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MAJOR TRANSACTION

PROPOSED ISSUE OF EXCHANGEABLE BONDS IN THE PRC BY A NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY

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On 20 April 2018, the Board resolved the proposed issue of the Exchangeable Bonds by the Issuer, a non-wholly owned subsidiary of the Company incorporated in the PRC. The registration of the proposed issue of the Exchangeable Bonds with the Shanghai Stock Exchange is expected to be completed by 18 March 2019. The issue size of the Exchangeable Bonds is estimated to be in a principal amount of up to approximately RMB200,000,000, with a term of up to three years. The Exchangeable Bonds are exchangeable at the option of the Bondholders during the Exercise Period for the A-Shares currently held by the Issuer.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Issuer holds 30,000,000 A-Shares, representing approximately 8.04% of the issued share capital of the A-Shares Company based on public information available to the Company as at the date of this announcement. Upon completion of the issue of the Exchangeable Bonds and on the assumption that the Bondholders would exchange in full for all the 30,000,000 A-Shares used as Collateral for the Exchangeable Bonds during the Exercise Period, the Issuer's interest in the A-Shares Company would be fully disposed according to public information available to the Company as at the date of this announcement, respectively. Accordingly, the issue of the Exchangeable Bonds constitutes a deemed disposal of its interest in the A-Shares Company for the Company under the Listing Rules. As the exchange for the A-Shares is exercisable at the discretion of the Bondholders, up to the 30,000,000 A-Shares are deemed disposed upon the issue of the Exchangeable Bonds pursuant to Rule 14.74 of the Listing Rules.

As one of the applicable percentage ratios in respect of the disposal of A-Shares as contemplated under the issue of Exchangeable Bonds as calculated under Rule 14.07 of the Listing Rules exceeds 25% and all applicable percentage ratios are less than 75%, the issue of the Exchangeable Bonds constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, further details of the issue of Exchangeable Bonds and a notice convening the SGM to approve the issue of the Exchangeable Bonds and the disposal of A-Shares contemplated thereunder is expected to be despatched to the Shareholders on or before 25 May 2018.

As the proposed issue of the Exchangeable Bonds may or may not materialize, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

PROPOSED ISSUE OF EXCHANGEABLE BONDS IN THE PRC BY A NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY

On 20 April 2018, the Board resolved the proposed issue of the Exchangeable Bonds by the Issuer, a non-wholly owned subsidiary of the Company incorporated in the PRC. The registration of the proposed issue of the Exchangeable Bonds with the Shanghai Stock Exchange is expected to be completed by 18 March 2019. The issue size of the Exchangeable Bonds is estimated to be in a principal amount of up to approximately RMB200,000,000, with a term of up to three years, and the Exchangeable Bonds are exchangeable at the option of the Bondholders during the Exercise Period for the A-Shares currently held by the Issuer.

The proposed issue of the Exchangeable Bonds is arranged by Minsheng Securities Co., Ltd. (民生證券股份有限公司) as the lead underwriter (the “**Underwriter**”), a qualified financial institution approved by the China Securities Regulatory Commission, which will procure no more than 200 qualified investors to subscribe for the Exchangeable Bonds. Qualified investors are the investors specified in the Management Rules for the Issue and Trading of Corporate Bonds (公司債券發行與交易管理辦法) issued by the China Securities Regulatory Commission. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Underwriter and its ultimate beneficial owner are third parties independent of the Company and its connected persons. It is not expected that any connected persons will subscribe for the Exchangeable Bonds.

The principal terms of the Exchangeable Bonds to be issued are as follows:

Issuer:	世紀金花股份有限公司 (Century Ginwa Company Limited*)
Aggregate maximum principal amount of the Exchangeable Bonds:	up to RMB200,000,000, which will be issued in tranches
Date of issue of the Exchangeable Bonds:	on or before 18 March 2019, subject to the approval by the Shareholders at the SGM and approval from the Shanghai Stock Exchange
Place of issue:	the Shanghai Stock Exchange, the PRC
Term of the Exchangeable Bonds:	up to three years

Interest rate:

The annual coupon rate of the Exchangeable Bonds during the term of the Exchangeable Bonds will be a fixed rate to be determined and finalized between the Company and the Underwriter on the date of issue of the Exchangeable Bonds.

