confirmed by the Valuer, the Valuer considered each of the three generally adopted approaches and we understood that:

- market approach considers prices recently paid for similar assets, with adjustment made to market prices to reflect the condition and utility of the appraised assets relative to the market comparable. The use of market approach does not rely on the use of assumptions, as the inherent assumption associated with the use of market approach is that there is an active and efficient market for the underlying assets. However, the Valuer considered not to adopt the market approach after considering (a) trading multiples analysis is not applicable owing to the low trading liquidity of the Ordinary Shares; and (b) there is no sufficient public companies or market transactions which are comparable in terms of business nature identified as at the Valuation Date.

- income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. As the use of income approach requires the use of subjective assumptions which are highly sensitive and required detailed operational information and long-term financial projections, and such information is not available as at the Valuation Date given that the PRC retail industry will continue to be subject to influence of internal and external factors in the short term and there are uncertainties brought by the ongoing COVID-19 pandemic. As such, income approach was not adopted for the valuation.

- asset-based approach refers to the valuation methodology to determine the value of the subject of valuation on a reasonable basis by valuating an enterprise's value contribution to the overall on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of the subject of valuation as at the valuation date. Asset-based approach is generally adopted for valuation where there is lack of market transactions for the same or similar assets.

As it is commonly for valuers to adopt asset-based approach to value companies, in particular for those (including the Company, as it is necessary for the Group to hold property interests (in the form of self-owned properties or right-of-use assets leased by the Group in order to operate its department stores and shopping mall), substantiated by the percentage of the Group's property and equipment, investment properties and prepayments for acquisitions of properties in aggregate to its total assets (i.e. approximately 82.14%, and 89.66% and 90.89% as at 31 December 2020, 31 December 2021 and 30 June 2022 respectively)) involved in capital intensive industry and having also considered the Valuer's qualification and experience, we are of the view that the adoption of asset-based approach for the valuation of the Company is reasonable.

3. Basis and assumptions of the valuation

In arriving at the valuation of the Company, the Valuer categorised the assets and liabilities of the Group into the following categories: (1) cash at bank and on hand; (2) inventories; (3) investment property and property and equipment; (4) intangible assets; (5) deferred tax liabilities; and (6) other assets and liabilities.

3.1 Cash at bank and on hand

The book value and fair value of the Group's cash at bank and on hand were the same, which was approximately RMB36.52 million as at the Valuation Date. We noted from the Valuation Report and understood from the Valuer that they cross-checked the bank statements and conducted cash count to verify the balance of the Group's cash at bank and on hand.

Having considered (i) the Valuer performed verification works to verify the balance of the Group's cash at bank and on hand as at the Valuation Date; and (ii) such amount coincides with the book value of the Group's cash at bank and on hand included in the Group's financial statements, we are of the view that the approach adopted by the Valuer is fair and reasonable.

3.2 Inventories

The book value and fair value of the Group's inventories were approximately RMB24.52 million and RMB31.92 million respectively as at the Valuation Date. We noted from the Valuation Report that inventories mainly comprised of inventories held for sale and raw materials, while inventories held for sale accounted for approximately 91.73% of the Group's inventories in terms of book value and approximately 93.64% of the Group's inventories in terms of fair value.

The fair value of inventories held for sale were determined based on their corresponding market price and their quantity, less the corresponding taxes and fees associated with the selling of such inventories. For inventories that were acquired near the Valuation Date, their fair values were determined with reference to their book value.

Having considered the Valuer took into account the cost for the Group to replace the inventories held for sale based on recent market price as at the Valuation Date, and that inventories held for sale accounted for over 90% of the Group's inventories as at the Valuation Date, we are of the view that the approach adopted by the Valuer is fair and reasonable.

3.3 Investment property and property and equipment

The book value and fair value of (i) the Group's investment properties were approximately RMB1,347.80 million and RMB1,332.50 million respectively; and (ii) the Group's property and equipment were approximately RMB3,134.93 million and RMB3,075.99 million respectively, as at the Valuation Date. We noted from the Valuation Report that investment properties; and property and equipment mainly comprised of (i) machinery and equipment; and (ii) investment properties and property held and occupied by the Group (together with investment properties, the "**Subject Property(ies)**").

We noted from the Valuation Report that the Valuer adopted replacement cost method to determine the fair value of machinery and equipment. Under replacement costs method, the fair value of an asset was determined with reference to the purchase price for the same asset or similar asset with the same functionality, costs associated with bring such assets to its intended operating conditions (i.e. freight and miscellaneous expenses) and the integrated residue ratio (representing the physical, functional and economic status of the machinery and equipment as at the Valuation Date).

We noted from the Valuation Report that the Valuer adopted the market comparison method under market approach to determine the fair value of investment property and Subject Properties. Under market comparison method, the Valuer identified properties offered for sale that are comparable and located in similar region as the Subject Properties (the "**Comparable Property(ies)**").

For our due diligence purpose, we obtained the detailed information of the Comparable Properties and the calculation of the fair value of Subject Properties. We noted from the detailed information of the Comparable Properties that the Valuer identified three Comparable Properties for each Subject Property. As confirmed by the Valuer, the Comparable Properties were selected on the criteria that (i) the Comparable Properties were offered in 2022; (ii) Comparable Properties are located in the same city/region as the Subject Properties; and (iii) the intended usage of the Comparable Properties is the same as the Subject Properties.

We further noted from the calculation of the fair value of Subject Properties that the Valuer had (i) compared the comparability of each Comparable Property to the ground floor of the Subject Properties (the "**Standardised Storey**") based on (a) usage; (b) transaction date; (c) transaction status; (d) nature of the underlying land use right; (e) remaining life of the land use right; and (f) specific factors such as accessibility, year of completion, decoration, layout, floor level, orientation and gross floor area; (ii) applied adjustment factors (determined based on the comparability of the Comparable Properties) to the transaction price per metre of the Comparable Properties; (iii) calculate the fair price per metre of the Standardised Storey based on the adjusted transaction price per metre of the Comparable Properties and the weighting of each Comparable Properties (determined with reference to the comparability); and (iv) adjust the fair price per metre of the Subject Property based on the fair price per metre of the Standardised Storey and the adjustment factor due to the difference in storeys of the Subject Properties and the Standardised Storey, if any.

We noted that the adjustment factor for the difference in storeys was 80% of the fair price per metre of the Standardised Storey for one storey difference, 60% of the fair price per metre of the Standardised Storey for two storeys difference, and 55% of the of the fair price per metre of the Standardised Storey for three or more storeys difference (together, the "**Adjustment Factors**"). We further enquired into the basis of assumption of the adjustment factors and understood from the Valuer that the price for the ground floor of commercial properties is higher than the other floors due to difference in accessibility and availability to the customers and, the further the subject floor is to the ground floor, the lower the fair price will be.

We further enquired into the Valuer in relation to the determination basis of the Adjustment Factors and we understood that the Valuer had conducted market research on prices of property sales transactions that involve the sale of property units of different storeys within the same property which these properties are located in similar region as the Subject Properties in order to arrive at the Adjustment Factors (i.e. the price for the sale of property on the 1st floor, 2nd floor or 3rd floor against the price for the sale of property on the Standardised Storey). For our due diligence purpose, we obtained the details of such property sales transactions and noted that the average of price differences in storeys are in line with the Adjustment Factors adopted by the Valuer.

Based on our due diligence work as detailed above, we are of the view that the approach and assumptions adopted by the Valuer are fair and reasonable.

3.4 Intangible assets

The book value and fair value of the Group's intangible assets were approximately RMB274.65 million and RMB275.5 million respectively as at the Valuation Date. We noted from the Valuation Report that intangible assets represent the trademark "Ginwa".

We noted from the Valuation Report that the Valuer adopted relief from royalty method to determine the fair value of the intangible assets. Under relief from royalty method, the fair value of the intangible assets was calculated by the following:

1) the projected revenue derived from the intangible assets for the period from 2022 to 2026, with growth rate of 3% applied from 2027 onwards;

2) estimated royalty income calculated based on the projected revenue and the benchmark royalty rate, capitalized at discount rate of 16%; and

3) tax effect thereon.

We obtained a detailed calculation of the fair value of intangible assets from the Valuer.

For our due diligence purpose, we enquired into the Directors on the assumptions regarding the estimated revenues. We understood that the Directors took into account (i) existing department stores; (ii) department stores that were under renovation; and (iii) new department store expected to be opened, when formulating the estimated revenue for the forecasted period (i.e. from 2022 to 2026). In addition, we also obtained and reviewed detailed calculation of the aforesaid estimation.

The discount rate applied to the valuation of the intangible assets was 16%. As advised by the Valuer, the discount rate of 16% was based on the weighted average cost of capital of the Company, comprising cost of equity and costs of debt. We obtained a detailed calculation of the discount rate and noted that the Valuer (i) adopted capital asset pricing model ("**CAPM**") to assess the cost of equity; and (ii) made reference to the Group's cost of borrowings (on a weighted average basis) as at the valuation benchmark date, net of tax effect, to determine cost of debt.

We noted from an article published by the Corporate Finance Institute® (founded in 2016 and is a leading provider of online financial certification programs, training, and workforce development) that the cost of equity can be calculated by using the CAPM or dividend capitalization model (only applies to companies that pay dividends). Given that the Company had not paid out dividend since 2015, we are of the view that dividend capitalization model is not applicable and the use of CAPM for calculating the cost of equity is reasonable.

In arriving at the cost of equity, the Valuer calculated cost of equity based on the following formula:

Cost of equity = risk-free rate + beta* equity risk premium + size premium + specific risk

For our due diligence purpose, we conducted the following works on the aforesaid parameters:

- We noted that the Valuer determined the risk-free rate with reference to the yield of China Government bond with maturity of 20 years. We understood from the Valuer that since the intangible assets represents the trademark "Ginwa", the useful lives of which is indefinite in nature, the Valuer had adopted the long-term yield of China Government bond, representing the return rate of the safest investment in the PRC. We also noted that the risk-free rate adopted by the Valuer was the same as the yield of China Government bond with maturity of 20 years as at the Valuation Date quoted on a website operated by China Central Depository & Clearing Co., Ltd. (https://www.chinabond.com.cn/).

- We obtained the list of comparable companies selected by the Valuer for the calculation of the unlevered beta and cross-checked the beta of the comparable companies through Wind Financial Terminal (based on the website of Wind (www.wind.com.cn), Wind Financial Terminal provides investment professionals with global financial data, information and insights on all asset classes such as equity, bond, futures, foreign exchange, fund, index, option, commodities, as well as commercial data in macroeconomics, industry sectors and corporate operations). We noted that the beta adopted by the Valuer are generally in line with our findings.

- We noted the Valuer adopted the equity risk premium of 7.25% and the 10th decile companies size premium of 5.01%, both were made reference to the "Duff & Phelps Cost of Capital Navigator" research regarding equity risk premium and size premium published by Duff & Phelps (Duff & Phelps, now known as Kroll Inc, founded in 1932 and provides valuation, compliance and regulation, corporate finance and restructuring, cyber risk, environmental, social and governance, investigations and disputes, and business services. Kroll Inc. serves clients in 140 countries across six continents and spanning nearly every industry and sector). We also noticed the adoption of Kroll Inc.'s or Duff & Phelps' publication on equity risk premium and size premium in certain valuation reports contained in circulars published by other listed companies in Hong Kong.

- We enquired into the Valuer's basis of determining specific premium of 6% and understood that the Valuer mainly considered the risk associated with the Group's operating status and operating regions. The Group's operations are concentrated in Xi'an City and Xianyang City, Shaanxi Province of the PRC.

Having considered the aforesaid and during our discussion with the Valuer, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the valuation of the intangible assets.

