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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)

MAJOR TRANSACTION:
FORMATION OF JOINT VENTURE

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

A letter from the Board is set out on pages 3 to 12 of this circular.

The Joint Venture Cooperation Agreement and the transactions contemplated thereunder have been approved by way of written shareholders’ approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

25 November 2020

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DEFINITIONS

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

“Announcement(s)”	means the announcement of the Company dated 16 October 2020 regarding the entering into the Joint Venture Cooperation Agreement between Shanghai Shengrui and Hongxiang Real Estate and the announcement of the Company dated 19 October 2020 regarding the successful bidding of the Land.
“Board”	means the board of Directors.
“Company”	means Parkson Retail Group Limited, a company incorporated in the Cayman Islands.
“Directors”	means the directors of the Company.
“Group”	means the Company and its subsidiaries.
“HK\$”	means Hong Kong Dollar, the lawful currency of Hong Kong.
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC.
“Hongxiang Group”	means Hongxiang Holding Group Co., Ltd* (鴻翔控股集團有限公司), being a company established in the PRC.
“Hongxiang Real Estate”	means Hongxiang Real Estate Co., Ltd. (鴻翔房地產有限公司), being a company established in the PRC and a wholly-owned subsidiary of Hongxiang Group.
“Joint Venture”	means the joint venture to be formed between Shanghai Shengrui and Hongxiang Real Estate in the PRC pursuant to the Joint Venture Cooperation Agreement.
“Joint Venture Cooperation Agreement”	means the joint venture cooperation agreement entered into between Shanghai Shengrui and Hongxiang Real Estate in relation to the formation of the Joint Venture.

DEFINITIONS

“Land”	means the land located at the east of Qingfeng Road Green Belt Area, south of Guangze Road, west of Yundong Road and north of Zuili Road Green Belt Area, Jiaxing City of Zhejiang Province in the PRC (中國浙江省嘉興市東至慶豐路綠化帶、南至廣澤路、西至雲東路及北至構李路綠化帶) with a total site area of 130,294 square meters for commercial and residential purposes.
“Latest Practicable Date”	means 18 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular.
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“PRC” or “China”	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.
“SFO”	means the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong), as amended or supplemented from time to time.
“Shareholders”	means holders of the Shares.
“Shares”	means ordinary shares of nominal value of HK\$0.02 each in the capital of the Company.
“Shanghai Shengrui”	means Shanghai Shengrui Commercial Management Co., Ltd.* (上海盛蕤商業管理有限公司), being a company established in the PRC, an indirect wholly-owned subsidiary of the Company.
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.
“%”	means percent.

* 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 Director:

Dato' Sri Dr. Hou Kok Chung

Independent non-executive Directors:

Dato' Fu Ah Kiow
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Wanchai
Hong Kong

25 November 2020

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION:
FORMATION OF JOINT VENTURE**

1. INTRODUCTION

References are made to the Announcements dated 16 October 2020 and 19 October 2020.

The purpose of this circular is to provide you with, among others, details of the formation of the Joint Venture as required under the Listing Rules.

A summary of the principal terms of the Joint Venture Cooperation Agreement and the relevant information are set out below.

LETTER FROM THE BOARD

2. FORMATION OF THE JOINT VENTURE – JOINT VENTURE COOPERATION AGREEMENT

Date

15 October 2020

Parties

- (a) Shanghai Shengrui; and
- (b) Hongxiang Real Estate.

The ultimate beneficial owners of Hongxiang Real Estate are Yao Yueliang, Yao Weibing and Song Chengmei. To the best knowledge and belief of the Directors having made all reasonable enquiries, Hongxiang Real Estate and its ultimate beneficial owner(s) are third parties independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules).

Purpose for the formation and business scope of the Joint Venture

Shanghai Shengrui and Hongxiang Real Estate intend to jointly locate suitable land resources within Jiaxing City of Zhejiang Province in the PRC for the future development and construction of properties on such land resources. They intend to acquire the land use rights of plots of land to be used for (a) commercial and residential purposes, which include the development and construction of commercial and residential complexes; and (b) commercial and retail purposes, which include the development and construction of commercial shopping centres, located in the aforementioned area.

Capital commitments

Pursuant to the Joint Venture Cooperation Agreement, the parties will initially make a total contribution of an amount of RMB1,550,000,000 in which Shanghai Shengrui will make capital contribution of an amount of RMB450,000,000 by cash and by way of shareholder's loan, and Hongxiang Real Estate will make capital contribution of an amount of RMB1,100,000,000 by cash and by way of shareholder's loan.

Following the formation of the Joint Venture, Shanghai Shengrui and Hongxiang Real Estate will own as to approximately 29.03% and 70.97% of the equity interest in the Joint Venture, respectively.

LETTER FROM THE BOARD

If additional capital contribution is required for the acquisition of land use rights of the plot of land to be used for the commercial and residential purposes, such additional capital contribution shall be made by Hongxiang Real Estate only and the maximum additional capital contribution shall be further agreed by Shanghai Shengrui and Hongxiang Real Estate. For the avoidance of doubt, Shanghai Shengrui and Hongxiang Real Estate will hold equity interest in the Joint Venture which is proportional to their respective capital contribution.

