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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 AND CONNECTED TRANSACTION
ACQUISITION OF 70% INTEREST IN NANNING PARKSON
AND 100% INTEREST IN TIANJIN PARKSON
RESUMPTION OF TRADING**

The Board is pleased to announce that the Company has through its wholly owned subsidiary agreed to acquire, indirectly, the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson. Specifically, the Company through its wholly owned subsidiary has entered into a Sale and Purchase Agreement in which the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital in Jet East. Jet East is the sole legal and beneficial owner of all the equity interest in Victory Hope, which in turn will be the sole legal and beneficial owner of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson on or before Completion Date. Tianjin Parkson is the owner and operator of the Parkson branded department store located at No. 162, Fu An Street, Heping District, Tianjin city, PRC and Nanning Parkson is the owner and operator of the Parkson branded department store located at No. 18, Qingyun Street, Chaoyang Road, Nanning city, PRC. Both the subject department stores are currently managed by an indirect subsidiary of the Company.

As the relevant percentage ratio calculation for the Acquisition exceeds 5% but fall below 25%, pursuant to Chapter 14 and Chapter 14A of the Listing Rules, the Acquisition constitutes a discloseable and connected transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules and the reporting announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, the Consideration of the Acquisition shall be satisfied partly by cash and partly by the Company allotting and issuing the Consideration Shares to the Vendor, who is a connected person and hence, the issuance and allotment of the Consideration Shares is also subject to the Independent Shareholder's approval under Chapter 13 of the Listing Rules.

The Vendor is an indirect wholly-owned subsidiary of PHB, a substantial shareholder of the Company, PHB and its associates are deemed to have a material interest in the Acquisition and

the issue of the Consideration Shares. Accordingly, they are required to abstain from voting in the EGM for the approval of the Acquisition and the issue of the Consideration Shares.

A circular containing, among other things, details of the Acquisition and the issue of the Consideration Shares, the recommendation from the Independent Board Committee and the opinion from an independent financial advisor will be dispatched to Shareholders as soon as practicable. Relevant details of the Acquisition will also be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

Trading on the Shares of the Company was suspended at the request of the Company from 9:30a.m. on 22 May 2008 pending the release of this announcement. The Company has applied for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 23 May 2008.

Pursuant to the Deed of Non-competition, PHB and the Vendor have granted the Company, inter alia, an option to acquire the interest in their retail businesses in the PRC. The Board is pleased to announce that the Company has decided to exercise the said option and has through a wholly owned subsidiary agreed to acquire, indirectly, the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson. The exercise of the said option has been reviewed and approved by the Independent non-executive directors of the Company. The transactions contemplated in the Acquisition will be accounted for in the accounts of the Company immediately following the Completion of the respective transactions.

THE SALE AND PURCHASE AGREEMENT

Date

21 May 2008

Parties

Vendor: East Crest International Limited

Purchaser: Grand Parkson Retail Group Limited

Assets to be acquired

1. 70% equity interest in Nanning Parkson
2. 100% equity interest in Tianjin Parkson

CONSIDERATION AND CONDITIONS FOR THE ACQUISITION

Consideration

The total Consideration for the Acquisition is RMB240,000,000 or HK\$269,004,012 which comprises:

- (a) RMB140,000,000 or HK\$156,919,007 for the 70% equity interest in Nanning Parkson; and
- (b) RMB100,000,000 or HK\$112,085,005 for the 100% interest in Tianjin Parkson.

The Consideration shall be satisfied and fully paid by a combination of cash and Consideration Shares. The ratio between cash and Consideration Shares should be approximately 50% each. Details of the payment mode is as follows:

- (a) Within 10 Business Days from the date of the Sale and Purchase Agreement, the Purchaser shall pay to the Vendor in cash as deposit, amounting to the sum of RMB10,000,000 or HK\$11,208,500 by cheque or telegraphic transfer.
- (b) On the Completion Date, the Purchaser shall settle the balance RMB230,000,000 or HK\$257,795,512 in favour of the Vendor as follows:
 - (i) RMB110,005,983 or HK\$123,300,212 by cheque or telegraphic transfer; and
 - (ii) RMB119,994,017 or HK\$134,495,300 by the issuance and allotment of 1,994,000 Consideration Shares at an issue price of HK\$67.45 per Consideration Share.