3.5 Deferred tax liabilities

The book value and fair value of the Group's deferred tax liabilities were approximately RMB630.01 million and nil respectively as at the Valuation Date. We noted from the Valuation Report that the Group's deferred tax liabilities represent the tax effect arising from the fair value adjustment on assets and the interest capitalization on prepayments, The Valuer advised us that deferred tax liabilities are only temporary differences under accounting treatment which have no effect on the determination of transaction price under the asset-based approach. Thus the fair value of deferred tax liabilities was nil as at the Valuation Date.

The Directors, after seeking opinions from the Company's auditors, advised that, deferred tax liabilities arise in the case of assets acquired by a company which are accounted for on a fair value measurement basis (as opposed to being accounted for on a cost measurement basis). A company with deferred tax liabilities will need to pay out such liabilities only when it disposes of the assets corresponding to such liabilities. The Directors also confirmed that the Group had no intention to dispose any of such assets as at the Valuation Date.

Having considered that the deferred tax liabilities are only temporary differences under accounting treatment which have no effect on the determination of transaction price under the asset-assets based approach and the Group had no intention to dispose any of such assets as at the Valuation Date, we do not doubt the reasonableness of the assumption adopted by the Valuer.

3.6 Other assets and liabilities

We noted from the Valuation Report that other assets and liabilities mainly comprised of equity securities designated at fair value through other comprehensive income, trade and other receivables, prepayments, trade and other payables and bank and other borrowings, where no adjustments were made to the book value of other assets and liabilities by the Valuer (i.e. the book values of other assets and liabilities were the same as their fair value as at the Valuation Date).

Based on the steps and due diligence work performed by the Valuer to prepare the Valuation Report, in particular, the Valuer had (i) obtained and the audited consolidated financial statements and relevant breakdown of the Group; (ii) performed verification procedures such as debtors and creditors' circularisation, we are of the view that the approach adopted by the Valuer is fair and reasonable and we do not doubt the reasonableness of the fair value of other assets and liabilities as at the Valuation Date.

Having arrived at the fair value of the Group's net assets attributable to owners of the Company (being the product of the fair values of the Group's assets and liabilities, less the amount attributable to non-controlling interests) as at the Valuation Date, the Valuer calculated the net assets per Preferred Share attributable to owners of the Company based on (i) the number of Ordinary Shares outstanding as at the Valuation Date; (ii) the number of Ordinary Shares to be allotted and issued upon conversion of the Preferred Shares; and (iii) value of one Preferred Share equals to values of 1.1 Ordinary Share as the result of one Preferred Shares shall be converted to 1.1 Ordinary Shares per one Preferred Share.

During our discussion with the Valuer, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the valuation of the Company.

Other approaches

To further assess the fairness and reasonableness of the Buy-back Price, we further performed trading multiples analysis which includes price to sales ratio ("**PSR**") and price to book ratio ("**PBR**") as set out below. Given that (i) the Group recorded net loss attributable to equity shareholders of the Company for FY2021; (ii) the Group operates in the retail industry and PSR reflects how much investors are paying for a dollar of the company's sales, we consider PSR is relevant to the Group's operation and an appropriate measures; and (iii) companies in the retail industry are often capital-intensive and PBR reflects the valuation of the company's assets by the market, we did not perform price to earnings ratio analysis and we are of the view that the use of PSR and PBR for the purpose of trading multiples analysis are reasonable.

We searched for companies listed on the Stock Exchange which have similar lines of business as the Group (i.e. derived more than 50% of revenue from the operation of department stores, shopping malls and/or supermarkets in Mainland China) (the "**Comparable Companies**"). We found 6 companies which met the said criteria and they are exhaustive.

Company name (Stock code)	**Principal business**	**Market capitalisation as at the date of the Agreement (approx. HK$' million)**	**PSR** *(Note 1)*	**PBR** *(Note 2)*	**Premium/ (Discount) of market capitalisation as at the date of the Agreement over/ to net assets value attributable to the shareholders** *(Note 3)* (%)	**Gearing ratio** *(Note 4)* (%)
New World Department Store China Limited (825)	Department store and property investment operations in Mainland China	1,854.8	0.83	0.40	(59.62)	124.77
Maoye International Holdings Limited (848)	Operation and management of department stores and property development in Mainland China	1,213.1	0.19	0.07	(92.80)	93.28
AEON Stores (Hong Kong) Co., Limited (984)	Operation of retail stores in Hong Kong and the PRC	312.0	0.03	1.53	53.36	1,506.04 *(Note 5)*
Lifestyle China Group Limited (2136)	Operation of department stores and related retailing business as well as property investment in the PRC	1,171.6	0.74	0.10	(89.66)	9.63

Company name (Stock code)	Principal business	Market capitalisation as at the date of the Agreement (approx. HK$' million)	PSR *(Note 1)*	PBR *(Note 2)*	Premium/ (Discount) of market capitalisation as at the date of the Agreement over/ to net assets value attributable to the shareholders *(Note 3)* *(%)*	Gearing ratio *(Note 4)* *(%)*
Golden Eagle Retail Group Limited (3308)	Lifestyle centre and stylish department store chain development and operation, property development and hotel operation in the PRC	9,180.9	1.31	0.87	(12.61)	Nil
Parkson Retail Group Limited (3368)	Operation and management of a network of department stores mainly in the PRC, and the provision of credit services in Malaysia	453.1	0.09	0.09	(90.74)	118.49
	Maximum		**1.31**	**1.53**	**53.36**	**124.77**
	Minimum		**0.03**	**0.07**	**(92.80)**	**Nil**
	Average		**0.53**	**0.51**	**(48.68)**	**69.23**
	Median		**0.47**	**0.25**	**(74.64)**	**93.28**
The Share Buy-back (based on the Enlarged Ordinary Shares) *(Note 6)*			**0.77**	**0.22**	**(78.40)**	**247.36**

Source: the Stock Exchange's website

Notes:

1. The PSRs of the Comparable Companies were calculated based on their respective then latest published audited revenue for the year, their respective closing prices as quoted on the Stock Exchange and the total issued shares as at the date of the Agreement.

2. The PBRs of the Comparable Companies were calculated based on their respective then latest published net assets value attributable to the shareholders, their respective closing prices as quoted on the Stock Exchange and total issued shares as at the date of the Agreement.

3. The premiums or discounts of the Comparable Companies market capitalisation to the net asset value attributable to the shareholders were calculated based on their respective market capitalisation as at the date of the Agreement and the then latest published net assets value attributable to the shareholders.

4. The gearing ratio of the Comparable Companies were calculated based on their respective latest published total debt (including lease liabilities), cash and bank balances and total equity up to the Latest Practicable Date.

5. The subject company's total debt consisted of only lease liabilities and its gearing ratio was exceptionally high and thus we consider it as an outlier.

6. The implied PSR is based on the Buy-back Price, the then latest published audited revenue for the year of the Group and the Enlarged Ordinary Shares; the implied PBR is based on the Buy-back Price, the then latest published net asset value attributable to equity shareholders of the Company and the Enlarged Ordinary Shares; and the implied discount of the Buy-back Price to the net asset value attributable to equity shareholder of the Company is based on the Buy-back Price and the then latest published net asset value attributable to equity shareholders of the Company.

7. The exchange rate between RMB and HK$ shall be RMB0.8137 for HK$1 for the above table. This exchange rate is adopted for illustration purposes only and does not constitute representations that any amounts have been, could have been, or may be exchanged at this rate.

From the table above, the PSRs of the Comparable Companies ranged from approximately 0.03 times to 1.31 times, with an average of approximately 0.53 times and a median of approximately 0.47 times. The PBRs of the Comparable Companies ranged from approximately 0.07 times to 1.53 times, with an average of approximately 0.51 times and a median of approximately 0.25 times, which also indicated that the shares of the listed companies which have similar lines of business as the Group were in general traded at discounts to their net asset values.

The implied PSR of the Share Buy-back (based on the Enlarged Ordinary Shares) is within the PSR range of the Comparable Companies and is higher than the average and median of the Comparable Companies; while the implied PBR of the Share Buy-back (based on the Enlarged Ordinary Shares) is within the PBR range of the Comparable Companies and is lower than the average and median of the Comparable Companies. This indicated that the Buy-back Price is not overvalued in respect of PSR and PBR as compared to the Comparable Companies.

Conclusion

Although the Buy-back Price represents substantial premiums over the then recent closing prices of 1.1 Ordinary Shares (i.e. represented approximately a premium of approximately 73.55% over per 1.1 Ordinary Shares (based on the closing price as at the Last Trading Day); and approximately premiums of approximately 79.49%, 84.21%, 89.19% and 62.79% over per 1.1 Ordinary Shares (based on the average closing prices for last five, 10, 30 and 90 trading days up to and including the Last Trading Day respectively), having considered the above analyses and facts, in particular:

- on quantitative aspect, the trading multiples analysis (including PBR and PSR analyses in this case) under market approach is a commonly adopted valuation method in the market. Together with the asset-based approach adopted by the Valuer for the value of the Preferred Shares, two of the three generally adopted approaches were used in the course of our analysis on the fairness and reasonableness of the Buy-back Price. The results from (i) to (iii) below indicates that the Buy-back Price is not overvalued from the PBR, PSR and value of the Preferred Shares perspectives:

  (i) the Buy-back Price represents the NAV Discount of approximately 88.22% based on existing Ordinary Shares and the NAV Discount of approximately 74.94% based on the Enlarged Ordinary Shares. It indicated that the cost of Share Buy-back was substantially lower than the entire underlying NAV of the Group per Share. Despite that the shares of the listed companies which have similar line of business were also in general traded at discounts to their net asset values, we are of the view that the Buy-back Price is not overvalued from the PBR perspective having considered that the implied PBR of the Share Buy-back (based on the Enlarged Ordinary Shares) is within the PBR range of the Comparable Companies and is lower than the average and median of the Comparable Companies;

  (ii) the Buy-back Price represents a discount of approximately 83.59% to the value of the Preferred Shares of RMB1.04 per Preferred Share (equivalent to approximately HK$1.28 per Preferred Share based on the exchange rate of HK$1:RMB0.8137) as set out in the Valuation Report; and

  (iii) the implied PSR of the Share Buy-back (based on the Enlarged Ordinary Shares) is within the PSR range of the Comparable Companies and is higher than the average and median of the Comparable Companies, which indicated that the Buy-back Price is not overvalued from PSR perspective,

- on qualitative aspect, the reasons and benefits of the Share Buy-back as concluded in the sub-section headed "Conclusion" under the section headed "Reasons for and benefits of the Share Buy-back" above, in particular, the removal of hinderance to the Company's fundraising abilities in both equity and debt financing; and the timing for entering into the Agreement (i.e. the Agreement was executed within two months after the Ordinary Shares recorded its lowest closing price during the Discussion Period and the Buy-back Price of HK$0.21 is at the lower end of the historical closing price of Ordinary Shares since the issuance of the Preferred Shares),

we consider the Buy-back Price to be fair and reasonable.

GCX Share Charge

With reference to the Board Letter, the consideration for the Share Buy-back will be satisfied by the Company by issue of the interest-free promissory notes due on the first anniversary of the date of Completion in favour of Glory Keen. Taking into consideration that the consideration will not be satisfied in cash upon Completion, the Company agreed to execute and deliver the GCX Share Charge in favour of Glory Keen upon Completion, pursuant to which a fixed first equitable charge shall be created over the entire issued share capital of GCX in favour of Glory Keen to secure the due performance of the Company in relation to the issuance of the interest-free promissory notes in an amount of HK$247,184,318. The GCX Share Charge will be released upon repayment of all outstanding amount by the Company thereunder the promissory notes.

