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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **PARKSON RETAIL GROUP LIMITED**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of **PARKSON RETAIL GROUP LIMITED**.

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**PARKSON RETAIL GROUP LIMITED**

**百盛商業集團有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 3368)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF 70% INTEREST IN NANNING PARKSON AND  
100% INTEREST IN TIANJIN PARKSON  
PROPOSED SUBDIVISION OF EXISTING SHARES**

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**



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A letter from the Board is set out on pages 5 to 19 of this circular and a letter from the Independent Board Committee is set out on page 20 of this circular. A letter from Access Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 36 of this circular.

A notice convening the EGM to be held at HKUST Business School Central, 15/F., Hong Kong Club Building, 3A Chater Road, Central, Hong Kong at 4:00 p.m. on 4 July 2008 is set out on pages 59 to 60 of this circular. In the event you are not able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

12 June 2008

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## DEFINITIONS

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

“Access Capital”	Access Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of Sale and Purchase Agreement and the transactions contemplated thereunder
“Acquisition”	the transactions contemplated under the Sale and Purchase Agreement, including but not limited to the acquisition of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson and the issue of the Consideration Shares in favour of the Vendor
“Announcement”	the announcement dated 22 May 2008 issued by the Company in relation to the Acquisition, the issue of the Consideration Shares and all transactions contemplated in 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) when banks are open for business in Hong Kong, PRC and Malaysia
“Company”	Parkson Retail Group Limited, a limited liability company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which the Completion shall take place, i.e. 3 business days after the immediate month end in which the date the Sale and Purchase Agreement become unconditional pursuant to the terms therein contained
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules

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## DEFINITIONS

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“Consideration”	the total consideration of RMB240 million for the Acquisition which comprises:  (a) RMB100 million for the 100% equity interest in Tianjin Parkson; and  (b) RMB140 million for the 70% equity interest in Nanning Parkson
“Consideration Shares”	1,994,000 new Existing Shares to be issued by the Company at an issue of HK\$67.45 per Existing Share. Upon the Share Subdivision becoming effective, the number of the Consideration Shares will be 9,970,000 new Subdivided Shares of HK\$0.02 each
“Deed of Non-competition”	deed dated 17 September 2007 entered into between the Company, the Vendor and PHB whereby PHB and the Vendor agreed inter alia, to grant to the Company an option on PHB’s and the Vendor’s interest in their retail businesses in the PRC and an undertaking not to compete with the business of the Group in the PRC
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company at HKUST Business School Central, 15/F., Hong Kong Club Building, 3A Chater Road, Central, Hong Kong on Friday, 4 July 2008 at 4:00 p.m. for approving, inter alia, the Acquisition (including the issuance of the Consideration Shares) and the Share Subdivision
“Existing Share(s)”	ordinary share(s) of the Company with a nominal value of HK\$0.10 each prior to the Share Subdivision becoming effective
“GDP”	Gross domestic product
“Group”	the Company, its subsidiaries, jointly controlled entities and associated company
“HKD” or “HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising independent non-executive Directors, to advise the Independent Shareholders regarding the Sale and Purchase Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Shareholder(s)”	Shareholders other than persons who are required to abstain from voting on the resolution to approve the Acquisition as defined under the listing rules
“Jet East”	Jet East Investments Limited, a limited liability company incorporated under the laws of the British Virgin Island with limited liability on 23 July 2007
“Latest Practicable Date”	6 June 2008 being the latest practicable date prior to the printing of this circular for ascertaining certain information set out in this circular
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanning Parkson”	Nanning Brilliant Parkson Commercial Co., Ltd. (南寧柏聯百盛商業有限公司), a sino-foreign equity joint venture enterprise incorporated in the PRC on 22 April 2005, and are being held as to 70% by Sea Coral and as to 30% indirectly by Kunming Brilliant Property Development Co., Ltd. (昆明柏聯房地產開發有限公司), an independent third party
“Nanning Parkson Transfer”	the proposed transfer of the 70% equity interest in Nanning Parkson from Sea Coral to Victory Hope pursuant to a sale and purchase agreement dated 18 February 2008
“Option”	the rights granted under the Share Option Scheme to subscribe for the shares of the Company in accordance with the terms and conditions of the Share Option Scheme
“PHB”	Parkson 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 Securities Berhad, a controlling shareholder of the Company
“PRC”	the People’s Republic of China
“Purchaser”	Grand Parkson Retail Group Limited, a 100% direct subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Purchaser and the Vendor after the trading hours of the Stock Exchange on 21 May 2008

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## DEFINITIONS

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“Sea Coral”	Sea Coral Limited, a limited liability company incorporated under the laws of Hong Kong on 25 January 2005 and an indirect wholly-owned subsidiary of PHB through the Vendor
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Option Scheme”	the Company’s share option scheme adopted on 9 November 2005
“Share Subdivision”	The subdivision of each issued and unissued Existing Share into 5 Subdivided Shares
“Subdivided Share(s)”	Ordinary share(s) of HK\$0.02 each in the share capital of the Company upon the Share Subdivision becoming effective
“Stipulated Period”	a period of 120 days from the date of the Sale and Purchase Agreement or such extended period as may be agreed by the Purchaser in writing
“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)
“Tianjin Parkson”	Tianjin Parkson Retail Development Co., Ltd. (天津百盛商業廣場有限公司), a limited liability company incorporated in the PRC on 1 December 2003, which is 100% owned by Sea Coral
“Tianjin Parkson Transfer”	The proposed transfer of the 100% equity interest in Tianjin Parkson from Sea Coral to Victory Hope pursuant to a sale and purchase agreement dated 18 February 2008
“Valuer”	Vigers Appraisal & Consulting Limited, 10th Floor, The Grande Building, 398 Kwun Tong Road, Kowloon, Hong Kong, an International Assets Appraisal Consultants
“Vendor”	East Crest International Limited, a limited liability company incorporated under the laws of British Virgin Islands on 2 August 2006, a wholly-owned subsidiary of PHB
“Victory Hope”	Victory Hope Limited, a limited liability company incorporated under the laws of Hong Kong with limited liability on 10 December 2007
“%”	per cent

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LETTER FROM THE BOARD

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**PARKSON RETAIL GROUP LIMITED**

**百盛商業集團有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 3368)**

*Executive Directors:*

Mr. Cheng Yoong Choong  
Mr. Chew Fook Seng

*Non-executive Director:*

Tan Sri Cheng Heng Jem

*Independent non-executive Directors:*

Mr. Ko Tak Fai, Desmond  
Mr. Werner Josef Studer  
Mr. Yau Ming Kim, Robert

*Registered office:*

c/o M&C Corporate Services Limited  
P.O. Box 309GT  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands

*Principal place of business in Hong Kong:*

Suite 1316  
Prince's Building  
10 Chater Road, Central  
Hong Kong

12 June 2008

*To the Shareholders*

Dear Sir or Madam

**DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF 70% INTEREST IN NANNING PARKSON AND  
100% INTEREST IN TIANJIN PARKSON  
PROPOSED SUBDIVISION OF EXISTING SHARES**

**INTRODUCTION**

Pursuant to the Deed of Non-competition, PHB and the Vendor have granted to the Company, inter alia, an option to acquire the interest in their retail businesses in the PRC. On 22 May 2008, the Company announced that it has decided to exercise the said option to acquire, indirectly, the 70% equity interest in Nanning Parkson (the remaining 30% of which is currently owned by an independent third party) and the 100% equity interest in Tianjin Parkson, from the Vendor. The exercise of the said option has been duly reviewed and approved by the Independent Board Committee on 21 May 2008.

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## LETTER FROM THE BOARD

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The Company through its wholly owned subsidiary has entered into the Sale and Purchase Agreement in which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Jet East. Jet East is the sole legal and beneficial owner of the entire issued share capital of Victory Hope, which in turn will be the sole legal and beneficial owner of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson upon the Completion of the Acquisition. Nanning Parkson is the owner and operator of the Parkson branded department store located at No. 18, Qingyun Street, Chaoyang Road, Nanning city, PRC and Tianjin Parkson is the owner and operator of the Parkson branded department store located at No. 162, Fu An Street, Heping District, Tianjin city, PRC. Both the subject department stores are currently managed by an indirect subsidiary of the Company.

