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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)**

**VERY SUBSTANTIAL ACQUISITION IN RELATION TO  
A TENANCY IN RESPECT OF A PROPERTY IN  
SHANGHAI, THE PRC**

**SHANGHAI TENANCY AGREEMENT**

On 6 November 2024, Shanghai Nine Sea Parkson (as tenant), an indirect wholly-owned subsidiary of the Company, entered into the Shanghai Tenancy Agreement with Shanghai Nine Sea Industry (as landlord) in respect of the Shanghai Tenancy. Shanghai Nine Sea Parkson has been occupying the Shanghai Property for its retail business since 1994 pursuant to the Cooperative Business Agreement, with the term of occupation expiring on 29 November 2024 together with the cooperation period under the Cooperative Business Agreement. Parties have agreed to enter into a tenancy for a term up to 29 November 2039 pursuant to the Shanghai Tenancy Agreement.

**IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to IFRS 16, the Group is required to recognise the Shanghai Property as a right-of-use asset, and the entering into of the Shanghai Tenancy Agreement as an acquisition of asset under the Listing Rules. The consideration for the acquisition of the right-of-use asset recognised by the Group pursuant to IFRS 16 is approximately RMB298.8 million, calculated with reference to the present value of the rent under the Shanghai Tenancy as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the tenancy term.

As the highest applicable percentage ratio under 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 100%, the entering into of the Shanghai Tenancy Agreement constitutes a very substantial acquisition of the Company, and is therefore subject to announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held by the Company to seek the Shareholders' approval on the Shanghai Tenancy Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder or any of their respective associates has any material interest in the Shanghai Tenancy or the Shanghai Tenancy Agreement. Accordingly, none of the Shareholders is required to abstain from voting in favour of the resolution to approve the Shanghai Tenancy Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information regarding the Shanghai Tenancy Agreement and the Shanghai Tenancy; and (ii) the notice of the EGM, will be despatched to the Shareholders as soon as practicable but not later than 25 November 2024 in accordance with the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 6 November 2024, Shanghai Nine Sea Parkson and Shanghai Nine Sea Industry had entered into the Shanghai Tenancy Agreement, pursuant to which the parties agreed to the terms of the Shanghai Tenancy.

A summary of the principal terms of the Shanghai Tenancy and other relevant information is as follows:

Parties	:	Tenant: Shanghai Nine Sea Parkson Landlord: Shanghai Nine Sea Industry
Property	:	Relevant parts of Level LG1 to Level 8 of the building located at No. 918 Huaihai Middle Road (淮海中路918號), Shanghai, the PRC.
Total gross area	:	36,070.22 sq. m.
Tenancy term	:	30 November 2024 to 29 November 2039

Rent-free periods : Shanghai Nine Sea Parkson shall enjoy a rent-free period from 30 November 2024 to 31 December 2024, and further a half-rent period from 1 January 2031 to 30 June 2031.

If Shanghai Nine Sea Parkson carries out renovation works to the exterior facade of the Shanghai Property before 29 November 2027, it may enjoy rent-free periods of a further six months, with two months falling within the year of renovation, and the remaining four months falling in the December of the next four calendar years.

Rent : Rent payable by Shanghai Nine Sea Parkson during the tenancy term comprises two parts: (i) fixed portion – fixed rent (including tax); and (ii) varying portion – a certain percentage share of the revenue generated by Shanghai Nine Sea Parkson from its business at the Shanghai Property.

The fixed portions (including tax) are payable monthly in advance, and the monthly and annual sums (including tax) for each calendar year during the tenancy term (subject to potential adjustment to tax amounts in the event of adjustment to tax rates by the PRC government) are as follows:

<i>Years</i>		<i>Monthly fixed rent (RMB)</i>	<i>Annual total (RMB)</i>
2025-2027	Jan – Nov	3,333,333.00	40,000,000.00
	Dec	3,333,337.00	
2028-2030	Jan – Nov	3,466,666.00	41,600,000.00
	Dec	3,466,674.00	
2031	Jan – Jun	1,802,666.00	32,448,001.00
	Jul – Nov	3,605,333.00	
	Dec	3,605,337.00	
2032-2033	Jan – Nov	3,605,333.00	43,264,000.00
	Dec	3,605,337.00	
2034-2036	Jan – Nov	3,749,546.00	44,994,560.00
	Dec	3,749,554.00	
2037-2038	Jan – Nov	3,899,528.00	46,794,342.40
	Dec	3,899,534.40	
2039	Jan – Oct	3,899,528.00	42,691,824.71
	Nov	3,696,544.71	

