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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **PARKSON RETAIL GROUP LIMITED**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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PARKSON 百盛
PARKSON RETAIL GROUP LIMITED
百盛商業集團有限公司
(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3368)

VERY SUBSTANTIAL ACQUISITIONS:

- (1) RENEWAL OF TENANCY IN NANNING CITY, THE PRC; AND**
(2) TENANCY IN RESPECT OF A PROPERTY IN SHANGHAI, THE PRC

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 24 of this circular.

A notice convening the EGM to be held on Thursday, 12 December 2024, at 2:00 p.m. by way of electronic means is set out on pages 72 to 73 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) using the username and password provided on the notification letter sent by the Company as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

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DEFINITIONS

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

“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.
“Cooperative Business Agreement”	means the Cooperative Business Agreement dated 7 October 1994 entered into between Shanghai Nine Sea Industry and Exonbury.
“Directors”	means the directors of the Company.
“EGM”	means the extraordinary general meeting of the Company to be held on Thursday, 12 December 2024, at 2:00 p.m. by way of electronic means, the notice of which is set out on pages 72 to 73 of this circular.
“Exonbury”	means Exonbury Limited, an indirect wholly-owned subsidiary of the Company.
“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.
“Latest Practicable Date”	means 19 November 2024, being the latest practicable date for ascertaining certain information for the purpose of inclusion in this circular.

DEFINITIONS

“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Model Code”	means the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 of the Listing Rules.
“MYR”	means Malaysian Ringgits, the lawful currency of Malaysia.
“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 circular 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.

DEFINITIONS

“SFO”	means the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).
“Shanghai Nine Sea Industry”	means Shanghai Nine Sea Industry Co., Ltd.* (上海九海實業有限公司), a state-owned enterprise incorporated under the laws of the PRC.
“Shanghai Nine Sea Parkson”	means Shanghai Nine Sea Parkson Plaza Co., Ltd.* (上海九海百盛廣場有限公司), a company incorporated in the PRC, and an indirect wholly-owned subsidiary of the Company.
“Shanghai Property”	means relevant parts of Level LG1 to Level 8 of the building located at No. 918 Huaihai Middle Road (淮海中路918號), Shanghai, the PRC.
“Shanghai Tenancy Agreement”	means the tenancy agreement in respect of the Shanghai Property entered into between Shanghai Nine Sea Industry and Shanghai Nine Sea Parkson on 6 November 2024.
“Shanghai Tenancy”	means the tenancy for the Shanghai Property as contemplated under the Shanghai Tenancy Agreement.
“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.

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

LETTER FROM THE BOARD

PARKSON 百盛
PARKSON RETAIL GROUP LIMITED
百盛商業集團有限公司
(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3368)

Executive Directors:

Tan Sri Cheng Heng Jem (*Chairman*)

Ms. Juliana Cheng San San

Non-executive Directors:

Dato' Sri Dr. Hou Kok Chung

Independent non-executive Directors:

Dato' Fu Ah Kiow

Mr. Yau Ming Kim, Robert

Datuk Koong Lin Loong

Registered office:

Third Floor, Century Yard,

Cricket Square

P.O. Box 902

Grand Cayman KY1-1103

Cayman Islands

Head office and principal place of business:

5th Floor, Metro Plaza

No. 555 Loushanguan Road

Changning District

Shanghai 200051

PRC

Principal place of business in Hong Kong:

Room 1010, 10th Floor

Harcourt House

39 Gloucester Road

Wanchai

Hong Kong

25 November 2024

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITIONS:

(1) RENEWAL OF TENANCY IN NANNING CITY, THE PRC; AND

(2) TENANCY IN RESPECT OF A PROPERTY IN SHANGHAI, THE PRC

1. INTRODUCTION

References are made to the Company's announcements dated 6 November 2024. The purpose of this circular is to provide you with, among other things, (i) further information regarding the Nanning Renewal Agreement and the renewal of the Nanning Tenancy; (ii) further information regarding the Shanghai Tenancy Agreement and the Shanghai Tenancy; (iii) the notice of EGM; and (iv) other information as required under the Listing Rules.

LETTER FROM THE BOARD

2. NANNING RENEWAL AGREEMENT

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 tenancy for the Nanning Property, including the supplements and amendments to the Nanning Original Tenancy Agreement. Prior to entering into the Nanning Renewal Agreement, 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.

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

Date	:	6 November 2024
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 to tax amounts in the event of adjustment to tax rates by the PRC government) are as follows:

Years	Monthly fixed rent (RMB)	Monthly fixed property fee (RMB)	Annual total fixed rent and property fee (RMB)
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

LETTER FROM THE BOARD

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.

In the event that Nanning Parkson generates a loss from its business operations at the Nanning Property in a calendar year, no varying rent is payable for the year, and the fixed rent already paid will not be reduced or otherwise affected.

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 or early termination of the Nanning Tenancy, provided that Nanning Parkson has duly returned the Nanning Property, paid all outstanding amounts 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 room, 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”.

LETTER FROM THE BOARD

Right to sub-let : Nanning Parkson has the right to sub-let parts of the Nanning Property, provided that: (i) the sub-let areas shall overall continue to be operated under the brand of 「百盛」 and “PARKSON”; (ii) the sub-let areas shall not exceed 50% of the total gross area of the Nanning Property; (iii) the sub-tenants shall comply with the terms of the Nanning Tenancy; and (iv) Nanning Parkson will not be relieved of its obligations and responsibilities under the Nanning Tenancy.

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.

LETTER FROM THE BOARD

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. In such case, Nanning Holding shall compensate Nanning Parkson with liquidated damages (i) equivalent to six months of rent if the tenancy term passed is five years or less, or (ii) equivalent to three months of rent if the tenancy term passed has exceeded five years, with rent amount based on the corresponding monthly rent at the time of termination by Nanning Parkson.

In the above early termination cases, if there are outstanding amounts (including liquidated damages) payable by Nanning Parkson, without prejudice to any additional claims that Nanning Holding may have, Nanning Holding shall be entitled to withhold or confiscate the deposit. In the event that Nanning Parkson has duly returned the Nanning Property, paid all outstanding amounts and performed its obligations in full, Nanning Holding shall return the deposit to Nanning Parkson in full without interest within seven days.

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. During the six-month notice period, parties shall continue to perform all agreement terms and Nanning Parkson shall continue to pay rent and property fee. Nanning Holding is entitled to confiscate the deposit.

Renovation 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 in compliance with laws and regulations of relevant national and local departments, and shall be completed before 31 December 2027.

LETTER FROM THE BOARD

If Nanning Parkson fails to fulfil such renovation undertaking, the Nanning Tenancy will not be affected. However, in the event that Nanning Parkson fails to invest the aforesaid agreed sum or that the decoration and renovation carried out failed to comply with relevant laws and regulations, upon subsequent termination of the Nanning Tenancy, regardless of the reason for termination, Nanning Parkson shall be required to remove and dismantle all added facilities and equipment and restore the Nanning Property to the condition as depicted in the last set of decoration drawings approved by the fire department and other relevant government authorities, before returning the Nanning Property to Nanning Holding.

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.

3. SHANGHAI TENANCY AGREEMENT

The Board is pleased to announce that on 6 November 2024, Shanghai Nine Sea Parkson and Shanghai Nine Sea Industry had entered into the Shanghai Tenancy Agreement, pursuant to which the parties agreed to the terms of the Shanghai Tenancy. Prior to entering into the Shanghai Tenancy Agreement, Shanghai Nine Sea Parkson has been occupying the Shanghai Property for its retail business since 1994 pursuant to the Cooperative Business Agreement, with the term of occupation expiring on 29 November 2024 together with the cooperation period under the Cooperative Business Agreement. During the transitional period from 30 November 2024 pending the Shanghai Tenancy Agreement coming into effect (i.e. upon obtaining Shareholders' approval at the EGM on 12 December 2024), the status quo shall be maintained and Shanghai Nine Sea Parkson shall continue to carry on its business operations at the Shanghai Property during the transitional period rent-free, which is agreed by the parties in writing.

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

Date : 6 November 2024

Parties : Tenant: Shanghai Nine Sea Parkson
Landlord: Shanghai Nine Sea Industry

Property : Relevant parts of Level LG1 to Level 8 of the building located at No. 918 Huaihai Middle Road (淮海中路918號), Shanghai, the PRC

Total gross area : 36,070.22 sq. m.

LETTER FROM THE BOARD

- Tenancy term : 30 November 2024 to 29 November 2039
- Rent-free periods : Shanghai Nine Sea Parkson shall enjoy a rent-free period from 30 November 2024 to 31 December 2024, and further a half-rent period from 1 January 2031 to 30 June 2031.

If Shanghai Nine Sea Parkson carries out renovation works to the exterior facade of the Shanghai Property before 29 November 2027, it may enjoy rent-free periods of a further six months, with two months being any two months falling within the year of renovation (as mutually elected and agreed by the parties at that time), and the remaining four months falling in the December of the next four calendar years.

- Rent : Rent payable by Shanghai Nine Sea Parkson during the tenancy term comprises two parts: (i) fixed portion – fixed rent (including tax); and (ii) varying portion – a certain percentage share of the revenue generated by Shanghai Nine Sea Parkson from its business at the Shanghai 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 to tax amounts in the event of adjustment to tax rates by the PRC government) are as follows:

Years		Monthly fixed rent (RMB)	Annual total (RMB)
2025-2027	Jan – Nov	3,333,333.00	40,000,000.00
	Dec	3,333,337.00	
2028-2030	Jan – Nov	3,466,666.00	41,600,000.00
	Dec	3,466,674.00	
2031	Jan – Jun	1,802,666.00	32,448,001.00
	Jul – Nov	3,605,333.00	
	Dec	3,605,337.00	
2032-2033	Jan – Nov	3,605,333.00	43,264,000.00
	Dec	3,605,337.00	
2034-2036	Jan – Nov	3,749,546.00	44,994,560.00
	Dec	3,749,554.00	
2037-2038	Jan – Nov	3,899,528.00	46,794,342.40
	Dec	3,899,534.40	

LETTER FROM THE BOARD

2039	Jan – Oct	3,899,528.00	42,691,824.71
	Nov	3,696,544.71	

The varying portions are calculated annually, and is payable only if the aggregate sum of the rental income, direct sales and gross revenue from concessionaire sales generated by Shanghai Nine Sea Parkson in a calendar year exceeds RMB400 million. If so, the varying portions payable to Shanghai Nine Sea Industry shall be as follows:

- (i) 2% of the portion of the rental income, direct sales and gross revenue from concessionaire sales that falls within the range exceeding RMB400 million and up to RMB450 million;
- (ii) 3% of the portion of the rental income, direct sales and gross revenue from concessionaire sales that falls within the range exceeding RMB450 million and up to RMB500 million; and
- (iii) 4% of the portion of the rental income, direct sales and gross revenue from concessionaire sales that exceeds RMB500 million.

The amount payable shall be determined based on the audit report for each calendar year provided by Shanghai Nine Sea Parkson and shall be paid by the 30th of April of the following calendar year.

Deposit : RMB3,610,900.00, which is equivalent to the average monthly fixed rent during the tenancy term, determined after arm's length negotiations between the parties.

If Shanghai Nine Sea Parkson fails to pay rent, property fee, liquidated damages, late payment fees etc., Shanghai Nine Sea Industry shall be entitled to confiscate the deposit. In such case, at any time when the deposit amount has been deducted, within 7 days after receipt of a written request from Shanghai Nine Sea Industry, Shanghai Nine Sea Parkson shall replenish the deposit so that the total amount held by Shanghai Nine Sea Industry as deposit shall be the same as the agreed deposit sum.

LETTER FROM THE BOARD

Upon expiration of the tenancy term or early termination of the Shanghai Tenancy, provided that Shanghai Nine Sea Parkson has duly returned the Shanghai Property, paid all outstanding amounts, and completed the cancellation or change of its or its sub-tenants' relevant registered licences, Shanghai Nine Sea Industry shall return the deposit to Shanghai Nine Sea Parkson in full without interest within 30 days.

Use : Operation of department store (mainly), services such as (but not limited to) wholesale logistics, catering, cinema, entertainment, bar, cafe, tearoom, photography, colour-printing, beauty and hair salon, wedding services, fitness room, business activity centres, etc., and set up of offices and warehouse, and other commercial projects within Shanghai Nine Sea Parkson's business scope, under the name and brand of 「百盛」 and "PARKSON".

Right to sub-let : Shanghai Nine Sea Parkson has the right to sub-let parts of (but not the whole of) the Shanghai Property.

Renewal : If Shanghai Nine Sea Parkson wishes to renew the Shanghai Tenancy, it shall serve a written request to Shanghai Nine Sea Industry at least three months prior to the expiration of the tenancy term, in which case, parties shall negotiate the terms of renewal.

Otherwise, the Shanghai Tenancy will automatically terminate upon expiration of the tenancy term, and Shanghai Nine Sea Industry may then lease the Shanghai Property to a third party, provided that on the same terms and conditions, Shanghai Nine Sea Parkson shall have the priority to the lease.

Termination : Both parties are entitled to terminate the Shanghai Tenancy by giving 15 days' prior written notice to the other party in the event that the Shanghai Property is:

- (i) demolished or condemned according to laws;
- (ii) damaged, perished or deemed a dangerous building; or

LETTER FROM THE BOARD

- (iii) damaged due to force majeure events, resulting in inability to continue performing the terms of the Shanghai Tenancy.

