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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)

CONNECTED TRANSACTION

FORMATION OF A JOINT VENTURE COMPANY

The Board is pleased to announce that on 26 January 2015, the Company has through a wholly-owned subsidiary, Grand Parkson, entered into a Joint Venture Agreement with AUM Hospitality Sdn. Bhd. (“AUMH”) to establish a Joint Venture Company (“JV Company”) for the purposes of developing its food and beverage (“F&B”) business in China. The total initial investment of the JV Company shall be RMB40,000,000 which comprises a share capital contribution of RMB4,000,000 and a shareholder’s advance from Grand Parkson of RMB36,000,000. Pursuant to the Joint Venture Agreement, total share capital contribution to be made by Grand Parkson and AUMH is RMB3,640,000 and RMB360,000 respectively, which is in proportion to their equity interest of 91% and 9%.

In view of the dynamic market situation in China, the Group is undergoing a business transformation from traditional department store business to lifestyle concept retail business. Our aim is to enhance our customer experience by offering a quality shopping, catering and entertainment experience that encourages repeat patronage. Introducing F&B services will be a major strategic move for the Group.

AUMH is experienced in the F&B sector, with restaurants in Malaysia under both self-owned and franchised brands. There are currently 12 brands under AUMH which includes “Johnny Rockets” from the USA and “The Library Coffee Bar” that is self-owned by AUMH. With its strong brand resources, the Directors (including the independent non-executive Directors) believe that the partnership can bring synergies to the Group’s existing business, and the terms of the Joint Venture are fair, reasonable and in the normal commercial terms and are in the interests of the Company and the shareholders as a whole.

Given that AUMH is held 60% by Prime Yield Holdings Limited, a wholly-owned subsidiary of PHB, a controlling shareholder of the Company, AUMH is a connected person of the Company by virtue of Rule 14A.07(4) of the Listing Rules. Accordingly, the formation of the JV Company 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 formation of the Joint Venture exceeded 0.1% but fall below 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the formation of the Joint Venture constitutes a connected transaction which is subject to the reporting and announcement requirements as set out under Chapter 14A of the Listing Rules but is exempt from independent shareholders' approval requirement.

JOINT VENTURE AGREEMENT

Date: 26 January 2015

Parties: (a) Grand Parkson and
(b) AUMH

Name of the JV Company: Lion Food & Beverage Ventures Limited

Place of incorporation: British Virgin Islands

Shareholding in the JV Company: Pursuant to the Joint Venture Agreement, the Parties will inject a total share capital contribution of RMB4,000,000 into the JV Company by way of subscription of shares of RMB1 per share. Upon completion of the capital injection, the shareholding in the JV Company would be as follows:

Shareholders	Number of shares	Capital Contribution (RMB)	Shareholding
Grand Parkson	3,640,000	3,640,000	91%
AUMH	360,000	360,000	9%
Total	<u>4,000,000</u>	<u>4,000,000</u>	<u>100%</u>

Payment Schedule

To be paid in cash in full by the shareholders within 5 business days from the fulfilment of the conditions precedent or one month from the date of the JV Agreement, whichever is the later.

Conditions precedent: Receipt by the JV Company of all consents, approvals, permits or licences required under any applicable laws and regulations governing the JV Company for (i) establishment and operation of the JV Company and (ii) to give effect to the transactions contemplated under the Joint Venture Agreement, and where any such consent, approval, permit or licence is subject to conditions, such conditions being satisfactory to the Parties.

- Financing:** Apart from the share capital contribution, Grand Parkson shall further inject RMB36,000,000 by way of shareholder’s loan with an interest at a rate of 7% per annum into the JV Company.
- The shareholder’s loan, in the form of cash will be injected into the JV Company in stages based on funding requirements of the JV Company.
- Basis of total investment:** The proportion of interest holdings held by each of the party and the capital contribution structure of the JV Company were arrived at based on normal commercial terms after arm’s length negotiations between the parties.
- Scope of business:** The JV Company and its subsidiaries will principally be engaged in the establishment and management of restaurants.
- Board composition:** The board of directors of the JV Company will consist of 3 directors, of which 2 directors will be appointed by Grand Parkson and 1 director will be appointed by AUMH.
- Transfer of shares:** Under the Joint Venture Agreement, no Parties shall transfer any of its shares before the first anniversary of the date of incorporation of the JV Company. Thereafter, if any party intends to transfer all or part of the shares owned by it, the other party shall have the pre-emptive rights to buy such shares.