The varying portions are calculated annually, and is payable only if the aggregate sum of the rent income, direct sales and gross revenue from concessionaire sales generated by Shanghai Nine Sea Parkson in a calendar year exceeds RMB400 million. If so, the varying portions payable to Shanghai Nine Sea Industry shall be as follows:

- (i) 2% of the portion of the rent income, direct sales and gross revenue from concessionaire sales that falls within the range exceeding RMB400 million and up to RMB450 million;
- (ii) 3% of the portion of the rent income, direct sales and gross revenue from concessionaire sales that falls within the range exceeding RMB450 million and up to RMB500 million; and
- (iii) 4% of the portion of the rent income, direct sales and gross revenue from concessionaire sales that exceeds RMB500 million.

The amount payable shall be determined based on the audit report for each calendar year provided by Shanghai Nine Sea Parkson and shall be paid by the 30th of April of the following calendar year.

Deposit : RMB3,610,900.00

If Shanghai Nine Sea Parkson fails to pay rent, property fee, liquidated damages, late payment fees etc., Shanghai Nine Sea Industry shall be entitled to confiscate the deposit. In such case, at any time when the deposit amount has been deducted, within 7 days after receipt of a written request from Shanghai Nine Sea Industry, Shanghai Nine Sea Parkson shall replenish the deposit so that the total amount held by Shanghai Nine Sea Industry as deposit shall be the same as the agreed deposit sum.

Upon expiration of the tenancy term, provided that Shanghai Nine Sea Parkson has duly returned the Shanghai Property, paid all fees, and completed the cancellation or change of its or its sub-tenants' relevant registered licences, Shanghai Nine Sea Industry shall return the deposit to Shanghai Nine Sea Parkson in full without interest within 30 days.

Use : Operation of department store (mainly), services such as (but not limited to) wholesale logistics, catering, cinema, entertainment, bar, cafe, tearoom, photography, colour-printing, beauty and hair salon, wedding services, fitness room, business activity centres, etc., and set up of offices and warehouse, and other commercial projects within Shanghai Nine Sea Parkson's business scope, under the name and brand of “百盛” and “PARKSON”.

Right to sub-let : Shanghai Nine Sea Parkson has the right to sub-let parts of (but not the whole of) the Shanghai Property.

Renewal : If Shanghai Nine Sea Parkson wishes to renew the Shanghai Tenancy, it shall serve a written request to Shanghai Nine Sea Industry at least three months prior to the expiration of the tenancy term, in which case, parties shall negotiate the terms of renewal.

Otherwise, the Shanghai Tenancy will automatically terminate upon expiration of the tenancy term, and Shanghai Nine Sea Industry may then lease the Shanghai Property to a third party, provided that on the same terms and conditions, Shanghai Nine Sea Parkson shall have the priority to the lease.

Termination : Both parties are entitled to terminate the Shanghai Tenancy by giving 15 days' prior written notice to the other party in the event that the Shanghai Property is:

- (i) demolished or condemned according to laws;
- (ii) damaged, perished or deemed a dangerous building; or
- (iii) damaged due to force majeure events, resulting in inability to continue performing the terms of the Shanghai Tenancy.

Further, both parties are entitled to default on and terminate the Shanghai Tenancy without reason by giving 60 days' prior written notice to the other party, provided that the defaulting party shall pay to the non-defaulting party a certain amount as agreed liquidated damages, determined based on the year of termination within the tenancy term.

Shanghai Nine Sea Industry is entitled to terminate the Shanghai Tenancy with immediate effect in the event that Shanghai Nine Sea Parkson:

- (i) delays payment of rent for more than 30 consecutive days;
- (ii) changes the use of the Shanghai Property without permission or operates its business without legal rights;
- (iii) sub-lets the whole of the Shanghai Property to a third party;
- (iv) has its business licence revoked; or
- (v) uses the Shanghai Property to engage in illegal activities.

