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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:
NEW TENANCY AGREEMENT
IN RESPECT OF A PROPERTY IN LIUPANSHUI CITY, THE PRC**

**CONTINUANCE OF THE EXISTING TENANCY BY ENTERING INTO
THE NEW TENANCY AGREEMENT**

On 9 January 2025, the Tenant (an indirect wholly-owned subsidiary of the Company) and the Landlord entered into the New Tenancy Agreement in respect of the continued tenancy of the Property, pursuant to which the parties have agreed to continue with the tenancy term for another 10 years commencing from 1 January 2027.

The Tenant has been occupying the Property as tenant for the operation of department stores since 2012. The term of the Existing Tenancy will expire on 31 December 2026.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to IFRS 16, the entering into of the New 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 New 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 New Tenancy Agreement, the amount recognised by the Group pursuant to IFRS 16 is approximately RMB46.3 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 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 9 January 2025, the Tenant (an indirect wholly-owned subsidiary of the Company) and the Landlord entered into the New Tenancy Agreement, pursuant to which the parties have agreed to continue with the tenancy of the Property upon the expiry of the Existing Tenancy.

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

2. NEW TENANCY AGREEMENT

Date	:	9 January 2025
Parties	:	Tenant: Liupanshui Parkson Retail Co., Ltd.* (貴州六盤水百盛商業發展有限公司), an indirect wholly-owned subsidiary of the Company Landlord: Guizhou Hanhua Real Estate Development Co., Ltd.* (貴州漢華房地產開發有限公司)
Property	:	Parts of LG1 to level 5 of Baolong International Building, No. 36 Zhongshan West Road, Liupanshui City, Guizhou Province, the PRC* (貴州省六盤水市鐘山西路36號寶隆國際商業金融中心)
Total gross area	:	Approximately 26,723.81 sq. m.
Term	:	An initial term of five (5) years from 1 January 2027 to 31 December 2031 (“ Initial Term ”) and a continuing term of five (5) years from 1 January 2032 to 31 December 2036 (“ Continuing Term ”).

Use : Operation of shopping center, services such as (but not limited to) wholesale logistics, catering, cinema, entertainment, bar, cafe, tearoom, photography, color-printing, beauty and hair salon, wedding services, fitness centre, business activity centres, etc. and, setting-up of offices, warehouses and other commercial projects within the scope of business scope of the Tenant under the trademark and trade name of “百盛” and “PARKSON” in the Property.

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

Term	Rental per sq. m.	
	per month (including tax)	Rental per annum (including tax)
Initial Term	RMB27.00	RMB8,658,514.44
Continuing Term	RMB28.00	RMB8,979,200.16

Payment terms : The rental shall be paid on a quarterly basis in advance.

Property fee : The amount of RMB300,000 per annum shall be paid on a monthly basis in arrears.

Deposit : No deposit is required to be made by the Tenant under the New Tenancy Agreement. The prior deposit made under the Existing Tenancy had been utilised entirely to off-set the rental payable under the Existing Tenancy.

Rent-free period : Nil

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 : Upon the expiry of the Initial Term, the New Tenancy Agreement shall continue with the Continuing Term unless the Tenant terminates the New Tenancy Agreement by giving the Landlord a written notice of not less than six months before the expiry of the Initial Term.

The Tenant may request a renewal of the New Tenancy Agreement by a written notice to the Landlord of not less than 180 days prior to the expiration of the Continuing Term. The Tenant shall have the first right to renew such tenancy under the same conditions, and the parties will then negotiate for entering into a new tenancy agreement. In the case of failure to reach mutual agreement on the new tenancy terms, the New Tenancy Agreement will be terminated upon the expiration of the Continuing Term, and the Landlord may lease the Property to a third party on terms not more favourable than those offered to the Tenant, or otherwise the Tenant shall have the right of priority to renew the New Tenancy Agreement.

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

The circumstances under which either party shall have the right to early termination include:

- (a) the rights of use of 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 New 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 New Tenancy Agreement prior to the expiration of the Term free from any liability for breach of the New Tenancy Agreement if the Tenant's losses exceed RMB4,000,000 in a year or accumulated losses exceed RMB8,000,000 during the Term (the amount of losses shall be subject to the audit report as issued by one of the Big 4 accounting firms as engaged by the Tenant). Where the Tenant intends to exercise such termination right, it shall notify the Landlord in writing 90 days in advance. The whole or the relevant part of the New Tenancy Agreement shall be terminated upon expiration of 90 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 New Tenancy Agreement to any of the Tenant's associated companies, provided that such associated company has fulfilled all requirements under the New Tenancy Agreement.

