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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 SEVEN LEASE AGREEMENTS AS LESSEE
IN RESPECT OF PROPERTIES IN BEIJING, THE PRC**

THE NEW LEASE AGREEMENTS

On 26 February 2019, the Tenant (an indirect wholly-owned subsidiary of the Company) and the Landlord entered into the New Lease Agreements in respect of the Properties located in Beijing, the PRC. Prior to entering into the New Lease Agreements, the Tenant had been occupying the Properties as tenant for its retail business since 1 October 1993 pursuant to the Previous Lease Agreements.

Pursuant to IFRS 16, the entering into the New Lease Agreements as lessee will require the Group to recognise the Premises as the right-of-use assets in which the aggregated amount was approximately RMB393.9 million calculated with reference to the aggregated present value of the fixed lease payments as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire terms of the New Lease Agreements, thus the entering into the New Lease Agreements and the transactions contemplated thereunder will be regarded as an acquisition of assets by the Group.

IMPLICATIONS UNDER THE LISTING RULES

The transactions contemplated under the New Lease Agreements are regarded as an acquisition of assets under the Listing Rules and are required to be aggregated for determining the classification of these transactions under Rule 14.06 of the Listing Rules. On the basis of the acquisition of right-of-use assets under the New Lease Agreements, the aggregate amount recognised by the Group pursuant to IFRS 16 is approximately RMB393.9 million.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the aggregated consideration for the acquisition of the right-of-use assets recognised by the Group pursuant to IFRS 16 is more than 5% but less than 25%, the entering into the New Lease Agreements constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

1. INTRODUCTION

The Board is pleased to announce that on 26 February 2019, the Tenant (an indirect wholly-owned subsidiary of the Company) and the Landlord entered into the New Lease Agreements in respect of the Properties located in Beijing, the PRC. Prior to entering into the New Lease Agreements, the Tenant had been occupying the Properties as tenant for its retail business since 1 October 1993 pursuant to the Previous Lease Agreements. A summary of the principal terms of the New Lease Agreements and the relevant information are set out below.

2. NEW LEASE AGREEMENTS

2.1 New Lease Agreements

Date	:	26 February 2019
Parties	:	Tenant: Parkson Retail Development Co., Ltd.* (百盛商業發展有限公司), an indirect wholly-owned subsidiary of the Company, as tenant Landlord: China National Arts and Crafts Group Company Limited* (中國工藝美術集團有限公司) as landlord
Relevant Premises	:	Underground Floor, the 1st Floor, 2nd Floor, 3rd Floor, 4th Floor, part of 5th Floor, 6th Floor, 7th Floor of the Museum, the 1st, 2nd and the 3rd floors of Xu Room and mezzanine at the east side outside the north gate of the Museum, the area outside the south gate of Xu Room at first floor of the Museum, and store rooms D1-002 and D1-007 of the underground of the Museum, and the area under the rain canopy (雨搭下場地) outside the east gate at the first floor of the south side of the Building (“ Properties ”).
Total gross area	:	approximately 23,887.23 sq. m

- Term : 1 January 2019 to 30 November 2028
(New Lease Agreements (1), (2), (4) and (6))
- 25 December 2018 to 30 November 2028
(New Lease Agreement (3))
- 1 February 2019 to 30 November 2028
(New Lease Agreement (5))
- 18 December 2018 to 30 November 2028
(New Lease Agreement (7))
- Rental : The total rental payable under the New Lease Agreements is approximately RMB670,049,685 including VAT. The rental shall be paid on quarterly basis.
(Note: The above figure is calculated on the assumption that the capped PRC price index as agreed between the Parties in the relevant New Lease Agreement (i.e. 5% or 15%, as the case may be) will apply.)
- Deposit : Pursuant to the New Lease Agreement (1), the deposit payable by the Tenant is RMB1,130,000 (which had already been paid).
- For other New Lease Agreements, no deposit was payable.

Use : Department store retail, food and beverage, entertainment, supermarket, property management and related ancillary services

(New Lease Agreements (1), (2), (4) and (5))

Department store retail

(New Lease Agreement (3))

Shelter from wind and cold and as emergency exit

(New Lease Agreement (6))

Department store retail, entertainment, property management and related ancillary services

(New Lease Agreement (7))

Effective date : 1 January 2019

(New Lease Agreements (1), (2), (4) and (6))

25 December 2018

(New Lease Agreements (3))

1 February 2019

(New Lease Agreements (5))

18 December 2018

(New Lease Agreements (7))

2.2 Other material terms

Except for the New Lease Agreement (6), all the other New Lease Agreements contain the following terms:

- (a) the Tenant may sub-lease part of the relevant Property under the relevant New Lease Agreement; and
- (b) the Tenant has a first right of refusal should the Landlord wish to lease the Properties after the expiry of the terms under the New Lease Agreements and if the Tenant can match the terms offered by the Landlord or other potential tenants.