Shanghai Nine Sea Parkson is entitled to terminate the Shanghai Tenancy with immediate effect in the event that the government issues a business suspension order due to public safety incident, resulting in Shanghai Nine Sea Parkson's inability to realise the intended purpose of the Shanghai Tenancy for more than 6 months.

Effective date : The Shanghai Tenancy Agreement shall become effective upon the Company obtaining the Shareholders' approval on the Shanghai Tenancy Agreement and the transactions contemplated thereunder.

## **BASIS FOR DETERMINATION OF THE RENT AND OTHER INFORMATION**

The terms of the Shanghai Tenancy Agreement (including rent) were determined after arm's length negotiations between Shanghai Nine Sea Industry and Shanghai Nine Sea Parkson, with reference to the prevailing market rates for properties of similar nature to the Shanghai Property (i.e. leased to a single anchor brand similar to Parkson) in the same area, adjusted based on differences in various aspects such as location and environment, age and maintenance, size, decoration standard, floors and other physical characteristics.

The rent and other amounts payable by Shanghai Nine Sea Parkson under the Shanghai Tenancy are expected to be financed by the internal resources of the Group.

## **INFORMATION ON THE PARTIES**

### **The Group**

The principal activities of the Group are the operation and management of a network of department stores, shopping malls, outlets and supermarkets mainly in the PRC.

### **Shanghai Nine Sea Parkson**

Shanghai Nine Sea Parkson is an indirect wholly-owned subsidiary of the Company principally engaged in the operation of department stores.

Shanghai Nine Sea Parkson is a cooperative joint venture enterprise established under the laws of the PRC between Shanghai Nine Sea Industry and Exonbury pursuant to the Cooperative Business Agreement. According to public records, Exonbury owns 100% equity interest in Shanghai Nine Sea Parkson. However, according to said Cooperative Business Agreement, Shanghai Nine Sea Industry and the Group are entitled to 29% and 71% of the voting rights in the board of Shanghai Nine Sea Parkson respectively, and Shanghai Nine Sea Industry is entitled to a pre-determined distribution of income from Shanghai Nine Sea Parkson, while the Group is entitled to 100% of its distributed profit after deducting the aforesaid pre-determined distribution of income attributable to Shanghai Nine Sea Industry.

Pursuant to said Cooperative Business Agreement, the cooperation period in respect of Shanghai Nine Sea Parkson expires on 29 November 2024. Pursuant to an exit agreement dated 6 November 2024 entered into between Shanghai Nine Sea Industry and Exonbury, the parties have agreed that with effect from 30 November 2024, Shanghai Nine Sea Industry will exit from its investment in Shanghai Nine Sea Parkson. Thereafter, Shanghai Nine Sea Parkson will be registered as a limited liability company wholly-owned by Exonbury.

### **Shanghai Nine Sea Industry**

Shanghai Nine Sea Industry is a state-owned enterprise established under the laws of the PRC, and principally engaged in business in the real estate industry.

To the best knowledge and belief of the Directors, Shanghai Nine Sea Industry is owned as to:

- (i) 44% by Shanghai Yongye Enterprise (Group) Co., Ltd.\* (上海永業企業(集團)有限公司), which is wholly-owned by the Shanghai Huangpu District State-owned Assets Supervision and Administration Commission;
- (ii) 44% by Shanghai Jiushi (Group) Co., Ltd.\* (上海久事(集團)有限公司), which is wholly-owned by the Shanghai Municipal State-owned Assets Supervision and Administration Commission; and
- (iii) 12% by Shanghai Shentong Metro Group Co., Ltd.\* (上海申通地鐵集團有限公司), which is in turn owned as to 66.62% by Shanghai Jiushi (Group) Co., Ltd. and 33.38% by Shanghai Urban Investment (Group) Co., Ltd.\* (上海城投(集團)有限公司), which is also wholly-owned by the Shanghai Municipal State-owned Assets Supervision and Administration Commission.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, Shanghai Nine Sea Industry and its ultimate owner are third parties independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules).



## **REASONS FOR AND BENEFITS OF THE SHANGHAI TENANCY**

The Group has been operating and managing department stores in Shanghai, the PRC, for more than 30 years where the Group and the Parkson brand maintains outstanding reputation, goodwill and market recognition in Shanghai, having accumulated numerous brands, customers and government resources. Shanghai continues to be the country's most populous financial centre with the highest per capita disposable income, with rising prospects and a battleground with great strategic significance for all enterprises wishing to establish their business operations in the PRC.

