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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
RENEWAL OF TENANCY IN NANNING CITY, THE PRC**

NANNING RENEWAL AGREEMENT

On 6 November 2024, Nanning Parkson (as tenant), an indirect wholly-owned subsidiary of the Company, entered into the Nanning Renewal Agreement with Nanning Holding (as landlord) in respect of the renewal of the Nanning Tenancy. Nanning Parkson has been occupying the Nanning Property as tenant for its retail business since 2004, with the current tenancy expiring on 31 December 2024, and parties have agreed to renew the Nanning Tenancy for a term up to 27 November 2042 pursuant to the Nanning Renewal Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to IFRS 16, the Group is required to recognise the Nanning Property as a right-of-use asset, and the entering into of the Nanning Renewal 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 RMB279.8 million, calculated with reference to the present value of the rent under the renewed Nanning Tenancy as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the renewed 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 Nanning Renewal 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 Nanning Renewal 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 Nanning Tenancy or the Nanning Renewal Agreement. Accordingly, none of the Shareholders is required to abstain from voting in favour of the resolution to approve the Nanning Renewal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information regarding the Nanning Renewal Agreement and the renewal of the Nanning 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, Nanning Parkson and Nanning Holding had entered into the Nanning Renewal Agreement, pursuant to which the parties agreed to the terms of the renewed Nanning Tenancy, including the supplements and amendments to the Nanning Original Tenancy Agreement.

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

Parties	:	Tenant: Nanning Parkson Landlord: Nanning Holding
Property	:	Relevant parts of Level LG1 to Level 7 of Tower D of INCITY (印象城) located at the intersection of Chaoyang Road, Minsheng Road, Gonghe Road and Minzu Avenue (朝陽路、民生路、共和路及民族大道圍合處) in Nanning City, Guangxi Province, the PRC

Total gross area	:	41,069.26 sq. m.
Tenancy term	:	1 January 2025 to 27 November 2042
Rent and property fee	:	Amounts payable by Nanning Parkson during the tenancy term comprises two parts: (i) fixed portion – fixed rent and fixed property fee (including tax); and (ii) varying portion – 20% share of the profits before tax earned by Nanning Parkson from its business operations at the Nanning 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 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>Monthly fixed property fee (RMB)</i>	<i>Annual total (RMB)</i>
2025-2027	2,651,567.70	515,099.00	38,000,000.40
2028-2030	2,721,508.40	528,491.60	39,000,000.00
2031-2032	2,896,018.30	562,315.10	41,500,000.80
2033-2035	3,000,774.90	582,558.50	43,000,000.80
2036-2038	3,154,397.80	612,268.90	45,200,000.40
2039-2041	3,165,282.10	614,717.90	45,360,000.00
2042 (up to 27 November)	3,165,282.10	614,717.90	41,202,000.00

The varying portions are payable annually for each calendar year. The amount payable shall be determined based on the audit report for each calendar year prepared by an internationally recognised accounting firm, which shall be provided by Nanning Parkson to Nanning Holding before the 30th of June of the following calendar year, and shall be paid by the 31st of July.

Deposit : RMB6,330,564.20, which is equivalent to the fixed rent amount for the final two months of the tenancy term.

If Nanning Parkson fails to pay rent, property fee or any liquidated damages agreed between the parties or awarded upon arbitration for losses to Nanning Holding or a third party, Nanning Holding shall be entitled to withhold or confiscate the deposit. In such case, at any time when the deposit amount has been deducted, within seven days after receipt of a written request from Nanning Holding, Nanning Parkson shall replenish the deposit so that the total amount held by Nanning Holding as deposit shall be the same as the agreed deposit sum.

Upon expiration of the tenancy term, provided that Nanning Parkson has duly returned the Nanning Property, paid all fees and performed its obligations in full, Nanning Holding shall return the deposit to Nanning Parkson in full without interest within seven days.

Use : Operation of department store (mainly), services such as (but not limited to) catering, entertainment, bar, cafe, tearoom, photography, beauty and hair salon, wedding services, in-store supermarket, bowling alley, fitness centre, billiard room, business activity centres, etc. (but shall exclude movie theatre), and set up of offices and warehouse, under the name and brand of “百盛” and “PARKSON”.