The amount of capital contribution was determined after arm's length negotiation between the parties to the Joint Venture Cooperation Agreement with reference to the initial capital requirement of the Joint Venture and the capital contribution intention of the parties. The initial capital contribution of the Group was determined based on: (i) the investment requirements, objectives and strategies, (ii) the capital commitments assumed by Hongxiang Real Estate, (iii) roles and responsibilities assumed by Hongxiang Real Estate and (iv) the financial resources available to the Group for investment purposes.

The Joint Venture will become a jointly controlled entity of the Company for accounting purpose and is accounted for using the equity method.

Financing

Both parties shall make actual capital contribution and provide shareholder's loans in accordance with the Joint Venture Cooperation Agreement to ensure that the required funds are available in a timely and complete manner for the development and construction of the respective projects and daily operations of the Joint Venture and other project company (if any).

Condition precedent

Before obtaining the approval for the formation of the Joint Venture by the Shareholders of the Company pursuant to the requirements under the Listing Rules, both parties shall not have the obligation to perform the Joint Venture Cooperation Agreement.

LETTER FROM THE BOARD

Termination

Either party can propose to terminate the Joint Venture Cooperation Agreement:

- (a) upon the mutual written agreement of both parties;
- (b) after suitable plots of land have been identified, if the bidding of the relevant plots of land to be used for commercial and residential purposes is unsuccessful;
- (c) upon instructions or resolution in relation to the dissolution or liquidation of the Joint Venture being issued or formally passed; and
- (d) if either party is insolvent or has entered into bankruptcy proceedings.

In the occurrence of an event of default, or in violation of any of its representations, warranties and undertakings in the Joint Venture Cooperation Agreement, the party in default shall be liable for breach of contract in accordance with applicable laws and shall bear all losses incurred by the other party.

Restriction on transfer

Unless otherwise agreed in the Joint Venture Cooperation Agreement, without the prior written consent of both parties, neither party shall in any way transfer, dispose of, authorise, or charge its rights or obligations under the Joint Venture Cooperation Agreement.

Structure of the Joint Venture

Pursuant to the terms of the Joint Venture Cooperation Agreement, Shanghai Shengrui and Hongxiang Real Estate shall (i) subject to the successful bidding of the land use rights of the plot of land to be used for commercial and residential purposes, establish the Joint Venture for the purpose of acquisition of such land use rights and to carry out the relevant development and construction of properties; and (ii) subject to the subsequent successful bidding of the land use rights of the plot of land to be used for commercial and retail purposes, establish a project company, which shall be wholly-owned by the Joint Venture, for the purpose of acquisition of such land use rights and to carry out the relevant development and construction of properties.

If Shanghai Shengrui and Hongxiang Real Estate fail to identify suitable plots of land to be used for commercial and residential purposes, or the bidding of the relevant plots of land to be used for commercial and residential purposes is unsuccessful within six months from the date of the Joint Venture Cooperation Agreement or other shorter period as agreed by the parties, then the Joint Venture Cooperation Agreement shall be terminated automatically.

LETTER FROM THE BOARD

Shanghai Shengrui and Hongxiang Real Estate shall obtain the relevant refund of the deposit they have paid for the unsuccessful bids from the relevant government department. Each of Shanghai Shengrui and Hongxiang Real Estate shall bear any initial costs incurred by them.

On 19 October 2020, Shanghai Shengrui and Hongxiang Real Estate have successfully won the bid for the auction for the land use rights of the Land for a total consideration of RMB2,358,582,000. Accordingly, the Company shall proceed to establish the Joint Venture to carry out the relevant development and construction of properties on the Land. For details, please refer to the announcement of the Company dated 19 October 2020.

The total capital contribution, including the relevant tax for the acquisition of the land use rights of the Land and other preliminary expenses, is approximately RMB2,460,000,000. The total capital contribution of each of Shanghai Shengrui and Hongxiang Real Estate shall be RMB450,000,000 and RMB2,010,000,000, respectively. As the initial capital contribution provided by Hongxiang Real Estate is RMB1,100,000,000, the additional capital contribution provided by Hongxiang Real Estate is RMB910,000,000.

Following the additional capital contribution made by Hongxiang Real Estate, the equity interest to be held by the parties will be adjusted in accordance with the Joint Venture Cooperation Agreement. Pursuant to the terms of the Joint Venture Cooperation Agreement, for the purpose of calculating the shareholding percentage to be held by the parties in the Joint Venture, only the total capital contribution of up to RMB2,000,000,000 provided by the parties (i.e. RMB450,000,000 and RMB1,550,000,000 provided by Shanghai Shengrui and Hongxiang Real Estate, respectively) shall be taken into account, and the remaining additional capital contribution in excess of the aforementioned RMB2,000,000,000 provided by Hongxiang Real Estate shall not affect its equity interest to be held in the Joint Venture. Therefore, the adjusted equity interest in the Joint Venture to be held by Shanghai Shengrui and Hongxiang Real Estate will be decreased from approximately 29.03% to 22.50% and increased from approximately 70.97% to 77.50%, respectively.

