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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)

**MAJOR TRANSACTION
IN RELATION TO THE ENTERING INTO
THE WITHDRAWAL FRAMEWORK AGREEMENT**

References are made to the announcements of the Company dated 16 October 2020 and 19 October 2020, and the circular of the Company dated 25 November 2020 in relation to, among other things, the entering into the Joint Venture Cooperation Agreement in respect of the formation of the Joint Venture (i.e. Jiaxing Gold Lion Real Estate) by Shanghai Shengrui (an indirect wholly-owned subsidiary of the Company) and Hongxiang Real Estate (a wholly-owned subsidiary of Hongxiang Group) and the successful bidding for the auction for the land use rights of the Land for commercial and residential purposes.

Pursuant to the Joint Venture Cooperation Agreement, Shanghai Shengrui and Hongxiang Real Estate had jointly set up Jiaxing Gold Lion Real Estate, which is held as to 22.5% by Shanghai Shengrui and 77.5% by Hongxiang Real Estate, respectively, after the successful bidding of the land use rights of the Land. The Group had made a capital contribution to Jiaxing Gold Lion Real Estate in an amount of RMB450.00 million by way of shareholder's loan. As at the date of this announcement, the Outstanding Shareholder's Loan amounted to RMB330.75 million.

ENTERING INTO THE WITHDRAWAL FRAMEWORK AGREEMENT AND WITHDRAWAL FROM THE JOINT VENTURE

As suitable plots of land to be used for commercial and retail purposes could not be identified, following arm's length negotiations between the Parties, the Board wishes to announce that on 6 September 2021 (after trading hours), the Parties have entered into the Withdrawal Framework Agreement, pursuant to which the Parties agreed to enter into the following arrangements to implement the Group's withdrawal from the Joint Venture:

- (1) the transfer by Parkson Investment (an indirect wholly-owned subsidiary of the Company) of the Sale Shares to Shanghai Yuehuanshu (a non wholly-owned subsidiary of Hongxiang Group) for a consideration of approximately RMB0.26 million;
- (2) the repayment by Jiaxing Gold Lion Real Estate of the Outstanding Shareholder's Loan to Jiaxing Lion Retail Management (an indirect wholly-owned subsidiary of the Company);
- (3) the settlement by Jiaxing Gold Lion Real Estate of the Consultancy Service Fee to Parkson Investment in respect of the consultancy services rendered by Parkson Investment pursuant to the Consultancy Agreement; and
- (4) the settlement by Jiaxing Gold Lion Real Estate of the License Fee to Parkson Investment in respect of the grant by Parkson Investment of the non-exclusive right to use a trademark to Jiaxing Gold Lion Real Estate pursuant to the Trademark License Agreement.

Following the completion of the Withdrawal, the Group shall cease to have any interest in Shanghai Shengrui, and consequently, the Group will no longer have any interest in Jiaxing Gold Lion Real Estate. Notwithstanding anything in the Joint Venture Cooperation Agreement to the contrary, Shanghai Shengrui and Hongxiang Real Estate agreed to carry out the transfer of the Sales Shares in accordance with the Withdrawal Framework Agreement. Shanghai Shengrui and Hongxiang Real Estate further agreed to discharge each other from their respective liabilities under the Joint Venture Cooperation Agreement. Upon the completion of the registration for the transfer of the Sale Shares, the Withdrawal shall be completed and all shareholder's rights and interests and obligations in the Sale Shares shall belong to Shanghai Yuehuanshu.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Withdrawal Framework Agreement and the Withdrawal Arrangements are more than 25% but all of such ratios are less than 100%, the Withdrawal Framework Agreement and the Withdrawal Arrangements shall, as a whole, constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder or any of their respective associates has any material interest in the Withdrawal Framework Agreement and the Withdrawal Arrangements and none of the Shareholders is required to abstain from voting in favour of the resolution to approve the Withdrawal Framework Agreement and the Withdrawal Arrangements. A closely allied group of Shareholders interested in an aggregate of 1,448,270,000 Shares, representing approximately 54.97% of the total number of issued shares of the Company, has given its written approval on the Withdrawal Framework Agreement and the Withdrawal Arrangements.

