

## Valuation Report

Parkson Retail Group Limited

Portfolio Valuation

Valuation as at 30 April 2024

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26 July 2024

The Board of Directors  
Parkson Retail Group Limited  
Room 1010, 10th Floor  
Harcourt House  
39 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

#### **Instructions, Purpose & Valuation Date**

In accordance with the instructions of Parkson Retail Group Limited (the “**Company**”) for us to provide our opinion of the market rents of the properties to be leased to Shenyang Parkson Shopping Plaza Co., Ltd. (瀋陽百盛購物廣場有限公司) and Parkson Retail Development Co., Ltd. (百盛商業發展有限公司), indirect wholly-owned subsidiaries of the Company, (collectively the “**Group**”) in the People’s Republic of China (the “**PRC**”) (as more particularly described in the attached valuation report), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing the Company with our opinion of market rents of the properties as at 30 April 2024 (the “**Valuation Date**”).

#### **Valuation Basis**

Our valuation of each of the properties represents its market rent which in accordance with HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (“**HKIS**”) is defined as “the estimated amount for which an interest in real properties should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We confirm that the valuations are undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020.

### **Valuation Assumption**

Our valuation of each of the properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special consideration or concessions granted by anyone associated with the letting, or any element of value available only to a specific lessor or lessee.

Our valuation of each property has been made on the assumption that the lessor leases or lets the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the market rent of the property.

Unless otherwise stated, our valuation of each of the properties is on a 100% interest basis.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a letting.

Unless otherwise stated, it is assumed that each of the properties is free from encumbrances, restrictions and onerous nature which could affect its market rent.

### **Method of Valuation**

In valuing the properties, we have adopted Market Comparison Method which is universally considered the most acceptable method for assessing the rent of most forms of real estate. This involves the analysis of recent market rental evidences of similar properties to compare with the properties under assessment. Each comparable is analysed on the basis of its unit rent; each attribute of the comparable is then compared with the properties and where there is a difference, the unit rent is adjusted in order to arrive at the appropriate unit rent for the properties.

### **Source of Information**

We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the properties, tenancy information, particulars of occupancy, site and floor area and all other relevant matters.

In the course of our valuation of the properties, we have also relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser, DEHEHANTONG LAW OFFICES (德禾翰通律師事務所), regarding the title to the properties and the interest in the properties.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration in English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

### **Title Investigation**

We have been provided with the copies of title documents relating to the properties in the PRC. We have not been able to conduct title searches and have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group regarding the interests of the Group in the properties in the PRC.

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and its legal adviser in respect of the title to the properties in the PRC.

In valuing the properties, we have assumed that the owner of each property has an enforceable title to the property and has free and uninterrupted rights to use, occupy, assign or lease the property for the whole or part of the unexpired term as granted. We have not verified the authentication of the real estate title certificates and we assume that the copy of relevant documents provided by the Company are true and accurate.

### **Site Inspection**

Our valuers, Smart Tian (CIREA, 20 years' experience of property valuation) and Fiona Sun (CIREA, 10 years' experience of property valuation), of our Shenyang office, inspected the exterior and, wherever possible, the interior of the properties in Shenyang and Harbin on 15 May 2024 and 8 May 2024 respectively. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

### **Currency**

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi (“RMB”), the official currency of the PRC.

### **Other Disclosure**

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuations have no pecuniary or other interests that could conflict with the proper valuation of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

### **Intended Use and User of Report**

This valuation report is issued only for the use of the Company for incorporation into its circular.

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**



**Grace S.M. Lam**  
*MHKIS, MRICS, RPS(GP)*  
*Senior Director*  
*Valuation & Advisory Services, Greater China*

*Note: Ms. Grace S.M. Lam is a member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.*

**Summary of Valuations**

<b>Properties to be leased to the Group in the PRC</b>	<b>Market rent in existing state as at 30 April 2024 (RMB)</b>
1. Relevant parts of Level LG1 to Level 8 of the building known as Shenyang Parkson Department Store located at No. 21 Zhonghua Road, Heping District, Shenyang, Liaoning Province, the PRC (中華人民共和國遼寧省瀋陽市和平區中華路21號瀋陽百盛百貨公司大樓地下一層至八層部分).	23,700,000 (Note)
2. Relevant parts of Level LG1 to Level 6 of the building known as Harbin Parkson Department Store located at No. 222 Zhongyang Avenue, Daoli District, Harbin, Heilongjiang Province, the PRC (中華人民共和國黑龍江省哈爾濱市道裡區中央大街222號哈爾濱百盛百貨公司大樓地下一層至六層部分).	24,300,000 (Note)

*Note:* Market rent per year for the first term, inclusive of value-added tax (“VAT”) but exclusive of building management fee.