3. BASIS FOR DETERMINATION OF THE RENTALS AND OTHER INFORMATION

The terms of each of the New Lease Agreements (including the rental) were determined after arm's length negotiations between the Landlord and the Tenant, with reference to the mechanism for determining the rentals under the Previous Lease Agreements, the amounts of the rental payable under the Previous Lease Agreements and the prevailing market rentals for properties of similar type, age and location.

The rental and other amounts payable by the Tenant under the New Lease Agreements 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 whose scope of business includes, retail, whole-sale and import and export.

4.2 Landlord

The Landlord is a company established in the PRC whose scope of business includes art work, jewellery, gifts, tourist souvenirs, exhibition and leasing of venues and exhibition tools.

To the best knowledge and belief of the Directors having made all reasonable enquiries, the Landlord and its ultimate owner(s) are third parties independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules).

5. REASONS AND BENEFITS FOR ENTERING INTO THE NEW LEASE AGREEMENTS

The Tenant was the existing tenant of the Properties under the Previous Lease Agreements. Each New Lease Agreement is a renewal of its corresponding Previous Lease Agreement. The Group has been carrying out retail business at the Properties since 1993. The operation at the Properties have brought stable revenue to the Group during the past years. The Previous Lease Agreements were originally due to expire in 2023. At the request of the Landlord, the Tenant negotiated the renewal of the Previous Lease Agreements with the Landlord. The New Lease Agreements, each with a term of approximately 10 years and to expire on 30 November 2028, allow the continuity of the Group's retail operation at a place which is familiar to the Group's customers for long term. On the basis of the disclosure in section 3 of this announcement, the Board is of the view that the rentals are reasonable and the terms of each New Lease Agreement, taken as a whole, are fair and reasonable.

Having taken into account the above reasons and benefits, the Directors (including all the independent non-executive Directors) consider that the terms of the New Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. IMPLICATIONS UNDER THE LISTING RULES

6.1 Acquisition of assets by the Company

Pursuant to IFRS 16, the entering into the New Lease Agreements as a lessee will require the Group to recognise the Properties as the right-of-use assets, thus the entering into the New Lease Agreements and the transactions contemplated thereunder will be regarded as an acquisition of assets by the Group under the Listing Rules.

6.2 Discloseable transaction

The transactions contemplated under the New Lease Agreements are regarded as an acquisition of assets under the Listing Rules and are required to be aggregated for determining the classification of these transactions under Rule 14.06 of the Listing Rules. On the basis of the acquisition of right-of-use assets under the New Lease Agreements, the aggregate amount recognised by the Group pursuant to IFRS 16 is approximately RMB393.9 million.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the aggregated consideration for the acquisition of the right-of-use assets recognised by the Group pursuant to IFRS 16 is more than 5% but less than 25%, the entering into the New Lease Agreements constitute a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

6.3 Delay in publication of announcement

Under Rule 14.34 of the Listing Rules, a listed issuer must inform the Stock Exchange and publish an announcement as soon as possible after the terms of a notifiable transaction have been finalised. The Board noted that IFRS 16 had become effective for annual accounting periods beginning on or after 1 January 2019 and the New Lease Agreements were entered into on 26 February 2019. After making all reasonable enquiries in the circumstances of the present case, the Board understood that the New Lease Agreements were entered into by the local management team who are not fully trained in understanding the new requirement of IFRS16, and under the mistaken belief that extension or renewal of the existing tenancy agreements, as opposed to entering into new tenancy agreements, did not amount to an acquisition of assets under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules. The compliance team of the Company became aware of the New Lease Agreements on 15 March 2019 and took prompt actions to seek advice from the Company's advisers on, among other things, whether the New Lease Agreements constituted notifiable transaction of the Company under Chapter 14 of the Listing Rules and, if yes, the classification of the transactions and the applicable requirements under the Listing Rules. As advised by the Company's advisers, the Board understood that the transactions under the New Lease Agreements amounted to an acquisition of assets and constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

7. REMEDIAL ACTIONS TO BE TAKEN BY THE COMPANY

The Board will adopt the following measures to strengthen the relevant internal control procedures to prevent the occurrence of similar incidents in the future:

- (a) the Company will arrange for regular special and in-depth training sessions for the Directors and senior management of the Group to remind them, in particular the operation/business team, to report transactions which may constitute notifiable and/or connected transactions under the Listing Rules to the Group's compliance personnel and seek professional advice if necessary to ensure that they understand the requirements under the Listing Rules and other relevant rules and regulations; and

- (b) the Company will review, strengthen and continue to monitor the relevant internal control measures of the Group, including but not limited to contract signing procedures, to ensure that current and future transactions will be conducted in compliance with the applicable requirements under the Listing Rules and other relevant rules and regulations.

8. DEFINITIONS

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

“Board”	means the board of Directors
“Building”	means Zhong Gong Mei Building* (中工美大廈) at No. 101 of the Inner Street of Fuxing Men* (復興門內大街) in Beijing
“Company”	means Parkson Retail Group Limited, 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
“IFRS 16”	means the International Financial Reporting Standards issued by the International Accounting Standards Board, sets out the principles for the recognition, measurement, presentation and disclosure of leases

“Landlord”	means China National Arts and Crafts Group Company Limited*, (中國工藝美術集團有限公司), a company established in the PRC and the landlord of each Property
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Museum”	means China National Arts and Crafts Museum* (中國工藝美術館) at No. 101 of the Inner Street of Fuxing Men* (復興門內大街) in Beijing
“New Lease Agreement (1)”	means the lease agreement in respect of Property (1) entered into between the Landlord and the Tenant and dated 26 February 2019
“New Lease Agreement (2)”	means the lease agreement in respect of Property (2) entered into between the Landlord and the Tenant and dated 26 February 2019
“New Lease Agreement (3)”	means the lease agreement in respect of Property (3) entered into between the Landlord and the Tenant and dated 26 February 2019
“New Lease Agreement (4)”	means the lease agreement in respect of Property (4) entered into between the Landlord and the Tenant and dated 26 February 2019
“New Lease Agreement (5)”	means the lease agreement in respect of Property (5) entered into between the Landlord and the Tenant and dated 26 February 2019

“New Lease Agreement (6)”	means the lease agreement in respect of Property (6) entered into between the Landlord and the Tenant and dated 26 February 2019
“New Lease Agreement (7)”	means the lease agreement in respect of Property (7) entered into between the Landlord and the Tenant and dated 26 February 2019
“New Lease Agreements”	means collectively, New Lease Agreement (1), New Lease Agreement (2), New Lease Agreement (3), New Lease Agreement (4), New Lease Agreement (5), New Lease Agreement (6) and New Lease Agreement (7), and “New Lease Agreement” means any one of them
“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
“Previous Lease Agreements”	means collectively, the seven separate lease agreements, each in respect of a Property, and entered into between the Landlord as landlord and the Tenant as tenant which were in existence immediately prior to the New Lease Agreements
“Properties”	means collectively, Property (1), Property (2), Property (3), Property (4), Property (5), Property (6) and Property (7), and “Property” means any one of them

“Property (1)”	means the 1st Floor, 2nd Floor, 3rd Floor, 4th Floor, 6th Floor of the Museum, the 1st, 2nd and the 3rd floors of Xu Room and store rooms D1-002 and D1-007 of the underground of the Museum
“Property (2)”	means the 7th Floor of the Museum
“Property (3)”	means part of the 5th Floor of the Museum
“Property (4)”	means the underground floor one of the Museum
“Property (5)”	means the 1st Floor of Xu Room and mezzanine at the east side outside the north gate of the Museum
“Property (6)”	means the area under the rain canopy (雨搭下場地) outside the east gate at the first floor of the south side of the Building
“Property (7)”	means the area outside the south gate of Xu Room at first floor of the Museum
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholders”	means holders of the Shares
“Shares”	means shares of nominal value of HK\$0.02 each in the capital of the Company
“sq. m”	means square metres
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

“Tenant”	means Parkson Retail Development Co. Ltd.* (百盛商業發展有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Xu Room”	means the property named “Xu Room* (序廳)” in the Museum

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

3 April 2019

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 are Dato’ Sri Dr. Hou Kok Chung and Mr. He Dong and the Independent Non-executive Directors are Dato’ Fu Ah Kiow, Mr. Ko Desmond and Mr. Yau Ming Kim, Robert.

* *For ease of reference, the names of the PRC established companies or entities and the PRC laws and regulations have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*