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PARKSON 百盛
PARKSON RETAIL GROUP LIMITED
百盛商業集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3368)

**DISCLOSEABLE TRANSACTION:
ENTERING INTO A TENANCY AGREEMENT AS TENANT IN
RESPECT OF A PROPERTY IN NANCHANG CITY**

THE TENANCY AGREEMENT

On 31 October 2022, the Tenant (an indirect wholly-owned subsidiary of the Company) and the Landlord entered into a Tenancy Agreement in respect of the Property located in Nanchang City, Jiangxi Province, the PRC.

Pursuant to IFRS 16, the entering into of the Tenancy Agreement as tenant will require the Group to recognise the Property as a right-of-use asset, the amount of which is approximately RMB70.49 million calculated with reference to the present value of the rental payments as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire Term. Thus, the entering into of the Tenancy Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group.

IMPLICATIONS UNDER THE LISTING RULES

The entering into of the Tenancy Agreement and the transactions contemplated thereunder is regarded as an acquisition of asset under the Listing Rules. On the basis of the acquisition of right-of-use asset under the Tenancy Agreement, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB70.49 million.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the consideration for the acquisition of the right-of-use asset recognised by the Group pursuant to IFRS 16 is more than 5% but less than 25%, the entering into of the Tenancy Agreement constitutes a discloseable transaction of the Company, and is therefore subject to reporting and announcement requirements but is exempted from circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

1. INTRODUCTION

The Board is pleased to announce that on 31 October 2022, the Tenant and the Landlord entered into the Tenancy Agreement in respect of the Property. A summary of the principal terms of the Tenancy Agreement and other relevant information are set out below.

2. TENANCY AGREEMENT

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|-------------------|---|---|
| Date | : | 31 October 2022 |
| Parties | : | Tenant: Jiangxi Parkson Shopping Centre Management Co., Ltd.* (江西百盛購物中心管理有限公司), an indirect wholly-owned subsidiary of the Company. Landlord: Nanchang Hui Xin Industrial Co., Ltd.* (南昌匯信實業有限公司). |
| Relevant premises | : | LG1, Level 1 to Level 4 in Building No. 4 at Royal Core Plaza, No. 2013 Middle Ying Bin Avenue, Nanchang County* (南昌縣迎賓中大道2013號盛匯廣場4號樓) in Jiangxi Province, the PRC (the “ Property ”). |
| Total gross area | : | 28,585.47 sq. m (which may be adjusted to 29,297.42 sq. m subject to approval from relevant regulatory authority, upon which the Tenant and the Landlord shall enter into a supplemental agreement). |

- Term : 20 years commencing from the actual opening date of the shopping centre to be opened at the Property, which is tentatively scheduled on 1 October 2023 (and no later than 31 October 2023), provided that the Property will be delivered by the Landlord to the Tenant on or before 31 May 2023 (and no later than 15 June 2023), otherwise said actual opening date shall be postponed accordingly.
- Rent free period : The Tenant shall be entitled to rent free periods for each first to fourth months of the first three (3) years within the Term, totaling twelve (12) months.
- Rental and property management fee : The fixed monthly rental (inclusive of tax) payable shall be RMB25 per sq. m (inclusive of property management fee) and is subject to 5% increment every three (3) years during the Term.
- Payment terms : The rental and property management fee are payable quarterly in advance, within 10 working days of receipt of the relevant value-added tax invoice from the Landlord.
- Deposit : RMB3 million payable within 30 days of the date of the Tenancy Agreement.
- Use : Operation of shopping centre, service projects such as wholesale logistics, catering, film and television, entertainment, bars and cafes, beauty and hair salons, wedding services, fitness centres, business activity centres, etc., setting up of offices, warehouses and other commercial projects within the scope of business operations of the Tenant, under the trademark and trade name of the “百盛” and “PARKSON” name and logo.

Right to sub-let : The Tenant has the right to sub-let any part of the Property. The Landlord shall not interfere with the Tenant's operations and shall not directly or indirectly engage in any business operations in the Property.

Renewal : If the Tenant wishes to renew the Tenancy Agreement, it shall serve a written request to the Landlord at one (1) year prior to the expiration of the Term, and the Tenant shall have priority to rent the Property under the same conditions. The Tenant and the Landlord shall sign a new tenancy agreement upon reaching mutual agreement on the tenancy terms.

In case of failure to reach mutual agreement, the Tenancy Agreement will be terminated upon expiration of the Term. The Landlord may then lease the Property to a third party provided that tenancy terms with the third party may not be more favourable than those offered to the Tenant.

Termination : Save as expressly provided, neither party may terminate the Tenancy Agreement prior to the expiration of the Term.

The circumstances under which either party may terminate the Tenancy Agreement include:

- (a) land requisition or forced demolition by the government;
- (b) the occurrence of force majeure events resulting in the inability to continue operations; and
- (c) mutual agreement between the Tenant and the Landlord.

The Tenant is also entitled to terminate the Tenancy Agreement early free from liability if, after five (5) years of operations at the Property (excluding any rent free period), the Tenant has accumulated consecutive losses exceeding RMB20 million, provided that the Tenant shall give the Landlord 45 days' prior written notice.

