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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)

**MAJOR TRANSACTION:
FORMATION OF JOINT VENTURE**

THE JOINT VENTURE COOPERATION AGREEMENT

The Board is pleased to announce that on 15 October 2020, Shanghai Shengrui (an indirect wholly-owned subsidiary of the Company) and Hongxiang Real Estate entered into the Joint Venture Cooperation Agreement in respect of the formation of the Joint Venture.

IMPLICATIONS UNDER THE LISTING RULES

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.

A circular containing, among other things, information relating to the Joint Venture Cooperation Agreement is expected to be despatched to the Shareholders for information purposes only in accordance with Rule 14.41(a) of the Listing Rules on or before 9 November 2020.

1. INTRODUCTION

The Board is pleased to announce that on 15 October 2020, Shanghai Shengrui and Hongxiang Real Estate entered into the Joint Venture Cooperation Agreement in respect of the formation of the Joint Venture.

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

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.

If additional capital contribution is required for the acquisition of the land use rights of the plot of land to be used for 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 contributions 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.

Financing

Both parties shall make actual capital contributions 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.

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.

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.

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.

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.

The incentive profit shall be the profit from the completion of sales in excess of the operating targets to be set by the parties. Such operating targets shall be determined once the commercial and residential land has been identified and with reference to the market transactions in respect of the land adjacent to or in close proximity to the commercial and residential land.

(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 construction of 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.

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 of Hongxiang Real Estate in the property development industry, the Directors believe that Hongxiang Real Estate can leverage on its strengths 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 to build a 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 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.

5. LISTING RULES IMPLICATIONS

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6. DEFINITIONS

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

“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.
“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.
“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.

Yours faithfully,
For and on behalf of the Board
PARKSON RETAIL GROUP LIMITED
Tan Sri Cheng Heng Jem
Executive Director and Chairman

16 October 2020

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. Ko Desmond and Mr. Yau Ming Kim, Robert.

* *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.*