

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 NEW LEASE AGREEMENT IN RESPECT
OF A PROPERTY IN DATONG CITY, THE PRC**

THE NEW LEASE AGREEMENT

On 22 February 2022, the Tenant (an indirect wholly-owned subsidiary of the Company) and the Landlord entered into a New Lease Agreement in respect of the Property located in Datong City, the PRC.

Prior to entering into the New Lease Agreement, the Group has been occupying the First Property and the Second Property as tenant since 2011 and 2015 respectively pursuant to the Previous Lease Agreements, and has been operating the same as a department store and shopping mall complex.

Pursuant to IFRS 16, the entering into of the New Lease Agreement as tenant will require the Group to recognise the Property as a right-of-use asset of approximately RMB28.88 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. Thus, the entering into of the New Lease Agreement and the transaction contemplated thereunder will be regarded as an acquisition of asset by the Group.

IMPLICATIONS UNDER THE LISTING RULES

The transaction contemplated under the New Lease Agreement is regarded as an acquisition of asset under the Listing Rules. On the basis of the acquisition of right-of-use asset under the New Lease Agreement, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB28.88 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 asset recognised by the Group pursuant to IFRS 16 is more than 5% but less than 25%, the entering into of the New Lease Agreement constitutes a discloseable transaction for the Company, and is subject to 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 22 February 2022, the Tenant and the Landlord entered into the New Lease Agreement in respect of the Property. A summary of the principal terms of the New Lease Agreement and the relevant information are set out below.

2. NEW LEASE AGREEMENT

Date : 22 February 2022

Parties : Tenant: Shanxi Parkson Retail Development Co., Ltd. Datong Branch* (山西百盛商業發展有限公司大同分公司), an indirect wholly-owned subsidiary of the Company

Landlord: Datong Yangguangjiaye Real Estate Development Co., Ltd.* (大同市陽光嘉業房地產開發有限責任公司)

Relevant premises : The relevant parts on the fifth and sixth floors of Kind Family Mall, Yongtai South Road, Datong City, Shanxi Province* (山西省大同市永泰南路凱德世家廣場五層、六層的部分物業), which excludes the parts leased to and occupied by Wanda Cinemas

- Total gross area : Approximately 6,472 sq. m
- Term : From the Delivery Date to 11 July 2033
- Use : Operation of (mainly) department store for products including gold jewellery, accessories, computers, mobile phones, watches and glasses, stationery, books and audio-visual products, medical supplies, electrical appliances, clothing, cosmetics, toys, etc.; service projects including dining, bathing, entertainment, bars, cafes, tea houses, Chinese and Western pastries, photography, colour printing and film processing, beauty and hair salons, wedding services, supermarkets, fitness centres, business activity centres, etc.; setting up of offices, warehouses and other commercial projects within the scope of business operations of the Tenant, but excluding certain businesses such as movie screenings and venue rental for performances and shows.
- Rental and property management fee : The daily rental (inclusive of tax) payable shall be RMB2.20 per sq. m (inclusive of property management fee of RMB0.66 per sq. m) and is subject to 8% increment every three (3) years during the Term.
- Payment terms : The rental and property management fee are payable annually within the Term. The Landlord shall issue an invoice to the Tenant within 3 days from the beginning of the relevant year, and the Tenant shall, upon confirming that it has no objection to the invoice, pay the rental and property management fee within 15 days from the beginning of the year.

Prepayment : In accordance with the terms of the Prepayment Agreement, the Tenant shall prepay RMB20 million in advance to the Landlord, by doing which, the Tenant can enjoy an annual discount rate of 8% on the rental and property management fee payable in respect of the Property within the prepayment period. The discounted rental and property management fee shall be settled by way of deduction from the prepayment sum annually until all such prepayment sum has been deducted.

Right to sublet : The Tenant may sublet any part of the Property with effect from the Delivery Date.

The Landlord shall procure each of the Existing Subtenants to enter into a termination agreement with the Landlord (or its agent(s) acting on its behalf in relation to such subletting) on or before 25 March 2022 to terminate the relevant sublease agreements with effect from 31 March 2022. The Landlord (or its agent(s) acting on its behalf) shall inform the Existing Subtenants that, if they wish to continue with the sublease from 1 April 2022 onwards, they shall sign a sublease agreement with the Tenant directly on or before 31 March 2022.

Renewal : If the Tenant wishes to renew the New Lease Agreement, the Tenant shall serve a written request at least 180 days prior to the expiration of the Term to the Landlord, and the Tenant shall have priority to rent the Property under the same conditions. The Tenant and the Landlord shall sign a new lease agreement upon reaching mutual agreement on the tenancy terms.