The Vendor is a wholly owned subsidiary of PHB, which in turn is a substantial shareholder of the Company. Hence, the Vendor is a connected person to the Company by virtue of Rule 14A.11(4) of the Listing Rules. As the relevant percentage ratio calculation for the Acquisition exceeded 5.0% but fall below 25%, pursuant to Chapters 14 and 14A of the Listing Rules, 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.

In addition, the Consideration for the Acquisition shall be satisfied partly by cash and partly by the Company allotting and issuing the Consideration Shares to the Vendor, who is a connected person and hence, the allotment and issue of the Consideration Shares is also subject to the Independent Shareholders' approval under Chapter 13 of the Listing Rules.

Pursuant to the Listing Rules, PHB and its associates have a material interest in the Acquisition (including the issuance of the Consideration Shares). Accordingly, they are required to abstain from voting in the EGM for the approval for the Acquisition (including the issuance of the Consideration Shares).

In addition to the Acquisition, the Board has on 3 June 2008 announced the proposed Share Subdivision. The Share Subdivision is subject to, among others, the approval of the Shareholders at the EGM.

This circular contains details of the Acquisition (including the issuance of the Consideration Shares), the information on the Share Subdivision and the associated trading arrangement in respect thereof required to be disclosed under the Listing Rules.

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## LETTER FROM THE BOARD

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### PART A — THE ACQUISITION

#### THE SALE AND PURCHASE AGREEMENT

##### Date

21 May 2008

##### Parties

Vendor: East Crest International Limited

Purchaser: Grand Parkson Retail Group Limited

##### Assets to be acquired

1. 70% equity interest in Nanning Parkson
2. 100% equity interest in Tianjin Parkson

#### CONSIDERATION AND CONDITIONS FOR THE ACQUISITION

##### Consideration

The total Consideration for the Acquisition is RMB240,000,000 or HK\$269,004,012 which comprises:

- (a) RMB140,000,000 or HK\$156,919,007 for the 70% equity interest in Nanning Parkson; and
- (b) RMB100,000,000 or HK\$112,085,005 for the 100% interest in Tianjin Parkson.

The Consideration shall be satisfied and fully paid by a combination of cash and the Consideration Shares at the ratio of approximately 50% each. Details of the payment mode are as follows:

- (i) Within 10 Business Days from the date of the Sale and Purchase Agreement, the Purchaser shall pay to the Vendor in cash as deposit, amounting to the sum of RMB10,000,000 or HK\$11,208,500 by cheque or telegraphic transfer.

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## LETTER FROM THE BOARD

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(ii) On the Completion Date, the Purchaser shall settle the balance RMB230,000,000 or HK\$257,795,512 in favour of the Vendor as follows:

- (1) RMB110,005,983 or HK\$123,300,212 by cheque or telegraphic transfer; and
- (2) RMB119,994,017 or HK\$134,495,300 by the issuance and allotment of 1,994,000 Consideration Shares<sup>1</sup> at an issue price of HK\$67.45 per Consideration Share.

*Note* Upon the Share Subdivision becoming effective, the Consideration Shares will become 9,970,000 Subdivided Shares.

In the event that the Vendor is only able to complete either the Nanning Parkson Transfer or the Tianjin Parkson Transfer and the Purchaser elects to proceed to the Completion, the Consideration shall be revised accordingly based on the above pricing for the 70% equity interest in Nanning Parkson or the 100% equity interest in Tianjin Parkson, as the case may be. Further, unless the Purchaser notify the Vendor in writing of its intention to fully settle the said revised Consideration in cash on or before the Completion Date, the payment mode for the said revised Consideration shall remain the same as above with the relevant adjustment to the cash portion payable and the numbers of Consideration Shares to be allotted and issued to the Vendor. The ratio between the adjusted cash portion and the Consideration Shares shall remain unchanged. The number of Consideration Shares to be allotted and issued will further be adjusted to the nearest trading board lot.

The cash portion shall be fully funded through internal resources.

The issue price of HK\$67.45 per Consideration Share to be allotted and issued by the Company represents:

- (a) the closing price of the Share as quoted on the Stock Exchange on the last trading day of the Shares immediately before the date of the Announcement; and
- (b) a discount of approximately 6.1% over the average closing price of HK\$71.86 per Share as quoted on the Stock Exchange for the last 5 trading days of the Shares immediately before the date of the Announcement.

The Consideration Shares represent approximately 0.358% of the issued share capital of the Company as at 21 May 2008 of 557,452,750 Shares and approximately 0.356% of the enlarged issued capital after the issue of the same. The Consideration Shares shall each be credited as fully paid-up and rank pari passu in all respects with the existing Shares, save that the Consideration Shares shall not be entitled to any rights, dividends and distributions declared, paid or made prior to the date of their allotment. There is no restriction applied to the subsequent sale of the Consideration Shares and the issue of the same will not result in any change of control in the Company.

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## LETTER FROM THE BOARD

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The issue of the Consideration Shares is subject to the approval of the Independent Shareholders in the EGM. In addition, the Consideration Shares shall be deducted from the general mandate granted to the Directors in the annual general meeting of the Company on 22 May 2008 to issue new Shares up to 20% of the existing issued share capital of the Company. Upon the issue of the Consideration Shares, the said general mandate will be reduced to approximately 19.64%. The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares on the Main Board of the Stock Exchange.

The Directors considered that the 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 both Nanning Parkson and Tianjin Parkson and the valuation carried out by the independent Valuer appointed by the Purchaser which value the 70% equity interest in Nanning Parkson at RMB147,000,000 and the 100% equity interest in Tianjin Parkson at RMB101,000,000. The Consideration represents a Price Earning (PE) ratio of 11.79 times of the audited net profit for the year 2007 of RMB11.9 million attributable to the 70% equity interest in Nanning Parkson and a PE ratio of 10.68 times of the audited net profit for the year 2007 of RMB9.4 million attributable to the 100% equity interest in Tianjin Parkson.

The Directors are of the opinion that the issue price for the Consideration Shares is fair and reasonable by reference to the closing price of the Shares on 21 May 2008.

Based on the above factors, the Directors considered that the Consideration and the issue price for the Consideration Shares are fair and reasonable. The Consideration is to be paid in HKD equivalent of RMB based on the middle rate of 0.89218 published by the People's Bank of China for the conversion of HKD to RMB, on the date of the Sale and Purchase Agreement. The issue price will not be subject to further changes regardless of the fluctuation of the exchange rate between HKD and RMB.

### **Conditions**

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

- (a) the completion of due diligence review by the Purchaser on Jet East and its subsidiaries (including Nanning Parkson and Tianjin Parkson) and the results of which are satisfactory to the Purchaser;
- (b) the obtaining by the Company of its Independent Shareholders' approvals for the Acquisition (including the issuance of the Consideration Shares in favour of the Vendor) in the EGM;
- (c) the obtaining by the Company of the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares on the Main Board of the Stock Exchange;

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## LETTER FROM THE BOARD

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- (d) the completion of the Nanning Parkson Transfer and the Tianjin Parkson Transfer as evidence by the Vendor obtaining the following documents:
  - (i) the certificates of approval issued by the Ministry of Commerce, approving inter alia, the Nanning Parkson Transfer, the Tianjin Parkson Transfer and the amendments to the memorandum and articles of association of both Nanning Parkson and Tianjin Parkson indicating Victory Hope as a new equity interest holder of Nanning Parkson and Tianjin Parkson;
  - (ii) registration of Victory Hope as the owner of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson with, and the issuance of new business licences by, State Administration of Industry and Commerce or its local counterpart, whichever was the original registration authority;
- (e) any other approvals and authorisations (if any) for the Completion.

### TERMINATION RIGHTS

If any or all of the abovementioned conditions cannot be fulfilled within the Stipulated Period, the Purchaser is entitled to either:

- (a) extend the Stipulated Period;
- (b) waive any or all of the relevant conditions and proceed to the Completion; or
- (c) terminate the Sale and Purchase Agreement. In this respect, the Vendor shall return all the monies (including the deposit) received under the Sale and Purchase Agreement to the Purchaser within 5 Business Days from the date of termination and thereafter, the Sale and Purchase Agreement shall be null and void and neither party shall have any claims against each other save for any antecedent breach.

