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**PARKSON 百盛**  
**PARKSON RETAIL GROUP LIMITED**  
**百盛商業集團有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 3368)**

**DISCLOSEABLE TRANSACTION:  
ENTERING INTO A TENANCY AGREEMENT  
IN RESPECT OF A PROPERTY IN WUZHOU CITY, THE PRC**

**THE TENANCY AGREEMENT**

On 1 June 2020, the Tenant (an indirect wholly-owned subsidiary of the Company) and the Landlord entered into a Tenancy Agreement in respect of the tenancy of the Property.

Pursuant to IFRS 16, the entering into the Tenancy Agreement as tenant will require the Group to recognise the Property as the right-of-use assets in which the amount was approximately RMB86.52 million calculated with reference to the present value of the rental payments as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire Term of the Tenancy Agreement, thus the entering into the Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group.

**IMPLICATIONS UNDER THE LISTING RULES**

The transaction contemplated under the Tenancy Agreement is regarded as an acquisition of assets under the Listing Rules. On the basis of the acquisition of right-of-use assets under the Tenancy Agreement, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB86.52 million.

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 assets recognised by the Group pursuant to IFRS 16 is more than 5% but less than 25%, the entering into the Tenancy Agreement constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## 1. INTRODUCTION

The Board is pleased to announce that on 1 June 2020, the Tenant and the Landlord entered into the Tenancy Agreement in respect of the Property. A summary of the principal terms of the Tenancy Agreement and the relevant information is set out below.

## 2. TENANCY AGREEMENT

Date : 1 June 2020

Parties : Tenant: Nanning Brilliant Parkson Commercial Co., Ltd.\* (南寧柏聯百盛商業有限公司), an indirect wholly-owned subsidiary of the Company, as tenant

Landlord: Wuzhou Sankee Investment Co., Ltd.\* (梧州市三祺投資有限公司) as landlord

Relevant premise : The first to fourth floors above ground level of Sunshine 100 Sankee City, No. 62 Hubin Road, Changzhou District, Wuzhou City\* (梧州市長洲區湖濱路62號陽光壹佰三祺城地上一層至四層).

Total gross area : Approximately 53,997.42 sq. m.

Term : 20 years from the Business Commencement Date

Use : Operation of commercial projects through the use of "Parkson" and "PARKSON" as trademark and trade name.

Rental : The total rental (inclusive of tax) comprises of (a) Fixed Rental of a total of approximately RMB1.94 million for the first to third year, (b) Percentage Rental for the fourth to fifth year, and (c) Guaranteed Rental or Percentage Rental for the year (whichever's amount is larger) for the sixth to twentieth years, where Guaranteed Rental shall be approximately RMB15.77 million per year for the sixth to eighth year, approximately RMB17.74 million per year for the ninth to eleventh year, approximately RMB19.96 million per year for the twelfth to fourteenth year, approximately RMB22.45 million per year for the fifteenth to seventeenth year, and approximately RMB25.26 million per year for the eighteenth to twentieth year.

The rental shall be paid by the Tenant to the Landlord on a monthly basis. For the Percentage Rental for the fourth to fifth year, rental payable shall be calculated by the Tenant according to the relevant financial statements for the month, and the parties shall carry out reconciliation of the rental payments after the end of each financial year pursuant to audited financial statements. For the sixth to twentieth year, the parties shall calculate the Percentage Rental amount for the year after the end of each financial year, and the Tenant shall pay any excess rental if the amount of Percentage Rental is higher than the total Guaranteed Rental paid for the same period.

Property management fee : The property management fee (inclusive of tax) payable shall be approximately RMB0.65 million per year for the first to third year, and approximately RMB1.30 million per year for the fourth to twentieth year.

The property management fee shall be paid by the Tenant to the Landlord on a monthly basis.

Deposit : The Tenant shall pay to the Landlord a deposit of RMB1.0 million within thirty (30) calendar days from the effective date of the Tenancy Agreement.

Renewal : If the Tenant wishes to renew the Tenancy Agreement, the Tenant shall serve a written request one (1) year prior to the expiration of the Term to the Landlord, and the Tenant and the Landlord shall sign a new tenancy agreement upon reaching mutual agreement on tenancy terms.

