

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Announcement.



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)

CONTINUING CONNECTED TRANSACTIONS – ANNUAL CAPS

Summary

The Group has entered into certain lease arrangements and management consultancy agreements with its connected persons. At the time of its initial public offering in November 2005, the Company was granted a Waiver by the Stock Exchange from strict compliance with certain connected transaction requirements under the Listing Rules in respect of the aforesaid lease arrangements and management consultancy agreements for a period of 3 financial years ended 31 December 2007. Upon the expiry of the Waiver, the Company is required to comply with the applicable requirements in Chapter 14A of the Listing Rules in respect thereof.

The Board wishes to make an announcement on the revised annual caps for the year 2008 in respect of the aforesaid lease arrangements and the management consultancy agreements. It is noted that the applicable percentage ratios in respect of those revised annual caps do not exceed the 2.5% threshold provided under Rule 14A.34 of the Listing Rules.

In addition, on 26 February 2007, the Company made an Announcement on the revision of the annual caps for the year ended 31 December 2007 in respect of certain lease arrangements with its connected persons.

The Board wishes to announce that the annual caps for the year ended 31 December 2007 in respect of certain leases referred to in the Announcement have been exceeded. The Company became aware that the respective annual cap for each of those leases has been exceeded during the 2007 year-end audit carried out in January and February 2008. Nevertheless, the applicable percentage ratios in respect of the actual amount paid under the aforesaid leases do not exceed the 2.5% threshold provided under Rule 14A.34 of the Listing Rules.

As disclosed in its Prospectus, the Group has entered into certain lease arrangements and management consultancy agreements with its connected persons. At the time of its initial public offering in November 2005, the Company was granted a Waiver by the Stock Exchange from strict compliance with certain connected transactions requirements in the Listing Rules with regard to those lease arrangements and management consultancy agreements. The Waiver further provides that the Company is obliged to comply with the

applicable continuing connected transactions requirements in Chapter 14A of the Listing Rules in respect of the foresaid lease arrangements and management consultancy agreements upon the expiry of 3 financial years ended 31 December 2007.

In light thereof, the Board wishes to announce the annual caps for the year 2008 in respect of the following lease arrangements and management consultancy agreements in compliance with Rule 14A.34 of the Listing Rules:

DETAILS OF CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions have been disclosed in the Prospectus in further detail.

(A) Lease arrangements between Xi'an Shidai Parkson and Shaanxi Shuangyi

Xi'an Shidai Parkson entered into a lease with Xi'an Xinrun on 18 August 2004, under which Xi'an Xinrun agreed to lease the premises of a total gross floor space of approximately 36,084 sq.m. located at Shidaishengdian Edifice, West Street, Xi'an, Shanxi to Xi'an Shidai Parkson to be used as its place of business. Xi'an Shidai Parkson, Xi'an Xinrun and Shaanxi Shuangyi (a 49% substantial shareholder of Xi'an Shidai Parkson and therefore, a connected person of the Company) entered into a supplemental lease agreement on 20 June 2006 whereby the rights and obligations of Xi'an Xinrun under the lease agreement was transferred to Shaanxi Shuangyi.

The term of the lease is 20 years. The annual rent is calculated at 50% of Xi'an Shidai Parkson's pre-tax profits. It was noted during the 2007 year-end audit carried out in January and February 2008 that the rental amount paid or payable to Shaanxi Shuangyi for the year ended 31 December 2007 is RMB22,181,220.75, which exceeded the estimated annual cap of RMB19,000,000 for the corresponding year as disclosed in the Announcement. The discrepancy is due to the fact that the actual performance of Xi'an Shidai Parkson for the year ended 31 December 2007 had exceeded the Company's expectation, which gave rise to an increase in the profits-linked rental component. However, the applicable percentage ratios for the actual rental paid does not exceed the 2.5% threshold provided under Rule 14A.34 of the Listing Rules.

The Company estimated the annual cap for the rental amount for the year ending 31 December 2008 at RMB35,000,000. The cap is determined based on the management's expectations on the continuing strong growth of Xi'an Shidai Parkson with reference to the store's age profile, its past performances, the geographical location of the store and the retail industry growth in the PRC.

The Directors, including the independent non-executive Directors, are of the view that the lease arrangements between Xi'an Shidai Parkson and Shaanxi Shuangyi have been entered into on normal commercial terms, are in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those provided by landlords who are Independent Third Parties.

(B) Lease arrangements between Xi'an Chang'an Parkson and Shaanxi Chang'an Information

Xi'an Chang'an Parkson entered into a lease with Shaanxi Chang'an Information (a 49% substantial shareholder of Xi'an Chang'an Parkson and therefore, a connected person of the Company) on 9 November 2004 pursuant to which Shaanxi Chang'an Information agreed to lease the premises of a total gross floor space of approximately 24,104 sq. m. located at No. 38 Chang'anzhong Road, Yanta District, Xi'an to Xi'an Chang'an Parkson to be used as its place of business.

The term of the lease is 15 years. The annual rent is calculated at 50% of Xi'an Chang'an Parkson's pre-tax gross profits. It was noted during the 2007 year-end audit carried out in January and February 2008 that the rental amount paid to Shaanxi Chang'an Information for the year ended 31 December 2007 amounted to RMB19,663,075.42, which exceeded the revised estimated annual cap of RMB17,000,000 for the corresponding year as disclosed in the Announcement. The discrepancy is due to the fact that the actual performance of Xi'an Chang'an Parkson for the year ended 31 December 2007 had exceeded the Company's expectation, which gave rise to an increase in the profits-linked rental component. However, the applicable percentage ratios for the actual rental paid does not exceed the 2.5% threshold provided under Rule 14A.34 of the Listing Rules.

The Company estimated the annual cap for the rental amount for the year ending 31 December 2008 at RMB30,000,000. The cap is determined based on the management's expectations on the growth of Xi'an Chang'an Parkson with reference to the store's age profile, its past performances, the geographical location of the store and the retail industry growth in the PRC.

The Directors, including the independent non-executive Directors, are of the view that the lease arrangements between Xi'an Chang'an Parkson and Shaanxi Chang'an Information have been entered into on normal commercial terms, are in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those provided by landlords who are Independent Third Parties.

(C) Lease arrangements between Chongqing Parkson and Chongqing Wanyou

Chongqing Parkson entered into two leases with Chongqing Wanyou (a 30% substantial shareholder of Chongqing Parkson and therefore, a connected person of the Company) on 23 January 1996 and 20 September 2000 pursuant to which Chongqing Wanyou agreed to lease premises of a total floor space of approximately 10,800 sq.m. located at No. 77 Chang Jiang Er Road, Tai Ping Yu Zhong District, Chongqing to Chongqing Parkson to be used as its place of business.

The term of each lease is 20 and 25 years respectively. Annual rent for the first lease is calculated at the higher of (a) the basic rent and (b) the turnover rent. The basic rent for the first three rental years is RMB2.8 million, thereafter subject to an annual 3% increment (such increment is capped at RMB6 million). The turnover rent is calculated at 3% of Chongqing Parkson's annual turnover. For the second lease, the annual rent for the first three rental years is RMB500,000. Thereafter, the annual rent will be the

higher of (i) an amount equivalent to 103% of the previous year's rent (capped at RMB1 million) and (ii) 3% of turnover.

For the year ended 31 December 2007, the aggregated rental amount paid by the Group to Chongqing Wanyou amounted to RMB5,102,271, which is lower than the estimated annual cap of RMB6,000,000 for the corresponding year as disclosed in the Prospectus.

The Company estimated the annual cap for the rental amount for the year ending 31 December 2008 at RMB7,000,000. The cap is determined based on the management's expectations on the potential growth of Chongqing Parkson with reference to the store's age profile, its past performances, the geographical location of the store and the retail industry growth in the PRC.

The Directors, including the independent non-executive Directors, are of the view that the lease arrangements between Chongqing Parkson and Chongqing Wanyou have been entered into on normal commercial terms, are in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those provided by landlords who are Independent Third Parties.

(D) Lease arrangements between Guizhou Parkson and Guizhou Huawei

Guizhou Parkson entered into a lease with Guizhou Huawei on 28 August 2002 pursuant to which Guizhou Huawei agreed to lease the premises of a total gross floor space of 20,826 sq.m. located at No. 118 Zhonghuazhong Road (also known as "No. 117 Zhonghuazhong Road"), Guiyang, Guizhou to Guizhou Parkson to be used as its place of business.

The term of the lease is 20 years. The annual rent comprises of two components:

- (a) 2% of the annual turnover for the part of the premises where jewellery and home appliances are sold and where the supermarket is located; and
- (b) 5.5% of the annual turnover for other parts of the premises.

Guizhou Huawei is controlled by a company whose issued share capital is held as to more than 30% jointly by Zhang Pei, Zhang Zhi Jun and Zhang Ya, who in turn jointly hold 100% of Guizhou Shenqi Enterprise. Guizhou Shenqi Enterprise is a 40% substantial shareholder of Guizhou Parkson, a subsidiary of the Company. Since Guizhou Huawei is an associate of Zhang Pei, Zhang Zhi Jun and Zhang Ya, who together are connected persons of the Company, Guizhou Huawei is also a connected person of the Company.

For the year ended 31 December 2007, the rental amount paid by the Group to Guizhou Huawei amounted to RMB14,912,423.44, which is lower than the revised estimated annual cap of RMB19,000,000 for the year ended 31 December 2007 as disclosed in the Company's announcement dated 26 March 2006 in relation to the revision on the estimated annual caps for certain lease arrangements with its connected persons for the year ended 31 December, 2006 and 2007 respectively.

The Company estimated the annual cap for the rental amount for the year ending 31 December 2008 at RMB22,000,000. The cap is determined based on the management's expectations on the potential growth of Guizhou Parkson with reference to the store's age profile, its past performances, the geographical location of the store and the retail industry growth in the PRC.

The Directors, including the independent non-executive Directors, are of the view that the lease arrangements between Guizhou Parkson and Guizhou Huawei have been entered into on normal commercial terms, are in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those provided by landlords who are Independent Third Parties.

(E) Lease arrangements between Xinjiang Parkson and Xinjiang Youhao

Xinjiang Parkson entered into a lease with Xinjiang Youhao (a 49% substantial shareholder of Xinjiang Parkson and therefore, a connected person of the Company) on 15 November 2002 pursuant to which Xinjiang Youhao agreed to lease premises of a total gross floor space of 67,507 sq.m. located at No. 30 Youhao South Road, Urumqi, Xinjiang Autonomous Region to Xinjiang Parkson to be used as its place of business.

The term of the lease is 20 years. The annual rental amounts for the periods from 1 January 2003 to 31 December 2003 and 1 January 2004 to 31 December 2004 were RMB21.5 million and RMB23.75 million respectively. For the period from 1 January 2005 to 31 December 2012, the annual rent will be RMB25 million. Thereafter, the rent will be negotiated between the parties based on a formula taking into consideration the PRC consumer price index.

For the year ended 31 December 2007, the rental amount paid by the Group to Xinjiang Youhao amounted to RMB24,762,494, which is lower than the estimated annual cap of RMB25,000,000 for the year ended 31 December 2007 as disclosed in the Prospectus.

The Company estimated the annual cap for the rental amount for the year ending 31 December 2008 at RMB25 million. The cap is determined based on the fixed rental rate as provided in the tenancy agreement.

The Directors, including the independent non-executive Directors, are of the view that the lease arrangements between Xinjiang Parkson and Xinjiang Youhao have been entered into on normal commercial terms, are in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those provided by landlords who are Independent Third Parties.

(F) Management consultancy agreements with the Lion Group

Shanghai Lion Investment currently provides and will continue to provide management consultancy services to the Managed Stores owned and controlled by certain members of the Lion Group pursuant to the following management consultancy agreements:

Members of the Lion Group	Date of the management consultancy agreement
Qingdao No. 1	1 October 2005
Laoshan branch of Qingdao No. 1	1 October 2005
Yantai branch of Qingdao No. 1	10 September 2005
Dalian Shishang	1 May 2005
Nanning Brilliant	1 May 2005
Shenyang Plaza	28 November 2003
Shantou Commercial	1 June 2005
Tianjin Zhonglian	8 November 2005

Services provided include consultancy on product development, financial advice, marketing and human resources management. An annual management fee based on a fixed percentage of the net sales of the relevant store is payable to Shanghai Lion Investment. The term of each management consultancy agreement is 10 years.

Save for Shenyang Plaza and Shantou Commercial, of which LDHB is the process of acquiring the same, the above-mentioned members of the Lion Group are the subsidiaries of PHB, a substantial shareholder of the Company and thus, a connected person of the Company. Both PHB and LDHB are members of the Lion Group which is ultimately controlled by Tan Sri Cheng Heng Jem and hence, Lion Group is a connected person of the Company.

For the year ended 31 December 2007, the management fees received for the provision of such services amounted to RMB10,785,138, which is lower than the estimated annual cap of RMB11,785,000 for the corresponding year as disclosed in the Prospectus.

The Company estimated the annual cap for the aggregate annual management fees for the year ending 31 December 2008 at RMB15,000,000. The cap is determined based on the management's expectations on the continuing growth of the annual turnover of these Managed Stores with reference to their age profiles, their past performances, the geographical location of those managed stores and the retail industry growth in the PRC.

The Directors, including the independent non-executive Directors, are of the view that the provision of the management consultancy services is on normal commercial terms, are in the ordinary and usual course of business of the Group.

The historical annual caps and the actual rental paid to the relevant connected persons for the past 3 financial years ended 31 December in respect of the lease arrangements herein provided are as follows:

<u>Lease</u>	2005 (RMB)		2006 (RMB)		2007 (RMB)	
	<u>Actual</u>	<u>Cap</u>	<u>Actual</u>	<u>Cap</u>	<u>Actual</u>	<u>Cap</u>
Xi'an Shidai Parkson	8,818,447	13,000,000	14,931,792	19,000,000	22,181,220	19,000,000
Xi'an Chang'an Parkson	8,373,784	10,000,000	13,403,018	17,000,000	19,663,075	17,000,000

Chongqing Parkson	5,104,852	6,000,000	4,933,472	6,000,000	5,102,271	6,000,000
Guizhou Parkson	12,673,469	16,000,000	13,564,536	16,000,000	14,912,423	19,000,000
Xinjiang Parkson	24,762,500	25,000,000	24,780,818	25,000,000	24,762,494	25,000,000

The historical annual caps and the aggregated actual annual management fees paid by the Lion Group to Shanghai Lion Investments for the past 3 financial years ended 31 December under the management consultancy agreements herein provided are as follows:

<u>Year</u>	<u>Audited Annual Transacted Amount</u> <u>(RMB)</u>	<u>Annual Caps</u> <u>(RMB)</u>
2005	7,309,454	11,229,000
2006	9,260,492	11,229,000
2007	10,785,738	11,785,000

LISTING RULES THRESHOLD

As the applicable percentage ratios in respect of the estimated annual caps for the continuing connected transaction set out above will not exceed the 2.5% threshold provided under Rule 14A.34 of the Listing Rules, those transactions are only subject to the reporting and announcement requirements and are exempted from the independent shareholders' approval requirement as set out in Chapter 14A of the Listing Rules. If any of the annual caps set out in this Announcement is exceeded, the Company will ensure compliance with Rule 14A.36 of the Listing Rules. The above mentioned transactions will continue to be subjected to the annual review requirements set out in Chapter 14A of the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the annual caps stipulated above are fair and reasonable. In addition, the Directors including the independent non-executive directors are of the view that that the terms of the lease agreements and the management consultancy agreements herein mentioned are on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole

Save as disclosed in the above paragraphs, the counterparties to each of the above agreements set out in paragraphs (A) to (G) are not related to each other.

INFORMATION ABOUT THE GROUP

The Group is principally engaged in the operation of 39 "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.

DEFINITIONS

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

“Announcement”	the announcement dated 26 February 2007 of the Company with regard to the revision of the annual caps of certain continuing connected transactions
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Chongqing Parkson”	重慶萬友百盛廣場有限公司 (Chongqing Wanyou Parkson Plaza Co., Ltd.*), a sino-foreign equity joint venture enterprise established under the laws of the PRC on 2 March 1995, and an indirect subsidiary of the Company
“Chongqing Wanyou”	重慶萬友經濟發展有限責任公司 (formerly known as “重慶萬友經濟技術實業發展總公司”) (Chongqing Wanyou Economic Development Co., Ltd.*), a wholly State-owned limited liability company established under the laws of the PRC on 29 April 1997, and a joint venture partner of the Group
“Company”	Parkson Retail Group Limited (百盛商业集团有限公司), 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
“Group”	the Company, its subsidiaries and joint ventures
“Guizhou Huawei”	貴州華偉物業發展有限公司 (Guizhou Huawei Real Estate Development Co., Ltd.*), a sino-foreign cooperative joint venture enterprise established under the laws of the PRC on 10 September 1993, and a connected person of the Group
“Guizhou Parkson”	貴州神奇百盛商業發展有限公司 (formerly known as “貴州神奇百貨發展有限公司”) (Guizhou Shenqi Parkson Retail Development Co., Ltd.*), a limited liability company established under the laws of the PRC on 28 August 2002, and converted into a sino-foreign equity joint venture enterprise on 29 September 2005, and an indirect subsidiary of the Company

“Guizhou Shenqi Enterprise”	貴州神奇實業有限公司 (Guizhou Shenqi Enterprise Co., Ltd.*), a limited liability company established under the laws of the PRC on 25 May 2001, and a joint venture partner of the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	a person(s) or company(ies) which is/are independent of and not connected with any director, chief executive or substantial shareholder (within the meaning under the Listing Rules) of the Company or any of its subsidiaries or any of their respective associates
“LDHB”	Lion Diversified Holdings Berhad, a public limited liability company established under the laws of Malaysia, the shares of which are listed on the main board of Bursa Malaysia Securities Berhad, and a member of the Lion Group
“Lion Group”	A diversified group of companies comprising Lion Corporation Berhad, LDHB, Lion Industries Corporation Berhad, Lion Forest Industries Berhad, Amsteel Corporation Berhad, Silverstone Corporation Berhad and PHB, all of which are listed on Bursa Malaysia Securities Berhad and Lion Asiapac Limited and Lion Teck Chiang Limited (both of which are listed on the Singapore Exchange Securities Trading Limited) and their subsidiaries. Lion Group is ultimately controlled by Tan Sri Cheng Heng Jem.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Managed Stores”	the 10 managed stores with an option to acquire which are either owned by the Lion Group or to be acquired by the Lion Group, all of which are managed by the Group
“PHB”	Parkson Holdings Berhad (formerly known as Amalgamated Containers Berhad), a public limited liability company established under the laws of Malaysia, the shares of which are listed on the main board of Bursa Malaysia Securities Berhad, and the controlling shareholder of the Company
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus issued by the Company on 17 November 2005

“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Chang’an Information”	陝西長安資訊置業投資有限公司 (Shaanxi Chang’an Information Property Investment Co., Ltd.), a limited liability company established under the laws of the PRC on 19 July 2000, and a joint venture partner of the Company
“Shaanxi Shuangyi”	陝西雙翼石油化工有限責任公司 (Shaanxi Shuangyi Petroleum and Chemical Company Limited), a limited company established under the laws of the PRC, and a joint venture partner of the Company. Shaanxi Shuangyi acquired the 49% equity interest in Xi’an Shidai Parkson from Xi’an Xinrun on 6 September 2006
“Shanghai Lion Investment”	上海獅貿投資諮詢有限公司 (Shanghai Lion Investment Consultant Co., Ltd.*), a wholly foreign-owned enterprise established under the laws of the PRC on 3 March 1998 and an indirect subsidiary of the Company
“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)
“Xi’an Chang’an Parkson”	西安長安百盛百貨有限公司 (Xi’an Chang’an Parkson Store Co., Ltd.), a limited liability company established under the law of the PRC on 8 November 2004, and an indirect subsidiary of the Company
“Xi’an Shidai Parkson”	西安時代百盛百貨有限公司 (Xi’an Shidai Parkson Store Co., Ltd.*), a limited liability company established under the laws of the PRC on 17 August 2004, and an indirect subsidiary of the Company
“Xi’an Xinrun”	西安新潤置業有限公司 (Xi’an Xinrun Property Co., Ltd.*), a limited liability company established under the laws of the PRC on 30 October 1998
“Xinjiang Parkson”	新疆友好百盛商業發展有限公司 (Xinjiang Youhao Parkson Development Co., Ltd.*), a limited liability company established under the laws of the PRC on 11 November 2002, and an indirect subsidiary of the Company
“Xinjiang Youhao”	新疆友好 (集團) 股份有限公司 (Xinjiang Youhao (Group) Co., Ltd.*), a public limited liability company

established under the laws of the PRC on 25 August 1993, the shares of which are listed on the Shanghai Stock Exchange, and a joint venture partner of Group

“Waiver” the waiver granted by the Stock Exchange on 14 November 2005 with respect to certain connected transactions of the Company

“%” per cent

** English translation of company names for identification purpose only*

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 the executive Directors of the Company, Tan Sri CHENG Heng Jem is the non-executive director of the Company and Mr YAU Ming Kim, Robert, Mr STUDER Werner Josef and Mr KO Tak Fai, Desmond are the independent non-executive Directors of the Company.

Hong Kong, 25 February 2008