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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 40% INTEREST IN MIANYANG PARKSON RESUMPTION OF TRADING

The Board is pleased to announce that the Company has through a wholly owned indirect subsidiary agreed to acquire, indirectly, the 40% interest in Mianyang Parkson (the remaining 60% of which is currently owned 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 40% interest in Mianyang Parkson. Mianyang Parkson is the owner and operator of the Parkson department store located at Level 1 and Level 2 No. 17 Anchang Road, Mianyang City, Sichuan Province of the PRC.

Since the relevant percentage ratio calculation for the Acquisition fall below 2.5%, pursuant to Chapters 14A.32 of the Listing Rules, the Acquisition constitutes a connected transaction for the Company which is 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.

Trading on the Shares of the Company was suspended at the request of the Company from 9:30 a.m. on 22 May 2007 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 2007.

The Board is pleased to announce that the Company has through a wholly owned subsidiary agreed to acquire, indirectly, the 40% interest in Mianyang Parkson (the remaining 60% of which is currently owned indirectly by 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 2007

Parties

Vendor: Sichuan Fulin Industrial Group Co., Ltd.

Purchaser: Shanghai Hongqiao Parkson Development Co., Ltd.

Assets to be acquired

40% interest in Mianyang Parkson

CONSIDERATION AND CONDITIONS FOR THE 40% INTEREST IN MIANYANG PARKSON

Purchase consideration

The purchase consideration for the 40% interest in Mianyang Parkson is RMB99,928,800 which shall be paid as follows:

- (a) The Purchaser shall pay the Vendor in cash as a deposit equivalent to 10% of the purchase consideration, amounting to the sum of RMB9,992,880 within 5 Business Day from the date of signing of the Sale and Purchase Agreement;
- (b) Within 5 Business Days from the fulfilment of the conditions to completion, the Purchaser will pay to the Vendor the amount equivalent to 50% of the purchase consideration, amounting to RMB49,964,400;
- (c) Within 30 Business Days from the Completion Date, the Purchaser will pay to the Vendor the amount equivalent to 40% of the Consideration, amounting to RMB39,971,520;

The Directors considered that the purchase consideration for the 40% Interest in Mianyang Parkson 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 Mianyang Parkson and the historical purchase considerations paid by the Group for the previous transaction of the same nature. The purchase consideration of RMB99,928,800 represents a historical price earning ratio of 12.90 times on the year 2006's profit after tax attributable to the 40% equity interest in Mianyang Parkson. This is lower than the historical price earning ratio of 17.73 times that the Group paid to acquire the 49% minority interest in Anshan Parkson on the 20 April 2007 and the relevant announcement made on the 23 April 2007. In addition, the Directors has also made reference to 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 premium paid is fair and reasonable.

Conditions

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

- (a) the obtaining of the approval by the board of directors of Mianyang Parkson; and
- (b) the obtaining of the certificates of approval issued by the Ministry of Commerce for the transfer of equity interest in Mianyang Parkson to the Purchaser.

TERMINATION RIGHTS

If any or all of the abovementioned conditions cannot be fulfilled prior to the expiry of 120 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. In this respect, the Vendor shall return the deposit to the Purchaser.

INFORMATION ON THE VENDOR

The Vendor, Sichuan Fulin is the sole legal and beneficial owner of the 40% Interest in Mianyang Parkson, Sichuan Fulin is jointly owned as to 70% by An Zhi Fu, as to 20% by An Dong and as to 10% by Nie Dan. The Vendor is also the major shareholder of Sichuan Fulin Real Estate, the existing landlord to Mianyang Parkson. The Vendor is principally engaged in the business of property development, transportation and investment.

The Company and its subsidiaries have not entered into any transaction with the Vendor and/or its ultimate beneficial owners and/or its associates in the 12 months period preceding the date of the Sale and Purchase Agreement.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company and its subsidiaries are principally engaged in the operation of 38 department stores and two supercentres situated in prime locations in 27 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, Shanghai Hongqiao Parkson, is a 100% indirect subsidiary of the Company, is the owner and operator of the Parkson department store located in Changning District, Shanghai, the PRC.