The written approval of the aforementioned group of Shareholders has been accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. The aforesaid Shareholders are (i) East Crest International Limited which holds 9,970,000 Shares, representing 0.38% of the total number of issued shares of the Company; and (ii) PRG Corporation Limited, which holds 1,438,300,000 Shares, representing approximately 54.59% of the total number of issued shares of the Company. PRG Corporation Limited is a wholly-owned subsidiary of East Crest International Limited.

A circular containing, among other things, information relating to the Withdrawal Framework Agreement and the Withdrawal Arrangements is expected to be despatched to the Shareholders for information purposes only in accordance with Rule 14.41(a) of the Listing Rules on or before 28 September 2021.

INTRODUCTION

References are made to the announcements of the Company dated 16 October 2020 and 19 October 2020, and the circular of the Company dated 25 November 2020 in relation to, among other things, the entering into the Joint Venture Cooperation Agreement in respect of the formation of the Joint Venture (i.e. Jiaxing Gold Lion Real Estate) by Shanghai Shengrui (an indirect wholly-owned subsidiary of the Company) and Hongxiang Real Estate (a wholly-owned subsidiary of Hongxiang Group) and the successful bidding for the auction for the land use rights of the Land for commercial and residential purposes.

Pursuant to the Joint Venture Cooperation Agreement, Shanghai Shengrui and Hongxiang Real Estate had jointly set up Jiaxing Gold Lion Real Estate, which is held as to 22.5% by Shanghai Shengrui and 77.5% by Hongxiang Real Estate, respectively, after the successful bidding of the land use rights of the Land. The Group had made a capital contribution to Jiaxing Gold Lion Real Estate in an amount of RMB450.00 million by way of shareholder's loan. As at the date of this announcement, the Outstanding Shareholder's Loan amounted to RMB330.75million.

As suitable plots of land to be used for commercial and retail purposes could not be identified, following arm's length negotiations between the Parties, the Board wishes to announce that on 6 September 2021 (after trading hours), the Parties have entered into the Withdrawal Framework Agreement, pursuant to which the Parties agreed to enter into certain arrangements to implement the Group's withdrawal from the Joint Venture for the amounts as set out in the section headed "Subject Matter and the Withdrawal Arrangements" in this announcement, which shall constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

THE WITHDRAWAL FRAMEWORK AGREEMENT

A summary of the principal terms of the Withdrawal Framework Agreement and the relevant information are set out below:

Date: 6 September 2021

Parties: Parkson Investment

Shanghai Yuehuanshu

Hongxiang Real Estate

Shanghai Shengrui

Jiaxing Gold Lion Real Estate

Jiaxing Lion Retail Management

Subject Matter and the Withdrawal Arrangements:

(1) Transfer of the Sale Shares

Pursuant to the Withdrawal Framework Agreement, the Parties agreed that Parkson Investment shall transfer the Sale Shares to Shanghai Yuehuanshu for a consideration of approximately RMB0.26 million. The consideration for the transfer of the Sale Shares shall be paid within 10 business days following the signing of the Withdrawal Framework Agreement.

(2) Repayment of the Outstanding Shareholder's Loan

Pursuant to the Withdrawal Framework Agreement, the Parties agreed that the Outstanding Shareholder's Loan of RMB330.75 million shall be repaid by Jiaxing Gold Lion Real Estate to Jiaxing Lion Retail Management on or before 31 October 2021.

(3) Settlement of the Consultancy Service Fee

During the period from 1 November 2019 to 19 October 2020, Parkson Investment had been rendering consultancy services to Jiaxing Gold Lion Real Estate for the purpose of bidding of the land use rights of the Land. The Parties agreed that Jiaxing Gold Lion Real Estate shall pay the Consultancy Service Fee of RMB25.00 million to Parkson Investment for such consultancy services.

In order to formalise the settlement of the Consultancy Service Fee, the Parties agreed that Parkson Investment and Jiaxing Gold Lion Real Estate shall contemporaneously enter into the Consultancy Agreement on the date of the Withdrawal Framework Agreement and the Consultancy Service Fee shall be paid within 10 business days following the signing of the Withdrawal Framework Agreement.

The Consultancy Service Fee is arrived at after arm's length negotiations between the Parties with regard to the works and responsibilities of Parkson Investment.