In the event that the Vendor is only able to complete either the Nanning Parkson Transfer or the Tianjin Parkson Transfer and the Purchaser elects to proceed to the Completion, the Consideration shall be revised accordingly based on the above pricing for the 70% equity interest in Nanning Parkson or the 100% equity interest in Tianjin Parkson, as the case may be. Further, unless the Purchaser notify the Vendor in writing of its intention to fully settle the said revised Consideration in cash on or before the expiry of the Completion Date, the payment mode for the said revised Consideration shall remain the same as above with the relevant adjustment to the cash portion payable and the numbers of Consideration Shares to be allotted and issued to the Vendor. The ratio between the cash portion and the Consideration Shares to be allotted and issued should remain unchanged. The number of Consideration Shares to be allotted and issued will further be adjusted to the nearest trading board lot.

The cash portion shall be fully funded through internal resources.

The issue price of HK\$67.45 per Consideration Share to be allotted and issued by the Company represents:

- (a) closing price of the Share as quoted on the Stock Exchange on the last trading day of the Shares immediately before the date of this announcement.
- (b) a discount of approximately 6.1% over the average closing price of HK\$71.86 per Share as quoted on the Stock Exchange for the last 5 trading days of the Shares immediately before the date of this announcement.

The Consideration Shares represent approximately 0.358% of the issued share capital of the Company as at 21 May 2008 of 557,452,750 Shares and approximately 0.356% of the enlarged issued capital after the issuance of the same. The Consideration Shares shall each be credited as fully paid-up and rank pari passu in all respects with the existing Shares, save that the Consideration Shares shall not be entitled to any rights, dividends and distributions declared, paid

or made prior to the date of their allotment. There is no restriction applied to the subsequent sale of the Consideration Shares.

The issuance of the Consideration Shares shall be approved by the Independent Shareholders during the EGM. In addition, such Consideration Shares shall be deducted from the general mandate granted to the Directors in the annual general meeting of the Company on 22 May 2008 to issue new Shares up to 20% of the existing issued share capital of the Company. Upon the completion of the issuance of the Consideration Shares, the said general mandate will be reduced to approximately 19.64%. The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares on the Main Board of the Stock Exchange.

The Directors considered that the Consideration reflects normal commercial terms which were arrived at after arm's-length negotiations between the Vendor and the Purchaser, with reference to the historical earnings of both Nanning Parkson and Tianjin Parkson and the valuation carried out by the Valuer appointed by the Purchaser which value the 70% equity interest in Nanning Parkson at RMB147,000,000 and the 100% equity interest in Tianjin Parkson at RMB101,000,000. The Consideration represents a Price Earning (PE) ratio of 11.79 times of the net profit for the year 2007 of RMB11.9 million attributable to the 70% equity interest in Nanning Parkson and a PE ratio of 10.68 times of the net profit for the year 2007 of RMB9.4 million attributable to the 100% equity interest in Tianjin Parkson.

The Directors are of the opinion that the issue price for the Consideration Shares is fair and reasonable by reference to the closing price of the Shares on 21 May 2008.

Based on the above factors, the Directors considered that the Consideration and issue price are fair and reasonable. The Consideration is to be paid in HKD equivalent of RMB based on the middle rate of 0.89218 published by the People's Bank of China for the conversion of HKD to RMB, on the date of the Sale and Purchase Agreement. The issue price will not be subject to further changes regardless of the fluctuation of the exchange rate between HKD and RMB.

Conditions

The Completion of the Acquisition is subject to the satisfaction of the following conditions:

- (a) the completion of due diligence review by the Purchaser on Jet East and its subsidiaries (including Nanning Parkson and Tianjin Parkson) and the results of which are satisfactory to the Purchaser;
- (b) the obtaining by the Company of its Independent Shareholders' approvals for the Acquisition and the issue of the Consideration Shares in favour of the Vendor in the EGM;
- (c) the obtaining by the Company of the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares on the Main Board of the Stock Exchange;
- (d) the completion of the Nanning Parkson Transfer and the Tianjin Parkson Transfer as evidence by the Vendor obtaining the following documents:

- 1) the certificates of approval issued by the Ministry of Commence, approving inter alia, the Nanning Parkson Transfer, the Tianjin Parkson Transfer and the amendments to the memorandum and articles of association of both Nanning Parkson and Tianjin Parkson indicating Victory Hope as a new equity interest holder of Nanning Parkson and Tianjin Parkson;
 - 2) registration of Victory Hope as the owner of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson with, and the issuance of new business licences by, State Administration of Industry and Commerce or its local counterpart, whichever was the original registration authority;
- (e) any other approvals and authorisations (if any) for the Completion.

