PARKSON 百盛

PARKSON RETAIL GROUP LIMITED
百盛商業集團有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3368)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 44% OF BEIJING PARKSON

Reference is made to the Announcement and the Circular in connection with the possible acquisition of the 44% Interest and, among other things, the Preliminary Framework Agreement and the public tender process in relation thereto.

The Board is pleased to announce that the Group is the successful bidder for the 44% Interest in the public tender process and on 26 May 2006, Parkson Investment Holdings, an indirect wholly-owned subsidiary of the Company, and the China Arts & Crafts Companies entered into the Sale and Purchase Agreements in relation to the sale and purchase of the 44% Interest. The same parties, together with Shanghai Lion Investment, also entered into the Replacement Agreement on 26 May 2006 which will, among other things, terminate the Preliminary Framework Agreement and the Ancillary Agreements, set out the mechanism for the treatment of the Performance Fee (as defined below) paid and replace Shanghai Lion Investment with Parkson Investment Holdings as the purchaser entity for the Acquisition.

The Acquisition constitutes a discloseable and connected transaction for the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. As no Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition, the Company has applied to the Stock Exchange for a waiver pursuant to Rule 14A.43 of the Listing Rules under which written Independent Shareholders' approval may be accepted in lieu of holding a general meeting. As at the date of this announcement, a written approval of the Acquisition from PRG Corporation Limited, which holds 361,560,000 Shares representing approximately 65.5% of the issued share capital of the Company, has been obtained.

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.

A circular containing, among other things, details of the Acquisition, the recommendation from the Independent Board Committee and the opinion from an independent financial advisor will be despatched to Shareholders as soon as practicable.

Reference is made to the Announcement and the Circular in connection with the possible acquisition of the 44% Interest and, among other things, the Preliminary Framework Agreement and the public tender process in relation thereto.

The Board is pleased to announce that the Group is the successful bidder for the 44% Interest in the public tender process. On 26 May 2006, Parkson Investment Holdings, an indirect wholly-owned subsidiary of the Company, and the China Arts & Crafts Companies entered into the Sale and Purchase Agreements, and the same parties, together with Shanghai Lion Investment, also entered into the Replacement Agreement on the same date. The major terms of such agreements are described below.

THE SALE AND PURCHASE AGREEMENTS

Date

26 May 2006

Parties

Vendors:	China Arts & Crafts
	China Arts & Crafts Culture
	Arts & Crafts Exhibition
	(together the "Vendors", each a "Vendor")
Purchaser:	Parkson Investment Holdings

Assets to be acquired

The 44% Interest, comprising:

(a) 43% held by China Arts & Crafts;

(b) 0.9% held by China Arts & Crafts Culture; and

(c) 0.1% held by Arts & Crafts Exhibition.

Consideration

The consideration for the 44% Interest is RMB525,078,400 which shall be paid, or deemed to be paid, as follows:

(a) RMB200,000,000 of the consideration shall be deemed to have been settled by the payment of the Performance Fee;

(b) RMB10,031,360 shall be paid within 30 business days from the date of the Sale and Purchase Agreements; and

(c) the balance of the consideration, in the amount of RMB315,047,040, shall be paid within five business days from the date on which all of the conditions under the Sale and Purchase Agreements (as set out under the sub-heading "Conditions" below) are satisfied.

The consideration for the 44% Interest reflects normal commercial terms which were arrived at after arm's-length negotiations between the Vendors and the Purchaser, with reference to the valuation process carried out by a valuer appointed by the Vendors and approved by the SASAC in accordance with applicable PRC laws and regulations. The value of the 44% Interest as determined under the valuation process is the same as the aggregate consideration of RMB525,078,400.

Conditions

Completion of the Sale and Purchase Agreements is subject to the satisfaction of the following conditions:

(a) the filing of the Sale and Purchase Agreements at the Beijing Equity Exchange;

(b) the obtaining by the Company of all relevant approvals required under the Listing Rules (including but not limited to shareholders' approval or other equivalent approvals) ("Company Approvals");

(c) the obtaining of approvals from SASAC and MOC ("Regulatory Approvals"); and

(d) the issuance of a certificate of approval by the MOC with respect to the change in status of Beijing Parkson from a sino-foreign equity joint venture enterprise to a wholly-foreign owned enterprise.

Termination rights

Parkson Investment Holdings shall have the right to terminate the Sale and Purchase Agreements upon the occurrence of any of the following events:

(a) the Company Approvals are not obtained within 90 days of the signing of the Sale and Purchase Agreements;

(b) the Regulatory Approvals are not obtained within 180 days of the signing of the Sale and Purchase Agreements; or

(c) any of the following events of default:

    (i) the Vendors unilaterally proposing to terminate the Sale and Purchase Agreements;

    (ii) the Vendors refusing to assist in the application for the Regulatory Approvals;

    (iii) the directors of Beijing Parkson nominated by the Vendors voting against the Acquisition;

(iv) commencement of liquidation of the Vendors or mandatory enforcement proceedings against the 44% Interest; or

(v) any breach by the Vendors of the Sale and Purchase Agreements.

Upon termination of the Sale and Purchase Agreements, all amounts of consideration paid in respect of the Acquisition (including the Performance Fee) shall be refunded by the Vendors to Parkson Investment Holdings, together with interest accrued thereon from the date of payment to the date of refund, at the rate which is the one-year interest rate published by the People's Bank of China for loans by financial institutions.

THE REPLACEMENT AGREEMENT

Date

26 May 2006

Parties

China Arts & Crafts

China Arts & Crafts Culture

Arts & Crafts Exhibition

Shanghai Lion Investment

Parkson Investment Holdings

Termination of the Preliminary Framework Agreement and the Ancillary Agreements

The Preliminary Framework Agreement and the Ancillary Agreements shall be terminated on the effective date of, and be replaced by, the Replacement Agreement. All rights and obligations of the parties under the Preliminary Framework Agreement and the Ancillary Agreements shall cease upon termination. For a summary of the terms of the Preliminary Framework Agreement and the Ancillary Agreements, please refer to the Announcement and the Circular.

The Performance Fee

Pursuant to the bidding rules of the Beijing Equity Exchange and the bidding requirements of the China Arts & Crafts Companies with respect to the registration procedures as part of the public tender process for the acquisition of the 44% Interest, Shanghai Lion Investment was required to pay to the China Arts & Crafts Companies the Performance Fee in the aggregate amount of RMB200,000,000 as an indication of Shanghai Lion Investment's ability to fund the acquisition, should it proceed.

As disclosed in the Announcement and the Circular, the first part of the Framework Deposit in the amount of RMB50 million was paid by Shanghai Lion Investment to the China Arts

& Crafts Companies upon the signing of the Preliminary Framework Agreement. The second part of the Framework Deposit in the amount of RMB60 million remains unpaid as of the date of this announcement as the condition for payment under the Preliminary Framework Agreement has not yet been satisfied. As agreed between Shanghai Lion Investment and the China Arts & Crafts Companies, the RMB50 million paid as part of the Framework Deposit is deemed to form part payment of the Performance Fee by Shanghai Lion Investment.

As of the date of this announcement, the Performance Fee has been fully paid by Shanghai Lion Investment to the China Arts & Crafts Companies.

In the event that the Acquisition is not completed, the Performance Fee shall be refunded by the China Arts & Crafts Companies to Parkson Investment Holdings, together with interest accrued thereon from the date of payment to the date of refund, at the annual interest rate published by the People's Bank of China for loans by financial institutions.

Change of purchaser entity

Parkson Investment Holdings will replace Shanghai Lion Investment as the purchaser of the 44% Interest and all procedural steps with respect to the public tender process carried out by Shanghai Lion Investment pursuant to the Acquisition shall be deemed to have been carried out as agent for and on behalf of Parkson Investment Holdings. The Performance Fee paid to the China Arts & Crafts Companies by Shanghai Lion Investment shall be deemed to be paid on behalf of Parkson Investment Holdings and shall be repayable by Parkson Investment Holdings to Shanghai Lion Investment on demand.

Condition

The Replacement Agreement is conditional upon the Sale and Purchase Agreements becoming unconditional. The effective date of the Replacement Agreement shall be the date on which all of the conditions under the Sale and Purchase Agreements are satisfied.

INFORMATION ON THE CHINA ARTS & CRAFTS COMPANIES

China Arts & Crafts is principally engaged in the business of international trading, retail, exhibition and trading of special commodities such as arts and crafts. China Arts & Crafts Culture and Arts & Crafts Exhibition are wholly-owned subsidiaries of China Arts & Crafts. China Arts & Crafts Culture is principally engaged in the business of cultural consultation and trading of arts and crafts, and Arts & Crafts Exhibition is principally engaged in the business of exhibition and trading of arts and crafts and ornaments.

INFORMATION ON THE COMPANY, SHANGHAI LION INVESTMENT, PARKSON INVESTMENT HOLDINGS AND BEIJING PARKSON

The Company and its subsidiaries are principally engaged in the operation of 37 "Parkson" branded department stores and two "Xtra" branded 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.

HISTORICAL FINANCIAL INFORMATION ABOUT BEIJING PARKSON

Beijing Parkson, an indirect subsidiary of the Company, is the owner and operator of the Parkson department store located at Fuxingmennei Street, Beijing. Its branch offices, Beijing Haidian branch, Taiyuan branch, Zhengzhou branch and Haerbin branch, are the operators of the Company's department stores located in Haidian District in Beijing, Taiyuan, Zhengzhou and Haerbin, respectively.

Beijing Parkson also owns 51% of the equity interest in Xinjiang Youhao Parkson Development Co., Ltd. ("Xinjiang Parkson"), the operator of the Company's department store in Xinjiang.

Set out below is the historical financial information (on individual company level) about Beijing Parkson and Xinjiang Parkson for each of the years ended 31 December 2004 and 2005.

(Audited under PRC generally accepted accounting principles) *(in RMB '000)*	**Year ended 31 December 2004** *(in RMB '000)*	**Year ended 31 December 2005** *(in RMB '000)*
Beijing Parkson		
Turnover *(Note)*	1,091,809	1,465,467
Net profit before tax	135,526	186,036
Net profit after tax	90,639	124,644
Total assets	639,623	971,138
Net asset value	154,987	161,219
Xinjiang Parkson		
Turnover *(Note)*	185,734	217,393
Net loss before tax	(5,360)	(1,040)
Net loss after tax	(5,360)	(1,040)
Total assets	38,231	52,650
Net asset value	164	(875)

Note: Turnover figures above include gross sales proceeds from direct sales and concessionaire sales.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Beijing Parkson is strategically located in the capital of the PRC and is a major contributor in terms of revenue and profits to the Group. Accordingly, the Board considered that Beijing Parkson, as a wholly-owned subsidiary of the Company, would immediately enhance the growth and profitability of the Group. Moreover, if Beijing Parkson were to be wholly-owned by the Company, the decision-making process of Beijing Parkson would become more efficient and there would be greater flexibility in the implementation of Beijing Parkson's business expansion plan. The Board considers that the above would be in line with the Group's expansion plans and would complement its long-term growth strategy.

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

DISCLOSEABLE AND CONNECTED TRANSACTION

As China Arts & Crafts, together with its wholly owned subsidiaries China Arts & Crafts Culture and Arts & Crafts Exhibition, are substantial shareholders of Beijing Parkson, which is a subsidiary of the Company, they are connected persons of the Company for the purposes of Chapter 14A 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 exceed the threshold for exemption under Rule 14A.32, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the China Arts & Crafts Companies, their ultimate beneficial owners or their associates hold any Share(s) in the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Shareholders or their respective associates have any interest in the transaction which is different from other Shareholders. Accordingly, there are no Shareholders who are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. As such, the Company has applied to the Stock Exchange for a waiver pursuant to Rule 14A.43 of the Listing Rules under which a written Independent Shareholders' approval may be accepted in lieu of holding a general meeting. As at the date of this announcement, written approval of the Acquisition from PRG Corporation Limited, which holds 361,560,000 Shares representing approximately 65.5% of the issued share capital of the Company, has been obtained.

The China Arts & Crafts Companies and their ultimate beneficial owners have no relationship with the Company and its connected persons other than as set out above.

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 transaction of the Company which is subject to the notification and publication requirements as set out in Rules 14.34 to 14.36 and 14.38 to 14.39 of the Listing Rules.

A circular containing, among other things, details of the Acquisition, the recommendation from the Independent Board Committee and the opinion from an independent financial advisor will be despatched to Shareholders as soon as practicable.

DEFINITIONS

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

"44% Interest"	the 44% equity interest in Beijing Parkson held by the China Arts & Crafts Companies
"Acquisition"	the transactions contemplated under the Replacement Agreement and the Sale and Purchase Agreements, including but not limited to, the sale and purchase of the 44% Interest
"Ancillary Agreements"	the ancillary agreements entered into pursuant to the Preliminary Framework Agreement, namely, (a) the share pledge agreement dated 23 January 2006 entered into between Shanghai Lion Investment and the China Arts & Crafts Companies; (b) the letters of undertaking dated 23 January 2006 issued by the China Arts & Crafts Companies; (c) the letters of instruction dated 23 January 2006 issued by the China Arts & Crafts Companies to Beijing Parkson; and (d) the enforcement-of-debt undertakings dated 23 January 2006 issued by the China Arts & Crafts Companies
"Announcement"	the announcement of the Company dated 25 January 2006 in relation to, inter alia, the Preliminary Framework Agreement
"Arts & Crafts Exhibition"	中國工藝美術品展銷公司 (Arts & Crafts Exhibition Company), an enterprise owned by the whole people established under the laws of the PRC on 8 December 1992
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Beijing Equity Exchange"	北京產權交易所 (China Beijing Equity Exchange), an equity transaction institution authorised by the Beijing Municipal Government
"Beijing Parkson"	百盛商業發展有限公司 (Parkson Retail Development Co., Ltd.), a sino-foreign equity joint venture enterprise established under the laws of the PRC, and an indirect subsidiary of the Company, which is owned as to 42% by Parkson Investment, as to 14% by Rosenblum, as to 43% by China Arts & Crafts, as to 0.9% by China Arts & Crafts Culture and as to 0.1% by Arts & Crafts Exhibition
"Board"	the board of Directors
"China Arts & Crafts"	中國工藝美術(集團)公司 (China Arts & Crafts (Group) Company), a state-owned enterprise established under the laws of the PRC

"China Arts & Crafts Companies"	China Arts & Crafts, China Arts & Crafts Culture and Arts & Crafts Exhibition
"China Arts & Crafts Culture"	中工美工藝美術文化公司 (China Arts & Crafts Culture Company), a state-owned enterprise established under the laws of the PRC
"Circular"	the circular of the Company dated 16 February 2006 in relation to, inter alia, the Preliminary Framework Agreement
"Company"	Parkson Retail Group Limited (百盛商業集團有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Director(s)"	the director(s) of the Company
"Framework Deposit"	the deposit paid and payable by Shanghai Lion Investment to the China Arts & Crafts Companies under the Preliminary Framework Agreement
"Group"	the Company, its subsidiaries and joint ventures
"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
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOC"	the Ministry of Commerce of the People's Republic of China
"Parkson Investment"	Parkson Investment Pte. Ltd., a private company limited by shares incorporated under the Companies Act (Chapter 50 of the Statutes of the Republic of Singapore) and an indirect wholly-owned subsidiary of the Company
"Parkson Investment Holdings"	金獅百盛投資有限公司 (Parkson Investment Holdings Co., Ltd.), a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

"Performance Fee"	the refundable performance fee in the aggregate amount of RMB200,000,000 paid by Shanghai Lion Investment to the China Arts & Crafts Companies as part of the registration procedures prior to the public tender process, in accordance with the bidding rules of the Beijing Equity Exchange and the bidding requirements of the China Arts & Crafts Companies
"PRC"	the People's Republic of China
"Preliminary Framework Agreement"	the Preliminary Framework Agreement dated 23 January 2006 entered into between Shanghai Lion Investment and the China Arts & Crafts Companies
"Replacement Agreement"	the replacement agreement dated 26 May 2006 entered into between Shanghai Lion Investment, Parkson Investment Holdings and the China Arts & Crafts Companies as further described in this announcement
"RMB"	Renminbi, the lawful currency of the PRC
"Rosenblum"	Rosenblum Investments Pte. Ltd., a private company limited by shares incorporated under the Companies Act (Chapter 50 of the Statutes of the Republic of Singapore) and an indirect wholly-owned subsidiary of the Company
"Sale and Purchase Agreements"	the sale and purchase agreements dated 26 May 2006 entered into between Parkson Investment Holdings and each of the China Arts & Crafts Companies as further described in this announcement
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China
"Shanghai Lion Investment"	上海獅貿投資諮詢有限公司 (Shanghai Lion Parkson Investment Consultant Co., Ltd.), a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"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)
"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)
"%"	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 FONG Ching, Eddy, Mr STUDER Werner Josef and Mr KO Tak Fai, Desmond are the independent non-executive directors of the Company.

Hong Kong, 26 May 2006

Please also refer to the published version of this announcement in South China Morning Post.