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

**DISCLOSEABLE TRANSACTION:
TENANCY AGREEMENT
IN RESPECT OF A PROPERTY IN KUNMING CITY, THE PRC**

THE TENANCY AGREEMENT

On 19 June 2024, the Tenant (an indirect wholly-owned subsidiary of the Company) and the Landlord entered into the Tenancy Agreement in respect of the Property located in Kunming City, Yunnan Province, the PRC.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to IFRS 16, the entering into of the Tenancy Agreement as a tenant will require the Group to recognise the Property as a right-of-use asset. Thus, the entering into of the Tenancy Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules. On the basis of the acquisition of right-of-use asset under the Tenancy Agreement, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB29.7 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 Tenancy Agreement constitutes a discloseable transaction for the Company, and is therefore subject to reporting and announcement requirements but is exempted from circular and shareholders' approval requirements under the Chapter 14 of the Listing Rules.

1. INTRODUCTION

The Board is pleased to announce that on 19 June 2024, the Tenant (an indirect wholly-owned subsidiary of the Company) and the Landlord entered into the Tenancy Agreement in respect of the Property.

A summary of the principal terms of the Tenancy Agreement and other relevant information are set out below.

2. TENANCY AGREEMENT

Date	:	19 June 2024
Parties	:	Tenant: Kunming Yun Shun He Retail Development Co., Ltd.* (昆明雲順和商業發展有限公司), an indirect wholly-owned subsidiary of the Company Landlord: Kunming Nanya Fengqing Real Estate Development Co., Ltd.* (昆明南亞風情房地產開發有限公司)
Property	:	Basement Level 1 at Block A1, Yangjia Community Committee, Fuhai Subdistrict Office, Kunming City (昆明市福海街道辦事處楊家社區居委會南亞風情第壹城A1幢負一層), Yunnan Province, the PRC
Total gross area	:	Approximately 8,943 sq. m.
Term	:	Fifteen (15) years from the Rent Starting Date.
Use	:	Operation of supermarket, shopping center (including convenience stores, gold and jewelry, accessories, computers, mobile phones, watches and glasses, sports and stationery, books, audio-visual products, medical supplies, electrical appliances, clothing, shoes and hats, cosmetics, toys, etc.), dining, film processing, entertainment, cafes, teas houses, Chinese and Western pastries, photography, beauty and hair salons, wedding and other service projects, setting-up of offices, warehouses and other commercial projects within the scope of business operation of the Tenant under the trademark and trade name of “百盛” and “PARKSON” in the Property.

Deposit : RMB800,000 payable within 30 days from the date of the Tenancy Agreement.

Rental : The fixed rental is calculated based on total gross area of the Property under the Tenancy Agreement. Set out below is the rental during the Term:

Year	Rental / m ² / month (including tax)	Rental / annual (including tax)
1 st	RMB30.00	RMB3,219,480.00
2 nd to 3 rd	RMB35.00	RMB3,756,060.00
4 th to 6 th	RMB37.10	RMB3,981,423.60
7 th to 9 th	RMB39.33	RMB4,220,738.28
10 th to 12 th	RMB41.69	RMB4,474,004.04
13 th to 15 th	RMB44.19	RMB4,742,294.04

The rental for the first six months during the Term shall be paid on a quarterly basis in advance. The rental for the rest of the Term shall thereafter be paid on a monthly basis in advance.

Rent-free Period : The Tenant is entitled to a rent-free period commencing from the Delivery Date to the earlier of the actual date the business operation of the Tenant in the Property or the expiration of the Five-month Period.

Right to sub-let : The Tenant has the right to sub-let any part of the Property during the Term in accordance to its business operation.

Renewal : If the Tenant wishes to renew the Tenancy Agreement, the Tenant shall notify the Landlord in writing not less than 180 days prior to the expiration of the Term. The Tenant and the Landlord shall sign a new tenancy agreement upon reaching mutual agreement on the new tenancy terms.

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

Upon the expiry of the Term, the Landlord may lease the Property to a third party, provided that the Tenant has the right of priority to renew the Tenancy Agreement under the same terms as agreed between the Landlord and such third party.

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

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

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

The Tenant is also entitled to terminate whole or part of the Tenancy Agreement prior to the expiration of the Term free from any liability for breach of Tenancy Agreement if the Tenant's accumulated losses exceed RMB10,000,000 from the Rent Starting Date (the amount of losses shall be subject to the audit as issued by one of the Big 4 accounting firms as engaged by the Tenant). Where the Tenant exercises such termination right, it shall notify the Landlord in writing 180 days in advance. The whole or the relevant part of the Tenancy Agreement shall be terminated upon expiration of 180 days from the date on which such written notice is delivered to the Landlord.

Assignment : Upon giving written notice to the Landlord, the Tenant is entitled to assign all its rights, obligations and responsibilities under the Tenancy Agreement to any of the Tenant's associated companies, provided that such associated company has fulfilled all requirements under the Tenancy Agreement.

3. BASIS FOR DETERMINATION OF THE RENTAL UNDER THE TENANCY AGREEMENT AND OTHER INFORMATION

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

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

4. INFORMATION ON THE PARTIES

4.1. The Group and the Tenant

The principal activities of the Group are the operation and management of a network of department stores, shopping malls, outlets and supermarkets mainly in the PRC.