The total capital commitment of Grand Parkson in the amount of RMB39,640,000, which consists of RMB3,640,000 in the form of capital contribution and RMB36,000,000 in the form of shareholder’s loan, will be fully funded by internal resources of the Group.

INFORMATION ON AUMH

AUMH is a limited liability company incorporated in Malaysia that principally engages in the food, beverage and entertainment business. AUMH operates and franchises restaurants in Malaysia under both self-owned and franchised brands. There are currently 12 brands under AUMH which includes “Johnny Rockets” from the USA and “The Library Coffee Bar” that is owned by AUMH.

As AUMH is held 60% by Prime Yield Holdings Limited, a wholly-owned subsidiary of PHB, a controlling shareholder of the Company, AUMH is a connected person of the Company by virtue of Rule 14A.07(4) of the Listing Rules.

INFORMATION ON THE COMPANY AND GRAND PARKSON

The Company and its subsidiaries are principally engaged in the operation of 60 department stores situated in 36 cities in the PRC. The Group offers a wide range of merchandise in those department stores, including fashion and apparel, cosmetics and accessories, household, electrical goods and groceries.

Grand Parkson is a wholly-owned subsidiary of the Company that primarily acts as an investment holding company.

REASONS FOR AND BENEFITS OF THE JOINT VENTURE

In view of the dynamic market situation in China, the Group is undergoing a business transformation from traditional department store business to lifestyle concept retail business. Our aim is to enhance our customer experience by offering a quality shopping, catering and entertainment experience that encourages repeat customer patronage.

F&B is an important component to the shopping experience that the Group is offering to its customers. Developing the F&B sector will provide synergies to the Group's existing retail business. The Joint Venture represents another major strategic move to the Group's transformation to a lifestyle concept retail business and provides a new business and income stream for the Group. The Board considers that the Joint Venture is in line with the Group's expansion plan and will complement its long-term growth strategy.

The management believes that through the formation of the JV Company, the Group would be able to leverage on AUMH's expertise and brand resources in the F&B sector to enhance success prospects and the development of the F&B business.

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

CONNECTED TRANSACTION

As AUMH is held 60% by Prime Yield Holdings Limited, a wholly-owned subsidiary of PHB, a controlling shareholder of the Company, AUMH is a connected person of the Company by virtue of Rule 14A.07(4) of the Listing Rules. Accordingly, the formation of the JV Company 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 formation of the Joint Venture exceeded 0.1% but fall below 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the formation of the Joint Venture constitutes a connected transaction which is subject to the reporting and announcement requirements as set out under Chapter 14A of the Listing Rules but is exempt from independent shareholders' approval requirement.

Tan Sri Cheng Heng Jem, the Executive Director and Chairman of the Company and the ultimate controlling shareholder of PHB, is deemed to have material interest in the formation of the Joint Venture. Tan Sri Cheng Heng Jem has abstained from voting on the board resolution to approve the formation of the Joint Venture. Apart from Tan Sri Cheng Heng Jem, no other Director is required to abstain from voting on the board resolution of the Company to approve the formation of the Joint Venture.

DEFINITIONS

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

“AUMH”	AUM Hospitality Sdn. Bhd., a limited liability company incorporated in Malaysia;
“Board”	the board of directors of the Company;
“Company”	Parkson Retail Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Grand Parkson”	Grand Parkson Retail Group Limited, a wholly-owned subsidiary of the Company;
“Group”	the Company, its subsidiaries, jointly controlled entities and associated company;
“Joint Venture”	a joint venture to be established by the Company and AUMH;
“Joint Venture Agreement”	an agreement entered into between Grand Parkson and AUMH on 26 January 2015 regarding the formation of the JV Company;
“JV Company”	Lion Food & Beverage Ventures Limited, a company incorporated in the British Virgin Islands on 8 December 2014.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Parties”	parties to the Joint Venture Agreement;
“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 (for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan);
“RMB”	Renminbi, the lawful currency of PRC;
“Share(s)”	the ordinary share(s) of the JV Company with a nominal value of RMB1.00 each;
“USA”	the United States of America; and

“0/0”

per cent.

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

26 January 2015

As at the date of this announcement, the Executive Directors of the Company are Tan Sri Cheng Heng Jem and Mr. Chong Sui Hiong, the Non-executive Directors are Datuk Lee Kok Leong and Dato' Dr. Hou Kok Chung and the Independent Non-executive Directors are Mr. Ko Tak Fai, Desmond, Mr. Yau Ming Kim, Robert and Dato' Fu Ah Kiow.