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

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO
THE PROPOSED DISPOSAL OF PROPERTIES IN
QINGDAO CITY**

THE DISPOSAL

On 9 September 2022 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase, the Properties (together with the ancillary facilities) located in Qingdao City, Shandong Province, the PRC at the Consideration of RMB280 million.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement, circular and shareholders' approval requirements.

EGM AND CIRCULAR

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, no Shareholder or any of their respective associates has any material interest in the Disposal and accordingly, none of the Shareholders is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the EGM.

A circular containing, among other things, (i) further details of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 10 October 2022 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

The completion of the Disposal is conditional upon the satisfaction of the Conditions Precedent and as such, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

On 9 September 2022 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase, the Properties (together with the ancillary facilities) located in Qingdao City, Shandong Province, the PRC at the Consideration of RMB280 million.

The Agreement

Set out below are the principal terms of the Agreement:

Date: 9 September 2022

Parties:

Vendor: Qingdao No. 1 Parkson Co., Ltd.* (青島第一百盛有限公司), an indirect subsidiary owned as to 95.91% by the Company

Purchaser: Qingdao Haiming City Development Company Limited* (青島海明城市發展有限公司) a State-owned entity wholly-owned by the Finance Bureau of Qingdao Shinan District* (青島市市南區財政局), which is a PRC governmental body.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of, and not connected with the Company and its connected persons.

Properties

The Properties (together with the car parking lots, refuge floors and other ancillary facilities) consist of Floor No. B5-F8, F9-F12A, F27, F46-F48 located at No. 44-60 Zhongshan Road, Shinnan District, Qingdao City, Shandong Province, the PRC* (中國山東省青島市市南區中山路44-60號) with an aggregate construction area of approximately 76,013 sq. m. The Group uses the Properties mainly for the operation of department store and office space rental. Floor No. F9-F12A of the Properties, with an aggregate construction area of approximately 12,597 sq. m. were rented out as office space and held by the Group as investment properties. Floor No. B5-B2 of the Properties, with an aggregate construction area of approximately 19,680 sq. m., were used as car parking space with a total of 258 hourly parking lots. The rental income generated from the aforesaid office space and hourly parking lots, for each of the two financial years ended 31 December 2020 and 31 December 2021 are set out below:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Floor No. F9-F12A		
Rental income before taxation	786	659
Rental income after taxation	786	659
Floor No. B5-B2		
Rental income before taxation	1,114	1,379
Rental income after taxation	1,114	1,379

Consideration and Payment Terms

The Consideration of RMB280 million (including value-added tax) shall be paid by the Purchaser to the Vendor in the following manner:

- (i) RMB28 million as prepayment (the “**Prepayment**”) to be paid within ten business days after entering into the Agreement;
- (ii) RMB112 million to be paid upon the Completion;
- (iii) RMB84 million to be paid within ten business days after completion of the registration of title transfer of the Properties with the competent real estate authority and upon obtaining the real estate ownership certificate (不動產權屬登記證書) of the Properties by the Purchaser; and
- (iv) RMB56 million to be paid within 45 days after fulfilment of the Post-completion Obligations (subject to set-off (if any) by the Purchaser).

Payment by the Purchaser to the Vendor under the Agreement shall be made by bank transfer to the Vendor’s designated account or any other methods as mutually agreed.

In the event that the Purchaser anticipates delay in payment of the Consideration (except for the Prepayment) due to its internal approval process or State-owned assets supervision and approval procedures, the Purchaser shall, no later than three business days before the original scheduled payment date, notify the Vendor of the reason for delay in payment and the proposed new payment date. Upon the aforesaid notification, the payment obligation of the Purchaser and the ensuing obligations of the Vendor shall be extended accordingly. Save for the aforesaid, in the event that the Purchaser fails to pay the Consideration in accordance with the terms of the Agreement without proper reason, the Vendor shall be entitled to liquidated damages of 0.05% of the overdue amount on a daily basis, and if payment is overdue for more than 30 business days, the Vendor shall be entitled to terminate the Agreement and liquidated damages equivalent to 10% of the Consideration.