We noted from the Board Letter that the entire issued share capital of GCX has been charged in favour of Glory Keen under the Existing GCX Share Charge as security for the due performance of the Company in relation to the issuance of Preferred Shares, which shall be released following the cancellation of the Preferred Shares. As stated in the Board Letter and as confirmed by the Directors, during negotiations regarding the Share Buy-back, it was Glory Keen's position that in order to facilitate its exit, the Company shall provide the GCX Share Charge to secure performance of the interest-free promissory notes, so that the existing security arrangement provided to Glory Keen under the Preferred Shares is replicated. Glory Keen expressly stated to the Company that it would not accept alternative or other reduced forms of security to replace the Existing GCX Share Charge. Having considered that (i) the Existing GCX Share Charge would continue to exist should the Preferred Shares not be cancelled. On the other hand, the entering into of the GCX Share Charge would allow such charge to be released upon fulfilment of the payment obligations under the promissory note by the Group; and (ii) the underlying assets under the Existing GCX Share Charge are the same as the GCX Share Charge, thus the Independent Shareholders' interests were not worse off in this respect, we consider it is reasonable to carry forward the same charge over GCX Shares for the Share Buy-Back.

With reference to the Board Letter, given the size of GCX relative to the Group's total assets and net assets, if a situation arose where the GCX Share Charge was exercised by Glory Keen, the Board considers that the Group's operational and financial position may be adversely impacted. However, the Board considers that such a scenario is unlikely, given that the Company has obtained a financial support letter from Qujiang Financial Holdings.

With reference to the Board Letter, the Company intends to fund the repayment of the promissory note by debt financing (including but not limited to financing from banks and financial institutions), which is expected to be obtained from lenders including banks. We understood from the Directors that the Group had obtained a financial support letter (the "**Financial Support Letter**") from Qujiang Financial Holdings (the controlling shareholder of Qujiang Investment) which agreed to provide, among other things, loan facility of RMB4.0 billion (including guarantee amounts of approximately RMB1.156 billion) to the Group. For our due diligence purpose, we obtained a copy of the Financial Support Letter and acknowledged the aforesaid loan facility amount. As further advised by the Directors, (i) unsecured loans of amounts of approximately RMB1.55 billion with interest rates of 7% per annum has been withdrawn by to the Group (note: the Group's effective interest rate of borrowings ranged from 5.8% to 7.9% per annum as at 30 June 2022 and 31 December 2021 respectively)); and (ii) the unutilized amount of loan which could be withdrew by the Group according to the loan facility was approximately RMB1.294 billion as at 30 June 2022. Having considered that with the financial support from Qujiang Financial Holdings, the Group would be able to reduce the existing outstanding liabilities with other lenders (including banks) and thereafter could utilize its financial resources (which may be originally used for the repayment of outstanding liabilities with other lenders), we do not doubt the ability of the Group to honour its obligation under the promissory note.

Conclusion

Despite that the GCX's net assets as at 30 June 2022 (i.e. approximately RMB1,545.4 million) far exceeds the payment obligation in respect of the consideration of the promissory notes (i.e. approximately HK$247 million) and there will be risk in respect of the enforcement of GCX Share Charge (i.e. the Group's operational and financial position may be adversely impacted if a situation arose where the GCX Share Charge was exercised by Glory Keen), having considered that (i) it is reasonable to carry forward the same charge over GCX Shares for the Share Buy-Back due to the following reasons: (a) the Existing GCX Share Charge would continue to exist should the Preferred Shares not be cancelled. On the other hand, the entering into of the GCX Share Charge would allow such charge to be released upon fulfilment of the payment obligations under the promissory note by the Group; and (b) the underlying assets under the Existing GCX Share Charge are the same as the GCX Share Charge, thus the Independent Shareholders' interests were not worse off in this respect; (ii) the Company is entitled to the surplus of monies after the satisfaction of costs and outstanding amount of promissory notes had the GCX Share Charge been enforced; (iii) the GCX Share Charge will be released upon repayment of all outstanding amount by the Company thereunder the promissory notes; and (iv) the ability of the Group to honour its obligation under the promissory note based on the loan facility provided by Qujiang Financial Holdings, which mitigated the risk in respect of the enforcement of GCX Share Charge, we are of the view that the GCX Share Charge is fair and reasonable.

Possible shareholding and financial effects of the Share Buy-back

With reference to the Board Letter, as at the Latest Practicable Date, there were 1,149,694,715 Ordinary Shares in issue. Save for the Preferred Shares, the Company does not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Ordinary Shares or other types of equity interests of the Company as at the Latest Practicable Date.

Following the Completion, the Preferred Shares will be cancelled and there will be no outstanding Preferred Shares. No less than 25% of the Ordinary Shares in issue will remain in public hands following the Completion.

There will be no difference between the shareholding of holders of the Ordinary Shares before and after the Completion (assuming there is no other movement in Ordinary Shares from the Latest Practicable Date to the date of Completion).

Please also refer to the section headed "Financial effects of the Share Buy-back" of the Board Letter for the financial effects on basic loss per Share, net assets per share, total liabilities and working capital.

RECOMMENDATION ON THE TRANSACTIONS

Having taken into consideration the factors and reasons as stated above, in particular:

In respect of the reasons and benefits for the Transactions

(i) the potential dilution arising from the potential transfer and subsequent conversion of the Preferred Shares have affected the Group's ability to conduct equity fundraising; and the Group were not able to conduct equity fundraising since the issuance of Preferred Shares on 27 December 2012;

(ii) the Group is heavily geared and its gearing ratio (i.e. approximately 2.47 times (247%)) far exceeds those of the Comparable Companies (excluding outlier) as detailed in the sub-section headed "Other approaches" under the section headed "Consideration" above, the Group placed heavy reliance on Qujiang Financial Holdings to obtain debt financing;

(iii) the restriction imposed by the terms of the Preferred Shares have hindered the ability of the Company to raise funds by way of equity and debt financings, which in turn hindered the development of the Group;

(iv) although the Share Buy-back will increase the Group's gearing ratio upon Completion, the Company's ability to raise funds by way of equity and debt financing was hindered by the existence of Preferred Shares. Should the Company successfully conduct fundraising activities by way of equity financing in the future, the Group's gearing ratio would decrease upon completion of such equity financing;

(v) the timing for entering into the Agreement was justifiable given (a) the movement in closing prices of Ordinary Shares since the issuance of Preferred Shares; and (b) that the Agreement was executed within two months after the Ordinary Shares recorded its lowest closing price during the Discussion Period. The Buy-back Price of HK$0.21 per Preferred Share was a result of the lowest price which the Company was able to bargain during the discussion process between the Company and Glory Keen;

(vi) the execution of GCX Share Charge is a prerequisite for the existing payment arrangement (i.e. the issuance of the interest-free promissory notes due on the first anniversary of the date of Completion in favour of Glory Keen) as requested by Glory Keen. As stated in the Board Letter, Glory Keen expressly stated to the Company that it would not accept alternative or other reduced forms of security to replace the Existing GCX Share Charge;

(vii) it is reasonable to carry forward the same charge over GCX Shares for the Share Buy-back due to the following reasons: (a) the Existing GCX Share Charge would continue to exist should the Preferred Shares not be cancelled. On the other hand, the entering into of the GCX Share Charge would allow such charge to be released upon fulfilment of the payment obligations under the promissory note by the Group (regardless of whether by the Group's self-owned fund or debt financing); and (b) the underlying assets under the Existing GCX Share Charge are the same as the GCX Share Charge, thus the Independent Shareholders' interests were not worse off in this respect;

(viii) the Group's cash position as at 30 June 2022 (which was not sufficient for the settlement of the consideration for the Share Buy-back and thus a form of security is needed by Glory Keen to secure the Company's obligation under the promissory note); and

(ix) our analysis on the ability of the Group to honour its obligation under the promissory note as set out under the section headed "GCX Share Charge" above,

In respect of the terms of the Transactions

(i) although the Buy-back Price represents substantial premiums to the recent closing prices of 1.1 Ordinary Shares (i.e. represented approximately a premium of approximately 73.55% over per 1.1 Ordinary Shares (based on the closing price as at the Last Trading Day); and approximately premiums of approximately 79.49%, 84.21%, 89.19% and 62.79% over per 1.1 Ordinary Shares (based on nearly two months average closing prices for last five, 10, 30 and 90 trading days up to and including the Last Trading Day respectively)), the Buy-back Price is fair and reasonable after considering:

- (on quantitative aspect) our analyses as detailed in the section headed "Consideration" above and the facts, in particular, the trading multiples analysis (including PBR and PSR analyses in this case) under market approach is a commonly adopted valuation method in the market. Together with the asset-based approach adopted by the Valuer for the value of the Preferred Shares, two of the three generally adopted approaches were used in the course of our analysis on the fairness and reasonableness of the Buy-back Price. The results from (a) to (c) below indicates that the Buy-back Price is not overvalued from the PBR, PSR and value of the Preferred Shares perspectives:

  (a) the Buy-back Price represents the NAV Discount of approximately 88.22% based on existing Ordinary Shares and the NAV Discount of approximately 74.94% based on the Enlarged Ordinary Shares. It indicated that the cost of Share Buy-back was substantially lower than the entire underlying NAV per Share. Despite that the shares of the listed companies which have similar line of business as the Group were also in general traded at discounts to their net asset values, we are of the view that the Buy-back Price is not overvalued from the PBR perspective having considered that the implied PBR of the Share Buy-back (based on the Enlarged Ordinary Shares) is within the PBR range of the Comparable Companies and is lower than the average and median of the Comparable Companies;

  (b) the Buy-back Price represents a discount of approximately 83.59% to the value of the Preferred Shares of RMB1.04 as at 31 December 2021 (equivalent to approximately HK$1.28 per Preferred Share based on the exchange rate of HK$1: RMB0.8137) as set out in the Valuation Report; and

  (c) the implied PSR of the Share Buy-back (based on the Enlarged Ordinary Shares) is within the PSR range of the Comparable Companies and is higher than the average and median of the Comparable Companies, which indicated that the Buy-back Price is not overvalued from PSR perspective;

- (on qualitative aspect) the reasons and benefits of the Share Buy-back as concluded in the sub-section headed "Conclusion" under the section headed "Reasons for and benefits of the Share Buy-back" above, in particular, the avoidance of impairing the existing interests of the Independent Shareholders; the removal of hinderance to the Company's fundraising abilities in both equity and debt financing; and the timing for entering into the Agreement (i.e. the Agreement was executed within two months after the Ordinary Shares recorded its lowest closing price during the Discussion Period and the Buy-back Price of HK$0.21 is at the lower end of the historical closing price of Ordinary Shares since the issuance of the Preferred Shares); and

(ii) despite that the GCX's net asset as at 30 June 2022 (i.e. approximately RMB1,545.4 million) far exceeds the payment obligation in respect of the consideration of the promissory note (i.e. approximately HK$247 million) and there will be risk in respect of the enforcement of GCX Share Charge (i.e. the Group's operational and financial position may be adversely impacted if a situation arose where the GCX Share Charge was exercised by Glory Keen), the GCX Share Charge is fair and reasonable after considering following factors:

(a) it is reasonable to carry forward the same charge over GCX Shares for the Share Buy-Back due to the following reasons:

– the Existing GCX Share Charge would continue to exist should the Preferred Shares not be cancelled. On the other hand, the entering into of the GCX Share Charge would allow such charge to be released upon fulfilment of the payment obligations under the promissory note by the Group; and

– the underlying assets under the Existing GCX Share Charge is the same as the GCX Share Charge, thus the Independent Shareholders' interests were not worse off in this respect;

(b) the Company is entitled to the surplus of monies after the satisfaction of costs and outstanding amount of promissory notes had the GCX Share Charge been enforced;

(c) the GCX Share Charge will be released upon repayment of all outstanding amount by the Company thereunder the promissory notes; and

(d) the ability of the Group to honour its obligation under the promissory note based on the loan facility provided by Qujiang Financial Holdings, which mitigated the risk in respect of the enforcement of GCX Share Charge, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) although the Transactions are not conducted in the ordinary and usual course of business of the Company, the Transactions are in the interests of the Company and the Shareholders (including Independent Shareholders) as a whole. Accordingly, we recommend the Independent Board Committees to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Transactions, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Notes: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the year ended 31 March 2020, the nine months ended 31 December 2020 and the year ended 31 December 2021, as extracted from the relevant annual reports of the Company (the Board resolved in 2020 to change the financial year end date of the Company from 31 March to 31 December. For more information, please refer to the Company's announcement dated 3 September 2020):