(4) Settlement of the License Fee

During the period between the 19 October 2020 and up to the date of this announcement, Parkson Investment has granted the non-exclusive right to use a trademark (i.e. “百盛 Parkson”) and has agreed to continue to grant the non-exclusive right to use such trademark to Jiaxing Gold Lion Real Estate in relation to the commercial and residential project until the date of the delivery of the commercial part of the commercial and residential project (tentatively scheduled for 30 June 2024). The Parties agreed that Jiaxing Gold Lion Real Estate shall pay the License Fee of RMB23.89 million to Parkson Investment for the use of such trademark.

In order to formalise the settlement of the License Fee, the Parties agreed that Parkson Investment and Jiaxing Gold Lion Real Estate shall contemporaneously enter into the Trademark License Agreement on the date of the Withdrawal Framework Agreement and the License Fee shall be paid on or before 31 October 2021.

The License Fee is arrived at after arm’s length negotiations between the Parties with reference to a reasonable range of standard license fee rates charged by real estate companies under the prevailing market condition.

The total consideration of the Withdrawal Arrangements amounted to RMB379.90 million.

Conditions Precedent: Before obtaining the approval for the Withdrawal Arrangements by the Shareholders of the Company pursuant to the requirements under the Listing Rules, the Parties shall not have the obligation to perform the Withdrawal Framework Agreement.

Completion of the Withdrawal: Following the payment of the consideration for the transfer of the Sale Shares, the Outstanding Shareholder’s Loan, the Consultancy Service Fee and the License fee, Parkson Investment and Shanghai Yuehuanshu shall, within 10 business days, jointly file the application for the registration of the transfer of the Sale Shares and other related applications with relevant government authorities, and the Parties agreed to coordinate with each other and execute any documents that are required for such applications.

WITHDRAWAL FROM THE JOINT VENTURE

Following the completion of the Withdrawal, the Group shall cease to have any interest in Shanghai Shengrui, and consequently, the Group will no longer have any interest in Jiaxing Gold Lion Real Estate. Notwithstanding anything in the Joint Venture Cooperation Agreement to the contrary, Shanghai Shengrui and Hongxiang Real Estate agreed to carry out the transfer of the Sales Shares in accordance with the Withdrawal Framework Agreement. Shanghai Shengrui and Hongxiang Real Estate further agreed to discharge each other from their respective liabilities under the Joint Venture Cooperation Agreement. Upon the completion of the registration for the transfer of the Sale Shares, the Withdrawal shall be completed and all shareholder's rights and interests and obligations in the Sale Shares shall belong to Shanghai Yuehuanshu.

INFORMATION OF SHANGHAI SHENGRUI

Shanghai Shengrui is a company incorporated in the PRC with limited liability and it is an investment holding company.

Set out below are financial information of Shanghai Shengrui extracted from its unaudited financial statements for the period from 30 September 2020 (date of incorporation) to 31 December 2020, and the six months ended 30 June 2021:

	For the period from 30 September 2020 (date of incorporation) to 31 December 2020 (RMB'000)	For the six months ended 30 June 2021 (RMB'000)
Loss before income tax	5.02	117.72
Loss for the period	5.02	117.72
Net liabilities	5.02	122.74

REASONS FOR ENTERING INTO THE WITHDRAWAL FRAMEWORK AGREEMENT AND BENEFITS OF THE WITHDRAWAL

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

As disclosed in the annual report of the Company for the year ended 31 December 2020, the Group aims to explore new business opportunities, strengthen its business portfolio, so as to consolidate the Group's position as the PRC's leading retailer of lifestyle concepts. To this end, the Board constantly reviews the Company's business strategy in maximising the value of the Company.

As the Joint Venture was unable to identify suitable plots of land for development and construction of commercial shopping centres, the Board is of the view that the Withdrawal presents a good opportunity for the Group to recover its investment in the Joint Venture, thus improving the Group's financial and liquidity position and its cashflow, and provide resources to enable the Group to explore appropriate business opportunities to expand its business scale, thereby creating greater value and achieving better return for the Shareholders.

The Board is of the view that the Withdrawal does not have any material impact on the business, operations or financial position of the Group.

Having taken into account the above reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that the terms of the Withdrawal Framework Agreement and each of the specific arrangement documents contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

FINANCIAL EFFECT AND USE OF PROCEEDS OF THE WITHDRAWAL ARRANGEMENTS

Following the completion of the Withdrawal, the Group shall cease to have any interest in Shanghai Shengrui and its financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group. The Group will also no longer have any interest in Jiaxing Gold Lion Real Estate.