TERMINATION RIGHTS

If any or all of the abovementioned conditions cannot be fulfilled within the Stipulated Period, the Purchaser is entitled to either:

- (a) extend the Stipulated Period;
- (b) waive any or all of the relevant conditions and proceed to the Completion; or
- (c) terminate the Sale and Purchase Agreement. In this respect, the Vendor shall return all the monies (including the deposit) received under the Sale and Purchase Agreement to the Purchaser within 5 Business Days from the date of termination and thereafter, the Sale and Purchase Agreement shall be null and void and neither party shall have any claims against each other save for any antecedent breach.

If any party deliberately breach any of the provisions thereof, the innocent party is entitled to:

- (i) give notice to the defaulting party to remedy the breach within 10 Business Days upon receipt of the said notice failing which the innocent party is entitled to terminate the Sale and Purchase Agreement. In this respect, the innocent party is entitled to claim from the defaulting party a sum equivalent to the deposit as penalty; or
- (ii) complete the Acquisition by way of specific performance.

COMPLETION

Completion shall take place on the Completion Date after the conditions precedent to the Sale and Purchase Agreement have been duly fulfilled or waived by the Purchaser.

INFORMATION ON THE VENDOR

The Vendor, a wholly owned subsidiary of PHB, a controlling shareholder of the Company, is the legal and beneficial owner of the entire issued share capital of Sea Coral and Jet East. Sea Coral is the current sole legal and beneficial owner of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson. Jet East is the sole legal and beneficial owner of the entire equity interest in Victory Hope, which in turn will be the sole legal and beneficial owner of the 70% equity interest in Nanning Parkson and/or the 100% equity interest in Tianjin Parkson on or before the expiry of the Stipulated Period pursuant to the Nanning Parkson Transfer and the Tianjin Parkson Transfer. The Vendor is principally engaged in the business of investment holding and its investment cost for the Nanning Parkson Transfer and the Tianjin Parkson Transfer are based on the 70% registered capital of Nanning Parkson and the 100% registered capital of Tianjin Parkson, which is RMB14 million and RMB10 million respectively.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company and its subsidiaries are principally engaged in the operation of 38 department stores and 2 supercentres situated in prime locations in 26 cities in the PRC. The Group offers a wide range of merchandise in those department stores and supercentres, including fashion and apparel, cosmetics and accessories, household, electrical goods and groceries.

The Purchaser is a 100% direct subsidiary of the Company primary acting as an investment holding company to invest in the department store business in the PRC.

HISTORICAL FINANCIAL INFORMATION OF NANNING PARKSON AND TIANJIN PARKSON

Nanning Parkson, established on 22 April 2005 is the owner and operator of a Parkson branded department store located at No. 18, Chaoyang Road, Qingyun Street, Nanning city, PRC while Tianjin Parkson, established on 1 December 2003, is the owner and operator of a Parkson branded department store located at No. 162, Fu An Street, Heping District, Tianjin city, PRC.

Set out below is the historical financial information of Nanning Parkson and Tianjin Parkson respectively for the 3 years ended 31 December 2005, 2006 and 2007 prepared and audited under PRC generally accepted accounting principles:

Nanning Parkson

	Financial Year ended 31 December (RMB'000)		
Year	2005	2006	2007
Gross Sales Proceeds ¹	94,573.07	259,612.44	354,559.03
Operating Revenues ²	27,805.87	76,066.34	103,840.02
Net profit before tax	-3,026.86	5,896.12	19,991.64
Net profit after tax	-3,026.86	5,448.13	16,968.87
Total Assets	52,847.26	68,423.15	96,262.89
Net Assets Value	7,173.14	22,421.26	37,019.71

Tianjin Parkson

	Financial Year ended 31 December (RMB'000)		
Year	2005	2006	2007
Gross Sales Proceeds¹	169,292.41	205,330.60	265,874.26
Operating Revenues²	41,100.51	60,395.61	74,282.03
Net profit before tax	-13,478.64	1,721.15	9,365.39
Net profit after tax	-13,478.64	1,721.15	9,365.39
Total Assets	23,697.53	27,136.61	45,435.54
Net Assets Value	-23,419.76	-21,698.61	-12,333.22