Shanghai Nine Sea Parkson is entitled to terminate the Shanghai Tenancy with immediate effect in the event that the government issues a business suspension order due to public safety incident, resulting in Shanghai Nine Sea Parkson's inability to realise the intended purpose of the Shanghai Tenancy for more than six months.

Shanghai Nine Sea Industry is entitled to terminate the Shanghai Tenancy with immediate effect in the event that Shanghai Nine Sea Parkson:

- (i) delays payment of rent for more than 30 consecutive days;
- (ii) changes the use of the Shanghai Property without permission or operates its business without legal rights;
- (iii) sub-lets the whole of the Shanghai Property to a third party;
- (iv) has its business licence revoked; or
- (v) uses the Shanghai Property to engage in illegal activities.

In the event that either party fails to or refuses to perform its obligations under the Shanghai Tenancy without reasonable grounds, such party shall be deemed to be in default, whereupon the Shanghai Tenancy shall be terminated.

In such case, or in any other case where the Shanghai Tenancy is terminated early due to reasons pertaining to one defaulting party and upon the defaulting party giving 60 days' prior written notice to the non-defaulting party, the defaulting party shall pay to the non-defaulting party an agreed amount as liquidated damages, determined based on the year within the tenancy term in which the date of termination falls, details as follows:

LETTER FROM THE BOARD

- (i) within the 1st to 5th years, liquidated damages shall be equivalent to six months of the monthly fixed rent for the relevant year;
- (ii) within the 6th to 10th years, liquidated damages shall be equivalent to four months of the monthly fixed rent for the relevant year; and
- (iii) within the 11th to 15th years, liquidated damages shall be equivalent to three months of the monthly fixed rent for the relevant year.

In the above early termination cases, if there are outstanding amounts (including liquidated damages) payable by Shanghai Nine Sea Parkson, without prejudice to any additional claims that Shanghai Nine Sea Industry may have, Shanghai Nine Sea Industry shall be entitled to withhold or confiscate the deposit. In the event that Shanghai Nine Sea Parkson has duly returned the Shanghai Property, paid all outstanding amounts, and completed the cancellation or change of its or its sub-tenants' relevant registered licences, Shanghai Nine Sea Industry shall return the deposit to Shanghai Nine Sea Parkson in full without interest within 30 days.

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

4. BASIS FOR DETERMINATION OF THE RENT AND OTHER INFORMATION

The terms of the Nanning Renewal Agreement and the Shanghai Tenancy Agreement (including rent and property fees) were determined after arm's length negotiations between the respective landlords and tenants of the Nanning Tenancy and the Shanghai Tenancy, with reference to the prevailing market rates for properties of similar nature (i.e. leased to a single anchor brand similar to Parkson) to the Nanning Property and the Shanghai Property, respectively, and also located in core business districts, as adjusted based on differences in various aspects such as location and environment, age and maintenance, size, decoration standard, floors and other physical characteristics.

LETTER FROM THE BOARD

The Board has mainly considered the valuation reports for each of the Nanning Property and Shanghai Property prepared by an independent property valuer set out in Appendix II to this circular, as well as the usual market practices of industry peers in respect of tenancies of similar scale and length to the Nanning Tenancy and Shanghai Tenancy. In the valuation reports, comparable properties for the Nanning Property include multi-storey department stores located in Qingxiu District, which together with Xingning District where the Nanning Property is located, are the core commercial districts of Nanning City, and comparable properties for the Shanghai Property include multi-storey shopping mall and department stores located in Putuo District, Yangpu District and Pudong New District, which, as with Huangpu District where the Shanghai Property is located, are key shopping and business districts in Shanghai. The Board considers that while there may be some differences between the comparable properties and the Nanning Property and the Shanghai Property, in particular in terms of size and exact location, the adjustment ranges adopted by the independent property valuer are reasonable. The rental comparables evaluated by the independent property valuer involve fixed rent arrangements only and not varying rent.

For the Nanning Tenancy and Shanghai Tenancy, in determining the rental terms (in particular the varying rent), the Company has considered a number of factors. According to the Company's calculations of the estimated total rent (comprising fixed portions and varying portions as estimated by the Company), the total rent for the calendar year 2025 under both tenancies are lower than the market rent as at 30 September 2024 as evaluated by the independent property valuer. Specifically, for the Nanning Property, the annual total fixed rent (excluding fixed property fee) for 2025 is approximately RMB31.8 million (not counting varying rent yet), while market rent as at 30 September 2024 determined by the valuer was RMB33 million, and for the Shanghai Property, the annual total fixed rent for 2025 is RMB40 million (not counting varying rent yet), while market rent as at 30 September 2024 determined by the valuer was RMB49 million. The Company's estimated varying portions for both tenancies are derived based on historical data and future projections taking into account several factors, including but not limited to revenue trends, foot traffic patterns, seasonality, renovation and re-branding plans, etc. As for the fixed portions, the fixed rent for both tenancies increase incrementally every two to three years throughout the tenancy terms, which the Board considers to be common market practice with reference to the industry peers' usual practice and the Company's own experiences as a market player. The compound annual growth rate for fixed rent throughout the tenancy term for both properties, determined based on arm's length negotiations, is approximately 1%.

LETTER FROM THE BOARD

The Board also considers the varying portions involving profit or revenue sharing, which have been concluded after arm's length negotiations with the respective landlords depending on their respective conditions and commercial demands, to be common market practice. In particular, for profit sharing of 20% by Nanning Parkson, it is noted that the Group had entered into two other tenancy agreements in 2024 for properties in Shenyang and Harbin, both landlords of which had the same ultimate owner as Nanning Holding, which shared the same rent structure consisting of varying rent involving profit sharing of 20% by the Group. As for revenue sharing of 2% to 4% (but subject to a minimum revenue threshold) by Shanghai Nine Sea Parkson, calculating varying rent separately based on different sales categories is also an industry practice, and the percentages of 2% to 4% (which is also in line with market practice) and the corresponding revenue range was determined through arm's length negotiations with Shanghai Nine Sea Industry, taking into account the estimated operating margin generated from operations at the Shanghai Property, and also considering all other terms of the Shanghai Tenancy as a whole.

The Company also notes that the estimated compound growth rate of the estimated total rent (comprising fixed portions and varying portions) under both tenancies during the tenancy term is approximately 2%, which is slightly lower than the range of 3% to 5% of the historical rental growth level in the Company's industry in the past ten years (advised by the independent property valuer, including both fixed and varying rents which the market generally treats together as a whole). While the Company expects that overall consumer confidence will rebound and recover in a positive direction, the consumer price index or inflation in the PRC will continue to be mild in coming years.

The renovation undertaking amount of no less than RMB30 million under the Nanning Renewal Agreement was determined after arm's length negotiations between Nanning Parkson and Nanning Holding, taking into account factors such as the historical foot traffic patterns, level of wear and tear to facilities and the planned transformation of the Nanning Property, 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 past renovations undertaken for other shopping malls and department stores operated by the Group.

Based on the current budgets prepared by the Group, the key cost items and their allocated budget for the renovation of the Nanning Property would include (i) approximately RMB2 million for upgrading and renovating the properties' exterior facade and entrance image; (ii) approximately RMB14 million for floors, walls and ceiling; (iii) approximately RMB5 million for upgrading of toilets, elevators, ventilator rooms and other facilities and equipment; and (iv) approximately RMB12 million for brand upgrading and transformation from traditional retail to catering. Based on previous renovation projects of similar nature and scope undertaken by the Group, the renovation costs incurred were in the same range.

Finally, the tenancy terms of 17 years and 15 years for the Nanning Tenancy and Shanghai Tenancy respectively were determined after arm's length negotiations between the parties taking into account the stability and predictability benefits that a long-term tenancy provides for both landlords and tenants. Such lengths are consistent with market practice and the Group's overall strategy for its retail business. Locking in a long-term operation period will also allow the Group to achieve more stable and durable performances to create long term value for shareholders.

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In light of the above, coupled with the anticipated economic recovery in the PRC and renovations and upgrades to be carried out for both properties (notwithstanding that no renovation undertaking has been given under the Shanghai Tenancy Agreement), which are expected to bring business growth to the Nanning Property and Shanghai Property, the Board is of the view that the terms and conditions under both the renewed Nanning Tenancy and Shanghai Tenancy (including where applicable rent, property fees, renovation fees) are fair and reasonable and in the interest of the Company and Shareholders as a whole.

The rent and other amounts payable by Nanning Parkson and Shanghai Nine Sea Parkson under the renewed Nanning Tenancy and the Shanghai Tenancy respectively are expected to be financed by the internal resources of the Group.

5. INFORMATION ON THE PARTIES

5.1 The Group, Nanning Parkson and Shanghai Nine Sea Parkson

The Group

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

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

Shanghai Nine Sea Parkson

Shanghai Nine Sea Parkson is an indirect wholly-owned subsidiary of the Company principally engaged in the operation of department stores in Shanghai.

Shanghai Nine Sea Parkson is a cooperative joint venture enterprise established under the laws of the PRC between Shanghai Nine Sea Industry and Exonbury pursuant to the Cooperative Business Agreement. According to public records, Exonbury owns 100% equity interest in Shanghai Nine Sea Parkson. However, according to said Cooperative Business Agreement, Shanghai Nine Sea Industry and the Group are entitled to 29% and 71% of the voting rights in the board of Shanghai Nine Sea Parkson respectively, and Shanghai Nine Sea Industry is entitled to a pre-determined distribution of income from Shanghai Nine Sea Parkson, while the Group is entitled to 100% of its distributed profit after deducting the aforesaid pre-determined distribution of income attributable to Shanghai Nine Sea Industry.

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Pursuant to said Cooperative Business Agreement, the cooperation period in respect of Shanghai Nine Sea Parkson expires on 29 November 2024. Pursuant to an exit agreement dated 6 November 2024 entered into between Shanghai Nine Sea Industry and Exonbury, the parties have agreed that with effect from 30 November 2024, Shanghai Nine Sea Industry will exit from its investment in Shanghai Nine Sea Parkson. Thereafter, Shanghai Nine Sea Parkson will be registered as a limited liability company wholly-owned by Exonbury.

5.2 Nanning Holding and Shanghai Nine Sea Industry

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.

Shanghai Nine Sea Industry

Shanghai Nine Sea Industry is a state-owned enterprise established under the laws of the PRC, and principally engaged in business in the real estate industry.

To the best knowledge and belief of the Directors, Shanghai Nine Sea Industry is owned as to:

- (i) 44% by Shanghai Yongye Enterprise (Group) Co., Ltd.* (上海永業企業(集團)有限公司), which is wholly-owned by the Shanghai Huangpu District State-owned Assets Supervision and Administration Commission;
- (ii) 44% by Shanghai Jiushi (Group) Co., Ltd.* (上海久事(集團)有限公司), which is wholly-owned by the Shanghai Municipal State-owned Assets Supervision and Administration Commission; and

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- (iii) 12% by Shanghai Shentong Metro Group Co., Ltd.* (上海申通地鐵集團有限公司), which is in turn owned as to 66.62% by Shanghai Jiushi (Group) Co., Ltd and 33.38% by Shanghai Urban Investment (Group) Co., Ltd.* (上海城投(集團)有限公司), which is also wholly-owned by the Shanghai Municipal State-owned Assets Supervision and Administration Commission.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, both Nanning Holding and Shanghai Nine Sea Industry and their ultimate owners are third parties independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules).

6. REASONS FOR AND BENEFITS OF THE RENEWAL OF THE NANNING TENANCY AND THE SHANGHAI TENANCY

The Group has been operating and managing its department stores in Nanning and Shanghai for more than 20 and 30 years respectively. With multiple department stores in Nanning and Shanghai currently in operation, the Group and the Parkson brand maintain outstanding reputation, goodwill and market recognition in both Nanning and Shanghai. Both department stores at the Nanning Property and Shanghai Property have accumulated numerous brands, customers and government and other resources, which has facilitated the Group's establishment of a solid foundation for its business operations in these cities. Nanning is the most populous city in Guangxi Province, and an important provincial capital city in Southern China, whereas Shanghai continues to be the PRC's most populous financial centre with the highest per capita disposable income. Both cities have rising prospects and are battlegrounds with great strategic significance for all enterprises wishing to establish their business operations in the country.

The Nanning Property is located in the core commercial district of Nanning City, occupying a prominent position and possessing high commercial value, adjacent to a metro train and close to high end office and residential buildings, enjoying the advantages of convenient transportation and high foot traffic.

The Shanghai Property is located at Huaihai Middle Road, one of the core commercial districts within Shanghai, among the most prosperous and densely populated commercial streets in the district, and is surrounded by countless businesses, offices, residences and green spaces. In the next decade or two, the Shanghai municipal government plans to continue to promote the Huangpu district as the "heart, window and name card" of the city. Huaihai Middle Road is intended to be positioned as an elegant and fashionable district, and transform based on three major themes – "more humanistic, more futuristic and more integrated", preserving the mixture of luxurious modern entertainment and rich cultural heritage.

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In light of the foregoing, despite increased competition from the emergence of many larger and newer retail shopping malls as well as online channels impacting the Group's retail business, coupled with the overall economic slowdown and uncertain market sentiment, attributable mainly to slower-than-expected economic recovery, resulting in consumption downgrade and more cautious consumer spending, the Board considers that the Group's existing department stores in Nanning and Shanghai are crucial to ensure the Group's continuous presence and operational growth in the PRC, as well as to ensure stable revenue and market recognition for the Group, especially considering the two cities' large populations and strong consumer willingness and purchasing power.