The Tenant is an indirect wholly-owned subsidiary of the Company principally engaged in the business of 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 and operation of commercial properties.

To the best knowledge and belief of the Directors, and having made all reasonable enquiries, the equity interest of the Landlord is directly owned as to 50.96% by Kunming Colorful Yunnan Gudian Kingdom Investment and Development Co., Ltd.* (昆明七彩雲南古滇王國投資發展有限公司), 28.39% by Ren Huai Can (任懷燦), 7.09% by Ren Jian Mei (任劍媚), 2.40% by Wang Jia Qi (王傢琪), 2.16% by Liu Hou Yun (劉後雲), 1.59% by Tian Jun (田軍), 1.06% by Luo Yan (羅燕), 0.96% by Wang Yang (王陽), 0.96% by Yang Peng (楊鵬), 0.96% by Chen Yu Nan (陳裕楠), 0.77% by Luo Jing Chun (羅靜純), 0.67% by Ren Li Fen (任立芬), 0.67% by Liao Yun Kun (廖雲坤), 0.58% by Li Hai Ming (李海明), 0.39% by Li Yan Ping (李雁萍) and 0.39% by He Wen Tao (何文濤).

The equity interest of Kunming Colorful Yunnan Gudian Kingdom Investment and Development Co., Ltd.* (昆明七彩雲南古滇王國投資發展有限公司) is owned as to 35.5% by Ren Huai Can (任懷燦), 18% by Ren Jian Mei (任劍媚), 13% by Kunming Zerui Investment Co., Ltd.* (昆明澤瑞投資有限公司), 4% by Wang Jia Qi (王傢琪), 3.5% by Liu Hou Yun (劉後雲), 3% by Tian Jun (田軍), 2.5% by Luo Yan (羅燕), 2.5% by Wang Yang (王陽), 2.5% by Yang Peng (楊鵬), 2.5% by Chen Yu Nan (陳裕楠), 2.5% by Liao Yun Kun (廖雲坤), 2.5% by Ren Li Fen (任立芬), 2% by Zhang Yong Dong (張永東), 2% by Li Hai Ming (李海明), 2% by Shen Fang (沈舫), 0.5% by He Wen Tao (何文濤), 0.5% by Dong Li Sha (董莉莎), 0.5% by Wang Xiao Qun (王曉群) and 0.5% by Chen Da Peng (陳大鵬).

The equity interest of Kunming Zerui Investment Co., Ltd.* (昆明澤瑞投資有限公司) is owned as to 84.62% by Ren Huai Can (任懷燦) and 15.38% by Ren Jian Mei (任劍媚).

The Landlord and its respective ultimate beneficial 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 TENANCY AGREEMENT

The Group has been operating and managing one department store in Kunming City for more than 20 years, where it had gained good reputation and market recognition. The Property is located at a provincial-level governance and commercial area with advantage of convenient transportation and huge consumer base. The Company considers that the tenancy of the Property plays an important role in the development of the Group's business and expand its participation in Kunming City and is in line with the Group's development strategy in Yunnan Province. The Board believes that the tenancy will have a positive impact on the future development of the Company.

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

6. IMPLICATIONS UNDER THE LISTING RULES

Pursuant to IFRS 16, the entering into of the Tenancy Agreement as a tenant will require the Group to recognise the Property as a right-of-use asset. Thus, the entering into of the Tenancy Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules. On the basis of the acquisition of right-of-use asset under the Tenancy Agreement, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB29.7 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 Tenancy Agreement constitutes a discloseable transaction for the Company, and is therefore subject to reporting and announcement requirements but is exempted from circular and shareholders' approval requirements under the Chapter 14 of the Listing Rules.

7. DEFINITION

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

“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 on 1 July 2024
“Directors”	means the directors of the Company
“Five-month Period”	means the period of five months commencing from the Delivery Date
“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, which sets out the principles for the recognition, measurement, presentation and disclosure of leases
“Property”	means the premises with total gross area of approximately 8,943 sq. m. located at Basement Level 1 at Block A1, Yangjia Community Committee, Fuhai Subdistrict Office, Kunming City (昆明市福海街道辦事處楊家社區居委會南亞風情第壹城A1幢負一層), Yunnan Province, the PRC
“Landlord”	means 昆明南亞風情房地產開發有限公司 (Kunming Nanya Fengqing Real Estate Development Co., Ltd.*), a company established in the PRC
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“Rent Starting Date”	means the actual date the business operation of the Tenant in the Property or the expiration of the Five-month Period, whichever is earlier
“RMB”	means Renminbi, the lawful currency of the PRC
“sq. m.”	means square metres
“Tenancy Agreement”	means the tenancy agreement in respect of the Property entered into between the Landlord and the Tenant and dated 19 June 2024

“Term”	means the term of the Tenancy Agreement, being fifteen (15) years commencing from the Rent Starting Date
“Tenant”	means Kunming Yun Shun He Retail Development Co., Ltd.* (昆明雲順和商業發展有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	means per cent

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

19 June 2024

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 Datuk Koong Lin Loong.

* *For identification purposes only. For ease of reference, the names of the PRC 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.*