After payment of the Prepayment, in the event that the Completion does not take place on or before the Long Stop Date for reasons not due to the Purchaser, the Purchaser shall be entitled to terminate the Agreement, and the Vendor shall, within three business days of such termination, refund the Prepayment and pay an amount equivalent to the Prepayment as termination fee.

The Consideration was determined after arm's length negotiations between the parties with reference to (i) the carrying amount of the Properties; and (ii) the associated costs in relation to vacation of the Properties. The carrying amount of the Properties was approximately RMB264.9 million as at 31 August 2022.

Conditions Precedent

The Completion is conditional on the fulfillment, or waiver in writing by the Purchaser, of the Conditions Precedent as follows:

- (a) the execution of the Agreement;
- (b) the representations and warranties of the Vendor remain true, accurate and complete in all material respects as of the signing date of the Agreement and the Completion Date;
- (c) the Vendor has substantially performed and complied with its obligations under the Agreement and has not breached the Agreement in any material respect;
- (d) the Vendor has obtained the internal approvals for the Agreement of all competent authorities (including but not limited to the shareholders' approval, board's approvals and/or other internal management bodies of the Vendor and its parent companies);
- (e) the transaction under the Agreement has been approved by the Shareholders in compliance with the relevant requirements under the Listing Rules;
- (f) the Vendor has provided to the Purchaser written documents of all third party consents (including but not limited to banks) (if any) for the transaction under the Agreement;
- (g) any tenant or user of the Properties has issued written confirmation to waive its priority right for purchase or lease of the Properties;

- (h) all mortgages, seizures or other restrictions on rights over the Properties have been released and the registration of the release of restrictions on rights with the competent real estate authority has been completed;
- (i) all payments for water, electricity, heating, gas and other expenses up to the Completion Date have been settled and the aforesaid utilities can be used normally;
- (j) all property use agreements in respect of the Properties have been terminated and, if applicable, cancellation of registration of the relevant property use agreements with the competent real estate authority;
- (k) all tenancy agreements for the commercial car parks of the Properties have been terminated and all the toll equipment has been removed (unless otherwise agreed by the Purchaser);
- (l) save as otherwise agreed by the Purchaser, all agreements in respect of the operation of the Properties have been terminated and all refund or necessary payments including any termination compensation in accordance with the relevant termination agreements have been made, and there is no unresolved debt between the Vendor and any counterparty of such agreements;
- (m) the Vendor has taken back and vacated the premises of all tenancy agreements agreed to be terminated before the Completion according to the terms of the Agreement;
- (n) in respect of tenancy agreements to be terminated before the Completion, the relevant tenants have changed or cancelled their registered addresses so that the relevant premises are available as registered addresses for new tenants;
- (o) the number of car parking lots as shown in the commercial carpark registration certificate is consistent with the actual number of car parks in use; and
- (p) there is no material adverse change since the signing of the Agreement and up to the Completion Date.

Completion

Within two business days after the fulfilment, or waiver, of all the Conditions Precedent, the Vendor shall notify the Purchaser in writing (the “**Fulfilment Notice**”). Within five business days from the receipt of the Fulfilment Notice, the Purchaser shall notify the Vendor in writing whether the Completion will proceed (the “**Completion Notice**”). Completion shall take place on the third business day following the Completion Notice (the “**Completion Date**”).

On the Completion Date, the parties to the Agreement shall execute the Confirmation on the Transfer of Title of the Properties (目標資產所有權移轉確認書) and arrange for the registration of title transfer of the Properties with the competent real estate authority. Upon the Completion, the title and interest (including all insurance claims on the Properties based on insurance contracts in force as of the date of the Agreement) to the Properties shall be transferred from the Vendor to the Purchaser.