Consolidated Results

	For the year ended 31 December 2021	For the nine months ended 31 December 2020	For the year ended 31 March 2020
	RMB'000	*RMB'000*	*RMB'000*
Revenue	494,280	397,021	642,012
Other income	10,371	12,164	10,629
Cost of goods sold	(215,501)	(161,264)	(252,183)
Sales and other taxes and surcharges	(16,897)	(15,334)	(19,810)
Staff costs	(113,537)	(76,552)	(125,151)
Depreciation expenses	(156,145)	(116,028)	(165,095)
Utilities expenses	(26,940)	(21,490)	(34,032)
Advertisement expenses	(11,599)	(8,048)	(6,361)
Expected credit loss on trade and other receivables	(2,523)	(4,905)	(604,716)
Impairment losses on goodwill and intangible assets	(72,000)	(365,855)	(470,605)
Other operating expenses	(78,611)	(242,701)	(143,978)
Loss from operations	(189,102)	(602,992)	(1,169,290)
Valuation loss on an investment property	–	–	(28,700)
Net finance costs	(169,760)	(115,798)	(118,509)
Loss before taxation	(358,862)	(718,790)	(1,316,499)
Income tax	(22,581)	53,611	3,909
Loss for the year/period	(381,443)	(665,179)	(1,312,590)

	For the year ended 31 December 2021 *RMB'000*	For the nine months ended 31 December 2020 *RMB'000*	For the year ended 31 March 2020 *RMB'000*
Attributable to			
Equity shareholders of the Company	(367,967)	(635,095)	(1,279,095)
Non-controlling interests	(13,476)	(30,084)	(33,495)
Loss for the year/period	(381,443)	(665,179)	(1,312,590)
Basic and diluted loss per share (RMB)	(0.158)	(0.273)	(0.550)
Total comprehensive income for the year/period	(229,712)	671,138	(1,380,084)
Attributive to			
Equity shareholders of the Company	(230,454)	(634,933)	(1,336,970)
Non-controlling interests	742	(36,205)	(43,114)
Amount of dividends distributed	–	–	–
Dividends per share (RMB)	–	–	–

Consolidated Assets and Liabilities

	As at 31 December 2021 *RMB'000*	As at 31 December 2020 *RMB'000*	As at 31 March 2020 *RMB'000*
Assets and liabilities			
Non-current assets	7,058,735	6,397,191	6,669,619
Current assets	150,710	687,307	721,565
Deduct:			
Current liabilities	2,789,331	2,733,966	2,645,748
Net current liabilities	(2,638,621)	(2,046,659)	(1,924,183)
Total assets less current liabilities	4,420,114	4,350,532	4,745,436
Deduct:			
Non-current liabilities	2,611,854	2,312,560	2,036,718
Net assets	1,808,260	2,037,972	2,708,718

Interim Results

The following financial information is extracted from the interim report of the Company for the six months ended 30 June 2022:

	For the six months ended 30 June	
	2022	**2021**
	RMB'000	*RMB'000*
Revenue	230,610	288,920
Other income	126	5,772
Cost of goods sold	(122,901)	(123,452)
Sales and other taxes and surcharges	(6,697)	(10,969)
Staff costs	(51,329)	(60,446)
Depreciation expenses	(78,015)	(77,003)
Utilities expenses	(10,898)	(15,805)
Advertisement expenses	(2,561)	(8,597)
Expected credit losses on trade and other receivables	306	(219)
Impairment losses on intangible assets	(30,164)	–
Other operating expenses	(28,590)	(53,934)
Loss from operations	(100,113)	(55,733)
Net finance costs	(101,885)	(74,719)
Loss before taxation	(201,998)	(130,452)
Income tax	6,442	(7,749)
Loss for the period	(195,556)	(138,201)
Attributable to		
Equity shareholders of the Company	(185,817)	(133,430)
Non-controlling interests	(9,739)	(4,771)
Loss for the period	(195,556)	(138,201)
Basic and diluted loss per share (RMB)	(0.08)	(0.06)
Total comprehensive income for the period	(177,951)	(43,397)
Attributable to		
Equity shareholders of the Company	(163,711)	(46,605)
Non-controlling interests	(14,240)	3,208
Amount of dividends distributed	–	–
Dividends per share (RMB)	–	–

2. AUDITED FINANCIAL STATEMENTS

The published audited consolidated financial statements of the Group for the year ended 31 March 2020, the nine months ended 31 December 2020 and the year ended 31 December 2021 were set out in the Company's respective annual reports, and the published consolidated financial statements of the Group for the six months ended 30 June 2022 were set out in the Company's interim report for the six months ended 30 June 2022, which are incorporated by reference into this circular. The said annual reports and the 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 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 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 link to the annual report of the Company published on 28 April 2022 with its audited consolidated financial statements for the year ended 31 December 2021 on pages 146 to 288:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800762.pdf

The following is a link to the interim report of the Company published on 27 September 2022 (the "**2022 Interim Report**") with its consolidated financial statements for the year ended 30 June 2022 on pages 6 to 55:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0819/2022081901394.pdf

According to the published annual reports of the Company, in the opinion of KPMG, the auditor of the Company, the consolidated financial statements of the Group for each of the year ended 31 March 2020, the nine months ended 31 December 2020 and the year ended 31 December 2021 give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, 31 December 2020 and 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the years/period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. No qualified opinion, emphasis of matter nor material uncertainty related to going concern had been issued by the auditor of the Company in the independent auditor's report since its listing on the Stock Exchange.

3. INDEBTEDNESS STATEMENT

Century Ginwa Retail Holdings Limited (the "Company")
and its subsidiaries (the "Group")

Statement of Indebtedness as at 30 September 2022

	Balance at 30 September 2022
	RMB'000
Bank loans	
– Secured and guaranteed	929,000
– Unsecured and guaranteed	50,000
	979,000
Loans from other financial institutions	
– Secured and guaranteed	600,000
– Unsecured and guaranteed	55,536
– Unsecured and unguaranteed	2,333,116
	2,988,652
Lease liabilities	
– Unsecured and unguaranteed	872,954
Total outstanding debts	4,840,606

Material contingent liabilities

At the close of business on 30 September 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group has 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 Holding Group Ltd. ("**Ginwa Investments**") in August 2005. Ginwa Investments has defaulted on 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 30 September 2022 under the guarantee issued is the outstanding amount of the liability of RMB9,500,000 plus accrued interest. Ginwa Investments is owned as to 96% by Mr. Wu Yijian, a former executive Director and former substantial shareholder of the Company.

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 30 September 2022, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, term loans (whether guaranteed, unguaranteed, secured and unsecured), debts securities or any other similar indebtedness (whether guaranteed, unguaranteed, secured and unsecured) or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptable credits or any guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

Saved as and except for:

- According to the interim report for the six months ended 30 June 2022, the Group's loss attributable to shareholders of the Company for the six months ended 30 June 2022 increased by approximately 39.26% as compared to that for the six months ended 30 June 2021. The aforesaid increase was mainly due to (i) a drop in the Group's revenue by approximately 20.18%, which was due to a drop in net income from concession sales as a result of the implementation of renovation plan of two department stores and a shopping mall of the Group in Xi'an City, the PRC; (ii) the provisions for impairment of goodwill and intangible assets of approximately RMB30.2 million, which was determined based on (a) the delay in the opening of one of the department stores as mentioned in item (i) (which was expected to be re-opened in July 2023 as advised by the Directors as at the Latest Practicable Date); and (b) a conservative estimate of the sales situation of the department store after its opening; and (iii) the increase in net finance costs by approximately 36.36% as compared to the corresponding period in 2021 attributable to the increase in loan amount (i.e. outstanding bank and other borrowings) and lease liability (i.e. the financial obligation for the lease payment in relation to the lease contracts entered into by the Group);

- According to the interim report for the six months ended 30 June 2022, the Group recorded substantial decrease in other operating expenses for the six months ended 30 June 2022 as compared to that for the six months ended 30 June 2021, which was primarily attributable to the absence of provision for compensation to tenants and suppliers of concession sales in respect of the closure of two department stores and a shopping mall for renovation and upgrades, for the six months ended 30 June 2022;

- the below:

  (i) due to a lease agreement entered into by the Group on 17 June 2022 for the lease of a commercial property located at No. 359 Taihua North Road in Weiyang District, Xi'an City, the PRC, with two floors underground and seven floors above ground, for a term of 20 years and a total rental fee of approximately RMB1,669.98 million, the Group's property, plant and equipment as at 30 September 2022 increased by approximately 24.70% as compared to that as at 31 December 2021; whereas the Group's lease liabilities as at 30 September 2022 increased by approximately 205.67% as compared to that as at 31 December 2021;

  (ii) The Group's bank and other borrowings as at 30 September 2022 increased by approximately 10.83% as compared to that as at 31 December 2021, which was mainly due to the provision of loan by Xi'an Qujiang Cultural Financial Holdings (Group) Co., Ltd. (the controlling shareholder of Qujiang Investment); and

  (iii) The Company obtained shareholders' approval on 7 July 2022 for possible disposal of up to 30,000,000 A shares of Ginwa Enterprise (Group) Inc. (stock code: SH600080) (which constituted very substantial disposal of the Company, the "**Possible Disposal**") from time to time during the mandate period (the 12-month period from the date of passing the resolution in relation to the Possible Disposal (i.e. 7 July 2022)). 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 Ginwa Enterprise (Group) Inc.; and (c) the audited net asset value per A share of Ginwa Enterprise (Group) Inc. for the most recent fiscal year. Details of the Possible Disposal were announced by the Company on 7 April 2022 and 7 July 2022,

there was no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT

In the first quarter of 2022, despite the ongoing occurrence of COVID-19 pandemic and the obvious impact of the current round of the pandemic on individual cities, the overall economic trend was upward and optimistic in the PRC and the domestic consumer market continued to recover. Due to the intermittent impact of the pandemic, offline physical retail sales increased significantly slower than online ones. That being said, thanks to a series of government measures to promote consumption and more precise and effective pandemic prevention measures, offline physical retail operations generally sustained growth. Amid the overall environment of stable pandemic prevention and control situation in Xi’an, where the Group principally operates its businesses, the consumer market across the city maintained a recovery momentum reflected by the released consumer demand.

Based on the characteristics of the commercial districts where the existing commercial projects of the Group are located, the Group specified the strategic positioning of "one store, one plan". It initiated and steadily advanced the comprehensive renovation and upgrading of its two stores in Xi'an, which are to be built as an influential urban life art center and a national cultural and tourism benchmark project, respectively. While consolidating its core business, the Group has been focusing on the development and expansion of asset-light business and community fresh business. During 2021, thanks to the efforts of the operation team, the Harbour City project attracted several brands, including 6 brands that entered Xi’an for the first time. The influence of the project has been rapidly increased by building original IPs, enhancing the themed atmosphere of the block, and carrying out cross-industry activities in combination with current hot spots. As a result, the Harbour City project has become a PLAY commercial block integrating entertainment experience, social gatherings and nighttime culture, attracting a large number of young trend-seeking customers. Xi’an Ginwa Fresh Supermarket opened a total of 5 stores during the year. It focuses on the community fresh business, combined with selected products, to lead to a quality life while providing shopping convenience for high-end customers. With the normalisation of pandemic prevention and control, the Group accelerated its digital upgrade process. The delivery-to-home business was quickly promoted after its official launch in the first half of the year, achieving the sales of nearly RMB10 million; WeChat mini-programs, such as “Century Ginwa +” and “Ginwa Fresh”, provide customers with immensely enjoyable shopping experience and convenient services.