Despite increased competition and overall uncertain market sentiment, the Board believes that the Group's existing department stores in Shanghai is crucial to ensure the Group's continuous presence and development in the PRC, as well as playing a role in generating stable revenue for the Group. The Shanghai Property is located at Huaihai Middle Road, one of the core commercial districts within Shanghai, occupying a prominent position among the most prosperous and densely populated commercial streets in the district, and is surrounded by countless businesses, offices, residences and green spaces. In the next decade or two, Huaihai Middle Road is intended to be positioned as an elegant and fashionable district, and transform based on three major themes – “more humanistic, more futuristic and more integrated”.

The Group has an experienced and stable management team for the department store at the Shanghai Property. Upon commencement of the Shanghai Tenancy, with rental cost and tenancy terms and conditions optimized, Shanghai Nine Sea Parkson will work on upgrading the public image and adjusting the brand portfolio of the Shanghai Property to enhance its market competitiveness. The Board believes that continuing the Company's retail business at the Shanghai Property will have a positive impact on the future development of the Group.

In light of the foregoing, the Board is of the view that the terms of the Shanghai Tenancy Agreement and the Shanghai Tenancy are fair and reasonable, and also having taken into account the above reasons and benefits, considers that the entering into of the Shanghai Tenancy Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to IFRS 16, the Group is required to recognise the Shanghai Property as a right-of-use asset, and the entering into of the Shanghai Tenancy Agreement as an acquisition of asset under the Listing Rules. The consideration for the acquisition of the right-of-use asset recognised by the Group pursuant to IFRS 16 is approximately RMB298.8 million, calculated with reference to the present value of the rent under the Shanghai Tenancy as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the tenancy term.

As the highest applicable percentage ratio under 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 100%, the entering into of the Shanghai Tenancy Agreement constitutes a very substantial acquisition of the Company, and is therefore subject to announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **EGM AND CIRCULAR**

The EGM will be convened and held by the Company to seek the Shareholders' approval on the Shanghai Tenancy Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder or any of their respective associates has any material interest in the Shanghai Tenancy or the Shanghai Tenancy Agreement. Accordingly, none of the Shareholders is required to abstain from voting in favour of the resolutions to approve the Shanghai Tenancy Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information regarding the Shanghai Tenancy Agreement and the Shanghai Tenancy; and (ii) the notice of the EGM, will be despatched to the Shareholders as soon as practicable but not later than 25 November 2024 in accordance with the Listing Rules.

## **DEFINITIONS**

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

“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.

“Cooperative Business Agreement”	means the Cooperative Business Agreement dated 7 October 1994 entered into between Shanghai Nine Sea Industry and Exonbury.
“Directors”	means the directors of the Company.
“EGM”	means the extraordinary general meeting to be convened and held by the Company to seek the Shareholders’ approval on the Shanghai Tenancy Agreement and the transactions contemplated thereunder.
“Exonbury”	means Exonbury Limited, an indirect wholly-owned subsidiary of the Company.
“Group”	means the Company and its subsidiaries.
“HK\$”	means Hong Kong Dollars, the lawful currency of Hong Kong.
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC.
“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.
“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.
“RMB”	means Renminbi, the lawful currency of the PRC.
“Shanghai Nine Sea Industry”	means Shanghai Nine Sea Industry Co., Ltd.* (上海九海實業有限公司), a state-owned enterprise incorporated under the laws of the PRC.

“Shanghai Nine Sea Parkson”	means Shanghai Nine Sea Parkson Plaza Co., Ltd.* (上海九海百盛廣場有限公司), a company incorporated in the PRC, and an indirect wholly-owned subsidiary of the Company.
“Shanghai Property”	means relevant parts of Level LG1 to Level 8 of the building located at No. 918 Huaihai Middle Road (淮海中路918號), Shanghai, the PRC.
“Shanghai Tenancy Agreement”	means the tenancy agreement in respect of the Shanghai Property entered into between Shanghai Nine Sea Industry and Shanghai Nine Sea Parkson on 6 November 2024.
“Shanghai Tenancy”	means the tenancy for the Shanghai Property as contemplated under the Shanghai Tenancy Agreement.
“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 metre.
“%”	means per cent.

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

6 November 2024

*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 established companies or 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.*