In the event that the Vendor fails to complete after the Purchaser issues the Completion Notice, or the Purchaser is unable to enjoy the title and the ownership rights of the Properties during the course of the Completion due to the reasons of the Vendor, the Purchaser shall be entitled to terminate the Agreement, and request the Vendor to, within three business days from such termination, (i) refund any payment made; (ii) compensate for any tax expenses incurred due to registration of title transfer of the Properties; and (iii) pay liquidated damages equivalent to 10% of the Consideration.

In the event that the Purchaser is unable to operate the Properties without any obstacle due to any non-compliance of the Post-completion Obligations by the Vendor, the Purchaser shall be entitled to serve written notice to the Vendor to request the Vendor to re-comply with its obligations or resolve any obstacle within three business days from such notice and account for any related expenses and losses. If the Vendor fails to do so, the Purchaser shall be entitled to terminate the Agreement, and request the Vendor to, within three business days from such termination, to (i) refund any payment made; (ii) compensate for any tax expenses incurred due to registration of title transfer of the Properties; and (iii) pay liquidated damages equivalent to 10% of the Consideration.

The Vendor shall use its best endeavours to procure the registration of title transfer of the Properties. The Purchaser shall be entitled to terminate the Agreement if the real estate ownership certificate, which specifies the Purchaser as the owner of the Properties, is not obtained within 15 business days from the Completion Date (or such longer period as agreed by the Purchaser).

Post-completion Obligations

The Vendor shall have the following Post-completion Obligations:

- (a) attend to the arrangement of the registration of title transfer of the Properties;
- (b) continue to perform any Condition Precedent waived by the Purchaser at its own cost (if any);
- (c) upon request of the Purchaser, arrange or procure any original lessee to arrange for transfer or cancellation of account of any water, electricity, gas, communication and network etc. in respect of the Properties;
- (d) assist the Purchaser to arrange for extension of business period and change in registration in respect of the commercial carparks; and assist the Purchaser in the registration or approval procedures in respect of the change and extension of normal use certificate of civil air defense projects;
- (e) maintain the existing insurance policies in respect of the Properties until completion of the registration of title transfer and the new insurance policies taken out by the Purchaser coming into effect;
- (f) within 60 days after the Completion Date (or such longer period as the Purchaser may agree), terminate all the agreements in respect of the existing uses of the Properties and refund or make all corresponding payments in accordance with the relevant termination agreements; and
- (g) if the Vendor fails to vacate the Properties pursuant to the terms of the Agreement within 60 days after the Completion Date (or such longer period as the Purchaser may agree), the Purchaser shall have the rights to clear, rectify, repair or replace at the expense of the Vendor.

INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC with limited liability, whose scope of business includes, among others, construction engineering survey, construction engineering design, construction engineering construction, urban distribution and transportation services, port operation, real estate development and operation, residential interior decoration. The Purchaser is a State-owned entity wholly-owned by the Finance Bureau of Qingdao Shinan District* (青島市市南區財政局), which is a PRC governmental body.

INFORMATION ON THE GROUP AND THE VENDOR

The Group is principally engaged in the operation and management of a network of department stores in the PRC.

The Vendor is a company established in the PRC with limited liability and is an indirect subsidiary owned as to 95.91% by the Company, whose scope of business includes, among others, wholesale and retail, sale and rental of premises, self-operated product exhibition and sale, advertising in commercial buildings, rental of some counters in shopping centers and property management.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

For illustrative purposes, the Group is expected to record an unaudited gain of approximately RMB1.8 million from the Disposal, which is calculated based on the Consideration of RMB280 million less the aggregate of the carrying amount of the Properties of approximately RMB264.9 million as at 31 August 2022 and the relevant tax. Shareholders should note that the actual gain of the Disposal will be calculated based on the relevant figures as at the date of Completion and subject to audit and therefore, might be different from the aforementioned amount.