The Group has experienced and stable management teams for both properties. Upon commencement of the renewed Nanning Tenancy and the Shanghai Tenancy, with rental cost optimised, the Group will allocate funds according to its budget and execution timeline to work on improving the Nanning Property and Shanghai Property, primarily by upgrading their public image, such as updating the exterior facade, interior walls, floors, ceilings and outdated facilities and equipment, and adjusting their brand portfolios, including adjusting and optimising the sales brand mix and introducing new consumption scenarios to align with market trends and meet consumer demands. This way, the Group will leverage each property's unique characteristics to better serve customers and enhance market competitiveness. The Board believes that the renewal of the tenancy at the Nanning Property and the tenancy at the Shanghai Property will continue to have positive impact on the future development of the Group.

The Board is of the view that the terms of the Nanning Renewal Agreement and the Shanghai Tenancy Agreement, and the renewed Nanning Tenancy and the Shanghai Tenancy, each taken as a whole, are fair and reasonable. Having taken into account the above reasons and benefits, the Board considers that the entering into of the Nanning Renewal Agreement and the Shanghai Tenancy Agreement and the transactions contemplated thereunder respectively are in the interests of the Company and the Shareholders as a whole.

7. FINANCIAL EFFECTS OF THE RENEWAL OF THE NANNING TENANCY AND THE SHANGHAI TENANCY

Pursuant to IFRS 16, the Group is required to recognise both the Nanning Property and the Shanghai Property as right-of-use assets. Upon commencement of the renewed tenancy term of the Nanning Tenancy, the Group will recognise the right-of-use asset of approximately RMB279.8 million, and a lease liability amounting to approximately RMB279.8 million. Upon commencement of the tenancy term of the Shanghai Tenancy, the Group will recognise the right-of-use asset of approximately RMB298.8 million, and a lease liability amounting to approximately RMB298.8 million.

Set out below is the accounting treatment of the Group in relation to the right-of-use assets in respect of both the Nanning Property and the Shanghai Property.

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Each of the right-of-use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the respective tenants. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar. After commencement, the respective tenants shall measure the right-of-use asset using a cost model, unless:

- (i) the right-of-use asset is an investment property and the relevant tenant fair values its investment property under IAS 40; or
- (ii) the right-of-use asset relates to a class of plant, property and equipment (“PPE”) to which the relevant tenant applies IAS 16’s revaluation model, in which case all right-of-use asset relating to that class of PPE can be revalued.

Under the cost model, a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. A lease liability is initially measured at the present value of the rent payable over the relevant lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the relevant tenant shall use their incremental borrowing rate.

Pursuant to IFRS 16, the Group will recognise the depreciation charge for the right-of-use assets over the useful life on a straight-line basis, and interest expense on the lease liabilities in profit or loss for both the Nanning Property and the Shanghai Property. The annual depreciation amount for the Nanning Property and Shanghai Property is approximately RMB15.6 million and RMB19.9 million respectively. The varying portion of the rent payable by the Group will be recognised as expenses incurred by the Group.

8. IMPLICATIONS UNDER LISTING RULES

8.1 Nanning Renewal Agreement

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.

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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.

8.2 Shanghai Tenancy Agreement

Pursuant to IFRS 16, the Group is required to recognise the Shanghai Property as a right-of-use asset, and the entering into of the Shanghai Tenancy 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 RMB298.8 million, calculated with reference to the present value of the rent under the Shanghai Tenancy as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the 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 Shanghai Tenancy 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.

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, the Nanning Renewal Agreement, the Shanghai Tenancy or the Shanghai Tenancy Agreement. Accordingly, none of the Shareholders is required to abstain from voting in favour of the resolutions to approve the Nanning Renewal Agreement, the Shanghai Tenancy Agreement or the transactions contemplated thereunder respectively at the EGM.

9. EGM

The EGM will be convened for the purpose of, among others, considering and if thought fit, approving the Nanning Renewal Agreement and the Shanghai Tenancy Agreement and the transactions contemplated thereunder respectively. Pursuant to Rule 13.39(4) of the Listing Rules, the chairman of the EGM will demand a poll for all resolutions put forward at the EGM.

A notice convening the EGM to be held on Thursday, 12 December 2024, at 2:00 p.m. is set out on pages 72 to 73 of this circular.

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The Company will conduct the EGM by way of electronic means. Registered Shareholders will be able to attend the EGM, vote and submit questions online via the designated URL (<https://spot-meeting.tricor.hk>) through the internet by using their computer, tablet device or smartphone. Each registered Shareholder's personalized login and access code and/or the user guide for online voting will be sent to him or her under separate letter.

Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the EGM, vote and submit questions online. In this regard, they should consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) (collectively the "**Intermediary**") and instruct the Intermediary to appoint them as proxy or corporate representative to attend and vote at the EGM electronically and in doing so, they will be asked to provide their email address, before the time limit required by the relevant Intermediary. Details regarding the e-Meeting System including the login details will be emailed to them by the Company's branch share registrar, Tricor Investor Services Limited.

If any Shareholder has any question on the arrangements of the EGM, please contact Tricor Investor Services Limited, the Company's branch share registrar and transfer office, at the following:

Address: 17/F, Far East Finance Centre, 16 Harcour Road, Hong Kong

Email: is-enquiries@hk.tricorglobal.com

Telephone: (852) 2980 1333

(From 9:00 a.m. to 5:00 p.m. Monday to Friday, excluding Hong Kong public holidays)

A form of proxy for use by the Shareholders at the EGM is enclosed herein. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and of the Company (www.parksongroup.com.cn). Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or via the designated URL (<https://spot-meeting.tricor.hk>) using the username and password provided on the notification letter sent by the Company as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

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Registered Shareholders are requested to provide a valid email address of his or her proxy (except appointment of “The Chairman of the Meeting”) for the proxy to receive the login access code to participate online to the e-Meeting System.

The record date for determining the entitlement of Shareholders to attend and vote at the EGM will be Tuesday, 10 December 2024. All unregistered holders of the Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 December 2024.

10. RECOMMENDATION

The Directors, including the independent non-executive Directors, consider that the terms of the Nanning Renewal Agreement and the Shanghai Tenancy Agreement, and the renewed Nanning Tenancy and the Shanghai Tenancy, each taken as a whole, are fair and reasonable, and also having taken into account the above reasons and benefits, consider that the entering into of the Nanning Renewal Agreement and the Shanghai Tenancy Agreement and the transactions contemplated thereunder respectively are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions as set out in the notice of the EGM.

11. FURTHER INFORMATION

Your attention is also drawn to the additional information of the Group as set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2023, 2022 and 2021 and for the six months ended 30 June 2024 are disclosed in the following documents which have been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.parksongroup.com.cn), and can be accessible by the links as follows:

- interim report of the Company for the six months ended 30 June 2024 (pages 5 to 44)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0912/2024091200467.pdf>
- annual report of the Company for the year ended 31 December 2023 (pages 103 to 260)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0410/2024041000319.pdf>
- annual report of the Company for the year ended 31 December 2022 (pages 100 to 260)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0413/2023041300920.pdf>
- annual report of the Company for the year ended 31 December 2021 (pages 98 to 252)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0413/2022041301030.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 September 2024, being the latest practicable date for the purpose of this statement of indebtedness, the Group had aggregate outstanding secured interest-bearing borrowings of approximately RMB2,778 million.

Bank borrowings denominated in RMB of approximately RMB2,470 million bear a floating interest rate of the loan prime rate (LPR) of the People's Bank of China per annum. Bank borrowings denominated in MYR of approximately RMB308 million bear a floating interest rate of 3.25% per annum over KLIBOR.

As at 30 September 2024, the Group's bank borrowings are secured by (i) mortgages over the Group's investment property, which had a net carrying amount of approximately RMB529 million; (ii) mortgages over the Group's buildings, which had a net carrying amount of approximately RMB1,337 million; (iii) mortgages over the Group's leasehold land, which had an aggregate carrying amount of approximately RMB309 million; and (iv) the pledge of trade receivables of approximately RMB498 million and unrealised receivables of approximately RMB117 million which will be due within 48 months.

As at 30 September 2024, items (i), (ii), (iii) are provided to secure the Group's bank borrowings denominated in RMB, and item (iv) is provided to secure the Group's bank borrowings denominated in MYR.

Save as disclosed above, the Group had no other bank borrowings loans, no matter guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) or unsecured.

Lease Liabilities

As at 30 September 2024, the Group had current and non-current lease liabilities of approximately RMB516 million and RMB2,426 million, respectively, of which approximately RMB1,726 million were secured by rental deposits of approximately RMB86 million, and others were unsecured and unguaranteed.

General

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 September 2024.

For the purpose of the above statement of indebtedness, foreign currency amounts denominated other than RMB have been translated into RMB at the rates of exchange prevailing at the close of business on 30 September 2024.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Group's available financial resources including internally generated cash flows, credit facilities and cash on hand, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

The Company has received confirmation letters from the Company's auditors confirming that (i) in their opinion, the above statement as to the sufficiency of working capital has been made by the Directors after due and careful enquiry; and (ii) the persons or institutions providing finance have confirmed in writing the existence of such facilities as of 30 September 2024 that are shown to be required by the Company's working capital forecast.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a leading nationwide lifestyle retail operator in the PRC. The Parkson brand was introduced to the Beijing market in the early 1990's and has now operated and managed a diversified collection of retail formats – including department stores, shopping malls, city outlets and supermarkets.

The world economy is still in a state of slow recovery with insufficient growth momentum, facing multiple pressures and challenges, such as the continued impact of post-COVID pandemic era, the risk of inflation, expectations of tighter monetary policy, technological innovation breakthroughs accelerating industrial transformation etc. In addition, international political instability and geopolitical tensions have also added uncertainties to economic development.

These significant challenges have led to consumption segmentation, consumer stratification and changes in consumption pattern, resulting in slower than expected recovery in consumer spending. In 2023, PRC macroeconomics have seen many twists and turns, and the current economy has not recovered to pre-pandemic levels.

Nevertheless, the PRC economy has been stabilizing in 2024 and expected to continue to stabilize in 2025 with policies geared towards economic recovery, and the Group remains optimistic about the prospects of the overall retail market in the PRC in 2025. With the future development of the PRC's economy, and continuous increase in urbanization rate and improvement of people's living standards, consumption will remain a leading driver of the PRC's economic growth in the future.

Looking ahead, the Group is well-positioned to capture growth opportunities in markets that it is very familiar with, and will continue to seek opportunities to grow its pipeline of potential new retail stores across the PRC. The Group will closely monitor the post-COVID pandemic changes in consumption behavior, actively review market trends, study customer needs, expand product categories, and provide customers with a more diversified range of high-quality products to fully seize all opportunities. Meanwhile, the Group will actively look for business partners with strong reputation to diversify the Group's business portfolio and to be more sustainable, so as to strengthen Parkson's position as a leading fashion and lifestyle retailer in the PRC.

With the Group's effective business strategies and extensive experience in the retail market over the past three decades, the Group can achieve stable and sustainable performance in a challenging environment and create long term value for shareholders.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the details of management discussion and analysis of the Group for each of the three financial years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024. The financial data in respect of the Group, for the purpose of this circular, is

derived from the annual report of the Company for each of the three financial years ended 31 December 2021, 2022, and 2023 and the interim report of the Company for the six months ended 30 June 2024.

(i) For the year ended 31 December 2021

Financial review

Total GSP and operating revenues

During 2021, total gross sales proceeds (“**GSP**”) (inclusive of value-added tax) increased by 6.2% to RMB11,916.8 million, mainly due to the increase in total merchandise sales resulting from the increase in same store sales (“**SSS**”). SSS increased by 4.7% in 2021.

Total merchandise sales (net of value-added tax) increased by RMB391.2 million or 4.2% to RMB9,612.0 million in 2021. Concessionaire sales which constituted 71.9% of the Group’s total merchandise sales in 2021 increased by 4.6% as compared to 2020 while direct sales increased by 3.4% as compared to 2020. The merchandise sales showed improvement in 2021 as compared to 2020 due to the reduced impact from COVID-19 disruptions. However, the business environment remains unstable due to COVID-19 pandemic.

The Group’s merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) decreased from 15.3% in 2020 to 14.2% in 2021, primarily due to increased promotional activities to stimulate sales during the year.

Total operating revenues of the Group increased by RMB310.2 million or 7.0% to RMB4,738.5 million in 2021, mainly due to the increase in the revenue from contracts with customers. Revenue from contracts with customers consists of sales of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees and constituted 78.6% of the total operating revenues in 2021. Revenue from contracts with customers increased by RMB91.0 million or 2.5% compared to 2020.

Operating expenses

Purchase of goods and changes in inventories represent the cost of sales for direct sales, which increased by RMB101.7 million or 4.6% from RMB2,214.5 million in 2020 to RMB2,316.2 million in 2021. The increase was primarily due to increase in procurement of goods from third party vendors, resulting from the increased direct sales.

Staff costs increased by RMB33.2 million or 6.1% to RMB580.4 million in 2021 from RMB547.2 million in 2020, mainly due to the increase in pension scheme contributions, unemployment insurance and work-related injury insurance as compared to 2020, for which exemption was given by government in 2020 to support enterprises in response to COVID-19 pandemic. On a same store basis, staff costs increased by 6.2%. Staff costs as a percentage of GSP decrease from 5.5% in 2020 to 5.4% in 2021.

