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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:
TENANCY IN RESPECT OF A PROPERTY IN MIANYANG
CITY, SICHUAN PROVINCE, THE PRC**

PROPOSED TENANCY AGREEMENT

Reference is made to the announcement of the Company dated 25 October 2022 in respect of the successful tender by the Tenant (an indirect wholly-owned subsidiary of the Company) for the tenancy of the Property located in Mianyang City, Sichuan Province, the PRC.

On 21 December 2022 and 8 February 2023, the Tenant and the Landlord had entered into the Cooperation Agreement and Confirmation Letter respectively, pursuant to which the Parties have agreed to the principal terms of the Tenancy Agreement to be entered into either within 5 business days from the date on which the Landlord has obtained the construction project planning permit for the Property; or within 1 business day from the date on which all Listing Rules requirements concerning the Tenancy Transaction have been complied with, whichever is the later.

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

On the basis of the acquisition of right-of-use asset under the Tenancy Transaction, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB159.5 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.

IMPLICATIONS UNDER THE LISTING RULES

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 25% but less than 100%, the Tenancy Transaction constitutes a major transaction of the Company, and is therefore subject to 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 Tenancy Transaction and accordingly, none of the Shareholders is required to abstain from voting in favour of the resolution to approve the Tenancy Transaction. 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 Tenancy Transaction. The written approval of the aforesaid 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.

A circular containing, among other things, information relating to the Tenancy Transaction 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 24 February 2023.

1. INTRODUCTION

The Board is pleased to announce that on 21 December 2022, the Tenant and the Landlord had entered into the Cooperation Agreement, pursuant to which the Parties agreed on the circumstances in which they shall enter into the Tenancy Agreement by way of a supplemental agreement. On 8 February 2023, the Tenant and the Landlord had executed the Confirmation Letter, pursuant to which the Parties have agreed to the principal terms of the Tenancy Agreement to be entered into either (i) within 5 business days from the date on which the Landlord has obtained the construction project planning permit for the Property; or (ii) within 1 business day from the date on which all Listing Rules requirements concerning the Tenancy Transaction have been complied with, whichever is the later.

A summary of the agreed principal terms of the Tenancy Agreement and other relevant information are set out below.

2. TENANCY AGREEMENT

Parties : Tenant: Mianyang Fulin Parkson Plaza Co., Ltd.* (綿陽富臨百盛廣場有限公司), an indirect wholly-owned subsidiary of the Company.

Landlord: Mianyang New Investment Industrial Co., Ltd.* (綿陽新投實業有限責任公司).

Property : relevant parts of LG1, Level 1 to Level 4 of the building to be developed on the plot located at the east side of Chuangye Boulevard, Science and Technology City New District (Zhi Guan District), Mianyang City, Sichuan Province* (四川省綿陽市科技城新區(直管區)創業大道東側地塊), the PRC.

Total gross area : approximately 60,000 sq. m; actual area to be confirmed by the measurements to be conducted by third party surveying and mapping agency within 30 days after the Property is delivered to the Tenant.

Term : 20 years from the actual date of commencement of operations by the Tenant at the Property, which is tentatively scheduled for 1 February 2026, provided that the Property be delivered by the Landlord to the Tenant by 30 July 2025.

Rental : The Tenant shall be entitled to a rent-free period during the first 365 days of the Term, and the rental period shall commence from the 366th day of the Term.

The monthly rental payable by the Tenant shall be in the form of either guaranteed rental or percentage rental, whichever amount is the higher, which shall each be calculated in the following manner:

(a) guaranteed rental amount shall initially be RMB30 per sq. m per month, which shall be increased by 5% after 5 years, and shall thereafter be increased by 5% every 3 years.

(b) percentage rental amount shall be (i) in the case of non-sub-let parts of the Property, ranging from 1% to 3% of the net sales (after tax) of the Tenant, depending on the type of products sold; and (ii) in the case of sub-let parts of the Property, 30% of the net sub-rental income (after tax) of the Tenant. Any percentage rental amount paid in a financial year shall be reconciled and settled by the Parties after the end of that financial year based on financial data provided by the Tenant.

Deposit : RMB1 million, which shall be applied towards the Tenant's final rental payment within the Term.

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 but may not transfer or sub-let the entire 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 least one 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 four years of business operations at the Property, the Tenant has accumulated losses exceeding RMB40 million, provided that the Tenant shall give the Landlord 180 days' prior written notice.