If any party deliberately breaches any of the provisions thereof, the innocent party is entitled to:

- (i) give notice to the defaulting party to remedy the breach within 10 Business Days upon receipt of the said notice failing which the innocent party is entitled to terminate the Sale and Purchase Agreement. In this respect, the innocent party is entitled to claim from the defaulting party a sum equivalent to the deposit as penalty; or
- (ii) complete the Acquisition by way of specific performance.

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## LETTER FROM THE BOARD

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### COMPLETION

Completion shall take place on the Completion Date after the conditions precedent to the Sale and Purchase Agreement have been duly fulfilled or waived by the Purchaser. Upon Completion, Nanning Parkson and/or Tianjin Parkson, as the case may be, shall become the indirect subsidiaries of the Company and their respective accounts shall be consolidated into the accounts of the Group.

### INFORMATION ON THE VENDOR

The Vendor is a wholly owned subsidiary of PHB, which in turn is a controlling shareholder of the Company. The Vendor is the legal and beneficial owner of the entire issued share capital of Sea Coral and Jet East. Sea Coral is the current sole legal and beneficial owner of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson. Jet East is the sole legal and beneficial owner of the entire equity interest in Victory Hope, which in turn will be the sole legal and beneficial owner of the 70% equity interest in Nanning Parkson and/or the 100% equity interest in Tianjin Parkson on or before the expiry of the Stipulated Period pursuant to the Nanning Parkson Transfer and the Tianjin Parkson Transfer. The Vendor is principally engaged in the business of investment holding and its investment cost for the Nanning Parkson Transfer and the Tianjin Parkson Transfer are based on the 70% registered capital of Nanning Parkson and the 100% registered capital of Tianjin Parkson, which is RMB14 million and RMB10 million respectively.

Pursuant to the terms of the Deed of Non-competition, PHB and the Vendor have undertaken to the Purchaser that save for the existing managed stores owned by them, they will not and procure that none of their subsidiaries and associates will engage directly or indirectly in or carry out the business of department store and retail in the PRC which include Hong Kong, Macau and Taiwan.

Save for the Deed of Non-competition and other documents in relation thereto which was set out in the Company's announcement dated 3 August 2007, the Company and its subsidiaries have not entered into any transaction with the Vendor or its related parties 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 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, Grand Parkson Retail Group Limited, is a 100% direct subsidiary of the Company primarily acting as an investment holding company to invest in the department store business in the PRC.

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## LETTER FROM THE BOARD

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### HISTORICAL FINANCIAL INFORMATION OF NANNING PARKSON AND TIANJIN PARKSON

Nanning Parkson, established on 22 April 2005 is the owner and operator of a Parkson branded department store located at No. 18, Chaoyang Road, Qingyun Street, Nanning city, PRC while Tianjin Parkson, established on 1 December 2003, is the owner and operator of a Parkson branded department store located at No. 162, Fu An Street, Heping District, Tianjin city, PRC.

Set out below is the historical financial information of Nanning Parkson and Tianjin Parkson respectively for the 3 years ended 31 December 2005, 2006 and 2007 prepared and audited under PRC generally accepted accounting principles:

#### Nanning Parkson

Year	Financial Year ended 31 December (RMB'000)		
	2005	2006	2007
Gross Sales Proceeds <sup>1</sup>	94,573.07	259,612.44	354,559.03
Operating Revenues <sup>2</sup>	27,805.87	76,066.34	103,840.02
Net (loss)/profit before tax	(3,026.86)	5,896.12	19,991.64
Net (loss)/profit after tax	(3,026.86)	5,448.13	16,968.87
Total Assets	52,847.26	68,423.15	96,262.89
Net (Liabilities)/Assets Value	7,173.14	22,421.26	37,019.71

#### Tianjin Parkson

Year	Financial Year ended 31 December (RMB'000)		
	2005	2006	2007
Gross Sales Proceeds <sup>1</sup>	169,292.41	205,330.60	265,874.26
Operating Revenues <sup>2</sup>	41,100.51	60,395.61	74,282.03
Net (loss)/profit before tax	(13,478.64)	1,721.15	9,365.39
Net (loss)/profit after tax	(13,478.64)	1,721.15	9,365.39
Total Assets	23,697.53	27,136.61	45,435.54
Net (Liabilities)/Assets Value	(23,419.76)	(21,698.61)	(12,333.22)

*Notes:*

1. "Gross sales proceeds" include 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.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE ACQUISITION

Tianjin is one of the 4 municipalities of the PRC that are under the central government's direct administration with a provincial-level status. Based on various governmental statistics, the urban area of Tianjin which is located along Hai He River, is the third largest in the PRC after Shanghai and Beijing. With a population of more than 9.5 million, Tianjin is one the fastest growing city in the PRC and has recorded a GDP of more than RMB501.8 billion for the year 2007, a year-on-year increase of 15.1%. The total retail sales of Tianjin for the year 2007 is reported to worth more than RMB160.4 billion, a growth of more than 18.2% from the year 2006 and its urban disposable income per capita for the year 2007 was RMB16,357, an increase of 14.5% from the year 2006.

Nanning, the capital city of Guangxi Province is located in the southern part of Guangxi Zhuang Autonomous Region, 160 km from the border of Vietnam. Nanning, a neighbour to Guangzhou, Hong Kong, Macau and Southeast Asia, plays an important role in the economic development of southwest region of the PRC. Based on various governmental statistics, in year 2007, Nanning has recorded a GDP of RMB106.3 billion, a 17.1% growth from the year 2006. The total retail sales for the year 2007 is reported to worth RMB51.6 billion, a year-on-year growth of 18.4% and its urban disposable income per capita for the year 2007 was RMB11,877, an increase of 16.5% from the year 2006.

Both Nanning Parkson and Tianjin Parkson, which are in their 4th and 5th year of operation respectively, are entering into a fast growth phase. Continuous healthy economy and retail industry growth in both cities and the strong brand equity established by the stores in the respective cities through out the years of operation provided the platform for the stores to maintain its growth momentum in the years to come.

The Company believes that the Acquisition will immediately enhance the growth and profitability of the Group as the time to be taken for the integration of both stores is expected to be short since both stores are currently under the Group management since inception of operation. Further, the Acquisition will also provide more flexibility for the Group to carry out its expansion plan to consolidate the position in the respective market in Tianjin and Nanning.

The Directors believe that the entering into the Sale and Purchase Agreement is in line with the Group's usual and ordinary course of business and the terms of the Acquisition are fair, reasonable and in the normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### DISCLOSEABLE AND CONNECTED TRANSACTION

The Vendor is a wholly-owned subsidiary of PHB, which in turn is a substantial shareholder of the Company holding approximately 53.52% of the issued share capital of the Company. Hence, the Vendor is a connected person to the Company by virtue of Rule 14A.11(4) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company which is subject to the reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios under Rule 14.07 of the Listing Rules calculated in respect of the Acquisition exceeded 5% but are below 25%, the Acquisition also constitute 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.

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## LETTER FROM THE BOARD

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The Consideration Shares are to be issued to a connected person and hence, the Company is required to obtain its Independent Shareholders' approval for such issue under Rule 13.36(2)(b) Note 1.

Further, as PHB is a substantial shareholder of the Company and the ultimate holding company of the Vendor, PHB and its associates have a material interest in the Acquisition (including the issuance of the Consideration Shares). Accordingly, PHB and its associates (which include PRG Corporation Limited, a wholly owned subsidiary of PHB and a direct shareholder of the Company) are required to abstain from voting in the general meeting to be held for approving the Acquisition (including the issuance of the Consideration Shares).

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.

### FINANCIAL EFFECT OF THE ACQUISITION TO THE GROUP

#### Total assets

The Consideration will be settled partly by cash and partly by the issue of the Consideration Shares. The cash portion of the Consideration will be financed through internal resources and since the Company will be issuing new Consideration Shares, it will have a positive impact of approximately RMB120,000,000 to the total assets of the Group. Other than the aforesaid, we do not expect the Acquisition to have any impact on the total assets of the Group.

#### Liability

As the cash portion of the Consideration will be financed through internal resources, we do not expect that the Acquisition will have any impact on the liability of the Group.