In the case of failure to reach mutual agreement on the tenancy terms, the Tenancy Agreement will be terminated upon the expiration of the Term.

The Landlord may then lease the Property to a third party, provided that the Tenant shall have the right of priority to rent the Property under the same terms as agreed between the Landlord and such third party.

Termination : Save as expressly provided, neither party may terminate the Tenancy Agreement prior to the expiration of the Term.

The circumstances under which both parties shall have the right to early termination includes:

- (a) the Property is subject to reclamation of rights of use of land and requisition of properties thereon or forced demolition by the government;
- (b) the occurrence of force majeure events resulting in the Tenant's inability to continue operations;
- (c) early termination is agreed by both parties;
- (d) the Tenancy Agreement cannot be performed as a result of the implementation and promulgation of national policies, laws and regulations.

Assignment : Upon giving written notice to the Landlord, the Tenant is entitled to assign all its rights, obligations and responsibilities under the Tenancy Agreement to any of its subsidiaries or branches, provided that such subsidiary or branch has fulfilled certain requirements under the Tenancy Agreement.

### **3. BASIS FOR DETERMINATION OF THE RENTALS AND OTHER INFORMATION**

The terms of the Tenancy Agreement (including the rental) were determined after arm's length negotiations between the Landlord and the Tenant, with reference to the prevailing market rentals for properties of similar type, age and location.

The rental and other amounts payable by the Tenant under the Tenancy Agreement are expected to be financed by the internal resources of the Group.

### **4. INFORMATION ON THE PARTIES**

#### **4.1. The Group and the Tenant**

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

The Tenant is an indirect wholly-owned subsidiary of the Company mainly participating in operation of department stores.

## 4.2. The Landlord

The Landlord is a company established in the PRC whose scope of business mainly includes investment and management of real estate, municipal engineering, traffic industry, mining, culture and sports, education, construction, tourism, manufacturing, transportation, landscaping and commerce; wholesale and retail trade in metal materials (exclusive of state-managed metal materials), building materials, decorative materials, machinery and equipment (exclusive of special materials), auto parts, daily necessities, office equipment, mineral products (exclusive of state-owned mineral products); import and export of various commodities and technologies; land development, real estate development and operation, property management, and greening engineering and traffic safe works.

To the best knowledge and belief of the Directors having made all reasonable enquiries, the shareholding of the Landlord is as follows:

<b>Shareholders</b>	<b>Shareholding Percentage</b>
Guangxi Sankee Investment Co., Ltd.* (廣西三祺投資有限公司) (“ <b>Guangxi Sankee</b> ”)	78.62%
Sunshine 100 Real Estate Group Co., Ltd.* (陽光壹佰置業集團有限公司) (“ <b>Sunshine 100 Real Estate</b> ”)	13.88%
Wang Zhangguo (王章國)	5.00%
He Nengxin (何能新)	2.50%
<b>Total</b>	<u><u>100%</u></u>

Based on information provided by the Landlord, Guangxi Sankee is wholly owned by Guangxi Communications Investment Group Corporation Ltd.\* (廣西交通投資集團有限公司), which is in turn wholly owned by the Guangxi Zhuang Autonomous Region Municipal People's Government State-owned Assets Supervision and Administration Commission (廣西壯族自治區人民政府國有資產監督管理委員會). Sunshine 100 Real Estate is an indirect non-wholly owned subsidiary of Sunshine 100 China Holdings Ltd, which is a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 2608).

The Landlord and its ultimate owner(s) are third parties independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules).

## **5. REASONS AND BENEFITS FOR ENTERING INTO THE TENANCY AGREEMENT**

The principal activities of the Group are the operation and management of a network of department stores in the PRC. The Company considers that the tenancy of the Property plays an important role in the development of the Group's business in Wuzhou City and is in line with the Group's development strategy in Guangxi Zhuang Autonomous Region. The Board believes that the tenancy will have a positive impact on the future development of the Company.

The Board believes that the terms of the tenancy are fair and reasonable, and also having taken into account the above reasons and benefits, the Board is of the view that the tenancy is in the interests of the Company and its shareholders as a whole.