Interest will be payable on an annual basis.

Collateral:

As guarantee for the issue of the Exchangeable Bonds, the Issuer will provide certain number of A-Shares as collateral (the “**Collateral**”), pursuant to which the Bondholders may exercise their rights to exchange for A-Shares during the Exercise Period based on the face value of the Exchangeable Bonds as subscribed by the Bondholders and the total amount of Collateral as provided by the Issuer.

The amount of Collateral will be determined based on the average closing price of the A-Shares for the 20 trading days immediately preceding the issue of the Exchangeable Bonds, and in any event no less than 130% of the maximum principal amount of the Exchangeable Bonds and up to an aggregate of 30,000,000 A-Shares, representing approximately 8.04% of the issued share capital of the A-Shares Company as at the date of this announcement.

In addition, during the Exercise Period upon the issue of the Exchangeable Bonds, the Issuer shall ensure that the amount of Collateral shall be maintained, based on the average closing price of the A-Shares for any given consecutive 20 trading days, at a level which represents no less than 110% of the then outstanding principal amount of the Exchangeable Bonds.

During the Exercise Period, in the event that the amount of Collateral exceeds 140% of the then outstanding principal amount of the Exchangeable Bonds for any given consecutive 10 trading days, the Issuer has the right to release and/or cash out a portion of the Collateral, provided that the remaining amount of the Collateral after the release and/or cash-out of the portion of the Collateral will be maintained at a level no less than 130% of the then outstanding principal amount of the Exchangeable Bonds. On the other hand, in the event that the amount of Collateral falls below 110% of the then outstanding principal amount of the Exchangeable Bonds for any given 10 trading days within any given consecutive 15 trading days, the Issuer shall top up the amount of Collateral either in cash and/or by an additional number of A-Shares.

Exercise price:

The preliminary exercise price will be fixed on the date of issue of the Exchangeable Bonds, and in any event no lower than 90% of the closing price of the A-Shares for the trading day immediately preceding the date of issue of the Exchangeable Bonds and 90% of the average closing price of the A-Shares for the 20 trading days immediately preceding the date of issue of the Exchangeable Bonds, subject to a minimum exercise price of RMB10 per A-Share. If immediately prior to the issue of the Exchangeable Bonds, the exercise price is pre-determined to be lower than RMB10 per A-Share, the Issuer may exercise its discretion not to proceed with the issue of the Exchangeable Bonds, or decide to continue to proceed with the issue of the Exchangeable Bonds with a exercise price of RMB10 per A-Share.

For illustrative purpose, based on the closing price of the A-Shares for the trading day immediately preceding the date of this announcement of RMB9.74 per A-Share and 90% of the average closing price of the A-Shares for the 20 trading days immediately preceding the date of this announcement of RMB9.71 per A-Share, the exercise price of the Exchangeable Bonds, if materialised, will be fixed at RMB10 per A-Share.

In the event that the preliminary exercise price is fixed at a price higher than RMB10 per A-Share, and the closing price of the A-Shares for at least 5 trading days during any consecutive 10 trading days preceding the commencement of the Exercise Period is lower than the preliminary exercise price of the Exchangeable Bonds, the exercise price shall be automatically adjusted to the market price or RMB10 per A-Share, whichever is higher.

The Bondholders will only have a right to exchange the Exchangeable Bonds for A-Shares during the Exercise Period.

Redemption rights and exercise price adjustment:

During the Exercise Period, in the event that for at least 10 trading days during any consecutive 20 trading days period thereof, the closing price of the A-Shares is equal to or more than 130% of the then exercise price of the Exchangeable Bonds, the board of directors of the Issuer may, within 10 trading days thereafter, elect to redeem all or part of the outstanding Exchangeable Bonds at 108% (including any interests accrued) of the face value of the Exchangeable Bonds. Further, during the Exercise Period, in the event that the outstanding amount of the Exchangeable Bonds is below RMB30,000,000, the board of directors of the Issuer may redeem all of the outstanding Exchangeable Bonds based on the face value of the Exchangeable Bonds together with any interest accrued thereon.