#### Earnings

On the basis of the historical financial performances of both Nanning Parkson and Tianjin Parkson for the financial year 2007 and the fact that they represented a significant improvement compared to the previous financial year, the Board expects that the Acquisitions will contribute to the earnings of the Group upon Completion.

#### Liquidity

Taking into account the Group's unaudited cash and cash-equivalent balance (which was approximately RMB3.4 billion as at 31 March 2008) and the positive operating cashflows to the Group's business, the Directors consider that the payment of the cash portion of the Consideration for the Acquisition would have limited adverse effect on the liquidity of the Group.

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## LETTER FROM THE BOARD

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### Goodwill

The Company expects that the Acquisition will give rise to goodwill which will be determined on the Completion Date based on difference between the Consideration and the Net Asset Value of the target assets as at the Completion Date.

### PART B — SHARE SUBDIVISION

The Board proposes that each of the issued and unissued Existing Share of HK\$0.10 each in the share capital of the Company be subdivided into five (5) Subdivided Shares of HK\$0.02 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out below.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$150,000,000 divided into 1,500,000,000 Existing Shares, of which 557,470,600 Existing Shares are in issue and fully paid. Immediately upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$150,000,000 divided into 7,500,000,000 Subdivided Shares, of which 2,787,353,000 Subdivided Shares will be in issue and fully paid, assuming that no further Existing Shares are issued or repurchased after the Latest Practicable Date.

The Subdivided Shares will rank pari passu with each other in all respects and the rights attached to the Subdivided Shares will not be affected by the Share Subdivision.

### CONDITIONS OF THE SHARE SUBDIVISION

The Share Subdivision is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM; and
- (b) the Listing Committee granting the listing of, and permission to deal in the Subdivided Shares and the Subdivided Shares to be issued pursuant to the exercise of Options in accordance with the Share Option Scheme.

Save for the expenses, including the professional fees and printing charges, to be incurred in relation to the Share Subdivision, the implementation thereof will not alter the underlying assets, business operations, management and the financial position of the Company or the shareholdings, rights and interest of the Shareholders. The Board considers that the Share Subdivision will not have any adverse effect on the financial position of the Company.

Further announcement will be made by the Company as soon as the Share Subdivision becomes unconditional.

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## LETTER FROM THE BOARD

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### REASONS FOR THE SHARE SUBDIVISION

The proposed Share Subdivision will decrease the nominal value, and increase the total number of Existing Shares. The Share Subdivision will result in downward adjustment to the trading price of the Shares on the Stock Exchange, and with board lots at 500 Subdivided Shares, the value per board lot will be lower after the Share Subdivision becoming effective.

The Board believes that the effects of the Share Subdivision above will improve the liquidity in the trading of the Company's Shares and widening the Company's shareholder base. Accordingly, the Board considers the Share Subdivision to be in the interests of the Company and the Shareholders as a whole.

### ADJUSTMENTS TO OPTIONS

As at the Latest Practicable Date, there were 2,620,250 outstanding Options granted under the Share Option Scheme. The Company has ascertained the required adjustments to the exercise price and the number of outstanding Options. Such adjustments have been reviewed and confirmed in writing by the independent financial adviser of the Company pursuant to the terms of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange dated 5 September 2005.

Assuming that no new Options will be granted and none of the abovementioned outstanding Options will be exercised between the Latest Practicable Date and the date when the Share Subdivision becoming effective, the exercise price and the number of outstanding Options upon the Share Subdivision becoming effective will be adjusted as follows:

<b>Date of grant</b>	<b>Before the Share Subdivision becoming effective</b>		<b>After the Share Subdivision became effective</b>	
	<b>Exercise price</b>	<b>No. of outstanding Options</b>	<b>Exercise price</b>	<b>No. of outstanding Options</b>
10 January 2007	HK\$36.75	2,620,250 <sup>1</sup>	HK\$7.35	13,101,250

*Note 1:* As at the Latest Practicable Date

### BOARD LOT SIZE

The Existing Shares are currently traded in the board lots of 500 Existing Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 500 Subdivided Shares. The Share Subdivision will not result in any odd board lots other than those which already exist.

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## LETTER FROM THE BOARD

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### ARRANGEMENT ON SUBDIVIDED SHARES

Subject to the Share Subdivision becoming effective, dealings in the Subdivided Shares are expected to commence on Monday, 7 July 2008. Thereafter, the arrangements proposed for dealings in the Subdivided Shares are expected to be as follows:

- (i) Commencing from Monday, 7 July 2008, the original counter for trading in the Existing Shares in board lots of 500 Shares will be temporarily closed and a temporary counter will be established for trading in the Subdivided Shares in board lots of 2,500 Subdivided Shares. Share certificates for the Subdivided Shares in the form of Existing Share Certificates may only be traded at the temporary counter;
- (ii) With effect from Monday, 21 July 2008, the original counter will be re-opened for trading in the Subdivided Shares in board lots of 500 Subdivided Shares. Only New Share Certificates for the Subdivided Shares may be traded at the original counter;
- (iii) From Monday, 21 July 2008 to Monday, 11 August 2008, both days inclusive, parallel trading will be permitted at the two counters mentioned in paragraphs (i) and (ii) above; and
- (iv) The temporary counter for the trading in the Subdivided Shares in board lots of 2,500 Subdivided Shares (in the form of Existing Share Certificates) will be closed at 4:10 p.m. on Monday, 11 August 2008.

For delivery and settlement purposes, the certificates to the Existing Share will only be valid for the period up to 4:00 p.m. on Monday, 11 August 2008 and thereafter will not be accepted for delivery and settlement purposes. For trading purposes, the certificates to the Existing Share will only be valid for the period up to 4:10 p.m. on Monday, 11 August 2008 and thereafter will not be accepted for trading purposes. However, those certificates will continue to be good evidence of legal title to the Subdivided Shares on the basis of one Existing Share for five (5) Subdivided Shares and may be exchanged free of charge for the new certificates to the Subdivided Shares during the business hours of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, between Monday, 7 July 2008 and Monday, 18 August 2008; and on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate issued or each existing share certificate submitted, whichever number of share certificates involved is higher, at any time after 4:00 p.m. on Monday, 18 August 2008. It is expected that the new certificate to the Subdivided Shares will be available for collection from the Company's branch share registrar in Hong Kong at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong within a period of 10 Business Days after the submission of the certificate to the Existing Shares. The new certificates to the Subdivided Shares will be green in colour so as to be distinguished from the certificates to the Existing Shares which are grey in colour.

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## LETTER FROM THE BOARD

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### LISTING AND DEALING

An application will be made to the Listing Committee of the Stock Exchange for the granting of the approval for the listing of, and permission to deal in, the Subdivided Shares. No part of the share capital of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal is being or is currently proposed to be sought from any other stock exchange.

Dealings in the Subdivided Shares on the branch register of members of the Company will be subject to Hong Kong stamp duty. Subject to the granting of listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### RECOMMENDATION

The Directors are of the opinion that the proposed Share Subdivision is in the interests of the Company and recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

### EGM

The Company will convene the EGM at HKUST Business School Central, 15/F., Hong Kong Club Building, 3A Chater Road, Central, Hong Kong on Friday, 4 July 2008 at 4:00 p.m. to consider and, if thought fit, approve the Acquisition (including the issuance of the Consideration Shares) and all transactions contemplated in the Sale and Purchase Agreement, and the Share Subdivision. A notice of the EGM is set out on page 59 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.parkson.com.cn](http://www.parkson.com.cn)). In the event you are not able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no later than 48 hours before the time scheduled for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM nor at any adjourned meeting should you so wish.

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## LETTER FROM THE BOARD

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Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders taken at the EGM to approve the Acquisition (including the issuance of the Consideration Shares) and all transactions contemplated in the Sale and Purchase Agreement and the Share Subdivision will be taken by poll, the results of which will be announced after the EGM.

### ADVICE

Your attention is drawn to the letter from the Independent Board Committee as set out on page 20 of this circular which contains its advice to the Independent Shareholders in respect of the Sale and Purchase Agreement.

Your attention is also drawn to the letter of advice received from Access Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 21 to 36 of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the principal factors and reasons considered by it in arriving at its advice.