Looking forward, while doubling its efforts in the principal business of department stores and shopping malls, the Group believes in the development approach of neighborhood-centered convenience stores, and strives to expand its community fresh goods business, amplifying its coverage. The Group aims to build a focal point within the radius of the community, based on the three dimensions of health, organic nutrition and lifestyle services.

Asset-light projects will also be operate in parallel with the Group’s principal business. Based on the future urban development and the distribution of consumption power, the Group will actively secure asset-light projects of a certain scale, and export outstanding operating capabilities to ensure the absolute market share of the Group in the future and enhance its brand influence.

In the future, the Group will speed up its digital business process, enhance user experience, develop new marketing and interaction models, and improve its membership system. The Group will continue to refine its ability to access information, integrate resources and acquire keen insights.

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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Authorised and issued capital

The issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Share Buy-back assuming that no further Shares will be issued or bought back by the Company prior to completion of the Share Buy-back is illustrated below:

(a) as at the Latest Practicable Date

Authorised	*HK$*
15,000,000,000 Shares	1,500,000,000
Issued and fully paid	*HK$*
Ordinary Shares	
1,149,694,715 Ordinary Shares	114,969,471.5
Preferred Shares	
1,177,068,181 Preferred Shares	117,706,818.1

(b) ***immediately after completion of the Share Buy-back assuming that no further Shares will be issued or bought back by the Company prior to completion of the Share Buy-back***

Authorised	*HK$*
15,000,000,000 Shares	1,500,000,000
Issued and fully paid	*HK$*
1,149,694,715 Ordinary Shares	114,969,471.5

As at the Latest Practicable Date, there were 1,149,694,715 Ordinary Shares in issue. Save for the Preferred Shares, the Company did not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or other types of equity interest as at the Latest Practicable Date.

All of the issued Ordinary Shares rank pari passu with each other in all respects including the rights as to voting rights, dividends and return of capital. All of the Preferred Shares carry equal rights and rank pari passu with one another and each Preferred Share has the rights and benefits and is subject to the restrictions set out in the Subscription Agreement.

No Shares had been issued or bought-back by the Company since 31 December 2021, being the date on which the latest audited financial statements of the Group were made up, and up to the Latest Practicable Date.

Further, no Shares had been bought-back by the Company during the period of 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

There was no re-organisation of capital of the Company during the two financial years preceding the date of the Announcement and up to the Latest Practicable Date.

3. DIVIDENDS

The Company had not declared any dividends to the Shareholders during the two years immediately preceding the date of this circular. The Directors are of the view that the ability of the Company to pay dividends will depend on, among other things, the Group's operation and financial performance, cash flows, operating and capital requirements, and the requirements of the applicable laws and regulations. The Company has no plan or intention to alter its present dividend policy.

4. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period, (ii) on the date of the Announcement, and (iii) on the Latest Practicable Date:

Date	Closing price per Share *HK$*
31 December 2021	0.163
31 January 2022	0.148
28 February 2022	0.138
31 March 2022	0.148
29 April 2022	0.109
31 May 2022	0.107
15 June 2022 (the Last Trading Day)	0.11
30 June 2022	0.148
29 July 2022	0.134
31 August 2022	0.18
30 September 2022	0.14
31 October 2022	0.13
30 November 2022	0.13
2 December 2022 (the Latest Practicable Date)	0.132

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK$0.18 on 30 August, 31 August, 2 September, 5 September, 6 September, 7 September, 8 September and 9 September 2022 and HK$0.083 on 25 April, 26 April and 27 April 2022, respectively.

5. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive 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; (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; or (iv) required to be disclosed under the Share Buy-backs Code, were as follows:

Name of Director	Long positions/short positions	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued ordinary share capital of the Company
Ms. Wan Qing	Long positions	Interest of spouse	123,500 *(Note 1)*	0.01%

Note:

(1) As at the Latest Practicable Date, Mr. Ge Xin, the spouse of Ms. Wan Qing, an executive Director, was beneficially interested in 123,500 Ordinary Shares. Therefore, Ms. Wan Qing was deemed to be interested in 123,500 Ordinary 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; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code; or (iv) required to be disclosed under the Share Buy-backs 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) Interests of Substantial Shareholders and other persons

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following Shareholders (other than a Director or chief executive of the Company) had an interest or short position in the Shares and 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:

(i) Long positions/short positions in Shares

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

(ii) Long positions/short positions in the following Shares of equity derivatives (as defined in Part XV of the SFO)

Name of shareholder	Long positions/short positions	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued ordinary share capital of the Company
Hony Capital Fund 2008, L.P.	Long positions	Interest in a controlled corporation	1,294,774,999 *(Note 3)*	112.62%
Hony Capital Fund 2008 GP, L.P.	Long positions	Interest in a controlled corporation	1,294,774,999 *(Note 3)*	112.62%
Hony Capital Fund 2008 GP Limited	Long positions	Interest in a controlled corporation	1,294,774,999 *(Note 3)*	112.62%
Hony Group Management Limited	Long positions	Interest in a controlled corporation	1,294,774,999 *(Note 3)*	112.62%
Hony Managing Partners Limited	Long positions	Interest in a controlled corporation	1,294,774,999 *(Note 3)*	112.62%
Exponential Fortune Group Limited	Long positions	Interest in a controlled corporation	1,294,774,999 *(Note 3)*	112.62%
Mr. Zhao John Huan	Long positions	Interest in a controlled corporation	1,294,774,999 *(Note 3)*	112.62%

Notes:

(1) Qujiang Cultural Financial International Investment Limited held 336,166,156 Ordinary 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 interests 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 his shareholding in Qujiang Cultural Financial International Investment Limited.

(2) The long position of 322,727,272 Ordinary Shares represents the 322,727,272 Ordinary Shares held by Glory Keen. Hony Capital Fund 2008, L.P. holds the entire issued share capital of Glory Keen. Hony Capital Fund 2008 GP, L.P. is the sole general partner of Hony Capital Fund 2008, L.P. Hony Capital Fund 2008 GP Limited, a wholly-owned subsidiary of Hony Group Management Limited, is the sole general partner of Hony Capital Fund 2008 GP, L.P. Hony Managing Partners Limited owns 80% equity interests in Hony Group Management Limited. Hony 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 Preferred Shares. The exercise of the conversion rights attaching to the Preferred Shares is 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, so far as is known to the Directors and chief executive of the Company, no other persons (other than a Director and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any or its subsidiaries (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTOR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been, since 31 December 2021, 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.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, controlling Shareholders or their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

9. ADDITIONAL DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, there was no irrevocable commitment received by the Company to vote for or against the resolution approving the Agreement and the transactions contemplated thereunder.

(b) During the Relevant Period, there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which Glory Keen or parties acting in concert with it had borrowed or lent.

(c) During the Relevant Period, there had been no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any Director or any person acting in concert with any Director had borrowed or lent.

(d) Save as disclosed in the paragraph headed "Disclosure of Interests" in this appendix, the Directors or parties acting in concert with the Directors and Glory Keen or parties acting in concert with it did not have any shares, convertible securities, warrants, options or other derivatives of the Company as at the Latest Practicable Date and none of the Directors or parties acting in concert with the Directors and Glory Keen or parties acting in concert with it had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Relevant Period.

(e) As at the Latest Practicable Date, no person had irrevocably committed himself/herself/itself to vote for or against the resolution to be proposed at the SGM.

(f) As at the Latest Practicable Date, save for the Preferred Shares, there was no outstanding derivatives in respect of securities in the Company.

(g) As at the Latest Practicable Date, save for the Preferred Shares, neither Glory Keen or parties acting in concert with it owned or had control or direction over any voting rights or rights over the Shares or options, derivatives or warrants or other securities convertible into Shares.

(h) As at the Latest Practicable Date, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of Glory Keen or parties acting in concert with it which might be material to the Share Buy-back.

(i) As at the Latest Practicable Date, there was no other agreement or arrangement to which Glory Keen or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Agreement.

10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

11. MATERIAL CONTRACTS

Save for the following contracts, no contract (not being a contract in the ordinary course of business), which is or may be material, has been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

(a) the supplemental agreement dated 30 September 2020 entered into between Xi'an Century Ginwa Shopping Mall Company Limited (西安世紀金花購物有限公司), 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) to supplement the trademark assignment agreement dated 8 May 2020 entered into between the two parties, pursuant to which Xi'an Century Ginwa Shopping Mall Company Limited acquired trademarks from Xi'an Ginwa Commercial Management Services Company Limited at a consideration of RMB100,000,000;

(b) 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);

(c) 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;

(d) 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**");

(e) 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 to be purchased by Century Ginwa Company Limited for an aggregate consideration of RMB1,651,112,750 upon completion;

(f) 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), an indirect wholly-owned subsidiary of the Company, as leasee and Shanxi Dongyin Industrial Co., Ltd.* (陝西東銀實業有限公司) as lessor in respect of the lease of 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 Renminzhonghu, Qindu District, Xianyang, the PRC, and certain facades of Dongyin Building for a term of ten years commencing from 16 September 2021 for a total rental fee of approximately RMB238,654,080;

(g) the lease agreement dated 17 June 2022 entered into between Xi'an Century Ginwa Shopping Mall Company Limited*（西安世紀金花購物有限公司）, an indirect wholly-owned subsidiary of the Company, as leasee and Shaanxi Daming Palace Investment Development Co., Ltd.*（陝西大明宮投資發展有限責任公司）as lessor in respect of the lease of the commercial property "Daming Palace Shopping Mall（大明宮購物中心）" located at No. 359 Taihua North Road in Weiyang District, Xi'an, the PRC with two floors underground and seven floors above ground for a term of twenty years for a total rental fee of approximately RMB1,669,977,800 (tax inclusive); and

(h) the Agreement.

12. DEALINGS

(i) None of the holders of 10% or more of the voting rights of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(ii) None of the Directors or any persons acting in concert with them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

13. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Gram Capital Limited	a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Asia-Pacific Consulting and Appraisal Limited	qualified independent valuer

Gram Capital and the Valuer have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear. The reports, letters, opinions or summaries of opinions (as the case may be) from each of the experts is given as of the date of this circular for incorporation in this circular.

Gram Capital and the Valuer do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Gram Capital and the Valuer do not have any direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

14. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and 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 business office of Gram Capital Limited, the Independent Financial Adviser, is situated at Room 1209, 12/F, Nan Fung Tower, 173 Des Voeux Road Central, Central, Hong Kong.

(d) The address of Glory Keen is situated at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Hong Kong correspondence address of Glory Keen is situated at Room 6-11, 70/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(e) The branch share registrar and share transfer office of the Company in Hong Kong is Tricor Abacus Limited, situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(f) The company secretary of the Company is Mr. Leung Kee Wai, a fellow member of The Chartered Governance Institute, The Hong Kong Chartered Governance Institute, a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants.

(g) In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

15. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Company (www.cgrh.com.hk) and the website of the SFC (www.sfc.hk) from the date of this circular up to and including the date of the SGM.

(a) the memorandum and Bye-Laws of the Company;

(b) the annual reports of the Company for the year ended 31 March 2020, the nine months ended 31 December 2020 and the year ended 31 December 2021;

(c) the interim report of the Company for the six months ended 30 June 2022;

(d) the letter from the Board, the text of which is set out from pages 6 to 28 of this circular;

(e) the letter from the Code IBC, the text of which is set out on pages 29 to 30 of this circular;

(f) the letter from the Listing Rules IBC, the text of which is set out on pages 31 to 32 of this circular;

(g) the letter from Gram Capital, the text of which is set out on pages 33 to 75 of this circular;

(h) the valuation report from the Valuer, the text of which is set out on pages III-1 to III-18 of this circular;

(i) the report from Gram Capital, the text of which is set out on pages V-1 to V-2 of this circular;

(j) the material contracts as referred to in the paragraph headed "Material Contract" in this appendix;

(k) the written consents as referred to in the paragraph headed "Expert and Consent" in this appendix;

(l) this circular; and

(m) the financial support letter dated 1 December 2022 from Xi'an Qujiang Cultural Financial Holdings (Group) Co., Ltd. to the Company.