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

The terms of the New 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, and the current circumstances in respect of the Property and the Landlord.

The rental and other amounts payable by the Tenant under the New 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 includes primarily development and sale of real estate and properties in the PRC.

The Landlord is owned as to 95% and 5% by LIANG Jia Ming* (梁家銘) and PENG Ya Lin* (彭亞林) respectively.

To the best knowledge and belief of the Directors, and having made all reasonable enquiries, 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 NEW TENANCY AGREEMENT

The Group has been operating and managing its department store in the Property since 2012 and has achieved sustained profitability, gained a good reputation and received market recognition via such department store. It holds a significant commercial market share in Liupanshui City, which contributes to the value of the intangible assets of the Group.

The Property is in the business district of Liupanshui City, where the municipal government office is also located. The business district has a high population density, strong purchasing power and stable customer flow. With the long operating history of the department store operating at the Property, the Group has built strong market dominance and competitiveness in this business district. The department store is also one of the largest and complete commercial complexes in this business district. The Board believes that maintaining occupancy of the Property for its department store will enhance the future development of the Group in Guizhou Province.

The Property is subject to a seizure order of the Court of Liupanshui City issued on 13 September 2024 and thus, any disposal, destruction, sale, mortgage, pawning or gift of the Property is not allowed without the Court's prior consent. There is a possibility that the Property may eventually be disposed of by auction if the Landlord is unable to settle its debts. Failure in entering into the New Tenancy Agreement before the auction process could lead to protracted negotiations with the buyer of the Property on tenancy renewal terms, and would also affect the normal operation of the Group's department store located in the Property.

In addition to such circumstances in respect of the Property and the Landlord, the Board has also considered the following factors:

- (1) the Group has liaised with the relevant government authorities and the major creditors of the Landlord and has obtained their supports on the entering into of the New Tenancy Agreement between the Landlord and the Tenant;
- (2) no deposit is required and no capital commitment is needed under the New Tenancy Agreement;
- (3) the rental under the Existing Tenancy for each of 2024, 2025 and 2026 is approximately RMB11,705,028 per year, and the rental rate under the New Tenancy Agreement is more favourable than that of the Existing Tenancy, thus reducing the operating cost of the department store;
- (4) the Liupanshui department store is one of the Group's principal department stores in the Guizhou Province, contributing sustained profits to the Group; and
- (5) the Group would have to incur significant relocation and decoration expenses if its department store is to be relocated to premises other than the Property.

The Board considers that entering into the New Tenancy Agreement two years before the expiry of the term of the Existing Tenancy, may avoid risks brought about by interruption in the occupation of the Property and safeguard the continuity and stability of the Group's profitable department store located in the Property at no capital commitment on the part of the Group. Entering into the New Tenancy Agreement better safeguards the Group's interests compared to facing the uncertainties surrounding the Property when the Existing Tenancy approaches its expiration in end of 2026.

Having taken into account the above factors and benefits, the Board believes that the terms of the New Tenancy Agreement are fair and reasonable, and the entering into of the New Tenancy Agreement is in the interests of the Company and its shareholders as a whole.

6. IMPLICATIONS UNDER THE LISTING RULES

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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 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

“Directors”	means the directors of the Company
“Existing Tenancy”	means a series of tenancy agreements dated 29 March 2011, 13 July 2011, 3 January 2020 and 14 June 2023 in respect of the Property entered into between, among other parties, the Landlord and the Tenant, whereunder the term of the tenancy will expire on 31 December 2026
“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”	Parts of LG1 to level 5 of Baolong International Building, No. 36 Zhongshan West Road, Liupanshui City, Guizhou Province, the PRC* (貴州省六盤水市鐘山西路36號寶隆國際商業金融中心)
“Landlord”	Guizhou Hanhua Real Estate Development Co., Ltd.* (貴州漢華房地產開發有限公司), a company established in the PRC
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“RMB”	means Renminbi, the lawful currency of the PRC
“sq. m.”	means square metres

“New Tenancy Agreement”	means the tenancy agreement dated 9 January 2025 in respect of the Property entered into between the Landlord and the Tenant in respect of the Property
“Term”	means the term of the New Tenancy Agreement of ten (10) years, divided into the Initial Term of five (5) years from 1 January 2027 to 31 December 2031 and the Continuing Term of five (5) years from 1 January 2032 to 31 December 2036
“Tenant”	means Liupanshui Parkson Retail Co., Ltd.* (貴州六盤水百盛商業發展有限公司), 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

9 January 2025

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.

* *The English name of the PRC established companies or entities and of the location of the Property are for reference only.*