Depreciation and amortisation decreased by 4.6% from RMB690.4 million in 2020 to RMB658.9 million in 2021. The decrease was primarily due to savings from fully depreciated or amortised assets in some stores. In 2021, depreciation expense on the right-of-use assets of RMB451.8 million was recognised as compared to RMB467.8 million in 2020. On a same store basis, depreciation charges decreased by 6.2%. Depreciation and amortisation as a percentage of GSP decrease from 6.9% in 2020 to 6.2% in 2021.

Rental expenses of the Group was RMB57.5 million in 2021 as compared to negative rental expenses of RMB13.9 million in 2020. In 2021, RMB20.7 million (2020: RMB88.4 million) was deducted in rental expenses to reflect changes in lease payments that arise from rent concessions to which the practical expedient under IFRS 16 is applied. On a same store basis, rental expenses increased by 512.9% in 2021. Rental expenses as a percentage of GSP were 0.5% in 2021, as compared to (0.1%) in 2020.

Other operating expenses, which consist primarily of (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; (d) general administrative expenses; and (e) city development and educational surcharge, increased by 25.1% to RMB802.0 million in 2021 from RMB641.3 million in 2020 as a result in the increase in utilities cost and marketing, promotional and selling expenses. In addition, impairment of RMB140.4 million was provided in 2021 in light of the latest market environment, the impact caused by the pandemic of COVID-19 and the management's assessment on the business prospect. On a same store basis, other operating expenses increased by 32.4%. Other operating expenses as a percentage of GSP were 7.5% in 2021, as compared to 6.4% in 2020.

Profit from operations

The Group generated a profit from operations of RMB323.6 million for 2021, a decrease of RMB25.4 million or 7.3% compared to RMB349.0 million recorded in 2020. Profit from operations as a percentage of GSP decreased from 3.5% in 2020 to 3.0% in 2021.

Finance income/costs

The Group incurred net finance costs of RMB422.2 million in 2021 which represented a decrease of RMB47.8 million or 10.2% compared to RMB470.0 million in 2020. In 2021, interest on lease liabilities of RMB402.8 million was recognised as compared to RMB430.0 million in 2020 and finance income on the net investments in sublease of RMB28.2 million was recognised as compared to RMB27.0 million in 2020.

Profit/(Loss)

Loss before tax decreased by 20.7% from RMB117.7 million to RMB93.3 million in 2021. This decrease in loss before tax was primarily due to increase in total operating revenues. Loss before tax as a percentage of GSP was 0.9% in 2021 as compared to 1.2% in 2020.

The Group's loss for the year decreased by RMB66.3 million to RMB170.6 million in 2021 from RMB236.9 million in 2020. Loss attributable to the owners of the Company decreased from RMB250.1 million in 2020 to RMB176.0 million in 2021.

Liquidity and financial resources and capital structure

As at 31 December 2021, the Group had cash and cash equivalents of RMB925.2 million (2020: RMB1,499.3 million), time deposits of RMB735.6 million (2020: RMB834.7 million), financial assets at fair value through profit or loss of RMB90.6 million (2020: RMB242.5 million) and investments in principal guaranteed deposits of RMB0.5 million (2020: RMB15.6 million). The Group's cash and cash equivalents were mainly denominated in Renminbi with the remaining denominated in United States dollars, Hong Kong dollars and others. As at 31 December 2021, the Group had total debt to total assets ratio of 15.6% (2020: 20.4%) and gearing ratio of 61% (2020: 64%).

As at 31 December 2021, the Group had outstanding secured interest-bearing borrowings of approximately RMB1,921.2 million, including bank borrowings denominated in HK\$ of approximately RMB1,726.8 million, bank borrowings denominated in MYR of approximately RMB159.5 million, and bank borrowings denominated in RMB of approximately RMB34.9 million, all of which bore floating interest rates. As at 31 December 2021, the Group had current and non-current lease liabilities of approximately RMB569.6 million and RMB3,361.8 million, respectively.

Pledge of assets

As at 31 December 2021, the Group had pledged deposits of RMB704.3 million, pledge trade receivables of RMB217.1 million, pledged buildings, investment properties and leasehold land with a net carrying amount of approximately RMB2,358.5 million, RMB482.4 million and RMB344.2 million respectively to secure general bank loans. The Group had pledged unrealised receivables of RMB62.9 million which will be due within 48 months to secure the general interest-bearing bank loans. In addition, the Group had pledged deposits of RMB31.2 million held in designated bank accounts for performance guarantee.

Segment information

As at 31 December 2021, the Group had one major operating segment, which is “Retail”. The Group operates department stores, shopping malls, outlets and supermarkets mainly in the PRC. Revenues arising from this segment include sales of goods in direct sales, commissions from concessionaire sales, consultancy and management service fees and rental income from tenants. Besides, the Group provides consumer financing business which is carried out by Parkson Credit Sdn. Bhd. (“**Parkson Credit**”) in Malaysia. Revenue from external customers are mostly generated in the PRC and almost all significant operating assets of the Group are located in the PRC.

Material acquisitions and disposals and significant investments

On 6 September 2021, Parkson Investment Holdings Co., Ltd.* (金獅百盛投資有限公司) (“**Parkson Investment**”) (an indirect wholly-owned subsidiary of the Company) and five other parties entered into a withdrawal framework agreement in respect of a series of withdrawal arrangements to implement the Group’s withdrawal from Jiaying Gold Lion Real Estate Development Co., Ltd.* (嘉興金獅房地產開發有限公司) with the total consideration of the withdrawal arrangements amounting to RMB379.90 million (the “**Withdrawal Framework Agreement**”). Pursuant to the Withdrawal Framework Agreement, among others, Parkson Investment (as transferor) disposed of its entire equity interest in Shanghai Shengrui Commercial Management Co., Ltd.* (上海盛蕤商業管理有限公司) at a consideration of approximately RMB0.26 million.

On 30 November 2021, Shanghai Hongqiao Parkson Development Co., Ltd.* (上海虹橋百盛商貿有限公司) (an indirect wholly-owned subsidiary of the Company) as vendor and Shanghai Shunyu Brand Management Co., Ltd.* (上海順羽品牌管理有限公司) as purchaser entered into equity transfer agreement in respect of the disposal of the entire equity interest in Shanghai Delight Food Co., Ltd.* (上海暢悅食品有限公司) for a consideration of an amount of RMB2,400,000.

Save as disclosed above, for the year ended 31 December 2021, the Group did not make any other material acquisitions or disposals of subsidiaries or associated companies. As at 31 December 2021, the Group did not hold any significant investments.

Future Plans

In 2021, the Group entered into agreements for the opening of new stores in 2022, including a department store in Yichun City, Jiangxi Province, which will be the Group's third store in Jiangxi Province, and a new Parkson Beauty store (concept store for self-operated makeup brands) in Wenzhou, Zhejiang Province. The source of funding will be primarily internal resources of the Group.

Employees

As at 31 December 2021, total number of employees for the Group was 4,963. The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary, incentives and bonus scheme.

Treasury policies

As at 31 December 2021, the business transactions of the Group were mainly denominated in Renminbi. Therefore, except for the capital market transactions for funding needs, there is limited exposure in foreign exchange risk. Hedging instruments including swaps and forwards have been used in the past and would be used in the future, if necessary, to ensure that the Group's exposure to the foreign exchange rate fluctuation and the interest rate fluctuation is minimized.

(ii) For the year ended 31 December 2022

Financial review

Total GSP and operating revenues

During 2022, total GSP (inclusive of value-added tax) decreased by 22.6% to RMB9,216.8 million, mainly due to the decrease in total merchandise sales resulting from the decrease in SSS. SSS decreased by 22.8% in 2022.

Total merchandise sales (net of value-added tax) decreased by RMB2,253.1 million or 23.4% to RMB7,358.8 million in 2022. Concessionaire sales which constituted 70.9% of the Group's total merchandise sales in 2022 decreased by 24.5% as compared to 2021 while direct sales decreased by 20.7% as compared to 2021. The Group's sales in 2022 decreased across both concessionaire sales and direct sales as compared to 2021 mainly due to the resurgence of COVID-19 pandemic in various cities in PRC since early 2022 and related prevention and control quarantine measures during the year which has seriously affected the customer traffic.

The Group's merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) decreased from 14.2% in 2021 to 13.5% in 2022.

Total operating revenues of the Group decreased by RMB989.8 million or 20.9% to RMB3,748.7 million in 2022, mainly due to the decrease in the revenue from contracts with customers. Revenue from contracts with customers consists of sales of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees and constituted 76.2% of the total operating revenues in 2022. Revenue from contracts with customers decreased by RMB866.5 million or 23.3% compared to 2021.

Operating expenses

Purchase of goods and changes in inventories represent the cost of sales for direct sales, which decreased by RMB466.1 million or 20.1% from RMB2,316.2 million in 2021 to RMB1,850.1 million in 2022. The decrease was primarily due to decrease in procurement of goods from third party vendors, resulting from the decreased direct sales.

Staff costs decreased by RMB43.8 million or 7.5% to RMB536.6 million in 2022 from RMB580.4 million in 2021, mainly due to closure of unprofitable business. On a same store basis, staff costs decreased by 6.3%. Staff costs as a percentage of GSP was 6.5% in 2022, as compared to 5.4% in 2021.

Depreciation and amortisation decreased by 8.3% from RMB658.9 million in 2021 to RMB604.3 million in 2022. The decrease was primarily due to decrease in depreciation expense for the right-of-use assets of the properties as a result of closure of stores. In 2022, depreciation expense on the right-of-use assets of RMB402.9 million was recognised as compared to RMB451.8 million in 2021. On a same store basis, depreciation charges decreased by 5.7%. Depreciation and amortisation as a percentage of GSP was 7.3% in 2022, as compared to 6.2% in 2021.

Rental expenses decreased by RMB42.3 million or 73.5% to RMB15.2 million in 2022 from RMB57.5 million in 2021. In 2022, RMB57.2 million (2021: RMB20.7 million) was deducted in rental expenses to reflect changes in lease payments that arise from rent concessions to which the practical expedient under IFRS 16 is applied. On a same store basis, rental expenses decreased by 68.7%. Rental expenses as a percentage of GSP decrease from 0.5% in 2021 to 0.2% in 2022.

Other operating expenses, which consist primarily of (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; (d) general administrative expenses; and (e) city development and educational surcharge, decreased by 6.1% to RMB753.5 million in 2022 from RMB802.0 million in 2021. Assets impairment of RMB103.3 million was provided in 2022 due to COVID-19 pandemic while RMB140.4 million was provided in 2021. On a same store basis, other operating expenses decreased by 3.2%. Other operating expenses as a percentage of GSP was 9.1% in 2022, as compared to 7.5% in 2021.

Profit from operations

The Group recorded a loss from operations of RMB11.0 million for 2022 while recorded a profit from operations of RMB323.6 million in 2021. Loss from operations as a percentage of GSP was (0.1%) in 2022 and profit from operations as a percentage of GSP was 3.0% in 2021.

Finance income/costs

The Group incurred net finance costs of RMB398.9 million in 2022 which represented a decrease of RMB23.3 million or 5.5% compared to RMB422.2 million in 2021. In 2022, interest on lease liabilities of RMB344.1 million was recognised as compared to RMB402.8 million in 2021 and finance income on the net investments in sublease of RMB26.5 million was recognised as compared to RMB28.2 million in 2021.

Profit/(Loss)

Loss before tax was RMB413.2 million in 2022 and RMB93.3 million in 2021. This increase in loss before tax was primarily due to decrease total operating revenues as a result of the resurgence of COVID-19 pandemic in various cities in PRC since early 2022. Loss before tax as a percentage of GSP was 5.0% in 2022 as compared to 0.9% in 2021.

The Group's loss for the year was RMB415.0 million in 2022 and RMB170.6 million in 2021. Loss attributable to the owners of the Company was RMB413.2 million in 2022 and RMB176.0 million in 2021.

Liquidity and financial resources and capital structure

As at 31 December 2022, the Group had cash and cash equivalents of RMB1,464.1 million (2021: RMB925.2 million), time deposits of RMB34.6 million (2021: RMB735.6 million), financial assets at fair value through profit or loss of RMB108.3 million (2021: RMB90.6 million) and investments in principal guaranteed deposits of nil (2021: RMB0.5 million). The Group's cash and cash equivalents were mainly denominated in Renminbi with the remaining denominated in United States dollars, Hong Kong dollars and others. As at 31 December 2022, the Group had total debt to total assets ratio of 21.8% (2021: 15.6%) and gearing ratio of 65% (2021: 61%).

As at 31 December 2022, the Group had outstanding secured interest-bearing borrowings of approximately RMB2,529.9 million, including bank borrowings denominated in HK\$ of approximately RMB2,338.3 million and bank borrowings denominated in MYR of approximately RMB191.6 million, all of which bore floating interest rates. As at 31 December 2022, the Group had current and non-current lease liabilities of approximately RMB645.9 million and RMB2,853.7 million, respectively.

Pledge of assets

As at 31 December 2022, the Group had pledged trade receivables of RMB269.0 million, pledged buildings, investment properties and leasehold land with a net carrying amount of approximately RMB1,415.0 million, RMB534.9 million and RMB331.3 million respectively to secure general bank loans. The Group had pledged unrealised receivables of RMB85.5 million which will be due within 48 months to secure the general interest-bearing bank loans. In addition, the Group had pledged deposits of RMB32.0 million held in designated bank accounts for performance guarantee.