CONSULTING & APPRAISAL
亚太評估

Asia-Pacific Consulting and Appraisal Limited
Flat/RM A 12/F Kiu Fu Commercial Bldg,
300 Lockhart Road, Wan Chai, Hong Kong

7 December 2022

The Board of Directors
Century Ginwa Retail Holdings Limited

Dear Sirs,

In accordance with the instructions received from Century Ginwa Retail Holdings Limited ("Century Ginwa" or the "Company"), we have undertaken a valuation exercise which requires Asia-Pacific Consulting and Appraisal Limited ("APA") to express an independent opinion on the market value of per convertible preferred share of the Company as at 31 December 2021 (the "Valuation Date").

The purpose of this valuation is for circular reference of the Company.

Our valuation was carried out on a market value basis which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

INTRODUCTION TO THE COMPANY

The Company is an investment holding company, and operates department stores, a shopping mall, and supermarkets in the People's Republic of China. The Company and its subsidiaries (the "Group") own and operate five department stores, one shopping mall, and seven supermarkets. It also engages in properties management activities. The Company was incorporated in 2000.

As of the Valuation Date, the Company issued in aggregate 1,149,695,000 ordinary shares (the "Ordinary Shares") and 1,177,068,000 convertible preferred shares (the "Convertible Preferred Shares"). The Convertible Preferred Shares do not carry the right to vote. The holder of the Convertible Preferred Shares has the right, at any time and at the sole option of such holder, to convert the Convertible Preferred Shares in whole, or in any part, into fully paid ordinary shares in the Company. The conversion ratio is 1 convertible Preferred share to 1.1 ordinary shares. Holder of the Convertible Preferred Shares ranks pari passu with other holders of the ordinary shares in respect of its entitlement to dividends or other distributions of the Company. In the event of any liquidation, winding-up or dissolution of the Company, holders of the Convertible Preferred Shares would be entitled to receive, in preference to the holders of Ordinary Shares, such amount to be determined under the terms of the Convertible Preferred Shares in the bye-laws of the Company. Based on discussion with the management, the occurence of any liquidation, winding-up or dissolution of the Company due to insolvency is an extremely small probability event and the probability is estimated to be zero.

As at the Valuation Date, the consolidated audited total assets and net assets of the Company are as follows:

	Consolidated audited book value *RMB'000*
Property and equipment	3,134,933
Investment property	1,347,798
Intangible assets	274,646
Goodwill	35,129
Prepayments for acquisition of properties	1,982,153
Equity securities designated at fair value through other comprehensive income (FVOCI)	255,900
Financial assets measured at fair value through profit or loss (FVPL)	16,639
Deferred tax assets	11,537
Non-current assets	**7,058,735**
Inventories	24,523
Trade and other receivables	59,595
Prepayments	30,072
Cash at bank and on hand	36,520
Current assets	**150,710**
Trade and other payables	416,496
Contract liabilities	134,955
Bank and other borrowings	2,151,486
Lease liabilities	50,223
Income tax payable	36,171
Current liabilities	**2,789,331**
Long-term provisions	288,593
Bank and other borrowings	1,459,576
Lease liabilities	233,679
Deferred tax liabilities	630,006
Non-current liabilities	**2,611,854**
Total equity attributable to equity shareholders of the Company	**1,756,883**
Non-controlling interests	**51,377**
Total Equity	**1,808,260**

The major property assets owned and to be acquired by the Group in this valuation are listed as follows:

No.	Property	Owner	The Group's effective interest	Gross Floor Area (sq.m.)	Nature on Balance Sheeet
1.	Century Ginwa Zhonglou Shopping Centre, No.1 Xi Avenue, Lianhu District, Xi'an City, Shaanxi Province, The PRC 世紀金花鐘樓購物中心	Xi'an Yixin Property Management Company Limited	100%	30,185.00	Property
2.	Units 10101, 10201 and 10301 of Tian Mu Kuo Jing and Units 10102, 10103, 10201 and 10202 of Shu Ma Building, International Commercial Centre, No.33 Ke Ji Road, Xi'an National Hi-Tech industrial Development Zone, Xi'an City, Shaanxi Province, The PRC 國際商務中心內天幕闊景 數碼大廈	Xi'an Honghui Property Management Company Limited	100%	29,565.90	Property
3.	Occupied Portion of Block 3, Saigo Shopping Centre, South of Feng Cheng Wu Road, West of Wei Yang Road, Economic Technique Development Zone, Xi'an City, Shaanxi Province, The PRC 賽高	Shaanxi Qianhui Properties Company Limited	100%	34,772.41	Property
4.	Investment Portion of Blocks 1 and 3, Saigo Shopping Centre, South of Feng Cheng Wu Road, West of Wei Yang Road, Economic Technique Development Zone, Xi'an City, Shaanxi Province, The PRC 賽高	Shaanxi Qianhui Properties Company Limited	100%	58,173.92	Investment property
5.	335 Car Parking Spaces on Basement Level 2, Blocks 1 and 3, Saigo Shopping Centre, South of Feng Cheng Wu Road, West of Wei Yang Road, Economic Technique Development Zone, Xi'an City, Shaanxi Province, The PRC 賽高	Shaanxi Hongguangde Real Estate Company Limited	100%	8,452.38	Property
6.	Unit 20102, Huaqiao City, Yanta District, Xi'an City, Shaanxi Province, The PRC 華僑城	Xi'an Honghui Property Management Company Limited	100%	461.93	Property
7.	Units A-1-11 and A-1-12 on Level 1 & Portion of Basement Level 1, No.1 Yintai Shopping Centre, No.1 Renmin Road, Qindou District, Xianyang City, Shaanxi Province, The PRC 咸陽銀泰廣場	Xianyang Century Ginwa Trade and Commerce Company Limited	100%	8,551.35	Property

No.	Property	Owner	The Group's effective interest	Gross Floor Area *(sq.m.)*	Nature on Balance Sheeet
8.	No. 3, Unit 2, Building 6, Hongji Ziyun, East Side of Furongxilu, Qujiang New District, Xi'an, the PRC 鴻基紫韻	Xi'an Honghui Property Management Company Limited	100%	319.09	Property
9.	Retail Portion and 457 Car Parking Spaces of a Proposed Commercial/Residential Composite Development situated at No.16 Gao Xin Second Road, Gaoxin District, Xi'an City, Shaanxi Province, The PRC 西安中心	Xi'an Shangya Business Management Company Limited	100%	57,165.00	Property to be acquired

VALUATION METHODOLOGY

In our valuation, we first calculated the equity value of the Company as at the Valuation Date, and then allocated the equity value among convertible preferred shares and ordinary shares to derive the fair value of each security as at the Valuation Date.

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, asset-based approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Asset-based approach refers to the valuation methodology to determine the value of the subject of valuation on a reasonable basis by valuating an enterprise's value contribution to the overall on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of the subject of valuation as at the valuation date.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the characteristics of the Company, there are substantial limitations for the income approach and the market approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but given that the PRC retail industry will continue to face challenges and be subject to the influence of internal and external factors, including macroeconomic fluctuation, government policy guidance, rapid growth of other retail channels such as e-commerce, the ongoing COVID-19 pandemic and outbreaks in the PRC as well as measures implemented by the government to control the spread of COVID-19, it is very difficult to form a reliable projection of the Company's future cash flows as at the Valuation Date. Secondly, according to market data, the trading of the Company's stock is very limited and inactive in the period close to the Valuation Date. During the period from January 2021 to December 2021, the average percentage of the daily trading volume to the total number of free float shares in issue was approximately 0.15% and there was no trading in 127 of 247 trading days (approximately 51%). Given this data, the trading price is not a good indicator for the valuation. Thirdly, there is no sufficient public companies or market transactions which are comparable in terms of business nature identified as at the Valuation Date. In addition, the Company, together with its subsidiaries, mainly operates department stores, shopping mall, and supermarkets belonging to capital-intensive industry and the core assets are properties. The total value of the properties owned by the Group and the right of use assets, in the amount of RMB4,436,513,000, accounts for more than 60% of the Group's total assets.

In view of the above, we have adopted the asset-based approach for the valuation.

In this valuation exercise, we calculated the market value of 100% equity interest in the Company by applying an asset-based approach. This method requires us to conduct a valuation of the Company's on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of the Company.

In this report, we had considered the type of assets and liabilites and their conditions when determining their market values and adopted appropriate valuation methodology for depending on the type of assets and liabilites. The details are summarized as follows:

Cash at bank and on hand

Based on audited book values checking with bank statements and cash count sheet.

Inventories

Inventories are mainly assets which are held for sale product (i.e. personal care products, mother care products, household products, packaged food, vegetables, fruits, edible oil, etc.) in the ordinary course of business, materials or supplies to be consumed in the production process or in the rendering of services (i.e. consumables, office supplies, packaging materials, etc.). The fair value of the held for sale inventory were derived by multiplying their quantities with their corresponding market prices and minus the corresponding taxes and fees. According to the information provide by the management, the other various inventories, mainly raw material, were purchased within one year as at the Valuation Date, and the market price of those assets are stable in the period. In this exercise, the fair value of the other various inventories is determined based on the book value.

Investment property

The investment properties include one investment property owned by the Group, being property no. 4 on Page III-3 (the "Owned IPs"), and the other leased by Xi'an Honghui Property Management Company Limited Qujiang New District Branch ("Honghui Property", an indirect wholly-owned subsidiary of the Company) and then sub-leased to third parties for commercial operation (the "Leased IPs") which are classified in the investment property in the audited accounting statement.

The owned IPs were valued by the market comparison approach assuming sale of the property interest in its existing state by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, size and other relevant factors.

The Leased IPs were valued based on audited book values, together with checking and consulting original documents and relevant information including rent contracts, and the calculation sheet of the audited book values.

Property and equipment, Intangible assets - Software and Long-deferred expenses

Property and equipment include equipment assets and buildings assets.

(1) Machinery and Equipment, Software, Long-deferred expenses

For vehicles and some electronic equipment, where an active secondary market exists, the market comparison approach was adopted. The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect the condition and utility of the appraised vehicles relative to the market comparative.

For other machinery and equipment, software and long-deferred expenses which without an active secondary market, in accordance with the principle of continuous use and based on the market price as at the Valuation Date, the replacement cost method was adopted to determine the fair value of these machinery and equipment in this valuation.

The basic formula is:

Appraisal Value = Full Replacement Cost × Integrated Residue Ratio

Full Replacement Cost = Equipment purchase price + Freight and miscellaneous expenses

Integrated Residue Ratio = (1-Physical Deterioration ratio) × (1-Functional obsolescence ratio) × (1-Economic obsolescence ratio)

The full replacement cost was combined with estimates of any additional material costs, such as electrical wiring, piping, foundations, support structures, and insulation and finishes; direct costs, including import duty, and freight and handling charges; installation costs; general contractors' costs; and indirect costs, such as engineering, design, and purchasing.

The physical deterioration of the assets was assessed by determining its effective age. In determining the effective age of the equipment, we have considered the observed condition in relation to its chronological age; whether or not maintenance was adequate for the period of use; and the effects of any technological changes on the equipment's life expectancy. Effective age is the years that the asset had been utilized and it is the apparent age based on the observed condition and the amount of wear and tear experienced during its life.

Decrease in useful life is normally quantified through an age-life analysis which measures the loss in value due to the reduction in normal useful life, which is the first cause in measuring physical depreciation. Considering both the reduced useful life and the decline in utility enables us to quantify the physical depreciation of the asset. In this case, physical deterioration ratio is calculated by dividing the effective age by the useful life of the asset.