### ADDITIONAL INFORMATION

Your attention is also drawn to the general information as set out in Appendix II of this circular, the procedures to demand a poll at the EGM as set out in Appendix III of this circular and the tentative timetable for the completion of the Share Subdivision as set out in Appendix IV of this circular.

By Order of the Board  
**PARKSON RETAIL GROUP LIMITED**  
**Cheng Yoong Choong**  
*Managing Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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 **PARKSON 百盛**  
**PARKSON RETAIL GROUP LIMITED**  
**百盛商業集團有限公司**  
*(Incorporated in Cayman Islands with limited liability)*  
**(Stock Code: 3368)**

*To the Independent Shareholders*

12 June 2008

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF 70% INTEREST IN NANNING PARKSON AND  
100% INTEREST IN TIANJIN PARKSON**

We refer to the circular issued by the Company to its shareholders and dated 12 June 2008 (the “Circular”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the terms of the Acquisition and to advise the Independent Shareholders in connection with the Acquisition as to whether, in our opinion, its terms are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole. Access Capital has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Access Capital as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, Access Capital as set out in its letter of advice, we consider that the terms of the Acquisition (including the issuance of the Consideration Shares) are on normal commercial terms which are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the Acquisition is in the interests of the Company and Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition (including the issuance of the Consideration Shares) at the EGM.

Yours faithfully,  
**KO Tak Fai, Desmond**  
**Werner Josef STUDER**  
**YAU Ming Kim, Robert**  
*Independent Board Committee*

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## LETTER FROM ACCESS CAPITAL

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*The following is the text of the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement prepared for the purpose of incorporation in this circular.*



Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

12 June 2008

*To: The Independent Board Committee and the Independent Shareholders of Parkson Retail Group Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 70% INTEREST IN NANNING PARKSON AND 100% INTEREST IN TIANJIN PARKSON**

#### **I. INTRODUCTION**

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the acquisition of 70% interest in Nanning Parkson and 100% interest in Tianjin Parkson as contemplated under the Sale and Purchase Agreement. Details of which are set out in the circular of the Company to the Shareholders dated 12 June 2008 (“Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Pursuant to the Deed of Non-competition, PHB and the Vendor have granted to the Company, inter alia, an option to acquire the interest in their retail businesses in the PRC. The Company decided to exercise the said option to acquire, indirectly, the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson, from the Vendor.

On 21 May 2008, the Company, through its wholly owned subsidiary, entered into the Sale and Purchase Agreement in which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital in Jet East. Jet East is the sole legal and beneficial owner of the entire issued share capital of Victory Hope, which in turn will be the sole legal and beneficial owner of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson upon Completion. Nanning Parkson is the owner and operator of the Parkson branded department store located at No. 18,

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## LETTER FROM ACCESS CAPITAL

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Qingyun Street, Chaoyang Road, Nanning city, PRC and Tianjin Parkson is the owner and operator of the Parkson branded department store located at No. 162, Fu An Street, Heping District, Tianjin City, PRC. Both the subject department stores are currently managed by an indirect subsidiary of the Company.

The Vendor is a wholly owned subsidiary of PHB, which in turn is a substantial shareholder of the Company holding approximately 53.52% of the issued share capital of the Company. Hence, the Vendor is a connected person to the Company by virtue of Rule 14A.11(4) of the Listing Rules. As the relevant percentage ratio calculation for the Acquisition exceeds 5% but fall below 25%, pursuant to Chapters 14 and 14A of the Listing Rules, the Acquisition constitutes a discloseable and connected transaction for the Company which is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

In addition, the Consideration shall be satisfied partly by cash and partly by the Company allotting and issuing the Consideration Shares to the Vendor, who is a connected person and hence, the allotment and issue of the Consideration Shares is also subject to the Independent Shareholder's approval under Chapter 13 of the Listing Rules.

The Vendor is an indirect wholly-owned subsidiary of PHB, a substantial shareholder of the Company, PHB and its associates have a material interest in the Acquisition (including the issuance of the Consideration Shares). Accordingly, they are required to abstain from voting in the EGM for the approval of the Acquisition (including the issuance of the Consideration Shares).

### **2. THE INDEPENDENT BOARD COMMITTEE**

The Board currently consists of two executive Directors, namely Mr. CHENG Yoong Choong and Mr. CHEW Fook Seng, a non-executive Director, Tan Sri CHENG Heng Jem and three independent non-executive Directors, namely Mr. KO Tak Fai, Desmond, Mr. STUDER Werner Josef and Mr. YAU Ming Kim, Robert.

The Independent Board Committee comprising Mr. KO Tak Fai Desmond, Mr. STUDER Werner Josef and Mr. YAU Ming Kim, Robert, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition (including the issuance of the Consideration Shares) and whether the Acquisition (including the issuance of the Consideration Shares) are agreed on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **3. BASIS AND ASSUMPTION OF THE ADVICE**

In formulating our advice, we have relied solely on the statement, information, opinions and representations for matters relating to the Company contained in the Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations for

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## LETTER FROM ACCESS CAPITAL

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matters relating to the Company contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all opinions and representations for matters relating to the Company made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries.

#### **4. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

##### **4.1 Background to the Acquisition**

###### **4.1.1 *Principal activities of the Group***

The Company and its subsidiaries are principally engaged in the operation of 38 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, Grand Parkson Retail Group Limited, is a 100% direct subsidiary of the Company, primary acting as an investment holding company to invest in the department store business in the PRC.

According to the audited accounts of the Group for the year ended 31 December 2007, the Group generated a total gross sales proceeds received or receivable of approximately RMB9,003.4 million (comprising direct sales, sales proceeds from concessionaire sales, rental income, consultancy and management service fees and other operating revenues). Total gross sales proceeds for the year 2007, representing a growth of approximately 45.9% or RMB2,834.7 million from RMB6,168.7 million reported in the same period of the year 2006. This is mainly due to (i) the strong Same Store Sales growth of approximately 18.4%; (ii) the inclusion of the full year sales performance of the acquisitions

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## LETTER FROM ACCESS CAPITAL

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completed in the second half of the year 2006; and (iii) the inclusion of the sales performances of the acquisitions completed and new stores opened in the year 2007. The growth was also partly contributed by the change in the manner in which the Group recognised certain other operating revenues received or receivable from the concessionaires. The growth was however partially offset by the reduction in the consultancy and management service fee, due to lesser managed stores within the Group's portfolio and the reduction of tax incentives granted by the PRC government from the reinvestment of dividend incomes.

In line with the increase in revenue, the net profit for the year 2007 increased to RMB727.8 million, an improvement of approximately RMB214.6 million or 41.8%.

According to the unaudited consolidated result of the Group for the three months ended 31 March 2008 as announced by the Company on 23 May 2008, the Group generated a total gross sales proceeds of approximately RMB2,830.5 million and a net profit of approximately RMB225.2 million, representing an increase of approximately 25.5% and 40.3% respectively over the same period in 2007.

#### 4.1.2 *Historical financial information of Nanning Parkson and Tianjin Parkson*

Nanning Parkson, established on 22 April 2005 is the owner and operator of a Parkson branded department store located at No. 18, Chaoyang Road, Qingyun Street, Nanning City, PRC while Tianjin Parkson, established on 1 December 2003, is the owner and operator of a Parkson branded department store located at No. 162, Fu An Street, Heping District, Tianjin City, PRC.

Set out below is the historical financial information of Nanning Parkson and Tianjin Parkson respectively for the three years ended 31 December 2005, 2006 and 2007 prepared and audited under PRC generally accepted accounting principles:

#### *Nanning Parkson*

<b>Year</b>	<b>Financial Year ended 31 December</b>		
	<i>(RMB'000)</i>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
Gross sales proceeds <sup>1</sup>	94,573.07	259,612.44	354,559.03
Operating revenues <sup>2</sup>	27,805.87	76,066.34	103,840.02
Net (loss)/profit before tax	(3,026.86)	5,896.12	19,991.64
Net (loss)/profit after tax	(3,026.86)	5,448.13	16,968.87

<b>Year</b>	<b>As at 31 December</b>		
	<i>(RMB'000)</i>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
Total assets	52,847.26	68,423.15	96,262.89
Net assets value	7,173.14	22,421.26	37,019.71

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## LETTER FROM ACCESS CAPITAL

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### *Tianjin Parkson*

Year	Financial Year ended 31 December (RMB'000)		
	2005	2006	2007
Gross sales proceeds <sup>1</sup>	169,292.41	205,330.60	265,874.26
Operating revenues <sup>2</sup>	41,100.51	60,395.61	74,282.03
Net (loss)/profit before tax	(13,478.64)	1,721.15	9,365.39
Net (loss)/profit after tax	(13,478.64)	1,721.15	9,365.39

Year	As at 31 December (RMB'000)		
	2005	2006	2007
Total assets	23,697.53	27,136.61	45,435.54
Net liabilities	23,419.76	21,698.61	12,333.22

(1) “Gross sales proceeds” include 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.