## **6. IMPLICATIONS UNDER THE LISTING RULES**

### **6.1. Acquisition of assets by the Company**

Pursuant to IFRS 16, the entering into the Tenancy Agreement as a tenant will require the Group to recognise the Property as the right-of-use assets, thus the entering into the Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of assets by the Group under the Listing Rules.

### **6.2. Discloseable transaction**

The transaction contemplated under the Tenancy Agreement is regarded as an acquisition of assets under the Listing Rules. On the basis of the acquisition of right-of-use assets under the Tenancy Agreement, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB86.52 million.

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 assets recognised by the Group pursuant to IFRS 16 is more than 5% but less than 25%, the entering into the Tenancy Agreement constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under the Chapter 14 of the Listing Rules.

## **7. DEFINITIONS**

In this announcement, the following terms have the meanings set forth below unless the context requires otherwise:

“Board”	means the board of Directors.
“Business Commencement Date”	means the date of commencement of business of the Property, which is tentatively set to be 1 October 2021 and no later than 365 calendar days after the Delivery Date.



“Company”	means Parkson Retail Group Limited (百盛商業集團有限公司), a company incorporated in the Cayman Islands.
“Delivery Date”	means the date on which the Landlord shall deliver the Property to the Tenant, which is tentatively set to be 1 April 2021 and no later than 1 May 2021.
“Directors”	means the directors of the Company.
“Fixed Rental”	means the rental payable by the Tenant to the Landlord for the first to third years which is calculated at a fixed rate in accordance with the Tenancy Agreement.
“Group”	means the Company and its subsidiaries.
“Guaranteed Rental”	means the rental that may be payable by the Tenant to the Landlord for the sixth to twentieth years which is calculated at a fixed rate in accordance with the Tenancy Agreement.
“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, sets out the principles for the recognition, measurement, presentation and disclosure of leases.
“Landlord”	means Wuzhou Sankee Investment Co., Ltd.* (梧州市三祺投資有限公司), a company established in the PRC.
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“Percentage Rental”	means the rental payable by the Tenant to the Landlord payable during the fourth to fifth years, and may be payable during the sixth to twentieth years, calculated in accordance with the Tenancy Agreement, being a sum ranging from 1% to 4.5% of the Total Net Sales of the Tenant or the sub-tenants (as the case may be), or in the case of sub-tenants subject to a fixed rent, being 20% of the total rental proceeds (excluding VAT) received by the Tenant from the sub-tenants.
“PRC”	means the People’s Republic of China and, for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan.
“Property”	means the first to fourth floors above ground level of Sunshine 100 Sankee City, No.62 Hubin Road, Changzhou District, Wuzhou City* (梧州市長洲區湖濱路62號陽光壹佰三祺城地上一層至四層) in Guangxi Zhuang Autonomous Region, the PRC.
“RMB”	means Renminbi, the lawful currency of the PRC.
“sq. m”	means square metres.
“Tenancy Agreement”	means the tenancy agreement in respect of the Property entered into between the Landlord and the Tenant and dated 1 June 2020.
“Term”	means the term of the Tenancy Agreement, being 20 years from the Business Commencement Date.
“Tenant”	means Nanning Brilliant Parkson Commercial Co., Ltd.* (南寧柏聯百盛商業有限公司), a company established in PRC and an indirect wholly-owned subsidiary of the Company.

“Total Net Sales”

means (i) in the case of the Tenant, total main business income (excluding VAT) of the Tenant during the year as provided in the income statement of the Tenant’s auditor’s report for the same year; the Tenant’s main business income includes income derived from distribution sales and joint sales, and excludes other business income and non-operating income; and (ii) in the case of sub-tenants subject to the percentage rental calculation method, net sales as set out in the sales report provided by the sub-tenant to the Tenant.

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

1 June 2020

*As at the date of this announcement, the Executive Directors of the Company are Tan Sri Cheng Heng Jem and Ms. Juliana Cheng San San, the Non-executive Director is Dato’ Sri Dr. Hou Kok Chung and the Independent Non-executive Directors are Dato’ Fu Ah Kiow, Mr. Ko Desmond and Mr. Yau Ming Kim, Robert.*

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