Composition of the board of directors

The board of directors of the Joint Venture shall consist of five directors. Two directors shall be nominated by Shanghai Shengrui and three directors shall be nominated by Hongxiang Real Estate. The chairman of the board of the Joint Venture shall be a director nominated by Shanghai Shengrui.

Shareholders' voting mechanism

Specific matters as described in the Joint Venture Cooperation Agreement must be 100% passed by the shareholders at shareholders' meeting of the Joint Venture.

LETTER FROM THE BOARD

Responsibilities of Hongxiang Real Estate and Shanghai Shengrui

Pursuant to the terms of the Joint Venture Cooperation Agreement, Hongxiang Real Estate will mainly be responsible for property development and management of the residential aspects of the projects, including the development and construction of residential apartments, and Shanghai Shengrui will mainly be responsible for property development and management of the commercial aspects of the projects, including the development and construction of retail shops, a shopping centre, office buildings and a hotel.

The real estate development department of the Company is responsible for assisting Shanghai Shengrui in carrying out the relevant commercial aspects of the projects and it comprises members who have relevant work experience and expertise in development and management of commercial properties. They have the relevant experience and expertise, including property investment, design, cost control, construction and commercial operations, from working in reputable real estate companies or real estate consultancy firms. In addition, the Company has the relevant property development, management and commercial operations experience in the PRC. On 29 December 2014, the Company acquired the land use rights of a piece of land located at No.195, Hong Kong East Road, Laoshan District, Qingdao City, Shangdong Province, the PRC with a total planned gross floor area of approximately 216,000 square meters and built a shopping complex. The shopping complex consists of five levels above the ground and three basement floors. For details, please refer to the announcements of the Company dated 20 December 2012, 31 January 2013 and 29 December 2014. The Company will utilise its expertise and resources to facilitate Shanghai Shengrui in carrying out the commercial aspects of the projects.

Profit distribution

Shanghai Shengrui and Hongxiang Real Estate shall enjoy shareholder's rights and assume operating risks in accordance with the terms of the Joint Venture Cooperation Agreement. The parties agree that profit generated by the Joint Venture shall be distributed as set out below:

(a) Profit to be received by Hongxiang Real Estate:

Profit to be received by Hongxiang Real Estate = (revenue from the residential aspects of the projects – relevant costs, taxes, expenses and fees in relation to the residential aspects of the projects) x Hongxiang Real Estate's shareholding in the Joint Venture + incentive profit

The above revenue, costs, expenses and fees are exclusive of value-added tax.

LETTER FROM THE BOARD

Given that Hongxiang Real Estate is responsible for management of the residential aspects of the projects, Hongxiang Real Estate shall be entitled to an incentive profit, which shall be the profit from the completion of sales of residential properties in excess of the operating targets to be set by the parties.

The calculation for the operating targets is set out below:

Operating targets = (expected average selling price per square metre of residential units x expected saleable area of residential units x the net profit margin of the sale of residential units)

The expected average selling price per square metre of residential units and the expected saleable area of residential units are in turn determined through the product positioning of residential units (which is based on market surveys, customer research, project and product planning) and the design plan provided by external design consultants. In this regard, Hongxiang Real Estate and Shanghai Shengrui have made references to the comparable property development projects in the relevant markets such as Jiaxing Hongxiang Yunwang Yayuan project (嘉興鴻翔雲望雅苑項目) and Jiaxing Rong'an Qingxue Park project (嘉興榮安晴雪園項目).

The net profit margin for sale of residential units is in turn determined with reference to that of similar residential projects on land adjacent to or in close proximity to the commercial and residential land, i.e. the Jiaxing Economic Development Zone and the area along the newly developed high-speed rail lines in Jiaxing City, the PRC.

As a renowned property developer in Jiaxing City, Hongxiang Real Estate has the expertise of property development and construction of residential properties in the relevant market. It also has access to the potential property buyers and sales and marketing channels to advertise the relevant projects in the relevant market. Given the expertise and experience of Hongxiang Real Estate in the property development industry in Jiaxing City, and in particular the operation and management of residential projects, the Directors consider that the incentive profit to be granted under the terms of the Joint Venture Cooperation Agreement, which have been negotiated on an arm's length basis, will motivate Hongxiang Real Estate to provide additional management and marketing resources so as to lower the cost and increase the revenue to be generated by the Joint Venture, achieve better results and in turn generate more profits for the Joint Venture and the Company. As such, the Directors consider that such terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(b) Profit to be received by Shanghai Shengrui:

Profit to be received by Shanghai Shengrui = total profit generated from all projects held by the Joint Venture – profit to be received by Hongxiang Real Estate)

Shanghai Shengrui and Hongxiang Real Estate agreed that Shanghai Shengrui shall be entitled to (i) any government subsidies or incentives; and (ii) any tax refunds which may be received by the Joint Venture and/or any project company, and that such amounts shall be excluded when determining the revenue of the Joint Venture and/or any project company.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE JOINT VENTURE COOPERATION AGREEMENT