Right to sub-let : Nanning Parkson has the right to sub-let parts of the Nanning Property, provided that, among other conditions, the sub-let areas shall not exceed 50% of the total gross area of the Nanning Property, and the sub-let areas shall overall continue to be operated under the brand of “百盛” and “PARKSON”.

Renewal : If Nanning Parkson wishes to further renew the Nanning Tenancy, it shall serve a written request to Nanning Holding at least six months prior to the expiration of the renewed tenancy term, in which case, parties shall negotiate the terms of renewal.

In case of failure to reach agreement, the Nanning Tenancy will be terminated upon expiration of the renewed tenancy term, and Nanning Holding may then lease the Nanning Property to a third party, provided the terms and conditions of the tenancy with such third party may not be more favourable than those offered to Nanning Parkson.

Termination : Both parties are entitled to terminate the Nanning Tenancy with immediate effect by giving written notice to the other party in the following cases:

- (i) the other party's assets are seized or enforced against or there exists other judicial or administrative procedures that impairs the equity of the assets, resulting in inability to continue performing the terms of the Nanning Tenancy;
- (ii) the other party enters into liquidation proceedings; or
- (iii) the other party ceases or is about to cease its business.

Nanning Holding is entitled to terminate the Nanning Tenancy with immediate effect by giving written notice to Nanning Parkson in the following cases:

- (i) Nanning Parkson delays payment of any amount or fees for more than 60 days; or
- (ii) Nanning Parkson causes modification or destruction to the Nanning Property's building structure, facilities and equipment without Nanning Holding's consent, and fails to restore the same within 60 days of written notice from Nanning Holding.

Nanning Parkson is entitled to terminate the Nanning Tenancy with immediate effect by giving written notice to Nanning Holding in the event of Nanning Holding's breach of terms resulting in Nanning Parkson's inability to legally enjoy exclusive rights to use the Nanning Property, and Nanning Holding fails to restore the same within 60 days of written notice from Nanning Parkson, thereby resulting in Nanning Parkson's inability to continue its overall business operations.

Nanning Parkson is also entitled to terminate the Nanning Tenancy after 31 December 2027 and prior to the expiration of the tenancy term in the event that Nanning Parkson accumulates losses for two consecutive years totalling more than RMB15 million as confirmed by audit conducted by the parties jointly, provided that following such audit confirmation Nanning Parkson shall give Nanning Holding six months' prior written notice for termination.

Renovations undertaking : Nanning Parkson undertakes to invest a total sum of not less than RMB30 million for the decoration and renovation of the Nanning Property and its facilities and equipment, which shall be completed before 31 December 2027.

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

BASIS FOR DETERMINATION OF THE RENT AND OTHER INFORMATION

The terms of the Nanning Renewal Agreement (including rent and property fees) were determined after arm's length negotiations between Nanning Holding and Nanning Parkson, with reference to the prevailing market rates for properties of similar nature to the Nanning 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 renovation undertaking amount of no less than RMB30 million was also determined after arm's length negotiations between the parties, with reference to the preliminary cost budgets evaluated and prepared by relevant experienced personnel of the Group based on the existing renovation plans for the Nanning Property, and experiences from the operation of and renovations undertaken for other department stores and shopping malls by the Group.

The rent, property fees, renovation fees and other amounts payable by Nanning Parkson under the renewed Nanning Tenancy are expected to be financed by the internal resources of the Group.

INFORMATION ON THE PARTIES

The Group and Nanning Parkson

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.

Nanning Parkson is an indirect wholly-owned subsidiary of the Company principally engaged in the operation of three department stores.

Nanning Holding

Nanning Holding is a company established in Mauritius and principally engaged in the business of property leasing. Nanning Holding is indirectly wholly-owned by SCPG, which is principally engaged in the business of investment, development and operational management of shopping centres. SCPG is an associated company of China Vanke, and is the commercial property development and operation capability platform under China Vanke.

