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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

PROPOSED NON-EXERCISE OF THE RIGHT OF FIRST REFUSAL AND NOVATION OF OBLIGATIONS UNDER THE DEED OF NON COMPETITION

By a Deed of Non-competition dated 10 November 2005, LDHB had granted in favour of the Company a Call Option and a Right of First Refusal to acquire its Managed Stores in the PRC.

On 28 September 2006, LDHB announced to Bursa Malaysia that it is undertaking a reorganisation scheme to consolidate its retail business in Malaysia, Vietnam and the PRC, which includes transferring the Managed Stores to ECIL, a wholly owned subsidiary of ACB. In order to facilitate the said reorganisation scheme, in a letter dated 10 July 2007, LDHB requested that the Company approve the LDHB's Non-exercise Proposal.

By way of a letter dated 6 November 2006, the Stock Exchange confirmed that the provisions under Chapter 14 and Chapter 14A of the Listing Rules will not be applicable to the Company's consent to the LDHB's Non-exercise Proposal on the conditions that there will be no material variation of any terms of the Deed of Non-competition and all obligations thereunder will be novated to ECIL and ACB. Both LDHB and ACB are companies listed on Bursa Malaysia and ultimately controlled by Tan Sri Cheng Heng Jem. In addition, the Stock Exchange stated that the Company's decision to approve LDHB's Non-exercise Proposal is subject to the review of its Independent Non-executive Directors and if the Independent Non-executive Directors approve the same, the Company is required to make an appropriate announcement setting out the reasons for such approval.

On 23 July 2007, the Independent Non-executive Directors of the Company approved LDHB's Non-exercise Proposal and the Company is making this announcement in compliance with the conditions imposed by the Stock Exchange as set out in its letter dated 6 November 2006.

This announcement is made pursuant to the conditions imposed by the Stock Exchange as set out in its letter dated 6 November 2006.

LDHB, the major shareholder of the Company, announced on 28 September 2006 to Bursa Malaysia that it will undertake a reorganisation scheme involving the transfer of its retail assets in Malaysia, Vietnam and the PRC (which includes the Managed Stores) to ECIL, a wholly owned subsidiary of ACB. Both LDHB and ACB are companies listed on Bursa Malaysia and ultimately controlled by Tan Sri Cheng Heng Jem. The rationale of the said reorganisation scheme is to streamline LDHB's core business by creating a separate pure retail based listed entity under ACB.

Pursuant to the Deed of Non-competition, LDHB granted the Company the Call Option and the Right of First Refusal to acquire the Managed Stores and an undertaking not to compete with the Company's business in the PRC.

In order to facilitate its reorganisation scheme, by way of a letter dated 10 July 2007, LDHB has requested that the Company to approve LDHB's Non-exercise Proposal.

By way of a letter dated 6 November 2006, the Stock Exchange had confirmed that the provisions under Chapter 14 and Chapter 14A of the Listing Rules will not be applicable to the Company's consent to LDHB's Non-exercise Proposal on the conditions that there will be no material variation of any terms of the Deed of Non-competition and all obligations thereunder will be novated to ECIL and ACB. Both LDHB and ACB are companies listed on Bursa Malaysia and ultimately controlled by Tan Sri Cheng Heng Jem. In addition, the Stock Exchange stated that the Company's decision to approve LDHB's Non-exercise Proposal is subject to the review and approval of its Independent Non-executive Directors. If the Independent Non-executive Directors approve the LDHB's Non-exercise Proposal, the Company is required to issue an appropriate announcement setting out all relevant information including the reasons for its decision.

On 23 July 2007, the Independent Non-executive Directors approved LDHB's Non-exercise Proposal based on the following reasons:

- (a) LDHB's reorganisation scheme comprises the transfer of the retail assets of LDHB in Malaysia, Vietnam and the PRC, which includes the Managed Store to ECIL. The transfer of those retail assets are inter-conditional and if the Company

were to elect to exercise its Right of First Refusal, it would also be required to purchase the retail assets in Vietnam and Malaysia. In this respect, the Company has no intention to acquire the retail assets in Malaysia and Vietnam as this does not correspond with its future business strategy set out in its prospectus;

- (b) in light of the fact that some of the Managed Stores are currently making losses, the Company has no intention to acquire those assets at this juncture as it might affect the overall performance of the Group; and
- (c) ECIL and ACB have agreed to assume LDHB's obligations under the Deed of Non-competition. In addition, LDHB has agreed to indemnify the Company in the event that ACB and/or ECIL fail to fulfil its obligations in respect of the said assumption of LDHB's obligations under the Deed of Non-competition. In this respect, the Company is able to maintain the Call Option and the Right of First Refusal against ACB and ECIL instead of LDHB. The Company will be in exactly the same position after the completion of LDHB's reorganisation scheme as it is currently.

DEFINITIONS

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

“ACB”	Amalgamated Containers Berhad, a public limited liability company incorporated and domiciled in Malaysia, the shares of which are listed on the Main Board of Bursa Malaysia and a member of the Lion Group.
“Bursa Malaysia”	Bursa Malaysia Securities Berhad
“Call Option”	the right granted by LDHB to the Company to require LDHB to sell to the Company, all its equity interest in the Managed Stores, upon the terms and subject to the conditions contained in the Deed of Non-competition.
“Company”	Parkson Retail Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005, the shares of which are listed on the Main Board of the Stock Exchange.

“Deed of Non-competition”	deed dated 10 November 2005 entered into between the Company and LDHB whereby LDHB agreed inter alia, to grant to the Company the Call Option, the Right of First Refusal and an undertaking not to compete with the business of the Group in the PRC.
“ECIL”	East Crest International Limited, a company incorporated in the British Virgin Islands on 2 August 2006, a wholly owned subsidiary of ACB.
“Group”	the Company, its subsidiaries, jointly controlled entities and associated companies.
“LDHB”	Lion Diversified 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, a member of the Lion Group and the controlling shareholder of the Company.
“LDHB’s Non-exercise Proposal”	LDHB’s request that the Company: (a) will not exercise the Call Option and the Right of First Refusal; (b) consents to the transfer of the Managed Stores to ECIL in accordance with LDHB’s reorganisation scheme; and (c) agrees to the novation of LDHB’s obligations in respect of the Managed Stores under the Deed of Non-competition to ECIL and ACB.
“Lion Group”	A diversified group of companies ultimately controlled by Tan Sri Cheng Heng Jem which comprise of, inter alia, LDHB, ACB, their subsidiaries and affiliates.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Managed Stores”	Qingdao No. 1 Parkson Co. Ltd, Dalian Tianhe Parkson Shopping Centre Co. Ltd, Nanning Brilliant Parkson Commercial Co. Ltd, Dalian Parkson Retail Development Co. Ltd, Tianjin Parkson Retail Development Co. Ltd and Changchun Parkson Retail Development Co. Ltd.
“PRC”	the People’s Republic of China.

- “Right of First Refusal” the right granted by LDHB to the Company whereby LDHB agrees that in the event it intends to sell any of its equity interest in the Managed Stores, it shall first offer to sell the same to the Company, upon the terms and subject to the conditions contained in the Deed of Non-competition.
- “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)

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, 3 August 2007