Based on (i) the net liability value of Shanghai Shengrui as at 31 August 2021; and (ii) the consideration for the Sale Shares, the Group currently expects to realise a gain of approximately RMB0.30 million from the transfer of the Sale Shares.

The proceeds from the Withdrawal Arrangements will be used as working capital of the Group.

INFORMATION OF THE GROUP AND THE PARTIES

The Group, Parkson Investment, Jiaxing Lion Retail Management

Parkson Investment is a wholly-owned foreign enterprise established in the PRC with limited liability in May 2006 and is an indirect wholly-owned subsidiary of the Company. Parkson Investment is an investment holding company.

Jiaxing Lion Retail Management is a wholly-owned foreign enterprise established in the PRC with limited liability in June 2020 and is an indirect wholly-owned subsidiary of the Company. Jiaxing Lion Retail Management is an investment holding company.

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

Hongxiang Real Estate and Shanghai Yuehuanshu

Hongxiang Real Estate is a real estate development company established in the PRC and is a wholly-owned subsidiary of Hongxiang Group. The ultimate beneficial owners of Hongxiang Real Estate are Yao Yueliang, Yao Weibing and Song Chengmei. Hongxiang Group is a property developer located in the PRC, and its principal businesses are property development, provision of construction services, environmental technology and provision of modern services such as financial services, commercial and trading services, sports culture and modern industrial services.

Shanghai Yuehuanshu is a company established in the PRC and a non wholly-owned subsidiary of Hongxiang Group, which is owned as to 55% by Hongxiang Group and 45% by Mr. Song Guangshu (宋光曙先生). Shanghai Yuehuanshu is principally engaged in business management and consultancy services.

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

Shanghai Shengrui

Shanghai Shengrui is a company established in the PRC with limited liability in September 2020. Shanghai Shengrui is an investment holding company. Prior to the transfer of Sales Share, Shanghai Shengrui is an indirect wholly-owned subsidiary of the Company and upon the completion of the registration for the transfer of the Sale Shares, it will become a wholly-owned subsidiary of Shanghai Yuehuanshu.

Jiaxing Gold Lion Real Estate

Jiaxing Gold Lion Real Estate is a company established in the PRC with limited liability in November 2020. Jiaxing Gold Lion Real Estate is principally engaged in real estate development. Jiaxing Gold Lion Real Estate is owned as to 77.5% by Hongxiang Real Estate and 22.5% by Shanghai Shengrui.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Withdrawal Framework Agreement and the Withdrawal Arrangements are more than 25% but all of such ratios are less than 100%, the Withdrawal Framework Agreement and the Withdrawal Arrangements shall, as a whole, constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder or any of their respective associates has any material interest in the Withdrawal Framework Agreement and the Withdrawal Arrangements and none of the Shareholders is required to abstain from voting in favour of the resolution to approve the Withdrawal Framework Agreement and the Withdrawal Arrangements. A closely allied group of Shareholders interested in an aggregate of 1,448,270,000 Shares, representing approximately 54.97% of the total number of issued shares of the Company, has given its written approval on the Withdrawal Framework Agreement and the Withdrawal Arrangements.

The written approval of the aforementioned group of Shareholders has been accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. The aforesaid Shareholders are (i) East Crest International Limited which holds 9,970,000 Shares, representing 0.38% of the total number of issued shares of the Company; and (ii) PRG Corporation Limited, which holds 1,438,300,000 Shares, representing approximately 54.59% of the total number of issued shares of the Company. PRG Corporation Limited is a wholly-owned subsidiary of East Crest International Limited.

A circular containing, among other things, information relating to the Withdrawal Framework Agreement and the Withdrawal Arrangements is expected to be despatched to the Shareholders for information purposes only in accordance with Rule 14.41(a) of the Listing Rules on or before 28 September 2021.