To the best knowledge and belief of the Directors, the latest available shareholding structure of SCPG is as follows. SCPG is held as to 96.55% by Vanke Rainbow Purchaser Limited, which is a subsidiary of Vanke Rainbow Partnership, LP, an investment fund, which is in turn held as to 27.91% by Vanke Rainbow Investment Partner I Limited (“**LP I**”), 61.41% by Vanke Rainbow Investment Partner II Limited (“**LP II**”) and 10.68% by Vanke Rainbow Partnership GP Limited (“**GP**”). LP I is wholly-owned by Vanke Rainbow Holding Limited (“**Vanke SPV**”), an indirect wholly-owned subsidiary of China Vanke. LP II is held as to 50% by Vanke SPV and 50% by a wholly-owned subsidiary of CMB International Capital Corporation Limited. GP is held as to 40% by Vanke SPV and 60% by two other shareholders.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, Nanning Holding 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 RENEWAL OF THE NANNING TENANCY

The Group has been operating and managing department stores in Nanning, the PRC, for more than 20 years. With a total of three department stores (including at the Nanning Property) currently in operation, the Group and the Parkson brand has gained great reputation and market recognition in the city, having accumulated numerous brands, customers and government and other resources. Nanning is the most populous city in Guangxi, and an important provincial capital city in Southern China.

The Board believes that the Group's existing department stores in Nanning has great strategic significance, ensuring the Group's continuous presence and development in Southern China, as well as playing a role in generating stable revenue and maintaining the Group's market recognition in the PRC.

The Nanning Property is located in the core commercial district of Nanning, occupying a prominent position and possessing high commercial value. The Group has an experienced and stable management team for the department store at the Nanning Property. Upon commencement of the renewed Nanning Tenancy, with rental cost optimised, Nanning Parkson will work on upgrading the public image and adjusting the brand portfolio of the Nanning Property, leveraging its unique characteristics to better serve customers. The Board believes that the renewal of the tenancy at the Nanning 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 Nanning Renewal Agreement and the renewed Nanning Tenancy are fair and reasonable, and also having taken into account the above reasons and benefits, considers that the entering into of the Nanning Renewal 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 Nanning Property as a right-of-use asset, and the entering into of the Nanning Renewal 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 RMB279.8 million, calculated with reference to the present value of the rent under the renewed Nanning Tenancy as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the renewed 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 Nanning Renewal 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 same is the case when the percentage ratios are calculated with reference to the consideration recognised by the Group plus the renovation undertaking amount of RMB30 million under the Nanning Renewal Agreement.

EGM AND CIRCULAR

The EGM will be convened and held by the Company to seek the Shareholders' approval on the Nanning Renewal 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 Nanning Tenancy or the Nanning Renewal Agreement. Accordingly, none of the Shareholders is required to abstain from voting in favour of the resolution to approve the Nanning Renewal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information regarding the Nanning Renewal Agreement and the renewal of the Nanning 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.
“China Vanke”	China Vanke Co., Ltd.* (萬科企業股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Stock Exchange (stock code: 2202).
“Company”	means Parkson Retail Group Limited 百盛商業集團有限公司, a company incorporated in the Cayman Islands.
“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 Nanning Renewal Agreement and the transactions contemplated thereunder.
“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.

“Nanning Holding”	means Nanning Holding Company Limited, a company incorporated in Mauritius.
“Nanning Original Tenancy Agreement”	means the tenancy agreement in respect of the Nanning Property dated 3 March 2004 as amended and supplemented by agreement in writing from time to time.
“Nanning Parkson”	means Nanning Brilliant Parkson Commercial Co., Ltd.* (南寧柏聯百盛商業有限公司), a company incorporated in the PRC, and an indirect wholly-owned subsidiary of the Company.
“Nanning Property”	means relevant parts of Level LG1 to Level 7 of Tower D of INCITY (印象城) located at the intersection of Chaoyang Road, Minsheng Road, Gonghe Road and Minzu Avenue (朝陽路、民生路、共和路及民族大道圍合處) in Nanning City, Guangxi Province, the PRC.
“Nanning Renewal Agreement”	means the renewal agreement to the Nanning Original Tenancy Agreement in respect of the Nanning Property entered into between Nanning Holding and Nanning Parkson on 6 November 2024.
“Nanning Tenancy”	means the tenancy for the Nanning Property as renewed pursuant to the Nanning Renewal Agreement.
“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.
“SCPG”	means SCPG Holdings Co., Ltd. (印力集團控股有限公司), a company incorporated in the Cayman Islands.
“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.*