Segment information

As at 31 December 2023, the Group had one major operating segment, which is "Retail". The Group operates department stores, shopping malls, outlets and supermarkets mainly in the PRC. Revenues arising from this segment include sales of goods in direct sales, commissions from concessionaire sales, consultancy and management service fees and rental income from tenants. Besides, the Group provides consumer financing business which is carried out by Parkson Credit in Malaysia. Revenue from external customers are mostly generated in the PRC and almost all significant operating assets of the Group are located in the PRC.

Material acquisitions and disposals and significant investments

For the year ended 31 December 2022, the Group did not make any material acquisitions or disposals of subsidiaries or associated companies. As at 31 December 2022, the Group did not hold any significant investments.

Future Plans

In 2022, the Group entered into an agreement for the opening of a new department store in Nanchang City, Jiangxi Province, which will be the Group's fourth store in Jiangxi Province, and further won a property tenancy bid in Mianyang City, Sichuan Province, which will also be developed as a department store in the future. The source of funding will be primarily internal resources of the Group.

Employees

As at 31 December 2022, total number of employees for the Group was 4,055. The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary, incentives and bonus scheme.

Treasury policies

As at 31 December 2022, the business transactions of the Group were mainly denominated in Renminbi. Therefore, except for the capital market transactions for funding needs, there is limited exposure in foreign exchange risk. Hedging instruments including swaps and forwards have been used in the past and would be used in the future, if necessary, to ensure that the Group's exposure to the foreign exchange rate fluctuation and the interest rate fluctuation is minimised.

(iii) For the year ended 31 December 2023***Financial review******Total GSP and operating revenues***

During 2023, total GSP (inclusive of value-added tax) increased by 9.5% to RMB10,093.9 million, mainly due to increase in rental income and total merchandise sales. Rental income increased by 72.0% and SSS increased by 7.1% in 2023.

Total merchandise sales (net of value-added tax) increased by RMB432.4 million or 5.9% to RMB7,791.2 million in 2023. Concessionaire sales which constituted 72.7% of the Group's total merchandise sales in 2023 increased by 8.5% as compared to 2022 while direct sales decreased by 0.5% as compared to 2022. The increased in total merchandise sales in 2023 was mainly due to gradual recovering from the pandemic during the year.

The Group's merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) remain stable at 13.5% in 2023 and 2022.

Total operating revenues of the Group increased by RMB428.8 million or 11.4% to RMB4,177.5 million in 2023. The increase in total operating revenues was mainly due to the recognition of rental income from investment property located in Beijing Financial Street. Revenue from contracts with customers consists of sales of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees and constituted 69.4% of the total operating revenues in 2023. Revenue from contracts with customers increased by RMB43.8 million or 1.5% compared to 2022.

Operating expenses

Purchase of goods and changes in inventories represent the cost of sales for direct sales, which decreased by RMB14.4 million or 0.8% from RMB1,850.1 million in 2022 to RMB1,835.7 million in 2023. The slight decrease was primarily due to decrease in procurement of goods from third party vendors, resulting from the slight decreased in direct sales.

Staff costs decreased by RMB50.8 million or 9.5% to RMB485.8 million in 2023 from RMB536.6 million in 2022, mainly due to closure of underperforming business. On a same store basis, staff costs decreased by 4.2%. Staff costs as a percentage of GSP was 5.4% in 2023, as compared to 6.5% in 2022.

Depreciation and amortisation decreased by 7.6% from RMB604.3 million in 2022 to RMB558.5 million in 2023. The decrease was primarily due to decrease in depreciation expense for the right-of-use assets of the properties as a result of changed in lease term for certain stores and closure of underperforming business. In 2023, depreciation expense on the right-of-use assets of RMB346.1 million was recognised as compared to RMB402.9 million in 2022. On a same store basis, depreciation charges decreased by 9.2%. Depreciation and amortisation as a percentage of GSP was 6.2% in 2023, as compared to 7.3% in 2022.

Rental expenses increased by RMB74.9 million to RMB90.1 million in 2023 from RMB15.2 million in 2022. The increased in rental expenses was mainly due to RMB57.2 million in 2022 was deducted in rental expenses to reflect changes in lease payments that arise from rent concessions to which the practical expedient under IFRS 16 is applied where not applicable in 2023. On a same store basis, rental expenses increased by 384.1%. Rental expenses as a percentage of GSP was 1.0% in 2023, as compared to 0.2% in 2022.

Other operating expenses, which consist primarily of (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; (d) general administrative expenses; and (e) city development and educational surcharge, decreased by 6.9% to RMB701.9 million in 2023 from RMB753.5 million in 2022. Assets impairment of RMB67.1 million was provided in 2023 while RMB103.3 million was provided in 2022 due to COVID-19 pandemic. On a same store basis, other operating expenses decreased by 4.7%. Other operating expenses as a percentage of GSP was 7.7% in 2023, as compared to 9.1% in 2022.

Profit from operations

The Group recorded profit from operations of RMB505.5 million for 2023 while recorded loss from operations of RMB11.0 million in 2022. Profit from operations as a percentage of GSP was 5.6% in 2023 and loss from operations as a percentage of GSP was (0.1%) in 2022.

Finance income/costs

The Group incurred net finance costs of RMB442.8 million in 2023 which represented an increase of RMB43.8 million or 11.0% compared to RMB398.9 million in 2022. The increase in finance cost mainly resulted from the increase in interest on interest-bearing bank loans which increase from RMB114.9 million in 2022 to RMB200.5 million in 2023. In 2023, interest expense on lease liabilities of RMB297.6 million was recognised as compared to RMB344.1 million in 2022 and interest income on the net investments in sublease of RMB22.7 million was recognised in 2023 as compared to RMB26.5 million in 2022.

Profit/(Loss)

Profit before tax is RMB86.6 million in 2023, compared to loss before tax of RMB413.2 million in 2022. The increase in profit before tax in 2023 was primarily due to gradual recovering from the pandemic during the year. Profit before tax as a percentage of GSP was 1.0% in 2023 and loss before tax as percentage of GSP was (5.0%) in 2022.

The Group's recorded profit of RMB70.5 million in 2023 as compared to loss of RMB385.4 million (restated) in 2022. Profit attributable to the owners of the Company was RMB66.4 million in 2023 as compared to loss attributable to the owners of the Company was RMB383.6 million (restated) in 2022.

Liquidity and financial resources and capital structure

As at 31 December 2023, the Group had cash and bank balances of RMB1,583.4 million (2022: RMB1,464.1 million), time deposits of RMB43.8 million (2022: RMB34.6 million), financial assets at fair value through profit or loss of RMB57.5 million (2022: RMB108.3 million) and restricted cash of RMB100.2 million (2022: nil). The Group's cash and bank balances were mainly denominated in Renminbi with the remaining denominated in United States dollars, Hong Kong dollars and others. As at 31 December 2023, the Group had total debt to total assets ratio of 22.5% (2022 (restated): 21.9%) and gearing ratio of 64% (2022 (restated): 66%).

As at 31 December 2023, the Group had outstanding secured interest-bearing borrowings of approximately RMB2,491.9 million, including bank borrowings denominated in HK\$ of approximately RMB2,281.5 million and bank borrowings denominated in MYR of approximately RMB210.4 million, all of which bore floating interest rates. As at 31 December 2023, the Group had current and non-current lease liabilities of approximately RMB656.7 million and RMB2,360.9 million, respectively.

Pledge of assets

As at 31 December 2023, the Group had pledged trade receivables of RMB207.9 million, pledged buildings, investment properties and leasehold land with a net carrying amount of approximately RMB1,370.6 million, RMB544.7 million and RMB318.5 million respectively to secure general bank loans. The Group had pledged unrealised receivables of RMB78.9 million which will be due within 48 months to secure the general interest-bearing bank loans. In addition, the Group has pledged deposits of RMB27.1 million held in designated bank accounts for performance guarantee.

Segment information

As at 31 December 2023, the Group had one major operating segment, which is "Retail". The Group operates department stores, shopping malls, outlets and supermarkets mainly in the PRC. Revenues arising from this segment include sales of goods in direct sales, commissions from concessionaire sales, consultancy and management service fees and rental income from tenants. Besides, the Group provides consumer financing business which is carried out by Parkson Credit in Malaysia. Revenue from external customers are mostly generated in the PRC and almost all significant operating assets of the Group are located in the PRC.

Material acquisitions and disposals and significant investments

For the year ended 31 December 2023, the Group did not make any material acquisitions or disposals of subsidiaries or associated companies. As at 31 December 2023, the Group did not hold any significant investments.

Future Plans

In 2023, the Group entered into two tenancy agreements for its plans to open two stores in Mianyang City, Sichuan Province, a supermarket in January 2024 and a department store in 2026, which will be the Group's fourth and fifth stores in Mianyang City. Additionally, the Group entered into a cooperation agreement and plans to open its third store in Datong City, Shanxi Province in 2025. The source of funding will be primarily internal resources of the Group.

Employees

As at 31 December 2023, total number of employees for the Group was 3,826. The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary, incentives and bonus scheme.

Treasury policies

As at 31 December 2023, the business transactions of the Group were mainly denominated in Renminbi. Therefore, except for the capital market transactions for funding needs, there is limited exposure in foreign exchange risk. Hedging instruments including swaps and forwards have been used in the past and would be used in the future, if necessary, to ensure that the Group's exposure to the foreign exchange rate fluctuation and the interest rate fluctuation is minimized.

(iv) For the six months ended 30 June 2024***Financial review******Total GSP and operating revenues***

The Group recorded total GSP of RMB4,692.8 million (inclusive of value-added tax) or RMB4,222.2 million (net of value-added tax) in the six months ended 30 June 2024 ("1H2024"), representing a decrease of 12.5% as compared to the six months ended 30 June 2023 ("1H2023"). The decrease in GSP was a result of slower-than-expected economic recovery that led to a consumption downgrade, making consumers more cautious in their spending. SSS decreased by 13.3% in 1H2024 as compared to the same period of last year.

Concessionaire sales which constituted 72.5% of the Group's total merchandise sales in 1H2024, decreased by 12.6% as compared to the same period of last year; while direct sales decreased by 14.5% as compared to the same period of last year. The Group's sales in 1H2024 decreased across both concessionaire sales and direct sales as compared to 1H2023 as a result of slower-than-expected economic recovery that led to a consumption downgrade, making consumers more cautious in their spending.

The Group's merchandise gross margin, a combination of concessionaire commission rate and the direct sales margin, decreased from 13.5% in 1H2023 to 13.2% in 1H2024.

Total operating revenues of the Group decreased by 12.3% to RMB1,944.7 million in 1H2024 as compared to RMB2,218.2 million in 1H2023. The decrease in total operating revenues was mainly due to the decrease in sale of goods from direct sales and commissions from concessionaire sales. The revenue from contracts with customers which constituted 69.3% of our total operating revenues in 1H2024, decreased by RMB224.5 million or 14.3% as compared to the same period of last year. The revenue from contracts with customers consists of sale of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees.

Operating expenses

Purchases of goods and changes in inventories represent the cost of sales for direct sales. Cost of sales decreased by RMB134.8 million or 13.5% from RMB999.3 million in 1H2023 to RMB864.5 million in 1H2024. The decreased in purchases of goods and changes in inventories is consistent with the decreased in sale of goods from direct sales.

Staff costs decreased by RMB11.1 million or 4.4% from RMB250.8 million in 1H2023 to RMB239.7 million in 1H2024. The decrease was mainly due to cost controlling during 1H2024. On a same store basis, staff costs decreased by 4.7% in 1H2024. Staff costs as a percentage of GSP increased from 5.2% in 1H2023 to 5.7% in 1H2024.

Depreciation and amortisation decreased by 15.3% from RMB302.1 million in 1H2023 to RMB255.9 million in 1H2024. The decrease was primarily due to decrease in depreciation for the right-of-use assets of the properties as a result of changed in rental and payment terms for certain stores. In 1H2024, depreciation expenses on right-of-use assets of RMB155.4 million was recognised as compared to RMB183.2 million in 1H2023. On a same store basis, depreciation and amortisation decreased by 11.6% in 1H2024. Depreciation and amortisation as a percentage of GSP decreased from 6.3% in 1H2023 to 6.1% in 1H2024.

Rental expenses increased by RMB0.9 million or 2.1% from RMB43.2 million in 1H2023 to RMB44.1 million in 1H2024. On a same store basis, rental expenses decreased by 2.1% in 1H2024. Rental expenses as a percentage of GSP increased from 0.9% in 1H2023 to 1.0% in 1H2024.

Other operating expenses which consist primarily of (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; (d) general administrative expenses; and (e) city development and educational surcharge, decreased by 3.1% from RMB358.0 million in 1H2023 to RMB346.8 million in 1H2024. The decrease in other operating expenses mainly due to closure of underperforming business. On a same store basis, other operating expense increased by 2.2% in 1H2024. Other operating expenses as a percentage of GSP increased from 7.4% in 1H2023 to 8.2% in 1H2024.

Profit from operations

The Group generated a profit from operations of RMB193.8 million in 1H2024, a decrease of RMB71.0 million as compared to RMB264.8 million recorded in 1H2023. Profit from operations as a percentage of GSP decreased from 5.5% in 1H2023 to 4.6% in 1H2024.

Finance income/costs

The Group incurred net finance costs of RMB220.4 million in 1H2024 which represented a decrease of RMB1.5 million or 0.7% compared to RMB221.9 million in 1H2023. The decrease in finance cost mainly resulted from the decrease in interest expense on the lease liabilities. For interest expense on the lease liabilities, RMB133.2 million was recognised in finance cost in 1H2024 as compared to RMB154.8 million in 1H2023. For interest income on the net investments in subleases, RMB9.3 million was recognised in finance income in 1H2024 as compared to RMB11.7 million in 1H2023 under IFRS 16.