#### 4.1.4 *Reasons for and benefits of the Acquisition*

Tianjin is one of the 4 municipalities of the PRC that are under the central government’s direct administration with a provincial-level status. Based on various governmental statistics, the urban area of Tianjin which is located along Hai He River, is the third largest in the PRC after Shanghai and Beijing. With a population of more than 9.5 million, Tianjin is one the fastest growing city in the PRC and has recorded a GDP of more than RMB501.8 billion for the year 2007, a year-on-year increase of 15.1%. The total retail sales of Tianjin for the year 2007 is reported to worth more than RMB160.4 billion, a growth of more than 18.2% from the year 2006 and its urban disposable income per capita for the year 2007 was RMB16,357, an increase of 14.5% from the year 2006.

Nanning, the capital city of Guangxi Province is located in the southern part of Guangxi Zhuang Autonomous Region, 160 km from the border of Vietnam. Nanning, a neighbor to Guangzhou, Hong Kong, Macau and Southeast Asia, plays an important role in the economic development of southwest region of the PRC. Based on various governmental statistics, in year 2007, Nanning has recorded a GDP of RMB106.3 billion, a 17.1% growth from the year 2006. The total retail sales for the year 2007 is reported to worth RMB51.6 billion, a year-on-year growth of 18.4% and its urban disposable income per capita for the year 2007 was RMB11,877, an increase of 16.5% from the year 2006.

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## LETTER FROM ACCESS CAPITAL

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As stated in the “Letter from the Board”, both Nanning Parkson and Tianjin Parkson, which are in their 4th and 5th year of operation respectively, the Directors expect that both operations are entering into a fast growth phase. The Directors further consider that the continuous healthy economy and retail industry growth in both cities and the strong brand equity established by the stores in the respective cities through out the years of operation provided the platform for the stores to maintain its growth momentum in the years to come.

As stated in the “Letter from the Board”, the Company believes that the Acquisition will immediately enhance the growth and profitability of the Group as the time to be taken for the integration of both stores is expected to be short since both stores are currently under the Group management since inception of operation. Further, the Acquisition will also provide more flexibility for the Group to carry out its expansion plan to consolidate the position in the respective market in Tianjin and Nanning.

As stated in the 2007 annual report of the Company, it is the Group’s strategy to continue its expansion plans through both growing organically and acquisitions. We have also discussed with the management and understand that it is the intention of the Company to acquire managed stores from the controlling shareholder as such acquisition will further rationalise the operational structure of the Group and reduce continuing connected transactions with the controlling shareholder in future.

Taking into account (i) the economic statistics of Tianjin and Nanning (in terms of GDP and urban disposable income per capital) as outlined above; (ii) the consecutive growth in business operation as described in the historical financial performance of the respective Tianjin Parkson and Nanning Parkson above; (iii) the background to, and reasons for, the Acquisition are consistent with the Group’s corporate strategy to capture a larger market share through acquisitions in the PRC, we concur with the view of the Directors that the Acquisition is consistent with the Group’s business strategy with commercial benefit to the Group and hence, we concur with the view of the Directors that the entering of the Sale and Purchase Agreement is in line with the usual and ordinary course of business of the Group and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## 5. TERMS OF THE SALE AND PURCHASE AGREEMENT

### 5.1 The Sale and Purchase Agreement

**Date:** 21 May 2008

**Parties:**

**Vendor:** East Crest International Limited

**Purchaser:** Grand Parkson Retail Group Limited, a wholly-owned subsidiary of the Company

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## LETTER FROM ACCESS CAPITAL

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### 5.2 Assets to be acquired

- (i) 70% equity interest in Nanning Parkson; and
- (ii) 100% equity interest in Tianjin Parkson.

### 5.3 Consideration and conditions for the Acquisition

#### 5.3.1 Consideration

The total Consideration for the Acquisition is RMB240,000,000 or HK\$269,004,012 which comprises:

- (a) RMB140,000,000 or HK\$156,919,007 for the 70% equity interest in Nanning Parkson; and
- (b) RMB100,000,000 or HK\$112,085,005 for the 100% equity interest in Tianjin Parkson.

The Consideration shall be satisfied and fully paid by a combination of cash and Consideration Shares at the ratio of approximately 50% each. Details of the payment mode are as follows:

- (a) Within 10 Business Days from the date of the Sale and Purchase Agreement, the Purchaser shall pay to the Vendor in cash as deposit, amounting to the sum of RMB10,000,000 or HK\$11,208,500 by cheque or telegraphic transfer.
- (b) On the Completion Date, the Purchaser shall settle the balance RMB230,000,000 or HK\$257,795,512 in favour of the Vendor as follows:
  - (i) RMB110,005,983 or HK\$123,300,212 by cheque or telegraphic transfer; and
  - (ii) RMB119,994,017 or HK\$134,495,300 by the issuance and allotment of 1,994,000 Consideration Shares at an issue price of HK\$67.45 per Consideration Share.

*Note:* Upon the Share Subdivision becoming effective, the Consideration Shares will become 9,970,000 Subdivided Shares.

In the event that the Vendor is only able to complete either the Nanning Parkson Transfer or the Tianjin Parkson Transfer and the Purchaser elects to proceed to the Completion, the Consideration shall be revised accordingly based on the above pricing for the 70% equity interest in Nanning Parkson or the 100% equity interest in Tianjin Parkson, as the case may be. Further, unless the Purchaser notify the Vendor in writing of its intention to fully settle the said revised Consideration in cash on or before the Completion Date, the payment mode for the said revised Consideration shall remain the same as above with the relevant adjustment to the cash portion payable and the numbers of Consideration Shares to be allotted and issued to the Vendor. The ratio between the adjusted cash portion and the Consideration Shares shall remain unchanged. The number of Consideration Shares to be allotted and issued will further be adjusted to the nearest trading board lot.

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The cash portion shall be fully funded through internal resources.

The Consideration Shares represent approximately 0.358% of the issued share capital of the Company as at 21 May 2008 of 557,452,750 Shares and approximately 0.356% of the enlarged issued capital after the issuance of the same. The Consideration Shares shall each be credited as fully paid-up and rank pari passu in all respects with the existing Shares, save that the Consideration Shares shall not be entitled to any rights, dividends and distributions declared, paid or made prior to the date of their allotment. There is no restriction applied to the subsequent sale of the Consideration Shares.

The issuance of the Consideration Shares is subject to the approval by the Independent Shareholders during the EGM. In addition, such Consideration Shares shall be deducted from the general mandate granted to the Directors in the annual general meeting of the Company on 22 May 2008 to issue new Shares up to 20% of the existing issued share capital of the Company. Upon the issue of the Consideration Shares, the said general mandate will be reduced to approximately 19.64%. The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares on the Main Board of the Stock Exchange.

The Directors are of the opinion that the issue price for the Consideration Shares is fair and reasonable by reference to the closing price of the Shares on 21 May 2008.

Based on the above factors, the Directors considered that the Consideration and issue price for the Consideration Shares are fair and reasonable. The Consideration is to be paid in HKD equivalent of RMB based on the middle rate of 0.89218 published by the People's Bank of China for the conversion of HKD to RMB, on the date of the Sale and Purchase Agreement. The issue price will not be subject to further changes regardless of the fluctuation of the exchange rate between HKD and RMB.