HISTORICAL FINANCIAL INFORMATION ABOUT MIANYANG PARKSON

Mianyang Parkson, a 60% indirect subsidiary of the Company, is the owner and operator of the Parkson department store located at Level 1 and Level 2, No. 17 Anchang Road, Mianyang City, Sichuan Province of the PRC. Mianyang Parkson has entered into two lease

agreements with Sichuan Fulin Real Estate on 7 March, 1997 and 20 September, 2003 with a total gross area of approximately 19,860 square meters. The term of each lease is 30 years and 24 years respectively. The annual rental for the first lease agreement for the gross floor area of 18,500 square meters for the first five years is Rmb5 million, and RMB5.5 million per annum for the sixth to tenth years. Thereafter the rental will be subject to an annual increment of 3%. The rental for the second lease is for an additional gross floor area of 1,360 square meters, at an annual rental of RMB244,872 from 1 April, 2004 to 31 March, 2014 and the rental from 1 April, 2014 to 6 March, 2027 is subject to further negotiation. Upon the Completion of the Acquisition, the annual rental for the second lease will be adjusted to RMB416,446 and subject to an annual increment of 3% from 1 December, 2007 onwards.

Set out below is the historical financial information about Mianyang Parkson for each of the 2 years ended 31 December 2005 and 2006 prepared and audited under PRC generally accepted accounting principles:

<i>(in RMB '000)</i>	Year ended 31 December 2005 <i>(in RMB '000)</i>	Year ended 31 December 2006 <i>(in RMB '000)</i>
Gross sales proceeds ⁽¹⁾	162,140	198,980
Operating revenues ⁽²⁾	71,442	88,189
Net profit before tax	15,060	23,624
Net profit after tax	10,316	19,372
Total assets	77,062	90,924
Net asset value	42,507	37,836

(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

Mianyang Parkson is strategically located in Mianyang city, the second largest city in the Sichuan Province of the PRC. Mianyang city is located at the northwest side of Sichuan Province, 90km away from Chengdu, the capital city of the Sichuan Province. The city is the base of the PRC national defence research and development centre and is also known as the “silicon valley of the west of China” and it is one of the most technology savvy cities in China.

Mianyang city has a population of approximately 5.3 million, the gross domestic products was reported to be more than RMB48 billion and the retail industry was reported to worth RMB18.1 billion for the year 2005.

The Group have been operating in Mianyang city for more than 9 years and is now one of the top department stores in the city with sales of approximately RMB199 million for the year 2006. The sales for the year 2006 grew by approximately 22.7% from the year before and the profit after tax grew from RMB10.3 million in 2005 to RMB19.4 million for the year 2006. Due to the strong economy and retail industry growth in Mianyang city coupled with the goodwill established by our long standing in Mianyang city, the store is expected to maintain its strong growth momentum in the years to come. Moreover, the strategic location of Mianyang Parkson store further strengthens our position as one of the leading department stores in Mianyang city.

Accordingly, the Board considered that Mianyang Parkson, as a wholly-owned subsidiary of the Company, would immediately enhance the growth and profitability of the Group and allow for greater efficiency and speed in the implementation of its business expansion plan.

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

CONNECTED TRANSACTION

As the Vendor, is a substantial shareholder of Mianyang Parkson, which is a 60% 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 constitute 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 value of the Acquisition exceeded the deminimis threshold but below the 2.5% threshold, therefore the transaction is subject to the reporting and announcement requirement as set out under rules 14A.45 to 14A.47 of the Listing Rules. No independent shareholders approval is required.

The Vendor and his associates have no relationship with the Company or 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.

DEFINITIONS

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

“Acquisition”	the transaction 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
“Completion Date”	the day where all conditions to the Completion are satisfied and the second instalment for the 50% of the purchase consideration is satisfied
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mianyang Parkson”	綿陽富臨百盛廣場有限公司 (Mianyang Fulin Parkson Plaza Co, Ltd.), a sino foreign equity joint venture company established in accordance with the laws of the PRC, and are being held as to 40% by Sichuan Fulin and as to 60% indirectly by the Company.
“PRC”	the People’s Republic of China
“Purchaser”	Shanghai Hongqiao Parkson Development Co., Ltd
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreements dated 21 May 2007 entered into between the Purchaser and the Vendor
“Shanghai Hongqiao Parkson”	上海虹橋百盛商貿有限公司 (Shanghai Hongqiao Parkson Development Co., Ltd,) a wholly owned subsidiary of the Company, established under the laws of PRC on 29 November, 2002
“Sichuan Fulin”	四川富臨實業集團有限公司 (Sichuan Fulin Industrial Group Co Ltd), a company established under the law of the PRC on 19 December, 1995.
“Sichuan Fulin Real Estate”	四川綿陽富臨房地產開發有限公司 (Sichuan Mianyang Fulin Real Estate Development Co Ltd), a company established under the law of the PRC, which is owned as to 70% by Sichuan Fulin and 30% by America Fulin Trading Inc. Sichuan Fulin Real Estate is the existing landlord to Mianyang Parkson

“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”	Sichuan Fulin
“%”	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 2007

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