Profit/(Loss)

Loss before tax is RMB17.8 million in 1H2024, compared to profit before tax of RMB60.6 million in 1H2023. Loss before tax as a percentage of GSP was (0.4%) in 1H2024, as compared to profit before tax as a percentage of GSP was 1.3% in 1H2023.

The Group recorded a loss for the period of RMB17.2 million in 1H2024 as compared to a profit of RMB66.7 million for the corresponding period of last year. The Group recorded loss attributable to owners of the Company amounted to RMB18.6 million in 1H2024 as compared to profit attributable to owners of the Company of RMB63.1 million recorded for the corresponding period of last year.

Liquidity and financial resources and capital structure

As at 30 June 2024, the Group had cash and bank balances of RMB1,443.8 million (31 December 2023: RMB1,583.4 million), time deposits of RMB30.6 million (31 December 2023: RMB43.8 million), financial assets at fair value through profit or loss of RMB68.2 million (31 December 2023: RMB57.5 million) and restricted cash of RMB132.6 million (31 December 2023: RMB100.2 million). The Group's cash and cash equivalents were mainly denominated in Renminbi with the remaining denominated in United States dollars, Hong Kong dollars and others. As at 30 June 2024, the Group had total debt to total assets ratio of 24.8% (31 December 2023: 22.5%) and gearing ratio of 64% (31 December 2023: 64%).

As at 30 June 2024, the Group had outstanding secured interest-bearing borrowings of approximately RMB2,719.8 million, including bank borrowings denominated in MYR of approximately RMB249.8 million and bank borrowings denominated in RMB of approximately RMB2,470.0 million, all of which bore floating interest rates. As at 30 June 2024, the Group had current and non-current lease liabilities of approximately RMB587.9 million and RMB2,503.4 million, respectively.

Pledge of assets

As at 30 June 2024, the Group had pledged trade receivables of RMB211.5 million, pledged buildings, investment properties and leasehold land with a net carrying amount of approximately RMB1,348.4 million, RMB534.2 million and RMB312.1 million, respectively, to secure the general bank loans. The Group had pledged unrealised receivables of RMB95.9 million which will be due within 48 months to secure the general interest-bearing bank loans. In addition, the Group has pledged deposits of RMB28.0 million held in designated bank accounts for performance guarantee.

Segment information

As at 30 June 2024, the Group had one major operating segment, which is "Retail". The Group operates department stores, shopping malls, outlets and supermarkets mainly in the PRC. Revenues arising from this segment include sales of goods in direct sales, commissions from concessionaire sales, consultancy and management service fees and rental income from tenants. Besides, the Group provides consumer financing business which is carried out by Parkson Credit in Malaysia. Revenue from external customers are mostly generated in the PRC and almost all significant operating assets of the Group are located in the PRC.

Material acquisitions and disposals and significant investments

For the six months ended 30 June 2024, the Group did not make any material acquisitions or disposals of subsidiaries or associated companies. As at 30 June 2024, the Group did not hold any significant investments.

Future Plans

Within the six months ended 30 June 2024, the Group renewed three tenancies, in Guiyang City, Guizhou Province, Shenyang City, Liaoning Province, and Harbin City, Heilongjiang Province. The Group also entered into a new tenancy agreement for its plan to open a supermarket in Kunming City, Yunnan Province at the end of 2024. The source of funding will be primarily internal resources of the Group.

Employees

As at 30 June 2024, total number of employees for the Group was 3,687. The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary, incentives and bonus scheme.

Treasury policies

As at 30 June 2024, the business transactions of the Group were mainly denominated in Renminbi. Therefore, except for the capital market transactions for funding needs, there is limited exposure in foreign exchange risk. Hedging instruments including swaps and forwards have been used in the past and would be used in the future, if necessary, to ensure that the Group's exposure to the foreign exchange rate fluctuation and the interest rate fluctuation is minimized.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of the rental value of the property to be leased to the Group, as at 30 September 2024.



27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

25 November 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 rent of the property to be leased to Nanning Brilliant Parkson Commercial Co., Ltd* (南寧柏聯百盛商業有限公司), 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 rent of the property as at 30 September 2024 (the “**Valuation Date**”).

Valuation Basis

Our valuation of the property 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 valuation is 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 HKIS Valuation Standards 2020.

Valuation Assumption

Our valuation of the property excludes an estimated rent 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 the 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 the property is on a 100% interest basis.

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

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

Method of Valuation

In valuing the property, 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 property under assessment. Each comparable is analysed on the basis of its unit rent; each attribute of the comparable is then compared with the property and where there is a difference, the unit rent is adjusted in order to arrive at the appropriate unit rent for the property.

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 property, tenancy information, particulars of occupancy, site and floor area and all other relevant matters.

In the course of our valuation of the property, we have also relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser, Shanghai Qiaowen Law Firm (上海喬文律師事務所), regarding the title to the property and the interest in the property.

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 valuation. 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 property 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 property in the PRC and we have therefore relied on the advice given by the Group regarding the interests of the Group in the property 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 property in the PRC.

In valuing the property, we have assumed that the owner of the 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, Qi Zhang (Master of Commerce, 2 years' experience of property valuation) from the Nanning office and Bowen Huang (Master of Property and Development and Master of Construction Project Management, 1 year's experience of property valuation) from the Shanghai office, inspected the exterior and, wherever possible, the interior of the property in Nanning on 24 September 2024. 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 property is 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 property 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 valuation are in Renminbi (“RMB”), the official currency of the PRC.

Other Disclosure

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the property 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.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace Lam
MHKIS, MRICS, R.P.S.(GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Ms. Grace 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 valuation competently.

VALUATION REPORT

Property to be leased to the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 September 2024
<p>Relevant parts of Levels LG1 to Level 7 of Tower D of INCITY located at the intersection of Chaoyang Road, Minsheng Road, Gonghe Road and Minzu Avenue, Xingning District Nanning City, Guangxi Province, the PRC</p> <p>(中華人民共和國廣西省南寧市興寧區朝陽路、民生路、共和路及民族大道圍合處印象城D座南寧百盛百貨公司大樓地下一層至七層部分)</p>	<p>Nanning Parkson Department Store is a commercial building of 7 storeys above ground and 1 storey under ground. The building is erected on a parcel of land of 37,174.94 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 41,069.26 sq.m.</p> <p>The property is located at the intersection of Chaoyang Road, Minsheng Road, Gonghe Road and Minzu Avenue, Xingning District, Nanning City. It is adjacent to the Chaoyang Square Station of Metro Line Nos. 1 and 2. Developments nearby are mainly commercial in nature.</p> <p>The land use rights of the property have been granted for a term due to expire on 27 November 2042 for commercial use.</p>	<p>As at the Valuation Date, the property was operated as a department store.</p>	<p>RMB33,000,000</p> <p>(RENMINBI THIRTY-THREE MILLION) for the first year, inclusive of valued-added tax (“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 Levels LG1 to Level 7 of Tower D of INCITY located at the intersection of Chaoyang Road, Minsheng Road, Gonghe Road and Minzu Avenue, Xingning District Nanning City, Guangxi Province, the PRC

(中華人民共和國廣西省南寧市興寧區朝陽路、民生路、共和路及民族大道圍合處印象城D座南寧百盛百貨公司大樓地下一層至七層部分)

Total Leasable Area: 41,069.26 sq.m.

Lease Term: 1 January 2025 to 27 November 2042

Annual Rent for 1st Year: Fixed rent, inclusive of VAT but exclusive of building management fee

Rent Payable*:	Annual rent payable inclusive of VAT but exclusive of building management fee		
	Years	(RMB)	Growth Rate
	1-3	First fixed amount	–
	4-6	Second fixed amount	3% of Year 3 rent
	7-8	Third fixed amount	6% of Year 6 rent
	9-11	Fourth fixed amount	4% of Year 8 rent
	12-14	Fifth fixed amount	5% of Year 11 rent
	15-17	Sixth fixed amount	–
	18	Seventh fixed amount	–

* 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 RMB33,000,000, 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. (2002)420588 issued by the Nanning Municipal People's Government (南寧市人民政府) on 27 November 2002, the land use rights of the property, comprising a site area of 37,174.94 sq.m., have been vested in Nanning Holding Company Limited for a term due to expire on 27 November 2042 for commercial use.
- (3) According to Building Ownership Certificate Nos. 01506856, 01506858, 01506861, 01506873, 01506866, 01506859, 01506840 and 01506863 issued by the Nanning Real Estate Administration Bureau (南寧市房產管理局) on 1 September 2005, the building ownership of the property with a total gross floor area of 40,966.26 sq.m. has been vested in Nanning Holding Company Limited.
- (4) According to Building Ownership Certificate No. 01506850 issued by the Nanning Real Estate Administration Bureau (南寧市房產管理局) on 1 September 2005, the building ownership of the underground carpark of the property with a total gross floor area of 13,859.39 sq.m. has been vested in Nanning Holding Company Limited.

As advised by the Company, the property occupies 103 sq.m. of the aforesaid gross floor area.

- (5) As advised by the Company, starting from 1 January 2025, Nanning Brilliant Parkson Commercial Co., Ltd* (南寧柏聯百盛商業有限公司) shall invest a cumulative amount of no less than RMB30 million in renovating and refurbishing of the leased premises. No allowance has been made in the valuation for the above-mentioned costs.

- (6) 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 within five years; (ii) comparables are located in core business districts in Nanning; and (iii) the nature of comparables 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 RMB59 to RMB76 per month per sq.m., inclusive of VAT.

Rental Comparable	Leased Area <i>(sq.m.)</i>	Unit Rent <i>(RMB/sq.m./month)</i>
1. A 7-storey department store (levels -2 to 5) in Qingxiu district	12,000	59
2. A 7-storey department store (levels -1 to 6) in Qingxiu district	12,000	65
3. A 3-storey department store (levels 1 to 4) in Qingxiu district	10,000	76

The rental comparables are 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 if the property is similar to 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 or less desirable than the comparable properties, a downward adjustment is made.

The major adjustments made to arrive at our valuation include:

Adjustment	Range
Transaction Status	-2% to 0%
Transaction Date	0% to 5%
Location & Environment	5% to 10%
Age & Maintenance	-2% to -1%
Size	-2%
Decoration Standard	0% to 5%
Level	-9% to -3%

We have assigned equal weighting to the three comparables after due adjustments. As a result, we have adopted a unit market rent of RMB66.30 per sq.m. per month for a total leasable area of 41,069.26 sq.m., equivalent to a sum of approximately RMB2,700,000 per month inclusive of VAT but exclusive of building management fee for the first year.

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

- (7) 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. Nanning Holding Company Limited is the legal owner of the property.
 - b. The real estate ownership of the property belongs to Nanning Holding Company Limited. The property is subject to a mortgage in favor of CMB Wing Lung Bank Limited (招商永隆銀行有限公司).
 - c. Nanning Holding Company Limited has the right to legally possess, use, lease, benefit from and otherwise dispose of the property. However, the exercise of the above-mentioned rights is subject to the agreement between Nanning Holding Company Limited and the mortgagee.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of the rental value of the property to be leased to the Group, as at 30 September 2024.



27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

25 November 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 rent of the property to be leased to Shanghai Nine Sea Parkson Plaza Co., Ltd.* (上海九海百盛廣場有限公司) 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 rent of the property as at 30 September 2024 (the “**Valuation Date**”).

Valuation Basis

Our valuation of the property 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 valuation is 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 HKIS Valuation Standards 2020.

Valuation Assumption

Our valuation of the property excludes an estimated rent 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 the 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 the property is on a 100% interest basis.

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

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

Method of Valuation

In valuing the property, 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 property under assessment. Each comparable is analysed on the basis of its unit rent; each attribute of the comparable is then compared with the property and where there is a difference, the unit rent is adjusted in order to arrive at the appropriate unit rent for the property.

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 property, tenancy information, particulars of occupancy, site and floor area and all other relevant matters.

In the course of our valuation of the property, we have also relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser, Shanghai Qiaowen Law Firm (上海喬文律師事務所), regarding the title to the property and the interest in the property.

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 valuation. 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 property 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 property in the PRC and we have therefore relied on the advice given by the Group regarding the interests of the Group in the property 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 property in the PRC.

In valuing the property, we have assumed that the owner of the 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, George Deng (CIREA, 16 years' experience of property valuation) and Bowen Huang (Master of Property and Development and Master of Construction Project Management, 1 year's experience of property valuation) from the Shanghai office, inspected the exterior and, wherever possible, the interior of the property on 29 September 2024. 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 property is 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 property 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 valuation are in Renminbi (“RMB”), the official currency of the PRC.

Other Disclosure

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the property 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.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace Lam
MHKIS, MRICS, R.P.S.(GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Ms. Grace 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 valuation competently.