Jiaxing City is located in the middle of Shanghai, Hangzhou, and Suzhou, in the PRC. It acts as a linkage between Jiangsu, Zhejiang and Shanghai. It is expected that the demand for shopping centers in that area in the PRC will grow significantly in the near future. According to the National Bureau of Statistics of China, the gross domestic product of Jiaxing City was approximately RMB537 billion in 2019. In 2019, Jiaxing City also benefited from the national strategic focus on the integration of the Yangtze River Delta region. With 13 industrial projects each exceeding RMB10 billion, 10 foreign-funding projects listed on Fortune 500 and 55 projects each exceeding USD100 million being carried out, Jiaxing City ranked first in the province. In the last five years, the resident population of Jiaxing City has maintained a net inflow, and the local consumption potential is strong. The Board believes that the construction and operation of shopping centers in Jiaxing City would provide the Company with more business development and operational opportunities. The Board also considers that by strategically focusing its long-term business development in second-tier cities, cities around the Yangtze River Delta region, and other economically developed cities in the PRC, it will help to improve the long-term growth potential of the Company.

The Company intends, to invest by way of capital injection into the Joint Venture, RMB450 million for the development and construction of commercial, residential and retail properties, including the construction of a hotel, residential apartments, office buildings, retail shops and a shopping center in Jiaxing City, the PRC. Through the sales return from saleable property projects, the Company shall be able to maximise the return on investment, reduce the capital precipitation for investment properties, and generate surplus funds for the construction of investment properties, thereby enabling the Company to realise long-term commercial operation of self-owned shopping center.

LETTER FROM THE BOARD

As the proposed commercial projects are expected to be large in scale, the entering into the Joint Venture Cooperation Agreement will enable the Company to cooperate with well-known developer in the market in relation to joint construction of and investment in such commercial projects. With the expertise and experience of Hongxiang Real Estate in the property development industry in Jiaxing City, the Directors believe that Hongxiang Real Estate can leverage on its strengths, such as having better access to potential buyers and sales and marketing resources, and contribute to the Joint Venture, thus providing the Group with a competitive advantage in the development of its own shopping center in the PRC. Shanghai Shengrui and Hongxiang Real Estate shall cooperate by jointly operating the projects and achieving the goal of the Group, which is mainly to build a self-owned shopping center. By cooperating with Hongxiang Real Estate, the Company can reduce its investment amount in the proposed projects, utilise the extensive development experience and excellent construction capabilities of Hongxiang Real Estate, enjoy brand premium to ensure higher returns to be received from the projects and reduce the project development risks.

It is expected that the construction and development of the proposed commercial projects by the Joint Venture will take around three years. At such time, the Directors believe that the Company will be able to position itself to benefit from any economic growth, rise in consumption and other favourable conditions, and give full play to the Group's advantages in commodity marketing, logistics distribution and data collection.

Having taken into account the above reasons and benefits, the Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Cooperation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. INFORMATION ON THE PARTIES

The Group and Shanghai Shengrui

Shanghai Shengrui is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Shanghai Shengrui is principally engaged in business management. The principal activities of the Group are the operation and management of a network of department stores in the PRC.

Hongxiang Real Estate

Hongxiang Real Estate is a real estate development company established in the PRC and is a wholly-owned subsidiary of Hongxiang Group. Hongxiang Group is a property developer located in the PRC, and its principal businesses are property development provision of construction services, environmental technology and provision of modern services such as financial services, commercial and trading services, sports culture and modern industrial services.

LETTER FROM THE BOARD

5. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the consideration under the Joint Venture Cooperation Agreement are more than 25% but all of such ratios are less than 100%, the entering into the Joint Venture Cooperation Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder or any of their respective associates has any material interest in the Joint Venture Cooperation Agreement and none of the Shareholders is required to abstain from voting in favour of the resolution to approve the entering into the Joint Venture Cooperation Agreement. A closely allied group of Shareholders interested in an aggregate of 1,448,270,000 Shares, representing approximately 54.97% of the total number of issued shares of the Company has given its written approval of the entering into the Joint Venture Cooperation Agreement and the transaction contemplated thereunder. The written approval of the aforementioned group of Shareholders has been accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. The aforesaid Shareholders are (i) East Crest International Limited which holds 9,970,000 Shares, representing 0.38% of the total number of issued shares of the Company; and (ii) PRG Corporation Limited, which holds 1,438,300,000 Shares, representing approximately 54.59% of the total number of issued shares of the Company. PRG Corporation Limited is a wholly-owned subsidiary of East Crest International Limited.

6. RECOMMENDATION

The Directors, including the independent non-executive Directors, consider that the terms of the Joint Venture Cooperation Agreement are fair and reasonable, and are in the interest of the Company and its Shareholders as a whole. Had a special general meeting been convened for the approval of the Joint Venture Cooperation Agreement, the Directors, including the independent non-executive Directors, would have recommended the Shareholders to vote in favour of the Joint Venture Cooperation Agreement.