## VALUATION REPORT

### Properties to be leased to the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 April 2024
1. Relevant parts of Level LG1 to Level 8 of the building known as Shenyang Parkson Department Store located at No. 21 Zhonghua Road, Heping District, Shenyang, Liaoning Province, the PRC (中華人民共和國遼寧省瀋陽市和平區中華路21號瀋陽百盛百貨公司大樓地下一層至八層部分).	<p>Shenyang Parkson Department Store is an 8-storey plus 1 basement level commercial building erected on a parcel of land of 15,072.00 sq.m.</p> <p>According to the information provided by the Company, the property was completed in 2003 and has a total leasable area of 46,626 sq.m.</p> <p>The property is located at No. 21 Zhonghua Road, Heping District, Shenyang City. The property is just 400 metres away from the Shenyang Railway Station and Shenyang Railway Station of Metro Line No. 1. Developments nearby are mainly commercial blocks.</p> <p>The land use rights of the property have been granted for a term due to expire on 7 June 2042 for commercial use.</p>	As at the Valuation Date, the property was operated as a department store.	<p>RMB23,700,000</p> <p>(TWENTY THREE MILLION AND SEVEN HUNDRED THOUSAND)</p> <p>per year for the first term, inclusive of VAT but exclusive of building management fee</p> <p>(Please see Note 1 below)</p>

#### Notes:

- (1) The rental valuation is conducted subject to the following terms already agreed between the landlord and the tenant:

Property:	Relevant parts of Level LG1 to Level 8 of the building known as Shenyang Parkson Department Store located at No. 21 Zhonghua Road, Heping District, Shenyang, Liaoning Province, the PRC (中華人民共和國遼寧省瀋陽市和平區中華路21號瀋陽百盛百貨公司大樓地下一層至八層部分).
Total Leasable Area:	46,626 sq.m.

Lease Term:	1 January 2025 to 31 December 2034		
Annual Rent for 1st Year:	Fixed rent, inclusive of VAT but exclusive of building management fee		
Rent Payable*:	<b>Annual rent payable inclusive of VAT but exclusive of building management fee</b>		
	<b>Years</b>	<b>management fee</b>	<b>Growth rate</b>
	1-3	First fixed amount	–
	4-6	Second fixed amount	6.38% of Year 3 rent
	7-8	Third fixed amount	5.99% of Year 6 rent
	9-10	Fourth fixed amount	15.08% of Year 8 rent

\* *In assessing the rental value of the property, we have made the assumption that the VAT rates remain unchanged throughout the lease period. Pursuant to the prescribed terms set out above, our opinion of the annual rent of Year 1 is RMB23,700,000, inclusive of VAT but exclusive of building management fee, at a fixed amount without varying rent, turnover rent or rental incentive.*

(2) According to State-owned Land Use Rights Certificate No. (2006)0075 issued by the Shenyang Municipal Land Resources Bureau on 20 March 2006, the land use rights of the property, comprising a site area of 15,072.00 sq.m., have been vested in Shenyang Holding Company Limited (瀋陽控股有限責任公司) for a term due to expire on 7 June 2042 for commercial use.

(3) According to Building Ownership Certificate No. 11896 issued by the Shenyang Housing Administration Bureau (瀋陽市房產管理局) on 16 December 2005, the building ownership of an enlarged property including the property, with a total gross floor area of 57,464.89 sq.m., has been vested in Shenyang Holding Company Limited (瀋陽控股有限責任公司).

As advised by the Company, the property is part of the aforesaid gross floor area.