In case of failure to reach mutual agreement on the tenancy terms, the New Lease Agreement will be terminated upon the expiration of the Term. The Landlord may then lease the Property to a third party.

Termination : Save as expressly provided, neither party may terminate the New Lease Agreement prior to the expiration of the Term. The circumstances under which both parties may terminate the New Lease Agreement include:

- (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; and
- (c) early termination is agreed between both parties.

3. BASIS FOR DETERMINATION OF THE RENTAL AND OTHER INFORMATION

The terms of the New Lease Agreement (including the rental and property management fee) 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 New Lease 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 the operation of department stores.

4.2. The Landlord

The Landlord is a company established in the PRC whose scope of business mainly includes development of real estate, property services and house leasing.

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

Shareholders	Shareholding Percentage
Guo Yonggang (郭永鋼)	95%
Wang Jinwu (王進武)	5%
Total	100%

The Landlord and its respective ultimate owners 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 NEW LEASE AGREEMENT

The Group has been carrying out retail operations at the First Property since 2011, and later at the Second Property since 2015. The operations at the Existing Properties as a department store and shopping mall complex have brought stable revenue to the Group during the past years. The New Lease Agreement, with a term commencing from the Delivery Date and to be expired on 11 July 2033, allows the continuity of the Group's retail operations at a place which is familiar to the Group's customers for long term. The Board believes that the lease will have a positive impact on the future development of the Company.

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

6. IMPLICATIONS UNDER THE LISTING RULES

6.1. Acquisition of asset by the Company

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

6.2. Discloseable transaction

The transaction contemplated under the New Lease Agreement is regarded as an acquisition of asset under the Listing Rules. On the basis of the acquisition of right-of-use asset under the New Lease Agreement, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB28.88 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 asset recognised by the Group pursuant to IFRS 16 is more than 5% but less than 25%, the entering into of the New Lease Agreement constitutes a discloseable transaction for the Company, and is subject to reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under 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:

“Beijing Parkson” means Parkson Retail Development Co., Ltd.* (百盛商業發展有限公司), a company established in PRC and an indirect wholly-owned subsidiary of the Company.

“Board” means the board of Directors.

“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 2022.
“Directors”	means the directors of the Company.
“Existing Properties”	means the First Property and the Second Property.
“Existing Subtenants”	means the existing subtenants who have rented parts of the Property from the Landlord (or its agent(s) acting on its behalf in relation to such subletting) for a term subsisting on the Delivery Date.
“First Property”	means the relevant parts on the basement level to fourth floor of Kind Family Mall, Yongtai South Road, Datong City, Shanxi Province* (山西省大同市永泰南路凱德世家廣場地下一層至四層的部分物業).
“Group”	means the Company and its subsidiaries.
“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 Datong Yangguangjiaye Real Estate Development Co., Ltd.* (大同市陽光嘉業房地產開發有限責任公司), a company established in the PRC.
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“New Lease Agreement”	means the lease agreement in respect of the Property entered into between the Landlord and the Tenant dated 22 February 2022.
“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.
“Prepayment Agreement”	means the rental prepayment agreement in respect of the prepayment of RMB20 million from the Tenant to the Landlord entered into between the Landlord and the Tenant dated 22 February 2022.
“Previous Lease Agreements”	means collectively, the various lease agreements and ancillary agreements in respect of the Existing Properties entered into between the Landlord, the Tenant and/or Beijing Parkson within the period from 2011 to 2018.
“Property”	means the relevant parts on the fifth and sixth floors of Kind Family Mall, Yongtai South Road, Datong City, Shanxi Province* (山西省大同市永泰南路凱德世家廣場五層、六層的部分物業), which excludes the parts leased to and occupied by Wanda Cinemas.
“RMB”	means Renminbi, the lawful currency of the PRC.
“Second Property”	means the northwest area on the first floor of Kind Family Mall, Yongtai South Road, Datong City, Shanxi Province* (山西省大同市永泰南路凱德世家廣場一層西北角位置).
“sq. m”	means square metres.
“Tenant”	means Shanxi Parkson Retail Development Co., Ltd. Datong Branch* (山西百盛商業發展有限公司大同分公司), a company established in PRC and an indirect wholly-owned subsidiary of the Company.

“Term”

means the term of the New Lease Agreement commencing from the Delivery Date and expiring on 11 July 2033.

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

22 February 2022

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

* *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.*