- (1) “Gross sales proceeds includes the direct sales, gross sales proceeds from concessionaire sales, rental income and other operating revenue.
- (2) “Operating revenues” includes the direct sales, commission from concessionaire sales, rental income and other operating revenue. Gross sales proceeds from concessionaire sales are not recognised. Operating revenues need not be included in the audit report issued under the PRC generally accepted accounting principles, the numbers were extracted from the management accounts prepared under the PRC generally accepted accounting principles.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Tianjin is one of the 4 municipalities of the PRC that are under the central government’s direct administration with a provincial-level status. Tianjin’s urban area located along Hai He River, is the third largest in the PRC after Shanghai and Beijing. With a population of more than 9.5 million, Tianjin is one the fastest growing city in the PRC and has recorded a GDP of more than RMB501.8 billion for the year 2007, a year-on-year increase of 15.1%. The total retail sales of Tianjin for the year 2007 is reported to worth more than RMB160.4 billion, a growth of more than 18.2% from the year 2006 and its urban disposable income per capita for the year 2007 was RMB16,357, an increase of 14.5% from the year 2006.

Nanning, the capital city of Guangxi Province is located in the southern part of Guangxi Zhuang Autonomous Region, 160 km from the border of Vietnam. Nanning, a neighbor to Guangzhou, Hong Kong, Macau and Southeast Asia, plays an important role in the economic development of southwest region of the PRC. In year 2007, Nanning has recorded a GDP of RMB106.3 billion, a 17.1% growth from the year 2006. The total retail sales for the year 2007 is reported to worth RMB51.6 billion, a year-on-year growth of 18.4% and its urban disposable income per capita for the year 2007 was RMB11,877, an increase of 16.5% from the year 2006.

Both Nanning Parkson and Tianjin Parkson, which are in their 4th and 5th year of operation respectively, are entering into a fast growth phase. Due to the strong economy and retail industry growth in both cities plus the strong performance of both stores to date, these 2 stores are expected to maintain a strong growth momentum in the years to come.

The management believes that the Acquisition will immediately enhance the growth and profitability of the Group as the integration of both stores is expected to be short since both stores have been under the Group management since inception of operation. Further, the Acquisition will also provide more flexibility for the Group to carry out its expansion plan to consolidate the position in the respective market in Tianjin and Nanning.

The Directors (including the independent non-executive Directors) believe that the terms of the Acquisition are fair, reasonable and in the normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

DISCLOSEABLE AND CONNECTED TRANSACTION

The Vendor is a wholly-owned subsidiary of PHB, a substantial shareholder of the Company. Hence, the Vendor is a connected person to the Company by virtue of Rule 14A.11(4) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules calculated in respect of the Acquisition exceeded 5% but are below 25%, the Acquisition also constitute a discloseable transaction and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

In addition, as the Consideration Shares are to be issued to a connected person to the Company pursuant to the general mandate granted under Rule 13.36(2)(b) of the Listing Rules, the Company is required to obtain its Independent Shareholders' approval for such issue under Rule 13.36(2)(b) Note 1.

Further, as PHB is a substantial shareholder of the Company and the ultimate holding company of the Vendor, PHB and its associates are deemed to have a material interest in the Acquisition. Accordingly, PHB and its associates (including its wholly-owned subsidiary, PRG which is also a direct shareholder of the Company) are required to abstain from voting in the general meeting to be held for the approval of the Acquisition and the issuance of the Consideration Shares in favour of the Vendor.

Relevant details of the Acquisition will also be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

According to the Listing Rules, the Acquisition also constitutes a discloseable and connected transaction of the Company which is subject to the notification and publication requirements as set out in Rules 14.58 to 14.60 of the Listing Rules.