VALUATION REPORT

Property to be leased to the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 30 September 2024
<p>Relevant parts of Levels LG1 to Level 8 of the building located at No. 918 Huaihai Middle Road, Huangpu District, Shanghai, the PRC (中國上海市黃浦區淮海中路918號-1至8層部分)</p>	<p>Shanghai Parkson Department Store is a commercial podium of 8 storeys above ground and 1 storey underground. The podium is erected on a parcel of land of 6,693.60 sq.m</p>	<p>As at the Valuation Date, the property was operated as a department store.</p>	<p>RMB49,000,000 (RENMINBI FORTY-NINE MILLION) for the first year, inclusive of value-added tax (“VAT”) but exclusive of building management fee (Please see Note 1 below)</p>
	<p>According to the information provided by the Company, the property was completed in 1996 and has a total leasable area of 36,070.22 sq.m.</p>		
	<p>The property is located at No. 918 Huaihai Middle Road, Huangpu District, Shanghai. The underground level of the property has direct access to the Shanxi South Road Station of Metro Line Nos.1, 10 and 12. Developments nearby are mainly commercial and office in nature.</p>		
	<p>The land use rights of the property have been granted for commercial use (Please see Note 3).</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 Levels LG1 to Level 8 of the building located at No. 918 Huaihai Middle Road, Huangpu District, Shanghai, the PRC

(中國上海市黃浦區淮海中路918號-1至8層部分)

Total Leasable Area: 36,070.22 sq.m.

Lease Term: 30 November 2024 to 29 November 2039

Annual Rent for 1st Year: Fixed rent, inclusive of VAT but exclusive of building management fee

Rent Payable*:	Annual rent payable inclusive of VAT but exclusive of building management fee		
	Years		Growth Rate
	1-3	First fixed amount	–
	4-6	Second fixed amount	4% of Year 3 rent
	7	Third fixed amount	–22% of Year 6 rent
	8-9	Fourth fixed amount	33% of Year 7 rent
	10-12	Fifth fixed amount	4% of Year 9 rent
	13-14	Sixth fixed amount	4% of Year 12 rent
	15	Seventh fixed amount	–9% of Year 14 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 RMB49,000,000*, inclusive of VAT but exclusive of building management fee, at a fixed amount without varying rent, turnover rent or rental incentive.

- (2) According to Shanghai Certificate of Real Estate Ownership No. (2004)004370 issued by the Shanghai Housing and Land Resources Administration Bureau on 1 September 2004, the real estate ownership of the property with a site area of 6,693.60 sq.m. and a total gross floor area of 49,762.61, has been vested in Shanghai Nine Sea Industry Co., Ltd. (上海九海實業有限公司) for integrated use.

As advised by the Company, the property occupies part of the aforesaid site area and gross floor area.

- (3) As advised by the Company, the land parcel was directly granted by the government, so there is no time limitation on the land use term.

As advised by the Company, Shanghai Nine Sea Industry Co., Ltd. (上海九海實業有限公司) did not apply for the State-owned Land Use Rights Certificate. However, according to the legal opinion issued by the Group's PRC legal adviser, upon verification of the land use right information and records, including the Shanghai Certificate of Real Estate Ownership (上海市房地產權證) and the Shanghai Real Estate Registration Records (上海市不動產登記簿), Shanghai Nine Sea Industry Co., Ltd. (上海九海實業有限公司) is the legal owner of the property and the land it occupies.

- (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 within five years; (ii) comparable properties are located in core business districts of Shanghai; and (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 approximately range from RMB132 to RMB153 per month per sq.m., inclusive of VAT.

Rental Comparable	Leased Area <i>(sq.m.)</i>	Unit Rent <i>(RMB/sq.m./month)</i>
1. A 2-storey Supermarket (levels -2 to -1) in Putuo district	18,000	132
2. An 8-storey department store (levels -1 to 7) in Yangpu district	44,000	133
3. A 5-storey department store (levels -1 to 4) in Pudong New district	10,000	153

The rental comparables are 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 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 or less desirable than the comparable properties, a downward adjustment is made.

The major adjustments made to arrive at our valuation include:

Adjustment	Range
Transaction Date	-5%
Location & Environment	5% to 10%
Accessibility	0% to 5%
Age & Maintenance	-6% to -3%
Size	-10% to 0%
Decoration Standard	-2%
Level	-12% to -3%
Efficiency Rate	-6% 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 RMB112.50 per sq.m. per month for a total leasable area of 36,070.22 sq.m., equivalent to a sum of approximately RMB4,100,000 per month inclusive of VAT but exclusive of building management fee for the first year.

Based on our independent adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rent of the property to be 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. Shanghai Nine Sea Industry Co., Ltd. (上海九海實業有限公司) is the legal owner of the property and land, and has the right to legally possess, use, benefit from and otherwise dispose of the property. Shanghai Nine Sea Industry Co., Ltd. (上海九海實業有限公司) also possesses the rights to lease the property to the third parties.
 - b. The real estate ownership of the property belongs to Shanghai Nine Sea Industry Co., Ltd. (上海九海實業有限公司), and there is no mortgage or seizure on the above-mentioned property.
 - c. According to the provisions of Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法), land use rights obtained through direct allocation from the government are not subject to time limitation unless otherwise stipulated by laws or administrative regulations.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which will be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

- (a) Long positions of Tan Sri Cheng Heng Jem in the share capital of the Company:

Nature of Interest	Name of Registered Owner	Name of Beneficial Owner	Number and Class of Securities (Note 1)	Approximate Percentage of Shareholding (Note 2)
Corporate interest	PRG Corporation Limited (“PRG Corporation”)	PRG Corporation	1,438,300,000 ordinary shares	54.59%
Corporate interest	East Crest International Limited (“East Crest”)	East Crest	9,970,000 ordinary shares	0.38%

Notes:

- Tan Sri Cheng Heng Jem, together with his wife, Puan Sri Chan Chau Ha alias Chan Chow Har, through their interests and a series of companies in which they have a substantial interest, are entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Parkson Holdings Berhad (“PHB”). Since PHB is entitled to exercise or control the exercise of 100% of the voting power at general meeting of PRG Corporation through East Crest, pursuant to the SFO, he is deemed to be interested in both the 1,438,300,000 Shares held by PRG Corporation and the 9,970,000 Shares held by East Crest in the Company.
- Based on the issued and paid-up capital of the Company as at the Latest Practicable Date.

(b) Long positions of Tan Sri Cheng Heng Jem in the share capital of the Company's associated corporations (as defined in the SFO):

Name of Associated Corporation	Nature of Interest	Name of Registered Owner	Name of Beneficial Owner	Number and Class of Securities	Approximate Percentage of Shareholding (Note)
PHB	Beneficial interest and corporate interest	Tan Sri Cheng Heng Jem together with his spouse, Puan Sri Chan Chau Ha alias Chan Chow Har directly, and through a series of controlled corporations	Tan Sri Cheng Heng Jem together with his spouse, Puan Sri Chan Chau Ha alias Chan Chow Har directly, and through a series of controlled corporations	626,917,128 ordinary shares	54.56%
East Crest	Corporate interest	PHB	PHB	1 ordinary share	100%
Puncak Pelita Sdn. Bhd.	Corporate interest	PHB	PHB	2 ordinary shares	100%
Parkson Properties Holdings Co., Ltd.	Corporate interest	PHB	PHB	2 ordinary shares	100%
Parkson Vietnam Investment Holdings Co., Ltd.	Corporate interest	PHB	PHB	2 ordinary shares	100%
Prime Yield Holdings Limited	Corporate interest	PHB	PHB	1 ordinary share	100%
Corporate Code Sdn. Bhd.	Corporate interest	PHB	PHB	2 ordinary shares	100%
PRG Corporation	Corporate interest	East Crest	East Crest	1 ordinary share	100%
Smart Spectrum Limited	Corporate interest	East Crest	East Crest	1 ordinary share	100%
Serbadang Holdings Sdn. Bhd.	Corporate interest	East Crest	East Crest	2 ordinary shares	100%
Parkson Services Pte. Ltd.	Corporate interest	East Crest	East Crest	100 ordinary shares	100%
Parkson Retail Asia Limited	Beneficial interest and corporate interest	Tan Sri Cheng Heng Jem and through East Crest	Tan Sri Cheng Heng Jem and through East Crest	458,433,300 ordinary shares	68.03%
Parkson Properties Hanoi Co., Ltd.	Corporate interest	Parkson Properties Holdings Co., Ltd.	Parkson Properties Holdings Co., Ltd.	1 ordinary share	100%
Parkson TSN Holdings Co., Ltd.	Corporate interest	Parkson Vietnam Investment Holdings Co., Ltd.	Parkson Vietnam Investment Holdings Co., Ltd.	2 ordinary shares	100%
Dyna Puncak Sdn. Bhd.	Corporate interest	Prime Yield Holdings Limited	Prime Yield Holdings Limited	2 ordinary shares	100%
Gema Binari Sdn. Bhd.	Corporate interest	Prime Yield Holdings Limited	Prime Yield Holdings Limited	2 ordinary shares	100%
Prestasi Serimas Sdn. Bhd.	Corporate interest	Prime Yield Holdings Limited	Prime Yield Holdings Limited	2,000,000 ordinary shares	100%
Centro Retail Pte. Ltd.	Corporate interest	Parkson Retail Asia Limited	Parkson Retail Asia Limited	2 ordinary shares (SGD) 1 ordinary share (MYR)	100%

APPENDIX III
GENERAL INFORMATION

Name of Associated Corporation	Nature of Interest	Name of Registered Owner	Name of Beneficial Owner	Number and Class of Securities	Approximate Percentage of Shareholding (Note)
PT. Tozy Sentosa (Put into bankruptcy on 17 May 2021)	Corporate interest	Parkson Retail Asia Limited	Parkson Retail Asia Limited	45,000 Series A common shares	100% (in aggregate)
		Centro Retail Pte. Ltd.	Centro Retail Pte. Ltd.	5,000 Series A common shares	
		Parkson Retail Asia Limited	Parkson Retail Asia Limited	30,355,850 Series B preference shares	
Parkson Corporation Sdn. Bhd.	Corporate interest	Parkson Retail Asia Limited	Parkson Retail Asia Limited	82,000,002 ordinary shares	100%
Parkson Myanmar Co., Pte. Ltd.	Corporate interest	Parkson Retail Asia Limited	Parkson Retail Asia Limited	1 ordinary share (SGD)	100%
				1 ordinary share (MYR)	
Parkson Yangon Company Limited	Corporate interest	Parkson Retail Asia Limited	Parkson Retail Asia Limited	1,900,000 ordinary shares	100% (in aggregate)
		Parkson Myanmar Co., Pte. Ltd.	Parkson Myanmar Co., Pte. Ltd.	100,000 ordinary shares	
Parkson HBT Properties Co., Ltd.	Corporate interest	Parkson TSN Holdings Co., Ltd.	Parkson TSN Holdings Co., Ltd.	2,100,000 capital (USD)	100%
Idaman Erajuta Sdn. Bhd.	Corporate interest	Dyna Puncak Sdn. Bhd.	Dyna Puncak Sdn. Bhd.	2 ordinary shares	100%
Magna Rimbun Sdn. Bhd.	Corporate interest	Dyna Puncak Sdn. Bhd.	Dyna Puncak Sdn. Bhd.	2 ordinary shares	100%
True Excel Investments Limited	Corporate interest	Dyna Puncak Sdn. Bhd.	Dyna Puncak Sdn. Bhd.	1 ordinary share	100%
Parkson Branding Sdn. Bhd.	Corporate interest	Gema Binari Sdn. Bhd.	Gema Binari Sdn. Bhd.	7,000,000 ordinary shares	100%
Ombrello Resources Sdn. Bhd.	Corporate interest	Prestasi Serimas Sdn. Bhd.	Prestasi Serimas Sdn. Bhd.	457,000 ordinary shares	100%
Parkson SGN Co., Ltd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	4,500,000 capital (USD)	100%
Parkson Cambodia Holdings Co., Ltd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	1 ordinary share	100%
Parkson Edutainment World Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	1,000,000 ordinary shares	100%
Parkson Lifestyle Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	61,000,000 ordinary shares	100%
Parkson Haiphong Co., Ltd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	30,000,920 capital (USD)	100%
Parkson Unlimited Beauty Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	29,600,000 ordinary shares	100%
Parkson Trends Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	17,000,000 ordinary shares	100%
Parkson Private Label Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	15,000,000 ordinary shares	100%

Name of Associated Corporation	Nature of Interest	Name of Registered Owner	Name of Beneficial Owner	Number and Class of Securities	Approximate Percentage of Shareholding (Note)
Parkson Trading (Vietnam) Company Limited	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	300,000 capital (USD)	100%
Solid Gatelink Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	33,400,000 ordinary shares	100%
Parkson Vietnam Co., Ltd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	10,340,000 capital (USD)	100%
Parkson Myanmar Investment Company Pte. Ltd.	Corporate interest	Parkson Myanmar Co., Pte. Ltd.	Parkson Myanmar Co., Pte. Ltd.	2,100,000 ordinary shares	70%
Festival City Sdn. Bhd.	Corporate interest	Idaman Erajuta Sdn. Bhd.	Idaman Erajuta Sdn. Bhd.	500,000 ordinary shares	100%
Megan Mastika Sdn. Bhd.	Corporate interest	Magna Rimbun Sdn. Bhd.	Magna Rimbun Sdn. Bhd.	300,000 ordinary shares	100%
True Excel Investments (Cambodia) Co., Ltd.	Corporate interest	True Excel Investments Limited	True Excel Investments Limited	1,000 ordinary shares	100%
Parkson (Cambodia) Co., Ltd.	Corporate interest	Parkson Cambodia Holdings Co., Ltd.	Parkson Cambodia Holdings Co., Ltd.	1,000 ordinary shares	100%
Parkson Vietnam Management Services Co., Ltd.	Corporate interest	Parkson Vietnam Co., Ltd.	Parkson Vietnam Co., Ltd.	100,000 capital (USD)	100%
Myanmar Parkson Company Limited	Corporate interest	Parkson Myanmar Investment Company Pte. Ltd.	Parkson Myanmar Investment Company Pte. Ltd.	300,000 ordinary shares	100%
Dimensi Andaman Sdn. Bhd.	Corporate interest	Megan Mastika Sdn. Bhd.	Megan Mastika Sdn. Bhd.	54,019,999 ordinary shares	100%

Note:

Based on the relevant information of the respective companies as at the Latest Practicable Date.