7. FURTHER INFORMATION

Your attention is also drawn to the general information set out in Appendix II 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 2017, 2018 and 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.parksongroup.com.cn):

- (a) the annual report of the Company for the year ended 31 December 2017 published on 17 April 2018 (pages 167 to 312) in relation to the financial information of the Group for the same year;
- (b) the annual report of the Company for the year ended 31 December 2018 published on 10 April 2019 (pages 75 to 236) in relation to the financial information of the Group for the same year;
- (c) the annual report of the Company for the year ended 31 December 2019 published on 9 April 2020 (pages 88 to 236) in relation to the financial information of the Group for the same year; and
- (d) the interim report of the Company for the six months ended 30 June 2020 published on 22 September 2020 (pages 5 to 43) in relation to the financial information of the Group for the same period.

2. INDEBTEDNESS**Borrowings**

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding interest bearing and secured borrowings of approximately RMB3,061 million.

Bank borrowings denominated in Hong Kong Dollars bear a floating interest rate of 2.00% per annum over HIBOR. Bank borrowings denominated in Malaysian Ringgit bear floating interest rates of 2.25% per annum over KILBOR, bank borrowings denominated in Renminbi bear a fixed interest rate at 5.115% per annum, respectively.

The bank borrowings at 30 September 2020 were secured by the Group's investments in time deposits with the amount of approximately RMB700 million; and pledged trade receivables pledged buildings, investment properties and prepaid land lease payment with net carrying amounts of approximately RMB192 million, RMB2,424 million, RMB303 million and RMB360 million, respectively, at 30 September 2020. In addition, the Group has pledged unrealised receivables of RMB38 million which will be due within 45 months to secure the interest-bearing bank loans. Other than the aforesaid, no other assets are pledged to any bank.

Lease liabilities

As at 30 September 2020, the Group had unguaranteed lease liabilities (comprising both current and non-current liabilities) of approximately RMB4,626 million, of which RMB3,365 million were secured by rental deposits of approximately RMB71 million, and others were unsecured.

General

Save as aforesaid 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, loans, guarantees or other material contingent liabilities at the close of business on 30 September 2020.

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 2020.

3. WORKING CAPITAL

The Directors are of the opinion that, by considering the Group's available financial resources including internally generated cash flows 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.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Global market and China's economy have continued to face a number of challenges due to the uncertainties surrounded the world economic environment. The retail market in China has seen gradual slowdown amid macroeconomic headwinds and the US-China trade tensions throughout 2019 and the first half of 2020. China's Gross Domestic Product recorded a 1.6% decline in the first six months of 2020. In addition, the outbreak of the Coronavirus (COVID-19) worldwide at the beginning of the year has created serious impacts on China and the global economies. According to the recent statistics released by the National Development and Reform Commission, China's total retail sales of consumer goods declined by 11.4% in the first six months of 2020, marking a downward pressure on retail sales growth. Economic uncertainties have played a role in curbing Chinese consumption sentiment and demand. During the epidemic, to prevent the spread of the pandemic, local governments of many cities in China have implemented strict measures on public areas, especially for restaurants and department stores, such as restriction on customer traffic and shortening the opening hours. Some department stores of Group have also been affected by such measures inevitably, making the Group's overall business performance in the first half of the year less well than that of the same period last year. Nevertheless, with the effective control of COVID-19 by the Chinese government and the implementation of a number of measures to encourage enterprises to resume production and to stimulate residents' consumption, China's retail market has recovered gradually and residents' desire to go out for consumption has also picked up steadily. It is expected that the trend of consumption upgrade will continue to prevail in the second half of 2020. Consumption is expected to remain the largest contributor to China's economic growth in 2020. China's consumer market is expected to continue its steady development and maintain a stable and positive outlook regardless of the negative macroeconomic and geopolitical factors.

"New retail" formats continued to advance the industry transformation in China in the past year, backed by social networking, mobile apps and mobile payment. Technology and innovation in the Chinese retail sector set the undertone of its transformation.

The prevalence of "new retail" and the emergence of consumer demand seeking personalised customer experience, lifestyle-centric products and services continue to bring ample opportunities to the Chinese retail industry. With over two decades of retail experience in the country, we have in-depth understanding of consumer demand and expectations. We understand that Chinese consumers are increasingly quality focused when it comes to lifestyle and entertainment consumption. This phenomenon is particularly noticeable among the younger generation.

During the six months ended 2020, total operating revenues of the Group decreased by RMB623.9 million or 24.1% to RMB1,963.9 million. The Group recorded Gross sales proceeds of RMB4,896.3 million inclusive of value added tax, a decline of 34.7% compared with last year. Same store sales in the six months ended 2020 decreased by 31.4%.

Looking forward, the Directors are confident in the retail industry in China, despite a challenging macroeconomic environment and market uncertainties. The Group believes that its transformation strategy focusing on diversified retail formats, enhanced brand and product offerings, and omni-channel marketing development will achieve solid progress in building resilience and steady growth in the face of market headwinds.

The Group looks forward to bringing more quality products and services in the pipeline to our customers in the coming year. Our continuous effort in establishing a powerful online community of our customers will be further enhanced through social media networks, our VIP programme and personalised customer service.

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 contained in this circular or this circular misleading.

2. DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of the Latest Practicable Date, the interests and short positions of the Directors and Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) 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 interest or short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, were as follows:

- (1) Long position 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:

(1) Tan Sri Cheng Heng Jem, together with his wife, Puan Sri Chan Chau Ha alias Chan Chow Har, through their interest 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.