### *5.3.2 Basis for determining the Consideration*

As stated in the "Letter from the Board", the Directors considered that the 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 both Nanning Parkson and Tianjin Parkson and the valuation carried out by the independent Valuer appointed by the Purchaser which value the 70% equity interest in Nanning Parkson at RMB147,000,000 and the 100% equity interest in Tianjin Parkson at RMB101,000,000. The Consideration represents a Price Earning ratio ("PER") of 11.79 times of the audited net profit for the year 2007 of RMB11.9 million attributable to the 70% equity interest in Nanning Parkson and a PER of 10.68 times of the audited net profit for the year 2007 of RMB9.4 million attributable to the 100% equity interest in Tianjin Parkson.

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## LETTER FROM ACCESS CAPITAL

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In our analysis of the consideration of the Acquisition and based on our best of our knowledge, we have noted a number of listed companies in Hong Kong on the Main Board of the Stock Exchange which are engaged in the operation of department stores in the PRC/Hong Kong (together the “Comparables”) and we have, accordingly, compared their market statistics of the Comparables with the consideration for the Acquisition.

	<b>Stock Code</b>	<b>Closing price as at Latest Practical Date HK\$</b>	<b>Historical earnings per share HK\$</b>	<b>Historical PER (Times)</b>
Maoye International Holdings Limited	848	3.14	0.09 <sup>1</sup>	34.89
New World Department Store China Limited	825	8.20	0.18 <sup>2</sup>	45.56
Intime Department Store (Group) Company Limited	1833	5.48	0.24 <sup>3</sup>	22.83
Jiahua Stores Holdings Limited	602	0.69	0.09 <sup>4</sup>	7.67
Lifestyle International Holdings Limited	1212	14.52	0.60 <sup>5</sup>	24.20
Aeon Stores (Hong Kong) Co., Limited	984	15.08	1.08 <sup>6</sup>	13.96
The Company	3368	61.90	1.37 <sup>7</sup>	45.18
Minimum				7.67
Maximum				45.18
Average				27.76
Nanning Parkson	N.A.	N.A.	N.A.	11.79
Tianjin Parkson	N.A.	N.A.	N.A.	10.68

*Notes:*

1. Based on the historical profit attributable to equity holders of the company for the year ended 31 December 2007 of RMB416.999 million and 5,139,856,000 shares in issue.
2. Based on the historical profit attributable to equity holders of the company for the year ended 30 June 2007 of HK\$302.765 million and 1,686.145.000 shares in issue.
3. Based on the historical profit attributable to equity holders of the parent for the year ended 31 December 2007 of RMB378.368 million and 1,800,000,000 shares in issue.
4. Based on the historical profit attributable to the equity holders of the company for the year ended 31 December 2007 of RMB79.117 million and 1,037,500,000 shares in issue.

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5. Based on the historical profit attributable to the equity holders of the company for the year ended 31 December 2007 of HK\$1,024.085 million and 1,706,428,000 shares in issue.
6. Based on the historical profit attributable to the equity holders of the company for the year ended 31 December 2007 of HK\$280.056 million and 260,000,000 shares in issue.
7. Based on the historical profit attributable to the equity holders of the parent for the year ended 31 December 2007 of RMB676.0 million and 557,433,650 shares in issue.
8. HK\$1.00 = RMB0.887756

*Source: The latest annual reports or the prospectus of the Comparables*

As shown in the above table, the PER of the Comparables ranges from approximately 7.67 times to 45.18 times and the average PER of the Comparable is approximately 27.76 times. The PERs under the Acquisition for the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson are (i) within the range of the PERs of the Comparable; (ii) below the average PER of the Comparables; and (iii) lie at the low end of the range as the second lowest for Tianjin Parkson and the third lowest for Nanning Parkson in the above-mentioned PER range.

The consideration of (i) RMB140 million for the 70% equity interest in Nanning Parkson represented a slight discount of approximately 4.8%; and (ii) RMB100 million for the entire interest in Tianjin Parkson represented a slight discount of approximately 1.0%, to the valuation carried by the independent Valuer.

Taking into account that the Consideration represents a slight discount to the valuation by the Valuer, the market multiples for the Comparables and the reasons for and benefits of the Acquisition, we are of the view that the consideration under the Acquisition is fair and reasonable.

### ***5.3.3 Comparison with market prices of the Shares***

Under the Sale and Purchase Agreement, the issue price per Consideration Share of HK\$67.45 represents:

- (i) a premium of approximately 9.0% over the closing price of HK\$61.90 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) the closing price of the Shares as quoted on the Stock Exchange on the last trading day of the Shares immediately before the date of the Announcement;

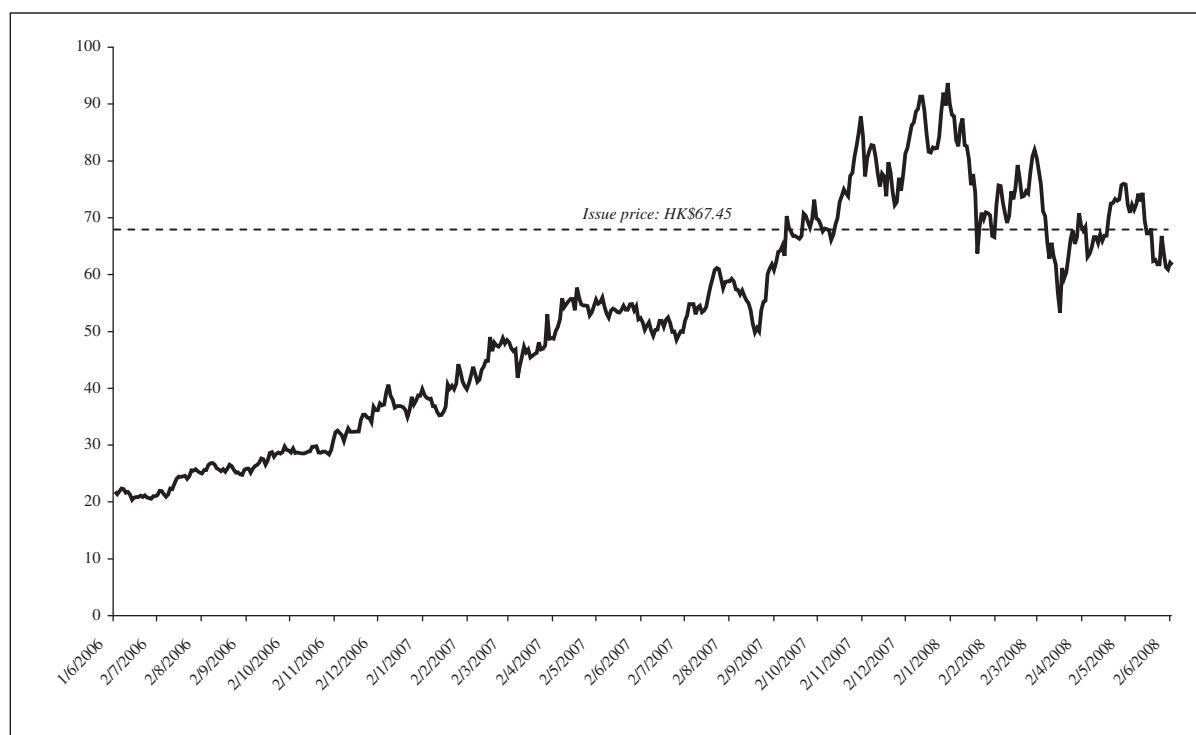
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## LETTER FROM ACCESS CAPITAL

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- (iii) a discount of approximately 6.1% over the average closing price of HK\$71.86 per Share as quoted on the Stock Exchange for the last 5 trading days of the Shares immediately before the date of the Announcement;
- (iv) a premium of approximately 11.0 times to the latest published unaudited net asset value of approximately RMB5.44 per Share (approximately HK\$6.13) as at 31 March 2008, based on the total equity attributable to shareholders of the Company of approximately RMB3,034.4 million as set out in the unaudited quarterly results for the three months ended 31 March 2008 and 557,452,750 Shares in issue.

We would like to draw Shareholders' attention to the following chart, which sets out the historical closing price performance of the Shares as quoted on the Stock Exchange from 1 June 2006 up to the Latest Practicable Date (the "Review Period"):



Source: Bloomberg

The Shares have been traded on an upward trend since June 2006 and the highest price during the Relevant Period of the Shares was noted in December 2007 at HK\$93.95. The price of the Shares subsequently declined and traded within the range of HK\$63.9 to HK\$90.25 from January to early March 2008. From 10 March 2008 to 22 April 2008 (except 28 March 2008, 2 April 2008 to 8 April 2008), the Shares were below the issue price of HK\$67.45. From end of April 2008 up to 23 May 2008, the Shares traded around or above the issue price of HK\$67.45. From 26 May 2008 up to the Latest Practicable Date, the Shares have been trading below the issue price of HK\$67.45.