- (c) Short positions of Tan Sri Cheng Heng Jem in the share capital of the Company's associated corporations (as defined in the SFO):

Name of Associated Corporation	Nature of Interest	Name of Registered Owner	Name of Beneficial Owner	Number and Class of Securities	Approximate Percentage of Shareholding (Note)
PHB	Corporate interest	Tan Sri Cheng Heng Jem together with his spouse, Puan Sri Chan Chau Ha alias Chan Chow Har directly, and through a series of controlled corporations	Tan Sri Cheng Heng Jem together with his spouse, Puan Sri Chan Chau Ha alias Chan Chow Har directly, and through a series of controlled corporations	40,000,142 ordinary shares	3.48%

Note:

Based on the total number of issued shares of PHB as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as is known to any Directors or chief executives of the Company, the following persons (other than the Directors and chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of Shareholder	Long/Short Positions	Nature of Interest	Number of Shares	Percentage of Shareholding (direct or indirect)
PHB	Long	Corporate interest	1,448,270,000 (Note 1)	54.97%
Puan Sri Chan Chau Ha alias Chan Chow Har	Long	Interest of spouse	1,448,270,000 (Note 2)	54.97%
PRG Corporation	Long	Beneficial interest	1,438,300,000 (Note 1)	54.59%
Chan Kin	Long	Corporate interest	955,975,517 (Note 3)	36.28%
Argyle Street Management Holdings Limited	Long	Corporate interest	955,975,517 (Note 3)	36.28%
Argyle Street Management Limited	Long	Investment manager	955,975,517 (Note 3)	36.28%
ASM Connaught House General Partner II Limited	Long	Corporate interest	940,584,517 (Note 3)	35.70%

Name of Shareholder	Long/Short Positions	Nature of Interest	Number of Shares	Percentage of Shareholding (direct or indirect)
ASM Connaught House Fund II LP	Long	Corporate interest	940,584,517 (Note 3)	35.70%
Bishan Street Limited (“Bishan”)	Long	Beneficial interest and security interest	933,845,517 (Note 3)	35.44%
Wang Hung Roger	Long	Beneficial interest and trustee	429,935,500 (Note 4)	16.32%
Wang Hsu Vivine H	Long	Interest of spouse and beneficiary of a trust	429,935,500 (Note 5)	16.32%
GEICO Holdings Limited	Long	Corporate interest	421,646,346 (Note 6)	16.00%
Golden Eagle International Retail Group Limited	Long	Beneficial interest	421,646,346 (Note 6)	16.00%
Wang Dorothy S L	Long	Beneficiary of a trust	421,646,346	16.00%
Wang Janice S Y	Long	Beneficiary of a trust	421,646,346	16.00%

Notes:

1. PRG Corporation is a wholly-owned subsidiary of East Crest which is in turn wholly-owned by PHB. By virtue of the SFO, PHB is deemed to be interested in the Shares held by PRG Corporation in the Company.
2. Puan Sri Chan Chau Ha alias Chan Chow Har is the wife of Tan Sri Cheng Heng Jem and is deemed to be interested in 1,448,270,000 Shares which Tan Sri Cheng Heng Jem is deemed to be interested in for the purposes of the SFO.
3. According to disclosure of interest filings available on the Stock Exchange’s website, Mr. Chan Kin is deemed to be interested in the Shares held by several corporations which he directly or indirectly controls. Out of these 955,975,517 Shares, 9,645,517 Shares are interests in cash-settled unlisted derivatives.

Bishan and ASM Connaught House Fund LP beneficially owned 9,645,517 and 11,565,500 Shares respectively. Bishan also held 924,200,000 securities interests on the Shares among the 933,845,517 Shares it is interested in.

Bishan was held indirectly by Argyle Street Management Limited as the Investment Manager through ASM Connaught House Fund II LP, ASM Connaught House Fund LP and several other controlled corporations. ASM Connaught House General Partner II Limited and ASM Connaught House General Partner Limited were two wholly controlled corporations of Argyle Street Management Holding Limited. Mr. Chan Kin has 100% control over Argyle Street Management Limited through his 50.43% control over Argyle Street Management Holding Limited. Accordingly, Mr. Chan Kin, Argyle Street Management Holding Limited and Argyle Street Management Limited were deemed to be interested in an aggregate holding of 955,975,517 Shares by virtue of the SFO.

4. The capacities of Wang Hung Roger in holding the 429,935,500 Shares (Long position) were as to 8,289,154 Shares (Long position) as beneficial owner and 421,646,346 Shares (Long position) as trustee.
5. Wang Hsu Vivine H is the wife of Wang Hung Roger and is deemed to be interested in 429,935,500 Shares held by Wang Hung Roger.
6. Golden Eagle International Retail Group Limited is wholly-owned by GEICO Holdings Limited. By virtue of the SFO, GEICO Holdings Limited is deemed to be interested in the Shares held by Golden Eagle International Retail Group Limited in the Company.

As at the Latest Practicable Date, as far as the Directors are aware, each of the following persons, not being a Director or the chief executive of the Company, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of a member of the Group other than the Company:

Substantial Shareholder	Member of the Group	Percentage of Equity Interest Held
Wuxi Supply and Marketing Group Co., Ltd. (“ Wuxi Supply and Marketing ”) (Note 1)	Wuxi Sanyang Parkson Plaza Co., Ltd. (“ Wuxi Parkson ”)	40%
Guizhou Shenqi Enterprise Co., Ltd. (“ Guizhou Shenqi Enterprise ”) (Note 2)	Guizhou Shenqi Parkson Retail Development Co., Ltd. (“ Guizhou Parkson ”)	40%
Shanghai Nine Sea Industry	Shanghai Nine Sea Lion Properties Management Co., Ltd. (“ Shanghai Lion Property ”) (Note 3)	71%
Shanghai Nine Sea Industry	Shanghai Nine Sea Parkson (Note 4)	29%

Substantial Shareholder	Member of the Group	Percentage of Equity Interest Held
E-Land Fashion Hong Kong Limited (“ E-Land Hong Kong ”) (Note 5)	Parkson Newcore Retail Shanghai Ltd. (“ Parkson Newcore ”)	51%
E-Land Hong Kong (Note 6)	Nanchang Parkson Newcore Retail Ltd. (“ Nanchang Newcore ”) (Note 6)	51%
Koh Wee Lit	Habitat Blue Sdn. Bhd.	40.55%
Bernice Cheong Nyuk Siew	Habitat Blue Sdn. Bhd.	16.67%

Notes:

1. Wuxi Supply and Marketing owns 40% of the equity interest of Wuxi Parkson.
2. (i) Guizhou Shenqi Enterprise, owns 40% of the equity interest of Guizhou Parkson.

(ii) Zhang Pei, Zhang Zhi Jun and Zhang Ya, own 30%, 40% and 30% of the equity interest in Guizhou Shenqi Enterprise, representing a 12%, 16% and 12% indirect equity interest in Guizhou Parkson, respectively.
3. Shanghai Lion Property is a cooperative joint venture enterprise established under the laws of the PRC between Shanghai Nine Sea Industry and Exonbury Limited, a wholly-owned subsidiary of the Company. According to public record, Shanghai Nine Sea Industry and Exonbury owns 54.79% and 45.21% equity interest in Shanghai Lion Property respectively. Shanghai Nine Sea Industry and the Group are entitled to 71% and 29% of the voting rights in the board of Shanghai Lion Property respectively under a mutual agreement between both parties. Shanghai Nine Sea Industry and the Group are entitled to 65% and 35% of the distributable profits of Shanghai Lion Property respectively.
4. Shanghai Nine Sea Parkson is a cooperative joint venture enterprise established under the laws of the PRC between Shanghai Nine Sea Industry and Exonbury. According to public record, Exonbury owns 100% equity interest in Shanghai Nine Sea Parkson. Shanghai Nine Sea Industry and the Group are entitled to 29% and 71% of the voting rights in the board of Shanghai Nine Sea Parkson respectively under a mutual agreement between both parties. Shanghai Nine Sea Industry is entitled to a pre-determined distribution of income from Shanghai Nine Sea Parkson while the Group is entitled to 100% of its distributed profit after deducting the aforesaid pre-determined distribution of income attributable to Shanghai Nine Sea Industry.

5. According to public records, Newcore Retail Hong Kong Limited (“**Newcore Hong Kong**”) has transferred its 51% equity interest in Parkson Newcore to E-Land Hong Kong on or around 21 July 2021. Upon the completion of the aforesaid transfer, Newcore Hong Kong has ceased to be a shareholder of Parkson Newcore and E-Land Hong Kong has become a shareholder of Parkson Newcore who owns 51% of the equity interest in Parkson Newcore.
6. Parkson Newcore owns 100% of the equity interest in Nanchang Newcore. E-Land Hong Kong owns 51% of the equity interest in Parkson Newcore, and thus E-Land Hong Kong is indirectly interested in 51% of the equity interest in Nanchang Newcore.

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no other person, other than the Directors or chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, Tan Sri Cheng Heng Jem, an executive Director and chairman of the Board, was the director of PHB, and Juliana Cheng San San, an executive Director, was the director of PRG Corporation. Save as disclosed herein, no Director was a director or any employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors have any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or which may be terminated by the Company or the relevant Group member within one year without payment of compensation other than statutory compensation).

5. DIRECTORS’ INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

6. DIRECTORS’ INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date which is significant in relation to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosable under the Listing Rules.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The Group did not enter into any contract which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding and including the Latest Practicable Date.

10. MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed hereinabove, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2023 and up to and including the Latest Practicable Date.

11. EXPERTS AND CONSENTS

Name	Qualification
Cushman & Wakefield Limited	Independent property valuer
Shanghai Qiaowen Law Firm	PRC legal adviser

Each of the above experts has given and has not withdrawn its written consent to the issue of the circular with the inclusion of its letter or opinion or advice and the references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2023 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.parksongroup.com.cn) for a period of 14 days from the date of this circular:

- (a) the Nanning Renewal Agreement;
- (b) the Nanning Original Tenancy Agreement;
- (c) the Shanghai Tenancy Agreement;
- (d) the valuation reports from Cushman & Wakefield Limited, the text of which is set out in Appendix II to this circular; and
- (e) the letters of consent from the experts referred to in paragraph 11 in this appendix.

13. MISCELLANEOUS

- (a) The registered office of the Company is situated at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103 Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Room 1010, 10th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.
- (c) The principal share registrar and transfer office of the Company in the Cayman Islands is Tricor Services (Cayman Islands) Limited at Third Floor, Century Yard, Cricket Square, P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The secretary of the Company is Yuen Wing Yan, Winnie, FCG, HKFCG (PE).
- (f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING

PARKSON 百盛

PARKSON RETAIL GROUP LIMITED

百盛商業集團有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3368)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of shareholders of Parkson Retail Group Limited (the “**Company**”) will be held by way of electronic means via an e-meeting system (<https://spot-meeting.tricor.hk>) on Thursday, 12 December 2024 at 2:00 p.m. (the “**EGM**”), to consider and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution.

Words and expressions that are not expressly defined in this notice of EGM shall bear the same meaning as that defined in the circular to shareholders of the Company dated 25 November 2024.

ORDINARY RESOLUTION

“THAT:

1. the Nanning Renewal Agreement entered into between Nanning Parkson (as tenant) and Nanning Holding (as landlord) in relation to the renewal of the Nanning Tenancy and the transactions contemplated thereunder be approved, ratified and confirmed; and any director of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the Nanning Renewal Agreement and transactions contemplated thereunder; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. the Shanghai Tenancy Agreement entered into between Shanghai Nine Sea Parkson (as tenant) and Shanghai Nine Sea Industry (as landlord) in relation to the Shanghai Tenancy and the transactions contemplated thereunder be approved, ratified and confirmed; and any director of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the Shanghai Tenancy Agreement and the transactions contemplated thereunder.”

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

25 November 2024

Notes:

- (a) Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice will be decided by poll at the EGM. Accordingly, the chairman of the EGM will demand a poll on each of the proposed resolutions at the EGM pursuant to Article 90 of the Articles of Association of the Company. Article 97 of the Articles of Association provides that on a poll, every shareholder present in person or by proxy shall have one vote for each share registered in his name in the register. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the EGM. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and of the Company (www.parksongroup.com.cn).
- (b) The record date for determining the entitlement to attend and vote at the EGM will be Tuesday, 10 December 2024. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 December 2024 (Hong Kong time), being the last registration date.
- (c) A member entitled to attend, speak and vote at the EGM is entitled to appoint a proxy (who must be an individual) to exercise all or any of his right to attend, speak and vote in his stead. A proxy need not be a member of the Company.
- (d) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at any time between 6:30 a.m. and 7:30 a.m. on the day of the EGM, the EGM will be adjourned. The Company will post an announcement on the Company's website (www.parksongroup.com.cn) and the HKEXnews website (www.hkexnews.hk) to notify Shareholders of the date, time and place of the adjourned meeting. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.
- (e) In order to be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a notorially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 2:00 p.m. on Tuesday, 10 December 2024 (Hong Kong time).