In addition, during the Exercise Period, in the event that for at least 5 trading days during any consecutive 10 trading days period thereof, the closing price of the A-Shares is lower than 90% of the then exercise price of the Exchangeable Bonds, the board of directors of the Issuer may, within 5 trading days thereafter, exercise its discretion to lower the exercise price of the Exchangeable Bonds under the terms of the Exchangeable Bonds. The adjusted exercise price of the Exchangeable Bonds shall be no less than 90% of the average closing price of the A-Shares for the 20 trading days immediately preceding the adjustment and 90% of the closing price of the A-Shares for the last trading day immediately preceding the adjustment.

Put option rights of the Bondholders:

For the last six-month period during the term of the Exchangeable Bonds, in the event that for at least 10 trading days during any consecutive 20 trading days period thereof, the closing price of the A-Shares is lower than 70% of the then exercise price of the Exchangeable Bonds, the Issuer shall then publish an announcement on the first day of such relevant event. The Bondholders may, within 10 trading days thereafter of such announcement, request the Issuer to redeem all or part of the outstanding Exchangeable Bonds at 108% (including any interests accrued) of the face value of the Exchangeable Bonds.

Credit rating: No credit rating is required for the issue of the Exchangeable Bonds.

Use of proceeds: The proceeds from the issue of the Exchangeable Bonds will be used for re-financing the existing debts of the Group and general working capital purposes.

In accordance with the relevant rules and regulations in the PRC, relevant documents in relation to the Issuer and the Exchangeable Bonds will be distributed to the qualified investors. Shareholders and potential investors are reminded that such documents were prepared in accordance with the requirements in the PRC and are limited solely to the Issuer, and the information contained therein does not provide a full picture of the operation or status of the Group.

REASONS AND BENEFITS FOR THE ISSUE OF THE EXCHANGEABLE BONDS

The Board is of the view that the issue of the Exchangeable Bonds is a significant step of the Group in gaining recognition in the PRC finance market. The issue of the Exchangeable Bonds will provide the Group with an additional source of funding to re-financing its existing debts with an objective to lower financing costs for the Group. Given that the issue of the Exchangeable Bonds will provide the Company with more financial flexibility and that the Exchangeable Bonds may optimize the Group's debt structure, the Directors (including the independent non-executive Directors) consider that the issue of the Exchangeable Bonds is in the interest of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL OF A-SHARES

On the assumption that all the 30,000,000 A-Shares will be exchanged by the Bondholders upon the commencement of the Exercise Period at the minimum exercise price of RMB10 per A-Share, a loss on disposal in the amount of approximately RMB15.6 million (equivalent to approximately HK\$19.5 million) in respect of the issue of the Exchangeable Bonds will arise upon all the 30,000,000 A-Shares being exchanged by the Bondholders. The loss was calculated with reference to the difference between the original acquisition cost of the A-Shares and the minimum exercise price for the Bondholders to exchange for the maximum number of the A-Shares pursuant to the Exchangeable Bonds.

The final gain/loss on disposal will be subject to, among others, the amount of A-Shares which will be provided as Collateral, the exercise price of the Exchangeable Bonds as well as final audit.

INFORMATION ABOUT THE A-SHARES COMPANY

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

According to the published financial statements of the A-Shares Company, the financial results of the A-Shares Company for the two years ended 31 December 2017 and 2016 are as follows:

	For the year ended	
	31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Net profit before tax	63,493	43,304
Net profit after tax	53,812	27,808