(2) Based on the issued and paid up capital of the Company as of the Latest Practicable Date.

(2) 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 2)
PHB	Beneficial interest and corporate interest	Tan Sri Cheng Heng Jem together with his spouse Chan Chau Ha alias Chan Chow Har directly, and through a series of controlled corporations	Tan Sri Cheng Heng Jem together with his spouse Chan Chau Ha alias Chan Chow Har directly, and through a series of controlled corporations	626,917,128 ordinary shares	58.74%
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%
Park Avenue Fashion Sdn. Bhd.	Corporate interest	East Crest	East Crest	250,002 ordinary shares	100%
Serbadagang Holdings Sdn. Bhd.	Corporate interest	East Crest	East Crest	2 ordinary shares	100%

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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 2)
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 NDT (Emperor) Co., Ltd.	Corporate interest	Parkson Properties Holdings Co., Ltd.	Parkson Properties Holdings Co., Ltd.	2 ordinary shares	100%
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%
Parkson Credit Holdings Sdn. Bhd.	Corporate interest	Prime Yield Holdings Limited	Prime Yield Holdings Limited	2 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%
PT. Tozy Sentosa	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) 1 ordinary share (MYR)	100%

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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 2)
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.	35,000,000 ordinary shares	100%
Kiara Innovasi Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	5,000,000 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.	3,000,000 ordinary shares	100%
Parkson Trends Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	3,000,000 ordinary shares	100%
Parkson Private Label Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	5,000,000 ordinary shares	100%
Parkson Trading (Vietnam) Company Limited	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	300,000 capital (USD)	100%

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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 2)
Solid Gatelink Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	3,000,000 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 Fashion Sdn. Bhd.	Corporate interest	Parkson Branding Sdn. Bhd.	Parkson Branding Sdn. Bhd.	5,000,000 ordinary shares	100%
Parkson Branding (L) Limited (Note 1) (Struck off on 6 July 2019)	Corporate interest	Parkson Branding Sdn. Bhd.	Parkson Branding Sdn. Bhd.	300,000 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%
Parkson Myanmar Asia Pte. Ltd.	Corporate interest	Parkson Myanmar Investment Company Pte. Ltd.	Parkson Myanmar Investment Company Pte. Ltd.	30,000 ordinary shares (USD) 1 ordinary share (SGD)	100%
Myanmar Parkson Company Limited	Corporate interest	Parkson Myanmar Investment Company Pte. Ltd. Parkson Myanmar Asia Pte. Ltd.	Parkson Myanmar Investment Company Pte. Ltd. Parkson Myanmar Asia Pte. Ltd.	270,000 ordinary shares 30,000 ordinary shares	100% (in aggregate)
Dimensi Andaman Sdn. Bhd.	Corporate interest	Megan Mastika Sdn. Bhd.	Megan Mastika Sdn. Bhd.	300,000 ordinary shares 53,719,999 redeemable convertible cumulative preference shares	100% (in aggregate)

Note 2:

- (1) Parkson Branding (L) Limited will be deemed dissolved if its name remains struck off continuously for 3 years from 6 July 2019 but Labuan Financial Services Authority may apply to the Court on or before the expiration of 3 years to have Parkson Branding (L) Limited put into liquidation.
- (2) Based on the relevant information of the Companies as of the Latest Practicable Date.
- (3) 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
PHB	Corporate interest	Tan Sri Cheng Heng Jem together with his spouse Chan Chau Ha alias Chan Chow Har directly, and through a series of controlled corporations	Tan Sri Cheng Heng Jem together with his spouse Chan Chau Ha alias Chan Chow Har directly, and through a series of controlled corporations	40,000,142 ordinary shares	3.74%

Note:

- (1) Based on the issued and paid up share capital of the Company as of the Latest Practicable Date.

Save as disclosed above, as of 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 debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as of the Latest Practicable Date, the following persons, not being a Director or Chief Executive of the Company, had or was deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meeting of the Company:

Name	Nature of Interest	Number of Shares	Approximate % of Shareholding
PHB	Corporate interest	1,448,270,000 (Note 1)	54.97%
Puan Sri Chan Chau Ha alias Chan Chow Har	Interest of spouse	1,448,270,000 (Note 2)	54.97%
PRG Corporation	Beneficial interest	1,438,300,000 (Note 1)	54.59%
Chan Kin	Corporate interest	705,592,017 (Note 3)	26.78%
Argyle Street Management Holdings Limited	Corporate interest	705,592,017 (Note 3)	26.78%
Argyle Street Management Limited	Investment manager	705,592,017 (Note 3)	26.78%
ASM Connaught House General Partner II Limited	Corporate interest	690,584,517 (Note 3)	26.21%
ASM Connaught House Fund II LP	Corporate interest	690,584,517 (Note 3)	26.21%
Bishan Street Limited (“ Bishan ”)	Beneficial interest and security interest	683,845,517 (Note 3)	25.95%