A circular containing, among other things, valuation report from the Valuer, details of the Acquisition and the issue of the Consideration Shares in favour of the Vendor, the recommendation from the Independent Board Committee and the opinion from an independent financial advisor will be dispatched to Shareholders in due course.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the transactions contemplated under the Sale and Purchase Agreement, including but not limited to the 100% equity interest in Tianjin Parkson and 70% equity interest in Nanning Parkson
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	means a day (other than a Saturday) when banks are open for business in Hong Kong, PRC and Malaysia
“Company”	Parkson Retail Group Limited, a limited liability company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005
“Completion”	the completion of the Acquisition as in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which the Completion shall take place, i.e. 3 business days after the immediate month end in which the date the Sale and Purchase Agreement become unconditional pursuant to the terms therein contained
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration of RMB240 million for the Acquisition which comprises: <ul style="list-style-type: none"> (a) RMB100 million for the 100% equity interest in Tianjin Parkson; and (b) RMB140 million for the 70% equity interest in Nanning Parkson
“Consideration Shares”	1,994,000 new Shares to be issued by the Company at an issue of HK\$67.45 per Share pursuant to the general mandate to issue new Shares granted to the Board in general meeting
“Deed of Non-competition”	deed dated 17 September 2007 entered into between the Company, the Vendor and PHB whereby PHB and the Vendor agreed inter alia, to grant to the Company a call option on PHB and the Vendor’s interest in their retail business in the PRC and an undertaking not to compete with the business of the Group in the PRC
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for approving, inter alia, the Acquisition and the issue of the Consideration Shares in favour of the Vendor
“GDP”	Gross domestic product.

“Group”	the Company, its subsidiaries, jointly controlled entities and associated company
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a board committee comprising independent non-executive Directors who are not interested in the Acquisition
“Independent Shareholder(s)”	Shareholders other than persons who are required to abstain from voting on the resolution to approve the Acquisition as defined under the listing rules
“Jet East”	Jet East Investments Limited, a limited liability company incorporated under the laws of the British Virgin Island with limited liability on 23 July 2007
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanning Parkson”	Nanning Brilliant Parkson Commercial Co., Ltd. (南宁柏联百盛商业有限公司), a sino-foreign equity joint venture enterprise incorporated in the PRC on 22 April 2005, and are being held as to 70% by Sea Coral and as to 30% directly by Kunming Brilliant Property Development Co., Ltd. (昆明柏联房地产开发有限公司), an independent third party
“Nanning Parkson Transfer”	the proposed transfer of the 70% equity interest in Nanning Parkson from Sea Coral to Victory Hope pursuant to a sale and purchase agreement dated 18 February 2008
“PHB”	Parkson Holdings Berhad, a public limited liability company incorporated and domiciled in Malaysia, the shares of which are listed on the Main Board of Bursa Malaysia Securities Berhad, a controlling shareholder of the Company
“PRC”	the People’s Republic of China
“Purchaser”	Grand Parkson Retail Group Limited, a 100% direct subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreements dated 21 May 2008 entered into between the Purchaser and the Vendor after the trading hours of the Stock Exchange on 21 May 2008
“Sea Coral”	Sea Coral Limited, a limited liability company incorporated under the laws of Hong Kong on 25 January 2005 and an indirect wholly-owned

	subsidiary of PHB through the Vendor
“Share(s)”	the ordinary share(s) of the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Stipulated Period”	a period of 120 days from the date of the Sale and Purchase Agreement or such extended period as may be agreed by the Purchaser in writing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Tianjin Parkson”	Tianjin Parkson Retail Development Co., Ltd. (天津百盛商业广场有限公司), a limited liability company incorporated in the PRC on 1 December 2003, which is 100% owned by Sea Coral
“Tianjin Parkson Transfer”	The proposed transfer of the 100% equity interest in Tianjin Parkson from Sea Coral to Victory Hope pursuant to a sale and purchase agreement dated 18 February 2008
“Valuer”	Vigers Appraisal & Consulting Limited, 10 th Floor, The Grande Building, 398 Kwun Tong Road, Kowloon, Hong Kong, an International Assets Appraisal Consultants
“Vendor”	East Crest International Limited, a limited liability company incorporated under the laws of British Virgin Islands on 2 August 2006, a wholly-owned subsidiary of PHB
“Victory Hope”	Victory Hope Limited, a limited liability company incorporated under the laws of Hong Kong with limited liability on 10 December 2007
“%”	per cent

By order of the Board
PARKSON RETAIL GROUP LIMITED
Cheng Yoong Choong
Managing Director

As at the date of this announcement, Mr CHENG Yoong Choong and Mr CHEW Fook Seng are executive directors of the Company, Tan Sri CHENG Heng Jem is a non-executive director of the Company and, Mr STUDER Werner Josef, Mr KO Tak Fai, Desmond and Mr Yau Ming Kim, Robert are the independent non-executive directors of the Company.

Hong Kong, 22 May 2008