The net asset value of the A-Shares Company as at 31 December 2017 was approximately RMB1,118,426,000.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Issuer holds 30,000,000 A-Shares, representing approximately 8.04% of the issued share capital of the A-Shares Company based on public information available to the Company as at the date of this announcement. Upon completion of the issue of the Exchangeable Bonds and on the assumption that the Bondholders would exchange in full for all the 30,000,000 A-Shares which may be used as Collateral for the Exchangeable Bonds during the Exercise Period, the Issuer's interest in the A-Shares Company would be fully disposed according to public information available to the Company as at the date of this announcement, respectively. Accordingly, the issue of the Exchangeable Bonds constitutes a deemed disposal of its interest in the A-Shares Company for the Company under the Listing Rules. As the exchange for the A-Shares is exercisable at the discretion of the Bondholders, up to the 30,000,000 A-Shares are deemed disposed upon the issue of the Exchangeable Bonds pursuant to Rule 14.74 of the Listing Rules.

As one of the applicable percentage ratios in respect of the disposal of A-Shares as contemplated under the issue of Exchangeable Bonds as calculated under Rule 14.07 of the Listing Rules exceeds 25% and all applicable percentage ratios are less than 75%, the issue of the Exchangeable Bonds constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, further details of the issue of Exchangeable Bonds and a notice convening the SGM to approve the issue of the Exchangeable Bonds and the disposal of A-Shares contemplated thereunder is expected to be despatched to the Shareholders on or before 25 May 2018.

GENERAL

The Company is a limited liability company incorporated in Bermuda. The Group is principally engaged in operation of department stores, a shopping mall and supermarkets in the PRC. The Issuer is a non-wholly owned subsidiary of the Company and principally engaged in the operation of department store in the PRC.

As at the date of this announcement, Mr. Wu Yijian, an executive Director, is also the chairman of the board of the A-Shares Company and considered to be interested in the issue of the Exchangeable Bonds. Save as otherwise, none of the other Directors has a material interest in the transactions contemplated under the issue of the Exchangeable Bonds and is required to abstain from voting from the Board resolutions for considering and approving the issue of the Exchangeable Bonds pursuant to the bye-laws of the Company and applicable laws and regulations.

As the proposed issue of the Exchangeable Bonds may or may not materialize, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“A-Shares”	the A-shares of the A-Shares Company;
“A-Shares Company”	金花企業(集團)股份有限公司 (Ginwa Enterprise (Group) Inc.*), a company of which A-shares are listed on the Shanghai Stock Exchange (Stock Code: 600080);
“Board”	the board of directors of the Company;
“Bondholders”	holders of the Exchangeable Bonds;
“Collateral”	has the meaning as ascribed to it under the paragraph headed “Proposed issue of Exchangeable Bonds in the PRC by a non-wholly owned subsidiary of the Company – Collateral” in this announcement;

“Company”	Century Ginwa Retail Holdings Limited, a company incorporated in Bermuda, the ordinary shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Exchangeable Bonds”	three-year private placement exchangeable bonds in a principal amount of up to RMB200,000,000 to be issued by the Issuer;
“Exercise Period”	the period commencing on the first day upon expiry of a six-month period after the listing of the Exchangeable Bonds on the Shanghai Stock Exchange and ending on the date on which the Exchangeable Bonds are being delisted from the Shanghai Stock Exchange;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Issuer”	世紀金花股份有限公司 (Century Ginwa Company Limited*), a joint stock company established in the PRC, a non-wholly owned subsidiary of the Company owned as to 83.88% by the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;

“SGM”	the special general meeting of the Company to be convened to approve the issue of the Exchangeable Bonds and the transactions contemplated thereunder;
“Shareholder(s)”	ordinary shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

* *For identification purpose only*

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.8.

By order of the Board
Century Ginwa Retail Holdings Limited
Kam Hou Yin, John
Chief Executive Officer

Hong Kong, 20 April 2018

As at the date of this announcement, the Board comprises four executive directors, being Mr. Wu Yijian, Mr. Chan Wai Kwong, Peter, Mr. Kam Hou Yin, John and Mr. Sha Yingjie; three non-executive directors, being Mr. Chen Shuai, Mr. Cao Yonggang and Mr. Qu Jiaqi; and four independent non-executive directors, being Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng, Ms. Sun Zhili and Dr. Cao Guoqi.