3. BASIS FOR DETERMINATION OF THE RENTAL AND OTHER INFORMATION

The terms of the Tenancy Agreement (including the rental and property management fee) were determined after arm's length negotiations between the Landlord and the Tenant, with reference to the prevailing market rentals for properties of similar type, age and location.

The rental and property management fee and other amounts payable by the Tenant under the Tenancy Agreement are expected to be financed by the internal resources of the Group.

4. INFORMATION ON THE PARTIES

4.1 The Group and the Tenant

The principal activities of the Group are the operation and management of a network of department stores in the PRC.

The Tenant is an indirect wholly-owned subsidiary of the Company principally engaged in the business of operation of shopping centre and property management.

4.2 Landlord

The Landlord is a company established in the PRC and is principally engaged in the business of property development and management.

To the best knowledge and belief of the Directors, and having made all reasonable enquiries, the Landlord and its ultimate owners are third parties independent of, and not connected with the Company and its connected persons (as defined under the Listing Rules). The Landlord is wholly-owned by HK R&X Industry Co., Limited, which is in turn held as to 35% by Chen Dinggang, 30% by Li Rong and 35% by TSUNS ONEVCN Limited which is wholly-owned by Li Rong.

5. REASONS AND BENEFITS FOR ENTERING INTO THE TENANCY AGREEMENT

The Group has been operating department stores and shopping centres in the PRC for years, and has recently been expanding its business in Jiangxi Province. Considering the population, continuous population growth and unsaturated competitive advantage in Nanchang County and the convenient and central location of the Property within Nanchang County, the Board believes that there is market potential for the development of a regional lifestyle social centre at the Property. This would allow the Group to continue implementing its strategy of expanding its retail portfolio, reaching out to more customers at different consumption levels and therefore gain more market share. The Board believes that the tenancy will have a positive impact on the future development of the Group.

The Board is of the view that the terms of the Tenancy Agreement, taken as a whole, are fair and reasonable, and also having taken into account the above reasons and benefits, considers that the tenancy is in the interests of the Company and the Shareholders as a whole.

6. IMPLICATIONS UNDER THE LISTING RULES

6.1 Acquisition of asset by the Company

Pursuant to IFRS 16, the entering into of the Tenancy Agreement as a tenant will require the Group to recognise the Property as a right-of-use asset, thus the entering into of the Tenancy Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules.

6.2 Discloseable Transaction

The entering into of the Tenancy Agreement and the transactions contemplated thereunder is regarded as an acquisition of asset under the Listing Rules. On the basis of the acquisition of right-of-use asset under the Tenancy Agreement, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB70.49 million.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the consideration for the acquisition of the right-of-use asset recognised by the Group pursuant to IFRS 16 is more than 5% but less than 25%, the entering into of the Tenancy Agreement constitutes a discloseable transaction of the Company, and is therefore subject to reporting and announcement requirements but is exempted from circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

7. DEFINITIONS

In this announcement, the following terms have the meaning set forth below unless the context requires otherwise:

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| “Board” | means the board of Directors. |
| “Company” | means Parkson Retail Group Limited 百盛商業集團有限公司, a company incorporated in the Cayman Islands. |
| “Directors” | means the directors of the Company. |
| “Group” | means the Company and its subsidiaries. |
| “Hong Kong” | means the Hong Kong Special Administrative Region of the PRC. |

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| “IFRS 16” | means the “International Financial Reporting Standard 16 – Leases” issued by the International Accounting Standards Board, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. |
| “Landlord” | means Nanchang Hui Xin Industrial Co., Ltd.* (南昌匯信實業有限公司), a company established in PRC. |
| “Listing Rules” | means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. |
| “PRC” | means the People’s Republic of China and, for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan. |
| “Property” | means the area of 28,585.47 sq. m (subject to adjustment) at LG1, Level 1 to Level 4 in Building No. 4 at Royal Core Plaza, No. 2013 Middle Ying Bin Avenue, Nanchang County* (南昌縣迎賓中大道2013號盛匯廣場4號樓) in Jiangxi Province, the PRC. |
| “RMB” | means Renminbi, the lawful currency of the PRC. |
| “Shareholders” | means holders of the Shares. |
| “Shares” | means ordinary shares of nominal value of HK\$0.02 each in the capital of the Company. |
| “sq. m” | means square metres. |
| “Tenant” | means Jiangxi Parkson Shopping Centre Management Co., Ltd.* (江西百盛購物中心管理有限公司), a company established in PRC and an indirect wholly-owned subsidiary of the Company. |

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| “Tenancy Agreement” | means the Tenancy Agreement in respect of the Property entered into between the Landlord and the Tenant and dated 31 October 2022. |
| “Term” | means the term of the Tenancy Agreement, being 20 years commencing from the actual opening date of the shopping centre to be opened at the Property. |

On behalf of the Board
PARKSON RETAIL GROUP LIMITED
Tan Sri Cheng Heng Jem
Executive Director & Chairman

31 October 2022

As at the date of this announcement, the Executive Directors of the Company are Tan Sri Cheng Heng Jem and Ms. Juliana Cheng San San, the Non-executive Director is Dato’ Sri Dr. Hou Kok Chung and the Independent Non-executive Directors are Dato’ Fu Ah Kiow, Mr. Yau Ming Kim, Robert and Datuk Koong Lin Loong.

** For identification purposes only. For ease of reference, the names of the PRC entities have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*