(4) We have adopted Market Comparison Method by identifying relevant rental comparables in the nearby developments. Comparable properties are selected based on the following criteria: (i) the lease of comparable properties took place in 2023 and 2024; (ii) comparable properties are located in Shenyang; (iii) the nature of the comparable properties is similar to the property (i.e. leased to a single anchor brand similar to Parkson). We have examined the current market and the rental comparables identified by us are considered exhaustive based on the above criteria. The unit monthly rent of the retail comparables range from RMB38 to RMB51 per month per sq. m., inclusive of VAT.

<b>Rental Comparable</b>	<b>Leased Area</b> (sq.m.)	<b>Unit Rent</b> (RMB/sq.m./month)
1. A four-storey shopping mall (levels 1-4) in Heping District	4,000	46
2. A four-storey shopping mall (levels 1-4) in Shenhe District	1,980	38
3. A eight-storey shopping mall (levels 1-8) in Shenhe District	2,400	51

The rental comparables are available from our internal proprietary database, hence building names are not disclosed as restricted by confidential agreements to third parties.



In arriving at the key assumptions, appropriate adjustments and analysis are considered to reflect the differences in several aspects, including but not limited to location, size, floor and other physical characteristics between the property and the comparable properties. The general basis of adjustment is that if the property is similar to the comparable properties, no adjustment is necessary. If the property is better than the comparable properties, an upward adjustment is made. Alternatively, if the property is inferior to or less desirable than the comparable properties, a downward adjustment is made.

The major adjustments include but not limited to:

<b>Adjustment</b>	<b>Range</b>
Transaction Status	-3%
Location & Environment	-5% to +10%
Accessibility	0% to +5%
Age & Maintenance	0% to +5%
Size	-10%
Building Facilities	+2% to +4%
Decoration Standard	+8% to +10%
Level	-12% to +2%

We have assigned equal weighting to the three comparables after due adjustments. As a result, we have adopted a unit market rent of RMB42.30 per sq.m. per month for a total leasable area of 46,626 sq.m., equivalent to a sum of approximately RMB1,972,000 per month inclusive of VAT but exclusive of building management fee for the first year.

Based on our independent adjustments of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the property is fair and reasonable.

- (5) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:-
- (a) Shenyang Holding Company Limited (瀋陽控股有限責任公司) is the legal owner of the property;
  - (b) The property is subject to a mortgage in favour of CMB Wing Lung Bank Limited (招商永隆銀行有限公司); and
  - (c) Shenyang Holding Company Limited (瀋陽控股有限責任公司) has the right to legally possess, use, lease, benefit from and otherwise dispose of the property. However, the exercise of the above rights is subject to the agreement between Shenyang Holding Company Limited (瀋陽控股有限責任公司) and the mortgagee.

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 April 2024
2. Relevant parts of Level LG1 to Level 6 of the building known as Harbin Parkson Department Store located at No. 222 Zhongyang Avenue, Daoli District, Harbin, Heilongjiang Province, the PRC (中華人民共和國黑龍江省哈爾濱市道裡區中央大街222號哈爾濱百盛百貨公司大樓地下一層至六層部分).	<p>Harbin Parkson Department Store is a 6-storey plus 1 basement level commercial building erected on a parcel of land of 42,498.60 sq.m.</p> <p>According to the information provided by the Company, the property was completed in 2004 and has a total leasable area of 45,992.75 sq.m.</p> <p>The property is located at Zhongyang Avenue, Daoli District, Harbin City. Developments nearby are mainly commercial blocks.</p> <p>The land use rights of the property have been granted for a term due to expire on 19 July 2043 for commercial use.</p>	As at the Valuation Date, the property was operated as a department store.	<p>RMB24,300,000</p> <p>(TWENTY FOUR MILLION AND THREE HUNDRED THOUSAND)</p> <p>per year for the first term, inclusive of VAT but exclusive of building management fee</p> <p>(Please see Note 1 below)</p>

*Notes:*

- (1) The rental valuation is conducted subject to the following terms already agreed between the landlord and the tenant:

Property:	Relevant parts of Level LG1 to Level 6 of the building known as Harbin Parkson Department Store located at No. 222 Zhongyang Avenue, Daoli District, Harbin, Heilongjiang Province, the PRC (中華人民共和國黑龍江省哈爾濱市道裡區中央大街222號哈爾濱百盛百貨公司大樓地下一層至六層部分).
Total Leasable Area:	45,992.75 sq.m.
Lease Term:	1 January 2025 to 31 December 2034
Annual Rent for 1st Year:	Fixed rent, inclusive of VAT but exclusive of building management fee

Rent Payable*:	Years	Annual rent payable inclusive of VAT but exclusive of building management fee	Growth rate
	1-3	First fixed amount	–
	4-6	Second fixed amount	6.20% of Year 3 rent
	7-8	Third fixed amount	5.84% of Year 6 rent
	9-10	Fourth fixed amount	14.71% of Year 8 rent

\* *In assessing the rental value of the property, we have made the assumption that the VAT rates remain unchanged throughout the lease period. Pursuant to the prescribed terms set out above our opinion of the annual rent of Year 1 is approximately RMB24,300,000, inclusive of VAT but exclusive of building management fee, at a fixed amount without varying rent, turnover rent or rental incentive.*

(2) According to State-owned Land Use Rights Certificate No. (2006)3022 issued by the Harbin Municipal People's Government on 22 May 2006, the land use rights of the property, comprising a site area of 42,498.60 sq.m., have been vested in Harbin International Company Limited (哈爾濱國際有限責任公司) for a term due to expire on 19 July 2043 for commercial use.

(3) According to Building Ownership Certificate No. 0501025346 issued by the Harbin Real Estate and Housing Bureau (哈爾濱市房產住宅局) on 4 November 2005, the building ownership of a total gross floor area of 40,509.05 sq.m. has been vested in Harbin International Company Limited (哈爾濱國際有限責任公司).

According to Real Estate Ownership Certificate No. 0084047 issued by the Harbin Natural and Resource Planning Bureau (哈爾濱市自然與資源規劃局) on 20 July 2022, the building ownership of a total gross floor area of 22,369.57 sq.m. of underground carpark on level -1 of the property has been vested in Harbin International Company Limited (哈爾濱國際有限責任公司).

As advised by the Company, the property is part of the aforesaid gross floor areas.

(4) We have adopted Market Comparison Method by identifying relevant rental comparables in the nearby developments. Comparable properties are selected based on the following criteria: (i) the lease of comparable properties took place in 2023 and 2024; (ii) comparable properties located in Harbin; (iii) the nature of the comparable properties is similar to the property (i.e. leased to a single anchor brand similar to Parkson). We have examined the current market and the rental comparables identified by us are considered exhaustive based on the above criteria. The unit monthly rent of the retail comparables range from RMB53 to RMB56 per month per sq.m., inclusive of VAT.

Rental Comparable	Leased Area (sq.m.)	Unit Rent (RMB/sq.m./ month)
1. Level 4 of a 4-storey shopping mall in Xiangfang District	6,018	54
2. Basement levels 1-2 of a 4-storey shopping mall in Nangang District	14,845	53
3. A 4-storey shopping mall in Xiangfang District	6,000	56

The major adjustments include but not limited to:

<b>Adjustment</b>	<b>Range</b>
Transaction Status	-5% to 0%
Accessibility	+1%
Age & Maintenance	-8% to -10%
Size	-15% to -12%
Level	0% to +13%

We have assigned equal weighting to the three comparables after due adjustments. As a result, we have adopted a unit market rent of RMB44.10 per sq.m. per month for a total leasable area of 45,992.75 sq.m., equivalent to a sum of approximately RMB2,028,000 per month, inclusive of VAT but exclusive of building management fee for the first year.

Based on our independent adjustments of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the property is fair and reasonable.

- (5) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:-
- (a) Harbin International Company Limited (哈爾濱國際有限責任公司) is the legal owner of the property;
  - (b) The property is subject to a mortgage in favour of CMB Wing Lung Bank Limited (招商永隆銀行有限公司); and
  - (c) Harbin International Company Limited (哈爾濱國際有限責任公司) has the right to legally possess, use, lease, benefit from and otherwise dispose of the property. However, the exercise of the above rights is subject to the agreement between Harbin International Company Limited (哈爾濱國際有限責任公司) and the mortgagee.