Functional obsolescence is the impairment of functional capacity or efficiency caused by factors inherent in the property. These factors include but are not limited to such items as changes in current technology, discovery of new and improved materials, improved manufacturing processes, under-or over-capacities, production rates, and highest and best use. In this case, no technology, materials, processing, capacities experienced significant change or improvement, thus the functional obsolescence ratio is considered to be zero.

Economic obsolescence is the loss in value or usefulness of a property caused by factors external to the assets. These factors include increased cost of raw materials, labour or utilities, reduced demand for the product; increased competition; environmental or other regulation: or similar factors. In this case, no indicator shows external factors caused the decreasing usefulness of the assets, thus the economic obsolescence ratio is considered to be zero.

(2) Property held and occupied by the Group (the "Owned Properties")

The Owned Properties are the properties listed on Page III-3 and Page III-4 (i.e. properties No.1-3 and 5-8, shown on Page III-3 and Page III-4).

The Owned Properties was also valued by the market comparison approach assuming sale of the property interest in its existing state by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, size and other relevant factors.

Intangible assets

Intangible assets are the trademark "Ginwa" (the "Trademark"). We used the Relief from Royalty method in determining the value of the Trademark. We first estimate the value of royalties which the Company is exempted from by virtue of the fact that they own the Trademark. A benchmark royalty fee is estimated and the product is an estimate of the royalty income that could be generated hypothetically by licensing the subject brand name. These nominal income streams directly or indirectly derived from the Trademark are then capitalized at a discount rate which reflects all business risks, political and legal risk, economic risk, marketing risk, management risk and other operating risks in relation to the Trademark.

Deferred tax liabilities

Deferred tax liabilities arise mainly from deductible and taxable temporary differences based on the value added through measured at fair value of the owned properties and owned IPs, and the capitilized interests for the acquisition of properties. These are only temporary differences under accounting treatment which have no effect on the determination of transaction price under the asset-based approach. Therefore, in this exercise, the value of the deferred tax liabilities is valued at zero.

Other assets and liabilities

We valued other assets and liabilities based on audited book values, together with checking and verifying, by inquiry and confirmation, calculation and recheck the relevant account books, and original documents etc.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council, Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission and the RICS Valuation-Global Standards issued by the Royal Institution of Chartered Surveyors. The valuation procedures employed include a review of legal status and economic condition of the Group and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and historical financial performance of the Group;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the subject business; and
- Other operational and market information in relation to the Group's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Company.

VALUATION ASSUMPTIONS

In determining the market value of the equity interest in the Company, we made the following assumptions:

- All relevant legal approvals and business certificates or licenses to operate the business in which the Group operates or intends to operate would be renewable upon expiry. It is a reasonable estimation based on normal business practice, which does not need to be supported by legal opinion;
- There will be no major change in the political, legal, economic and social environment in which the Group operates or intends to operate;
- Interest rates and exchange rates in the localities for the operation of the Group will not differ materially from those presently prevailing;
- It is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements (i.e. loan contracts, lease contracts, purchase and sell contract of properties) will be honored;
- The financial and operational information provided by the Company are accurate and reliable;
- There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value;
- The current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the Company through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed;
- It is assumed that the continuation of prudent management of the Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued;
- the Group will successfully carry out all necessary activities for the development of its business as a going concern;
- Key management, competent personnel and technical staff will remain to support the ongoing operations of the Group; and
- The competitive advantages and disadvantages of the Company do not change significantly during the period under consideration.

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the valuation assumptions set out above. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Asia-Pacific Consulting and Appraisal Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.

This report is issued subject to our Limiting Conditions as attached.

CALCULATION OF VALUATION RESULT

Under the asset-based approach, the calculation of the market value of the 100% equity interest in the Company as at the Valuation Date is as follows:

	Book Value (based on audited financial statements of the Company as at 31 December 2021) *RMB'000*	**Market Value** (based on asset-based approach valuation) *RMB'000*	
Property and equipment	3,134,933	3,075,987	
– Property (note 1)	*2,860,917*	*2,817,109*	
– Furniture, fixtures, equipment-and motor vehicle (note 2)	*10,267*	*5,869*	
– Software	*14,856*	*14,856*	
– Construction in progress	*4,495*	*4,495*	
– Long deferred expenses (note 3)	*16,601*	*5,860*	
– Right-of-use assets	*227,797*	*227,797*	
Investment property	1,347,798	1,332,498	
– Owned investment property (note 4)	*1,265,300*	*1,250,000*	
– Leased investment property	*82,498*	*82,498*	
Intangible assets	274,646	275,500	
– Trademark "Ginwa" (note 5)	*274,646*	*275,500*	
Goodwill	35,129	35,129	
Prepayments for acquisition of properties *(note 6)*	1,982,153	1,982,153	
Equity securities designated at fair value through other comprehensive income (FVOCI)	255,900	255,900	
Financial assets measured at fair value through profit or loss (FVPL)	16,639	16,639	
Deferred tax assets *(note 7)*	11,537	11,537	
Total Non-current assets	**7,058,735**	**6,985,343**	(a)

	Book Value (based on audited financial statements of the Company as at 31 December 2021) *RMB'000*	Market Value (based on asset-based approach valuation) *RMB'000*	
Inventories	24,523	31,918	
– Merchandises (note 8)	*22,494*	*29,889*	
– Low value consumables	*2,029*	*2,029*	
Trade and other receivables	59,595	59,595	
Prepayments	30,072	30,072	
Cash at bank and on hand	36,520	36,520	
Total Current assets	**150,710**	**158,105**	(b)
Trade and other payables	416,496	416,497	
Contract liabilities	134,955	134,955	
Bank and other borrowings	2,151,486	2,151,486	
Lease liabilities	50,223	50,223	
Income tax payable	36,171	36,171	
Total Current liabilities	**2,789,331**	**2,789,332**	(c)
Long-term provisions	288,593	288,593	
Bank and other borrowings	1,459,576	1,459,576	
Lease liabilities	233,679	233,679	
Deferred tax liabilities *(note 9)*	630,006	–	
Total Non-current liabilities	**2,611,854**	**1,981,848**	(d)
Total Equity	**1,808,260**	**2,372,270**	(e)=(a)+(b)-(c)-(d)
Non-controlling interests	51,377	53,214	(f)
Total equity attributable to equity shareholders of the Company	1,756,883	2,319,056	(g)=(e)-(f)
Total number of the ordinary shares assuming conversion of the Convertible Preferred Shares *(including 1,149,695,000 outstanding ordinary shares and 1,294,774,800 ordinary shares converted from 1,177,068,000 Convertible Preferred Shares in a ratio of 1:1.1)*		2,444,469,800	(h)
Value per Ordinary Shares (RMB)		0.95	(i)=(g)*1000/(h)
Conversion ratio *(number of Ordinary Shares converted by one Convertible Preferred Shares)*		1.10	(j)
Value per Convertible Preferred Shares (RMB)		**1.04**	**(k)=(i)* (j)**

Notes:

(1) The parameters of calculation on owned properties are set out as follows:

Property	Unit price of comparables (RMB/sq.m or unit)	Floor No.	Gross Floor Area of each floor *(sq.m.)*	Adjusted average value (RMB/ sq.m or unit)	Market value in existing state as at the Valuation Date (RMB)
Century Ginwa Zhonglou Shopping Centre, No.1 Xi Avenue, Lianhu District, Xi'an City, Shaanxi Province, The PRC 世紀金花鐘樓購物中心	38,100-41,900	–2	18,490.00	23,400	
		–1	11,136.00	31,200	
		1	559.00	39,000	
			Sub-total 30,185.00		**802,000,000**
Units 10101, 10201 and 10301 of Tian Mu Kuo Jing and Units 10102, 10103, 10201 and 10202 of Shu Ma Building, International Commercial Centre, No.33 Ke Ji Road, Xi'an National Hi-Tech industrial Development Zone, Xi'an City, Shaanxi Province, The PRC 國際商務中心內天幕闊景數碼大廈	34,100-40,200	1	8,811.59	36,000	
		2	18,193.11	28,800	
		3	2,561.20	21,600	
			Sub-total 29,565.90		**897,000,000**
Occupied Portion of Block 3, Saigo Shopping Centre, South of Feng Cheng Wu Road, West of Wei Yang Road, Economic Technique Development Zone, Xi'an City, Shaanxi Province, The PRC 賽高	35,000-41,700 for Commercial units; 12,500-13,600 for Residential units;	–1	4,637.00	29,600	
		1	7,118.62	37,000	
		2	6,381.63	29,600	
		3	6,446.27	22,200	
		4	6,847.28	20,350	
		5	2,645.06	13,000	
		6	696.55	13,000	
			Sub-total 34,772.41		**920,000,000**
335 Car Parking Spaces on Basement Level 2, Blocks 1 and 3, Saigo Shopping Centre, South of Feng Cheng Wu Road, West of Wei Yang Road, Economic Technique Development Zone, Xi'an City, Shaanxi Province, The PRC 賽高	200,000-240,000		335 lots	196,000	
			Sub-total 58,173.92		**65,700,000**
Unit 20102, Huaqiao City, Yanta District, Xi'an City, Shaanxi Province, The PRC 華僑城	33,600-36,600	1-2	**461.93**	35,000	**16,168,000**
Units A-1-11 and A-1-12 on Level 1 & Portion of Basement Level 1, No.1 Yintai Shopping Centre, No.1 Renmin Road, Qindou District, Xianyang City, Shaanxi Province, The PRC 咸陽銀泰廣場	15,000-18,000	–1	**8,551.00**	13,400	**109,000,000**
No. 3, Unit 2, Building 6, Hongji Ziyun, East Side of Furongxilu, Qujiang New District, Xi'an, the PRC 鴻基紫韻	22,700	3	**319.09**	22,700	**7,241,400**
Total			**162,029.25**		**2,817,109,000**

(2) There are 1383 items of furniture, fixtures, equipment and motor vehicles. Each item was valued separately in this exercise, and the market value of this account is the sum of the market value of 1383 items. The differences between the book value and market value are mainly attributable to:

1) Market value of fixtures such as cables, central air-conditioning system, firefighting apparatus and elevators which could be classified into the properties owned by the group, were already considered into market value of properties. These assets are with total net book value of RMB4,357,146.29.

2) The other assets include elevators, air conditioner, fire-fighting equipments, furnitures, office electronic equipments and equipments for supermarkets and motor vehicles. These assets were purchased during the period from 2000 to 2021. The market value of the items with an active secondary market were determined by reference to the market price. The market value of the items without an active secondary market were valued by the replacement cost method. The replacement costs were determined by the multiple of the original purchase price and the price index adjustment, which is ranged from 0.61 to 1.25 refering to the price index.

3) The accounting depreciation life of assets mentioned in notes (2).1) is range from 1 year to 22 years and the economic life adopted for these assets in this valuation is range from 3 years to 25 years according to each asset's nature, using condition as at the Valuation Date and estimated remaining useful life.

(3) The differences between the book value and market value of long deferred expenses are mainly attributed to the reclassification of the market value of decoration, which were considered into property market value, of the properties owned by the group. These assets are with total net book value of RMB11,134,267.59.