DEFINITIONS

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

- “Board” means the board of Directors.
- “Company” means Parkson Retail Group Limited, a company incorporated in the Cayman Islands.
- “Consultancy Agreement” means the consultancy service agreement entered into between Parkson Investment and Jiaxing Gold Lion Real Estate pursuant to the Withdrawal Framework Agreement in relation to the provision of consultancy services by Parkson Investment.
- “Consultancy Service Fee” means the consultancy service fee of RMB25.00 million to be paid by Jiaxing Gold Lion Real Estate to Parkson Investment pursuant to the Consultancy Agreement.
- “Directors” means the directors of the Company.
- “Group” means the Company and its subsidiaries.
- “HK\$” means Hong Kong Dollar, the lawful currency of Hong Kong.
- “Hong Kong” means the Hong Kong Special Administrative Region of the PRC.
- “Hongxiang Group” means Hongxiang Holding Group Co., Ltd* (鴻翔控股集團有限公司), being a company established in the PRC.
- “Hongxiang Real Estate” means Hongxiang Real Estate Co., Ltd.* (鴻翔房地產有限公司), being a company established in the PRC and a wholly-owned subsidiary of Hongxiang Group.

“Jiaxing Lion Retail Management”	means Jiaxing Lion Retail Management Co., Ltd.* (嘉興金獅商業管理有限公司), being a wholly-owned foreign enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company.
“Joint Venture” or “Jiaxing Gold Lion Real Estate”	means Jiaxing Gold Lion Real Estate Development Co., Ltd* (嘉興金獅房地產開發有限公司), the joint venture formed between Shanghai Shengrui and Hongxiang Real Estate in the PRC pursuant to the Joint Venture Cooperation Agreement.
“Joint Venture Cooperation Agreement”	means the joint venture cooperation agreement entered into between Shanghai Shengrui and Hongxiang Real Estate on 15 October 2020.
“Land”	means the land located at the east of Qingfeng Road GreenBelt Area, south of Guangze Road, west of Yundong Road and north of Zuili Road Green Belt Area, Jiaxing City of Zhejiang Province in the PRC (中國浙江省嘉興市東至慶豐路綠化帶、南至廣澤路、西至雲東路及北至樵李路綠化帶) with a total site area of 130,294 square meters for commercial and residential purposes.
“License Fee”	means the license fee of RMB23.89 million to be paid by Jiaxing Gold Lion Real Estate to Parkson Investment pursuant to the Trademark License Agreement.
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Outstanding Shareholder’s Loan”	means the unrepaid amount of the shareholder’s loan provided by the Group to Jiaxing Gold Lion Real Estate pursuant to the Joint Venture Cooperation Agreement in the amount of RMB330.75 million.

“Parkson Investment”	means Parkson Investment Holdings Co., Ltd.* (金獅百盛投資有限公司), being a wholly-owned foreign enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company.
“Parties”	means the parties to the Withdrawal Framework Agreement, namely Parkson Investment, Shanghai Yuehuanshu, Hongxiang Real Estate, Shanghai Shengrui, Jiaxing Gold Lion Real Estate and Jiaxing Lion Retail Management.
“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.
“Sale Shares”	means the entire equity interest in Shanghai Shengrui.
“Shanghai Shengrui”	means Shanghai Shengrui Commercial Management Co., Ltd.* (上海盛蕤商業管理有限公司), being a company established in the PRC and an indirect wholly-owned subsidiary of the Company.
“Shanghai Yuehuanshu”	means Shanghai Yuehuanshu Enterprise Management Co., Ltd.* (上海樾寰曙企業管理有限公司), being a company established in the PRC and a non wholly-owned subsidiary of Hongxiang Group, which is owned as to 55% by Hongxiang Group and 45% by Mr. Song Guangshu (宋光曙先生).
“Shareholders”	means holders of the Shares.
“Shares”	means ordinary shares of nominal value of HK\$0.02 each in the capital of the Company.
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.

“Trademark License Agreement”	means the trademark license agreement entered into between Parkson Investment and Jiaxing Gold Lion Real Estate pursuant to the Withdrawal Framework Agreement in relation to the grant of a non-exclusive right to use a trademark (i.e. “百盛 Parkson”) by Parkson Investment to Jiaxing Gold Lion Real Estate.
“Withdrawal”	means the Group’s withdrawal from the Joint Venture.
“Withdrawal Arrangements”	means the arrangements contemplated under the Withdrawal Framework Agreement.
“Withdrawal Framework Agreement”	means the withdrawal framework agreement entered into between the Parties on 6 September 2021 to implement the Withdrawal.
“%”	means percent.

Yours faithfully,
For and on behalf of the Board
PARKSON RETAIL GROUP LIMITED
Tan Sri Cheng Heng Jem
Executive Director and Chairman

6 September 2021

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 Mr. Koong Lin Loong.

* *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.*