3. BASIS FOR DETERMINATION OF THE RENTAL AND OTHER INFORMATION

As disclosed in the Company's announcement dated 25 October 2022, the tenancy for the Property was won by the Tenant through a successful bid in tender through the tender invitation by the Landlord. Since the Property is a state-owned property, the tender was subject to certain restrictions and key terms, including rental calculations. The Tenant had made its decision to submit a bid based on such key terms, in particular the rental amounts, with reference to the prevailing market rentals for properties of similar type, age and location.

The rental and any other amounts, e.g. water, electricity and gas costs, 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 department stores.

4.2 The Landlord

The Landlord is a company established in the PRC and a state-owned enterprise, and is principally engaged in the business of property management and management of municipal facilities.

The Landlord is wholly-owned by Mianyang Science and Technology City New District Investment Holdings (Group) Co., Ltd.* (綿陽科技城新區投資控股(集團)有限公司), which is in turn held as to 81.60% by the Mianyang Science and Technology City New District Management Committee* (綿陽科技城新區管理委員會), 9.34% by China Agricultural Development Key Construction Fund Company Limited* (中國農發重點建設基金有限公司) and 9.06% by Sichuan Provincial Department of Finance* (四川省財政廳).

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).

5. REASONS FOR AND BENEFITS OF THE TENANCY TRANSACTION

The Group has been operating and managing department stores and shopping centres for more than 20 years and currently has 2 department stores and a gourmet supermarket in Mianyang City, Sichuan Province, where the Group has gained good reputation and market recognition. With its current presence in Mianyang City, the Board considers that the Tenancy Transaction plays an important role in the continued development of the Group's business in Mianyang City and is in line with the Group's development strategy. The Property is tailor-made for the Group, located in the new district of Mianyang City established in 2020, which is being developed by the local government as an important business circle. 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 gaining 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 Transaction 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 Tenancy Transaction will require the Group to recognise the Property as a right-of-use asset. Thus, the Tenancy Transaction and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules.

6.2 Major Transaction

On the basis of the acquisition of right-of-use asset under the Tenancy Transaction, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB159.5 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.

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 25% but less than 100%, the Tenancy Transaction constitutes a major transaction of the Company, and is therefore subject to 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 Tenancy Transaction and accordingly, none of the Shareholders is required to abstain from voting in favour of the resolution to approve the Tenancy Transaction. 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 Tenancy Transaction. The written approval of the aforesaid 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 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.

7. GENERAL

A circular containing, among other things, information relating to the Tenancy Transaction 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 24 February 2023.

8. 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.
“Confirmation Letter”	means the Confirmation Letter dated 8 February 2023 executed by the Landlord and the Tenant in connection with the Tenancy Agreement.
“Cooperation Agreement”	means the Cooperation Agreement dated 21 December 2022 entered into between the Landlord and the Tenant in relation to the Property.
“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 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 Mianyang New Investment Industrial Co., Ltd.* (綿陽新投實業有限責任公司), a company established in PRC.
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Parties”	means collectively, the Tenant and the Landlord, and each of which shall be a “Party”.
“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 relevant parts of LG1, Level 1 to Level 4 of the building to be developed on the plot located at the east side of Chuangye Boulevard, Science and Technology City New District (Zhi Guan District), Mianyang City, Sichuan Province* (四川省綿陽市科技城新區(直管區)創業大道東側地塊), 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 Mianyang Fulin Parkson Plaza Co., Ltd.* (綿陽富臨百盛廣場有限公司), a company established in PRC and an indirect wholly-owned subsidiary of the Company.

“Tenancy Agreement”	means the Tenancy Agreement in respect of the tenancy of the Property to be entered into between the Tenant and the Landlord in accordance with the terms of the Confirmation Letter, the advance draft of which was attached as Schedule 1 to the Cooperation Agreement and as Schedule to the Confirmation Letter.
“Tenancy Transaction”	means the transactions relating to the tenancy of the Property, including the entering into of the Cooperation Agreement, Confirmation Letter and Tenancy Agreement.
“Term”	means the term of the Tenancy Agreement, being 20 years from the actual date of commencement of operations by the Tenant at the Property, which is tentatively scheduled for 1 February 2026, provided that the Property be delivered by the Landlord to the Tenant by 30 July 2025.
“%”	means per cent.

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

8 February 2023

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.*