(4) The parameters of calculation on Owned investment properties are set out as follows:

Property	**Unit price of comparables (RMB/sq.m or unit)**	**Floor No.**	**Gross Floor Area of each floor** *(sq.m.)*	**Adjusted average value (RMB/ sq.m or units.)**	**Market value in existing state as at the Valuation Date (RMB)**
Investment Portion of Blocks 1 and 3, Saigo Shopping Centre, South of Feng Cheng Wu Road, West of Wei Yang Road, Economic Technique Development Zone, Xi'an City, Shaanxi Province, The PRC 賽高	35,000-41,700 for Commercial units; 12,500-13,600 for Residential units and 200,000-240,000 for Car parking spaces	–1	2,124.03	29,600	
		1	9,102.35	37,000	
		2	10,987.24	29,600	
		3	10,966.54	22,200	
		4	10,710.56	20,350	
		5	772.76	20,350	
		5	252.44	13,000	
		Car parking spaces	13,258.00 (265 lots)	180,000	
			Sub-total 58,173.92		**1,250,000,000**

(5) The key parameters of calculation on trademark "Ginwa" are discount rate, perpetual growth rate and benchmark royalty rate which are set out as follows:

1) The discount rate applied to the valuation of the intangible assets was 16% based on the weighted average cost of capital ("WACC") of the Company. WACC is the weighted average of cost of equity and cost of debt, the cost of equity is determined by capital asset pricing model ("CAPM"), and the cost of debt refers to the borrowing cost of the Group. In arriving at the WACC, the key parameters and calculation are listed as follows:

(i) *risk-free rate*

the risk-free rate adopted as 3.16% represented the yield of China Government bond with maturity of 20 years;

(ii) *equity risk premium*

equity risk premium adopted as 7.25% with reference to the "Duff & Phelps Cost of Capital Navigator";

(iii) *beta*

the beta adopted as 1.06 refers to the beta of the comparable companies through Capital IQ data base;

(iv) *size premium*

size premium refers to the "Duff & Phelps Cost of Capital Navigator" which adopted the 10th decile companies size premium of 5.01%;

(v) *specific risk*

specific premium determined as 6% considering the risk associated with the Group's operating status and operating regions. The Group's operations are concentrated in Xi'an City and Xianyang City, Shaanxi Province of the PRC;

Cost of equity=(i)+(ii)(iii)+(iv)+(v)=3.16%+7.25%*1.06+5.01%+6%= 21.85%*

(vi) *debt to market capitalization ratio*

debt to market capitalization ratio adopted as 0.54 with reference to the ratio of the comparable companies through Capital IQ data base;

Cost of debt adopted as 5.25%, which is determined with reference to the Group's cost of borrowings (on a weighted average basis) as at the Valuation Date, net of tax effects.

The discount rate=WACC=Cost of equity/(1+(vi))+Cost of debt* (vi)/(1+(vi))
=(21.85%/(1+0.54)+ 5.25%*0.54/(1+0.54)=16.00% (rounded))

2) Perpetual growth rate determining of 3% with referring the long-term CPI index of the PRC.

3) The estimated royalty income was calculated based on the projected revenue derived from the intangible assets for the period from 2022 to 2026 provided by the Company and the benchmark royalty rate of 2% which was based on historical data gathered through 11 comparable licensing transactions around the world relating to retail business including sales of clothes, accessories, cosmetics and personal care items, foods, house wares, luxury and jewelry which are similar to the Group's business in the past 25 years from Royalty Source® (https://royaltysource.com), the royalty rates of the transactions range are from 0.25% to 10%, the median is 2%.

(6) Prepayments for acquisition of properties relate to the property to be acquired by the Group (i.e. property No. 9 listed in page III-4). The Group has paid partial payments to the vendor to develop the property, which is classified to the "Prepayments for acquisition of properties" line item on the audited report. As advised by the Company, the property is still under construction as at the Valuation Date and is scheduled to be completed in December 2022.

The Group will complete the acquisition of this property in the future. As at the Valuation Date, the Group only made partial payments to the vendor, so the value of this property attributed to this property is not the full value of the property and is in reference to the amount accrued and booked on the audited financial statement of the Company.

(7) The deferred tax assets arose from the historical losses, which is a tax credit asset for the owner of the Company. The value of the tax credit will impact the transaction price, so it is valued in this case, the value of deferred tax assets refers to the book value.

(8) The appreciation of merchandises is mainly because they are products sold to consumers, which commanded higher profit margin so the selling price is higher than the cost.

(9) Deferred tax liabilities arise in the case of assets which are accounted for on a fair value measurement basis in accounting treatment (as opposed to being accounted for on a cost measurement basis). A company with deferred tax liabilities will need to pay out such liabilities only when it disposes of the assets corresponding to such liabilities. In the context of a transfer of shares (such as the share buy-back), deferred tax liabilities are irrelevant to the determination of transaction price. To value the equity value of the Company in this exercise, these deferred tax liabilities have been valued at nil based on the asset-based approach.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value per convertible preferred share of the Company as at the Valuation Date is reasonably stated approximately at the amount of **RMB1.04 (RENMINBI ONE YUAN AND FOUR CENTS ONLY).**

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited

Jack W. J. Li
CFA, MRICS, MBA
Partner

Note: Jack W. J. Li is a Chartered Surveyor who has 16 years' experience in the valuation in the PRC, Hong Kong and the Asia-Pacific region.

LIMITING CONDITIONS

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.

2. The calculation of value arrived at herein is valid only for the stated purpose as of the effective date of the calculations and it is neither intended nor valid for any other use.

3. Asia-Pacific Consulting and Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein.

4. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

5. Financial statements and other related information provided by the Company or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. Asia-Pacific Consulting and Appraisal Limited has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.

6. We do not provide assurance on the achievability of the results forecasted for the subject company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted result is dependent on actions, plans and assumptions of management.

7. This report and the calculation of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and calculation of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The calculation of value represents the considered opinion of Asia-Pacific Consulting and Appraisal Limited based on limited information furnished to them by the subject company and other sources.

8. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.

9. Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.

10. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

11. The management and the Board of the Company has reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

CONSULTING & APPRAISAL
亚太評估

The Directors
Century Ginwa Retail Holdings Limited
Unit 301, 3/F, OfficePlus@Wan Chai
303 Hennessy Road, Wanchai
Hong Kong

7 December 2022

Dear Sirs,

We refer to the circular dated 7 December 2022 (the "**Circular**") issued by the Company in relation to the off market buy-back of non-voting convertible preferred shares. Capitalised terms used herein shall have the same meanings as defined in the Circular.

We refer to the valuation report of the market value per convertible preferred share of the Company dated 7 December 2022 (the "**Valuation Report**") issued by Asia-Pacific Consulting and Appraisal Limited (the "**Valuer**"), which is set out in Appendix III in the Circular.

We compared the consolidated unaudited balance sheet of the Company as at 30 June 2022 and consolidated audited balance sheet of the Company as at 31 December 2021 provided by the Company, reviewed the key valuation parameters stated in the Valuation Report and obtained confirmation from the Company on assumptions related to the Company applied in the Valuation Report, and confirm that there was no material change of the assumptions and basis of the valuation adopted in the Valuation Report, during the period from 31 December 2021 to 30 June 2022.

Accordingly, based on the information mentioned above, there was no material change in the market value per convertible preferred share of the Company as at 30 June 2022 compared to that set out in the Valuation Report.

Yours faithfully,
For and on behalf of
Asia-Pacific Consulting and Appraisal Limited

Jack W. J. Li
CFA, MRICS, MBA
Partner

7 December 2022

The Board of Directors
Century Ginwa Retail Holdings Limited
Unit 301, 3/F, OfficePlus@Wan Chai
303 Hennessy Road
Wanchai
Hong Kong

Dear Sir/Madam,

Reference is made to the valuation report (the "**Valuation Report**") issued by Asia-Pacific Consulting and Appraisal Limited (the "**Valuer**"), which is contained in Appendix III to the circular of Century Ginwa Retail Holdings Limited dated 7 December 2022 (the "**Circular**") in relation to (1) the off-market buy-back of non-voting convertible preferred shares; (2) connected transaction. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

We report on qualification and experience of the Valuer to prepare the Valuation Report as required under Rule 11.1(b) of the Takeovers Code.

We conducted reasonable checks to assess the relevant qualification, experience and expertise of the Valuer, including reviewing the supporting documents on the qualification of Valuer and discussing with the Valuer on their qualifications and experience.

We noted that the person signing the Valuation Report is a partner of the Valuer and is a Chartered Financial Analyst (CFA), a professional member of the Royal Institution of Chartered Surveyors (RICS) and is registered as a public valuer under China Appraisal Society. He has over 15 years of experience in providing business valuation services to listed companies of different industries (the "**Relevant Experience**"). In addition to the signatory of the Valuation Report, two other partners of the Valuer, one of which being a professional member of Royal Institution of Chartered Surveyors (RICS) with over 20 years of experience in providing property valuation services to listed companies of different industries and another partner of the Valuer being a professional member of Royal Institution of Chartered Surveyors (RICS), a public valuer registered under China Appraisal Society with over 10 years of Relevant Experience, were also involved in the engagement of the Valuation Report. The aforesaid responsible personnel were involved in valuation for companies or assets of companies which were engaged in the retail industry in the PRC. As confirmed by the Valuer, there is no legal or regulatory requirement on the personnel engaged in the Valuation Report.

On the basis of the foregoing, we are of the opinion that the Valuer and the personnel engaged in the Valuation Report are suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation Report competently.

We hereby give and have not withdrawn our consent to the publication of the Circular with the inclusion therein of this report.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

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 OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of Century Ginwa Retail Holdings Limited (the "**Company**") will be held on Thursday, 29 December 2022 at 11:30 a.m. at Unit 301, 3/F, OfficePlus@Wan Chai, 303 Hennessy Road, Wanchai, Hong Kong to consider and, if thought fit, passing, with or without modifications, the following resolution as special resolution of the Company:

SPECIAL RESOLUTION

"**THAT**:

(a) the sale and repurchase agreement dated 15 June 2022 (the "**Agreement**") entered into between Glory Keen Holdings Limited ("**Glory Keen**") and the Company in relation to the proposed buy-back (the "**Share Buy-back**") of 1,177,068,181 non-voting convertible preferred shares of nominal value of HK$0.10 per share (the "**Buy-back Preferred Shares**") issued by the Company from Glory Keen at the proposed total consideration of HK$247,184,318 (a copy of which is marked "A" and produced to the meeting and signed by the chairman of the meeting for identification purpose) be and is hereby approved;

(b) the Share Buy-back and the transactions contemplated under the Agreement be and are hereby approved; and

(c) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Agreement and the transactions contemplated thereunder (including but not limited to the cancellation of the Buy-back Shares)."

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

Hong Kong, 7 December 2022

Notes:

1. A member of the Company (a "**Shareholder**") entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.

2. In order to be valid, the form of proxy must be deposited with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

3. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022 (both days inclusive), during which time no transfer of shares will be effected. To ensure that Shareholders are entitled to attend and vote at the SGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Wednesday, 21 December 2022 for registration of the relevant transfer. The recording date for determining the eligibility of the members to attend and vote at the meeting will be 29 December 2022.

4. In order to better protect the safety and health of the attending Shareholders, staff and other stakeholders, the Company will implement the following preventive measures at the SGM:

   (i) compulsory body temperature check will be conducted for every person at the entrance of the venue of SGM. Any person who has a body temperature of over 37.5 degree celsius or is subject to the mandatory quarantine order imposed by the Hong Kong Government will be denied entry into or be required to leave the meeting venue, and the Company will request such persons to stay in an isolated place for completing the voting procedures;

   (ii) every person is required to wear facial mask at the venue of the SGM;

   (iii) the Company will not serve refreshment at the SGM to avoid the coming into close contact amongst participants; and

   (iv) persons who are not Shareholders or their proxy will not be admitted into the SGM venue.

5. The SGM is a physical meeting, and there will not be an option to attend the SGM online. The Company wishes to remind the Shareholders and other participants who will attend the SGM in person to take personal precautions and abide by the requirements of epidemic precaution and control at the venue of the SGM. In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of COVID-19, **the Company also reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights.** The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the SGM, and appoint the chairman of the SGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the SGM in person.

6. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should such Shareholder subsequently so wish.

As at the date of this notice, the executive Directors are Mr. Huang Shunxu, Mr. Qin Chuan and Ms. Wan Qing, the non-executive Directors are Mr. Li Yang and Mr. Chen Shuai and the independent non-executive Directors are Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong.