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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)

CONNECTED TRANSACTION
ACQUISITION OF 49% INTEREST IN XI'AN SHIDAI PARKSON

The Board is pleased to announce that the Company has agreed to acquire indirectly the 49% equity interest in Xi'an Shidai Parkson (the remaining 51% equity interest in Xi'an Shidai Parkson is currently held indirectly by the Company). Specifically, the Company through its wholly owned indirect 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 49% interest in Xi'an Shidai Parkson. Xi'an Shidai Parkson is the owner and operator of the Parkson department store located at Shidaishengdian Edifice, West Street, Xi'an, Shaanxi Province of the PRC.

As the relevant percentage ratio calculation for the Acquisition fall below 2.5%, pursuant to Rule 14A.32 of the Listing Rules, the Acquisition constitutes a connected transaction for the Company which is only subject to the reporting and announcement requirements under the Listing Rules.

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.

The Board is pleased to announce that the Company has through its wholly owned subsidiary agreed to acquire, indirectly, the 49% equity interest in Xi'an Shidai Parkson (the remaining 51% equity interest is currently owned by the Company through its 91% owned indirect subsidiary, Xi'an Lucky King Parkson Plaza Co., Ltd.). The Acquisition will be accounted for in the accounts of the Company immediately following the Completion.

THE SALE AND PURCHASE AGREEMENT

Date

27 March 2008

Parties

Vendor: Shaanxi Shuangyi Petroleum and Chemical Company Limited

Purchaser: Parkson Retail Development Co., Ltd.

Assets to be acquired

49% equity interest in Xi'an Shidai Parkson

CONSIDERATION AND CONDITIONS FOR THE ACQUISITION

Purchase consideration

The purchase consideration for the 49% equity interest in Xi'an Shidai Parkson is RMB154,000,000, which is payable in cash as follows:

- (a) within 5 working days from the date of the execution of the Sale and Purchase Agreement, the Purchaser shall pay a sum of RMB30,000,000 to the Vendor;
- (b) within 15 working days from the date of the execution of the Sale and Purchase Agreement, the Purchaser shall pay a sum of RMB30,000,000 to the Vendor;
- (c) within 5 working days upon Completion, the Purchaser shall pay a sum of RMB44,000,000 to the Vendor;
- (d) within 5 working days from the date the Purchaser receives copies of the subdivided titles to the Vendor's portions of the Premises, the Purchaser shall pay the remaining RMB50,000,000 to the Vendor.

The Vendor is also the landlord to Xi'an Shidai Parkson for the Premises where the Xi'an Shidai Parkson department store is located. The Vendor only owns approximately 66% of the Premises and the remaining 34% are jointly owned by the Individual Third Party Owners. The Individual Third Party Owners have authorised the Vendor to manage on their behalf their respective portions of the Premises, which includes sub-letting the same to Xi'an Shidai Parkson.

The Directors considered that the aforesaid purchase 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 Xi'an Shidai Parkson and the historical purchase considerations paid by the Group for the previous transaction of the same nature. The purchase consideration of RMB154,000,000 represents a historical Price Earning (PE) ratio of 16.8 times of the net profit for the year 2007 of approximately RMB9,200,000 attributable to the 49% equity interest in Xi'an Shidai Parkson. The said PE ratio is in between the historical PE ratio of 14.8 times (purchase consideration of RMB61,000,000) that the Group paid for the acquisition of the 49% minority interest in Xi'an Chang'an Parkson on 27 September 2007 and historical PE ratio of 17.73 times (purchase consideration of RMB280,000,000) paid for the 49% minority interest in Anshan Parkson on the 20 April 2007. In addition, The Directors have also made reference to a number of recent transactions in the PRC retail industry as announced by companies listed on Shanghai Stock Exchange and Shenzhen Stock Exchange and noted that the historical price earnings ratio for these transactions ranged from 15.40 times to 79.30 times. Based on the above factors, the Directors considered that the purchase consideration and the premium paid are fair and reasonable. The purchase consideration shall be funded entirely by internal resources.

Conditions

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

- (a) the obtaining of the certificates of approval issued by the Ministry of Commerce for the transfer of equity interest in Xi'an Shidai Parkson to the Purchaser and the adoption of the new memorandum and articles of association of Xi'an Shidai Parkson reflecting the Purchaser as the shareholder;
- (b) the issue of the revised business licence of Xi'an Shidai Parkson where the Purchaser is reflected as a shareholder of Xi'an Shidai Parkson and the same is reflected in the register/records kept by the relevant Administration for Industry & Commerce;

The above conditions are inserted for the sole benefit of the Purchaser and may be waived by the Purchaser in whole or in part with or without terms or conditions.

TERMINATION RIGHTS

If the Acquisition cannot be completed on or before the expiry of 150 days from the date of the Sale and Purchase Agreement, the Purchaser is entitled either to extend the aforesaid period or to terminate the Sale and Purchase Agreement.

If the Purchaser elects to terminate the Sale and Purchase Agreement, within 5 working days from the date of such termination, the Vendor shall return the aforesaid payment of RMB60,000,000 to the Purchaser failing which the Vendor agrees to refund the same (together with the late payment interest) through the combination of its dividends entitlement for the year 2008 onwards and its future rental entitlement for the year 2008 onwards, both from Xi'an Shidai Parkson. In this respect, the Vendor shall irrevocably authorise the Purchaser to request Xi'an Shidai Parkson to deduct a sum equivalent to the said payment (and the late payment interest) from its entitlements and pay the same directly to the Purchaser. In addition, the Vendor shall pledge or charge its property with a gross floor area of 3,096.97 square meters located at No. 11, Gaoxing First Road, Gaoxing District, Xi'an in favour of the Purchaser as additional security for its repayment obligations of the said RMB60,000,000.

INFORMATION ON THE VENDOR

The Vendor is the sole legal and beneficial owner of the 49% interest in Xi'an Shidai Parkson. The Vendor is principally engaged in the business of trading of petrochemical products including raw material and equipments in relation thereto.

Save for the lease agreement dated 18 August 2004 and the supplemental lease agreement dated 20 June 2006 as mentioned below, the Company and its subsidiaries have not entered into any transaction with the Vendor, its shareholders or its associates in the 12 months period preceding the date of the Sale and Purchase Agreement.

INFORMATION ON THE EXISTING LEASE AGREEMENT AND THE REVISED LEASE ARRANGEMENT

As mentioned earlier, by a lease agreement dated 14 August 2004, Xi'an Shidai Parkson has leased the Premises for its department store operation for a period of 20 years commencing on 1 October 2004 and expiring on 30 September 2024. The Premises are jointly owned by the Vendor (66%) and the Individual Third Party Owners (34%), who in turn authorized the Vendor to manage on their behalf their respective portions of the Premises, which includes sub-letting the same to Xi'an Shidai Parkson.

The annual rental payable by Xi'an Shidai Parkson is based on 50% of Xi'an Shidai Parkson's audited Profit Before Tax ("**PBT**") for the relevant year, with no maximum cap attached thereto. Xi'an Shidai Parkson had paid an annual rental of approximately RMB8,200,000 for the year 2005 and an annual rental of approximately RMB14,900,000 for the year 2006, an increase of approximately 81.7%. For the year 2007, rental paid by Xi'an Shidai Parkson was approximately RMB22,200,000, an increase of approximately 49.0% compared to the year 2006. There is no change to the expiry date of the lease agreement which remains at 30 September 2024.

The Purchaser and the Vendor agreed that upon the Completion, the annual rental payable by Xi'an Shidai Parkson to the Vendor will be based on a minimum fixed rental of RMB20,500,000 plus a performance based rental structure of 4.5% on the net sales exceeding RMB300,000,000 with an annual cap of RMB50,000,000.

Compared to the PBT rental structure under the existing lease agreement, the Board is of view that the proposed new rental structure is financially more beneficial to the Company having consider the historical strong growth trend of the PBT of Xi'an Shidai Parkson. The Board believes that the proposed new rental structure will benefit the Company in a long run as this will allow the Company to enjoy operating leverage to maximise profit attributable to our shareholders.

Upon Completion, the Vendor will cease to be a Connected Person to the Company. Accordingly, the aforesaid change of terms and conditions of the existing lease agreement will not constitute a transaction that falls within the ambit of Chapter 14A of the Listing Rules.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company and its subsidiaries are principally engaged in the operation of 39 department stores and two 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, a 100% indirect subsidiary of the Company, is the owner and operator of 6 Parkson department stores located in 5 cities in the PRC.

HISTORICAL FINANCIAL INFORMATION ABOUT XI'AN SHIDAI PARKSON

Xi'an Shidai Parkson, a 51% indirect subsidiary of the Company, is the owner and operator of the Parkson department store located at Shidaishengdian Edifice, West Street, Xi'an, Shaanxi Province of the PRC. The issued and paid up capital of Xi'an Shidai Parkson is RMB15,000,000 of which the Vendor owns 49%, (equivalent to RMB7,350,000). The Company and the Vendor have established Xi'an Shidai Parkson on 17 August 2004.

Set out below is the historical financial information about Xi'an Shidai Parkson for each of the 2 years ended 31 December 2006 and 2007 prepared and audited under PRC generally accepted accounting principles:

	Year ended 31 December 2006 (in RMB '000)	Year ended 31 December 2007 (in RMB '000)
Gross sales proceeds (1)	237,711	311,155
Operating revenues (2)	62,568	80,520
Net profit before tax	14,932	22,181
Net profit after tax	12,692	18,702
Total assets	55,621	86,343
Net asset value	21,366	35,015

The value of the net asset attributable to the 49% equity interest in Xi'an Shidai Parkson as at 31 December 2007 is approximately RMB17,157,000.

- (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 revenues. 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

Xi’an, the capital of Shaanxi Province, is located at the northwestern side of China with a population of more than 8.2 million. It is the most industrialize and developed city in northwestern China. It has enjoyed a strong economy growth for the last decade and is one the favourite cities in western China among foreign investors.

Xi’an has recorded a GDP of more than RMB173.7 billion for the year 2007, a growth of 14.6% from the year 2006 and the total retail sales is reported to worth more than RMB92.2 billion in the year 2007, a growth of more than 18.7% from the year 2006.

Xi’an Shidai Parkson, which has established its existence in Xi’an for more than 3 years, is entering into a fast growth phase. The sales for the year 2007 increased to approximately RMB311,155,000, an improvement of approximately 30.9% compared to the sales in the year 2006. Profit after tax improved approximately 47.4% to RMB18,702,000 compared to RMB12,692,000 recorded for the year 2006.

Due to the strong economy and retail industry growth in Xi’an couple with the Group’s strong foothold in the retail market at Xi’an (the Group currently operates 4 “Parkson” department stores in Xi’an), Xi’an Shidai Parkson is expected to maintain a strong growth momentum in the years to come.

Accordingly, the Acquisition would immediately enhance the growth and profitability of the Group and allow for greater efficiency and flexibility in the implementation of its business expansion plan and 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 its shareholders as a whole.

CONNECTED TRANSACTION

As the Vendor is a substantial shareholder of Xi’an Shidai Parkson, a 51% indirect subsidiary of the Company, the Vendor is a Connected Person 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. Further, as the applicable percentage ratios with regards the value of the Acquisition calculated pursuant to Rule 14.07 of the Listing Rules exceeds the deminimis threshold but are below the 2.5% threshold, the transaction is only subject to the reporting and announcement requirements as set out under rules 14A.45 to 14A.47 of the Listing Rules. No independent shareholders’ approval is required.

As mentioned in the Initial Public Offerings Prospectus of the Company dated 17 November 2005 and the announcement dated 25 February 2008 for the revision of the annual cap for the continuing connected transaction, the Vendor is also a Connected Person to the Company. However, upon the Completion, the Vendor will cease to be a Connected Person to the Company and accordingly, the aforesaid post Completion change of terms and conditions of the existing lease agreement will not constitute a transaction that falls within the ambit of Chapter 14A of the Listing Rules. In addition, the revised lease arrangement will not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

The Vendor and its associates have no relationship with the Company or its Connected Persons other than as set out above and to the best knowledge of the Directors, the Vendor and its associates have no interest in the Company and its subsidiaries.

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.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of 49% equity interest in Xi’an Shidai Parkson as contemplated under the Sale and Purchase Agreement
“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, a Sunday and a public holiday in the PRC
“Company”	Parkson Retail Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005
“Completion”	completion of the Sales and Purchase Agreement
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries, jointly controlled entities and associated company
“Individual Third Party Owners”	collectively, all the individual third party owners of part of the Premises who have authorised the Vendor to manage on their behalf their respective portions in the Premises including sub-letting the same to Xi’an Shidai Parkson
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Premises”	the building located at Shidaishengdian Edifice, West Street, Xi’an, Shaanxi Province of the PRC where Xi’an Shidai Parkson operates its department store
“Purchaser”	Parkson Retail Development Co., Ltd
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 March 2008 entered into between the Purchaser and the Vendor

“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)
“Vendor”	Shaanxi Shuangyi Petroleum and Chemical Company Limited, a company established under the law of the PRC on 4 April 1992. It is owned as to 40% by Gao Yun Feng and the remaining 60% by Gao Lu, Gao Rui and Si Yu Jin in equal proportions
“Xi’an Shidai Parkson”	Xi’an Shidai Parkson Store Co., Ltd, a limited liability company established in accordance with the laws of the PRC on 17 August 2004, and is being held as to 49% by the Vendor and as to 51% indirectly by the Company
“%”	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, 27 March 2008