The net proceeds from the Disposal after deducting the relevant expenses and value-added tax are estimated to be approximately RMB265.8 million. Having considered the financial performance of the Group and in particular, the continuous global impact of the COVID-19 pandemic on the operating environment as well as the liquidity of the Group for its working capital, the Company intends to use the net proceeds from the Disposal as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group currently uses the Properties for the operation of a department store and office space rental. The facilities of the Properties have been in use for more than 20 years since its commencement of operation in 1997. To ensure the continuous operation and improvement of the competitiveness of the department store, it needs to be renovated as a whole and therefore, requires large amount of investment from the Group. Since the Properties are located in an old town area which is subject to urban reconstruction of Qingdao City, the residents of the district have gradually moved out from the old town to the suburban area. As a result, the spending power of the local residents has weakened and the department store has continued to suffer losses since 2015. In addition, since the outbreak of COVID-19, in order to control the epidemic in China, the state has adopted a number of policies such as shutting down production and home quarantine, which have had a huge impact on retail business including department stores. Hence, the Directors have been continually looking for opportunities to increase Shareholders' return by disposing of the Properties so as to realise their value. Since the second half of 2021, the government has successively launched the reconstruction project of Zhongshan Road Commercial Street. This Disposal is in line with the government's macro urban renewal plan, and it is also a good opportunity for the Company to maximise Shareholders' return. In addition, given the net proceeds from the Disposal shall be applied towards the general working capital of the Group, the Disposal is expected to improve the working capital of the Group and will strengthen the financial position and enhance the cash flow of the Group. The Board believes that, through the Disposal, the Company will be able to allocate its resources more effectively.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) calculated in accordance with the Listing Rules in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement, circular and shareholders' approval requirements.

EGM AND CIRCULAR

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, no Shareholder or any of their respective associates has any material interest in the Disposal and accordingly, none of the Shareholders is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the EGM.

A circular containing, among other things, (i) further details of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 10 October 2022 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As completion of the Disposal is subject to the satisfaction of the Conditions Precedent as set out in the Agreement, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Agreement”	means the sale and purchase agreement dated 9 September 2022 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Properties
“Board”	means the board of the Directors
“business day”	means any day (other than a Saturday, Sunday or public holiday) on which banks in the PRC are generally open for business
“Company”	means Parkson Retail Group Limited* (百盛商業集團有限公司), a company incorporated in the Cayman Islands

“Completion”	means completion of the Disposal
“Completion Date”	has the meaning as defined in the section headed “THE AGREEMENT – Completion”
“Completion Notice”	has the meaning as defined in the section headed “THE AGREEMENT– Completion”
“Conditions Precedent”	the conditions precedent to the Completion set out in the section headed “Agreement”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	means the consideration for the Disposal in the amount of RMB280 million
“Director(s)”	means the director(s) of the Company
“Disposal”	means the disposal of the Properties by the Vendor contemplated under the Agreement
“EGM”	means the extraordinary general meeting of the Company to be convened and held, at which resolutions will be proposed to consider and, if thought fit, to approve the Disposal
“Fulfilment Notice”	has the meaning as defined in the section headed “THE AGREEMENT– Completion”
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong Dollar, the lawful currency of Hong Kong
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	being the date which is three months after the date of signing of the Agreement (or such other date as mutually agreed by the parties)
“PRC”	means the People’s Republic of China
“Post-completion Obligations”	means the obligations of the Vendor after the Completion set out in the section headed “Agreement”
“Prepayment”	has the meaning as defined in the section headed “THE AGREEMENT– Consideration and Payment Terms”
“Properties”	means the properties to be transferred by the Vendor to the Purchaser pursuant to the Agreement including land use rights, buildings and ancillary facilities
“Purchaser”	means Qingdao Haiming City Development Company Limited* (青島海明城市發展有限公司), a company incorporated in Qingdao, the PRC with limited liability
“RMB”	means Renminbi, the lawful currency of PRC
“Shareholders”	means holders of the Shares from time to time
“Shares”	means ordinary shares of nominal value of HK\$0.02 each in the capital of the Company
“sq. m.”	means square metre
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Vendor”	means Qingdao No. 1 Parkson Co., Ltd.* (青島第一百盛有限公司), an indirect subsidiary owned as to 95.91% by the Company

“%”

means per cent

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

9 September 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.*