Name	Nature of Interest	Number of Shares	Approximate % of Shareholding
Wang Hung Roger	Beneficial interest and trustee	429,935,500 (Note 4)	16.32%
Wang Hsu Vivine H	Interest of spouse and beneficiary of a trust	429,935,500 (Note 5)	16.32%
GEICO Holdings Limited	Corporate interest	421,646,346 (Note 6)	16.00%
Golden Eagle International Retail Group Limited	Beneficial interest	421,646,346 (Note 6)	16.00%
Wang Dorothy S L	Beneficiary of a trust	421,646,346	16.00%
Wang Janice S Y	Beneficiary of a trust	421,646,346	16.00%
HSBC Holdings PLC	Corporate interest	250,000,000 (Note 7)	9.49%

Notes:

- (1) PRG Corporation is a wholly owned subsidiary of East Crest which is in turn a 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 website, Mr Chan Kin is deemed to be interested in the Shares held by several corporations which he directly or indirectly control. Out of these 705,592,017 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 674,200,000 securities interest on the Shares among the 683,845,517 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 705,592,017 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 421,564,500 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.
- (7) According to disclosure of interest filing available on the Stock Exchange website, HSBC Holdings PLC is deemed to be interested in the Shares held through a number of its wholly-owned subsidiaries. The interest in the security is in form of a “Charge” over the securities.

As of the Latest Practicable Date, as far as the Directors are aware, each of the following persons, not being a Director or 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
Xinjiang Youhao (<i>Note 1</i>)	Xinjiang Parkson	49%
Wuxi Supply and Marketing (<i>Note 2</i>)	Wuxi Parkson	40%
Guizhou Shenqi Enterprise (<i>Note 3</i>)	Guizhou Parkson	40%
Shanghai Nine Sea Industry	Shanghai Lion Property (<i>Note 4</i>)	71%
Shanghai Nine Sea Industry	Shanghai Nine Sea Parkson (<i>Note 5</i>)	29%
Newcore Retail Hong Kong Limited (<i>Note 6</i>)	Parkson Newcore Retail Shanghai Ltd.	51%
Newcore Retail Hong Kong Limited (<i>Note 7</i>)	Nanchang Parkson Newcore Retail Ltd.	51%
Parkson Credit Holdings Sdn. Bhd.	Parkson Credit Sdn. Bhd.	30%
Koh Wee Lit	Habitat Blue Sdn. Bhd.	40.55%
Bernice Cheong Nyuk Siew	Habitat Blue Sdn. Bhd.	16.67%

Notes:

- Xinjiang Friendship (Group) Co., Ltd. owns 49% of the equity interest of Xinjiang Youhao Parkson Development Co., Ltd. ("**Xinjiang Parkson**").
- Wuxi Supply and Marketing Group Co., Ltd. owns 40% of the equity interest of Wuxi Sanyang Parkson Plaza Co., Ltd. ("**Wuxi Parkson**").

3. (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, respectively, representing a 12%, 16% and 12% indirect equity interest in Guizhou Parkson.
4. Shanghai Nine Sea Lion Properties Management Co., Ltd. (“**Shanghai Lion Property**”) is a cooperative joint venture enterprise established under the laws of the PRC between Shanghai Nine Sea Industry Co., Ltd. (“**Shanghai Nine Sea Industry**”) and Exonbury Limited (“**Exonbury**”), a wholly-owned subsidiary of the Company. Shanghai Nine Sea Industry is entitled to 71 % of the voting rights in the board of Shanghai Lion Property and 65% of its distributable profits. The Group is entitled to 29% of the voting rights in the board of Shanghai Lion Property and 35% of its distributable profits.
5. Shanghai Nine Sea Parkson Plaza Co., Ltd. (“**Shanghai Nine Sea Parkson**”) is a cooperative joint venture enterprise established under the laws of the PRC between Shanghai Nine Sea Industry and Exonbury. Shanghai Nine Sea Industry is entitled to 29% of the voting rights in the board of Shanghai Nine Sea Parkson and a pre-determined distribution of income from Shanghai Nine Sea Parkson. The Group is entitled to 71 % of the voting rights in the board of Shanghai Nine Sea Parkson and 100% of its distributed profit after deducting the aforesaid pre-determined distribution of income attributable to Shanghai Nine Sea Industry.
6. Newcore Retail Hong Kong Limited (“**Newcore Hong Kong**”) owns 51% of the equity interest in Parkson Newcore Retail Shanghai Ltd. (“**Parkson Newcore**”).
7. Parkson Newcore owns 100% of the equity interest in Nanchang Parkson Newcore Retail Ltd. (“**Nanchang Newcore**”). Newcore Hong Kong owns 51% of the equity interest in Parkson Newcore, and thus Newcore Hong Kong is indirectly interested in 51% of the equity interest in Nanchang Newcore.

Save as disclosed above and so far as the Directors are aware, as of the Latest Practicable Date, no other person had an interest or short position in the Company’s shares or underlying shares (as the case may be), 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 otherwise 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 member of the Group.

4. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement dated 14 August 2020 regarding the performance of the Group for the six months as of the Latest Practicable Date. Save as disclosed in the publication above, as of 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 2019, being the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date:

- (a) Tan Sri Cheng Heng Jem (an executive Director) entered into a letter of appointment with the Company in November 2020, pursuant to which he was appointed and he has agreed to act as an executive Director for: (i) a term of three years commencing from 9 November 2020; and (ii) an annual Director's fee as stipulated in the letter of appointment (or such amount as adjusted by the Board from time to time). The annual Director's fee payable by the Company to Tan Sri Cheng Heng Jem is HK\$240,000.
- (b) Juliana Cheng San San (an executive Director) entered into a letter of appointment with the Company in August 2018, pursuant to which she was appointed and she has agreed to act as an executive Director for: (i) a term of three years commencing from 28 August 2018; and (ii) an annual Director's fee as stipulated in the letter of appointment (or such amount as adjusted by the Board from time to time). The annual Director's fee payable by the Company to Juliana Cheng San San is HK\$240,000.
- (c) Dato' Sri Dr. Hou Kok Chung (a non-executive Director) entered into a letter of appointment with the Company in November 2020, pursuant to which he was appointed and has agreed to act as a non-executive Director for: (i) a term of three years commencing from 13 November 2020; and (ii) an annual Director's fee as stipulated in the letter of appointment (or such amount as adjusted by the Board from time to time). The annual Director's fee payable by the Company to Dato' Sri Dr. Hou Kok Chung is HK\$240,000.

Save as disclosed above, 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).

6. DIRECTORS' INTERESTS IN ASSETS

As of 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 2019, being the date to which the latest published audited financial statements of the Group were made up.

7. 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.

8. 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.

9. LITIGATION

As of the Latest Practicable Date, no member of the Group was engaged 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.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) On 29 July 2020, Oroleon (Hong Kong) Limited (an indirect wholly-owned subsidiary of the Company, “**Oroleon**”) entered into the new sales and purchase agreement with Parkson Credit Holdings Sdn. Bhd., pursuant to which the Oroleon conditionally agreed to acquire the remaining 30% equity interest in the Parkson Credit Sdn. Bhd. at a cash consideration of RM26 million (equivalent to approximately HK\$47,447,400).
- (b) On 1 June 2020, 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) and Wuzhou Sankee Investment Co., Ltd.* (梧州市三祺投資有限公司) entered into a tenancy agreement in respect of the tenancy of the property located in in Guangxi Zhuang Autonomous Region, the PRC. 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 was approximately RMB86.52 million.

- (c) On 11 September 2019, Xi'an Lucky King Parkson Plaza Co., Ltd.* (西安立豐百盛廣場有限公司)(an indirect wholly-owned subsidiary of the Company), entered into a sale and purchase agreement with Xi'an Xing Zuan Jia Jian Enterprise Management Consulting Co., Ltd.* (西安星鑽加簡企業管理諮詢有限公司), pursuant to which Xi'an Lucky King Parkson Plaza Co., Ltd.* agreed to sell and Xi'an Xing Zuan Jia Jian Enterprise Management Consulting Co., Ltd.* agreed to purchase the property at the consideration of RMB88,777,200.
- (d) On 12 June 2019, Jiangxi Parkson Retail Co., Ltd.* (江西百盛中山城百貨有限公司)(an indirect wholly-owned subsidiary of the Company) and Nanchang Urban Rail Group Co., Ltd.* (南昌軌道交通集團有限公司) entered into a tenancy agreement in respect of the tenancy of the properties located in Nanchang City, Jiangxi Province, the PRC. 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 was approximately RMB276.5 million.
- (e) On 6 June 2019, Parkson Retail Development Co., Ltd.* (百盛商業發展有限公司)(an indirect wholly-owned subsidiary of the Company) and China National Arts and Crafts Group Company Limited* (中國工藝美術集團有限公司), entered into new lease agreement in respect of the property located in Beijing, the PRC. Prior to entering into the new lease agreement, the Parkson Retail Development Co., Ltd.* had been occupying the property as tenant for its retail business since 1999 pursuant to the previous lease agreement. On 26 February 2019, the Parkson Retail Development Co., Ltd.* and China National Arts and Crafts Group Company Limited* entered into seven lease agreements.
- (f) Oroleon entered into the sale and purchase agreement with Parkson Credit Holdings Sdn. Bhd. on 13 September 2018, pursuant to which Oroleon agreed to acquire 70% of the equity interest in Parkson Credit Sdn. Bhd. at a consideration of RM49,000,000.

11. GENERAL

- (a) The registered office of the Company is situated at Second 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 branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Yuen Wing Yan, Winnie, FCS (PE), FCIS.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from Monday to Friday (other than public holidays) at the headquarters and principal place of business of the Company in Hong Kong at Room 1010, 10th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong for a period of 14 days from the day of this circular (both days inclusive):

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Joint Venture Cooperation Agreement;
- (c) the material contracts referred to in the section headed "Material Contracts" in this Appendix;
- (d) the service contracts referred to in the section headed "Directors' Service Contracts" in this Appendix;
- (e) the annual report of the Company for the year ended 31 December 2017;
- (f) the annual report of the Company for the year ended 31 December 2018;
- (g) the annual report of the Company for the year ended 31 December 2019;
- (h) the interim report of the Company for the six months ended 30 June 2020;
- (i) the letter from the Board dated 25 November 2020 to the Shareholders, the text of which is set out on pages 3 to 12 of this circular;
- (j) this circular.