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**LETTER FROM ACCESS CAPITAL**

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*Trading volume*

The table below sets out the highest and the lowest closing prices of the Shares as quoted on the Stock Exchange and the average daily trading volume of the Shares during the Review Period:

<b>Month/period</b>	<b>Highest closing price HK\$</b>	<b>Lowest closing price HK\$</b>	<b>Average Closing Price HK\$</b>	<b>Average daily trading volume for the month/period Shares</b>	<b>Percentage of average daily trading volume to total number of issued shares %</b>
<b>2006</b>					
June	22.50	20.50	21.39	1,062,563	0.19%
July	25.90	21.05	24.04	915,544	0.16%
August	27.00	24.90	25.93	3,721,571	0.67%
September	29.90	26.45	28.33	1,141,694	0.20%
October	32.70	28.50	29.67	771,318	0.14%
November	39.50	30.85	34.60	830,746	0.15%
December	40.80	35.10	37.86	1,102,063	0.20%
<b>2007</b>					
January	44.40	35.40	39.53	795,996	0.14%
February	49.20	41.30	46.19	815,985	0.15%
March	53.20	42.00	47.36	1,129,876	0.20%
April	57.90	52.35	54.95	862,244	0.15%
May	56.15	52.30	54.10	907,772	0.16%
June	52.65	48.70	50.82	1,694,613	0.30%
July	61.35	52.05	56.52	1,122,667	0.20%
August	62.35	50.00	56.61	878,178	0.16%
September	73.40	63.50	67.97	591,873	0.11%
October	88.05	66.30	73.69	1,130,172	0.20%
November	84.60	72.45	78.52	1,275,316	0.23%
December	93.95	81.70	87.07	1,274,122	0.23%
<b>2008</b>					
January	90.25	63.90	77.38	2,137,023	0.38%
February	82.15	69.30	75.11	1,064,318	0.19%
March	80.80	53.50	65.93	2,701,698	0.48%
April	73.50	63.30	68.49	1,300,181	0.23%
May	76.20	62.00	70.00	2,157,084	0.39%
June (up to Latest Practicable Date)	63.95	61.10	62.15	2,248,879	0.40%

*Source: Bloomberg*

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## LETTER FROM ACCESS CAPITAL

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As indicated from the above table, the Shares have been thinly traded and rather illiquid during the Relevant Period. Taking into account the historical price performance and the thin trading volume of the Shares during the Relevant Period, we are of the view that the adoption of closing price share price prior to the suspension of the Shares, as a basis for arriving at the issue price per Consideration Share for the Acquisition is fair and reasonable, in particular, the issue price per Consideration Share represents a high premium over the net asset value per Share.

### 5.4 Conditions

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

- (a) the completion of due diligence review by the Purchaser on Jet East and its subsidiaries (including Nanning Parkson and Tianjin Parkson) and the results of which are satisfactory to the Purchaser;
- (b) the obtaining by the Company of its Independent Shareholders' approvals for the Acquisition (including the issuance of the Consideration Shares in favour of the Vendor) in the EGM;
- (c) the obtaining by the Company of the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares on the Main Board of the Stock Exchange;
- (d) the completion of the Nanning Parkson Transfer and the Tianjin Parkson Transfer as evidence by the Vendor obtaining the following documents:
  - 1) the certificates of approval issued by the Ministry of Commerce, approving inter alia, the Nanning Parkson Transfer, the Tianjin Parkson Transfer and the amendments to the memorandum and articles of association of both Nanning Parkson and Tianjin Parkson indicating Victory Hope as a new equity interest holder of Nanning Parkson and Tianjin Parkson;
  - 2) registration of Victory Hope as the owner of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson with, and the issuance of new business licences by, State Administration of Industry and Commerce or its local counterpart, whichever was the original registration authority;
- (e) any other approvals and authorisations (if any) for the Completion.

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## LETTER FROM ACCESS CAPITAL

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### 6. Expected financial impact on the Group as a result of the Acquisition

#### 6.1 *Total assets and total liabilities*

Upon Completion of the Acquisition, Nanning Parkson will become a 70% indirectly subsidiary of the Company and Tianjin Parkson will become an indirectly wholly owned subsidiary of the Company and their respective financial results, assets and liabilities will be consolidated into the Group's financial statements. On the basis that, upon Completion, the Consideration is satisfied by a combination of cash and Consideration Shares for the acquisition of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson according to the terms set out in the Sale and Purchase Agreement, the consolidation of the assets into the Group's financial statement will be partly offset by the decrease in "Cash and short-term deposits" for the cash portion of the Consideration, whilst the "Equity" will increase as a result of the issuance of the 1,994,000 Consideration Shares.

The Company expects that the Acquisition will give rise to goodwill which will be determined on the Completion Date based on difference between the Consideration and the net asset value of the target assets as at the Completion Date. The extent to which any goodwill impairment provision may be required in the Group's future financial statement would depend on the assessment as whether any impairment on goodwill may be necessary.

#### 6.2 **Cash position and gearing**

As the cash consideration for the Acquisition will be satisfied by the internal resources of the Group, the "Cash and short-term deposits" classified under current assets of the consolidated balance sheet of the Group will be reduced by approximately RMB120 million in cash.

We have discussed with the management of the Company and have been advised that the Group has sufficient internal resources to finance the Acquisition.

As the cash consideration for the Acquisition will be satisfied by the internal resources, there will be no material impact on the gearing ratio of the Group as a result of the Acquisition.

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## LETTER FROM ACCESS CAPITAL

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### 6.3 Shareholdings

The shareholding structure of the Company as at the Latest Practicable Date and immediately after the Completion is as below:

	<b>Shareholding of the Company as at the Latest Practicable Date</b>		<b>Shareholding of the Company immediately upon Completion (Note)</b>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
PRG Corporation and its associates	298,360,000	53.52	300,354,000	53.69
JP Morgan Chase & Co.	67,090,190	12.04	67,090,190	11.99
Public Shareholders	<u>192,002,560</u>	<u>34.44</u>	<u>192,002,560</u>	<u>34.32</u>
 Total	 <u>557,452,750</u>	 <u>100.00</u>	 <u>559,446,750</u>	 <u>100.00</u>

*Note:*

*On the basis that upon Completion of the Acquisition, the Consideration is satisfied by a combination of cash and Consideration Shares.*

As at the Latest Practicable Date, PRG Corporation and its associates are currently interested in an aggregate of 298,360,000 Shares, representing approximately 53.52% of the existing issued share capital of the Company. Immediately after the issue of the Consideration Shares upon Completion, PRG Corporation and its associates will be interested in 300,354,000 Shares, representing approximately 53.69% of the enlarged issued share capital of the Company.

On this basis, the interest of the existing public Shareholders will be diluted from approximately 34.44% (as at the Latest Practicable Date) to approximately 34.32% of the enlarged issued share capital of the Company following the issue of the Consideration Shares. Accordingly, the shareholding interest of the existing public Shareholders, will as a result of the issue of the Consideration Shares, be diluted by approximately 0.35%.

Taking into account the other reasons and factors set out in this letter, in particular, the issue price for the Consideration Shares is (i) equivalent to the closing price of the Shares as at 21 May 2008 (the last trading day before the Announcement); (ii) at a premium over the net asset per Share; (iii) the liquidity of the Shares on the Stock Exchange and the possible effects on the Group and the Shareholders as a result of the Acquisition, we are of the view that the slight dilution effect to the existing public Shareholders as a result of issuing Consideration Shares is acceptable.

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## LETTER FROM ACCESS CAPITAL

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### RECOMMENDATION

In considering the terms of the Acquisition, we have taken into account the following factors:

- the principal activities and the financial performance of the Group as described in paragraphs 4.1.1 above;
- the reasons for and benefits of the Acquisition;
- the terms of the Sale and Purchaser Agreement;
- the other factors (namely the price performance and trading volume of the Shares, the comparison of PERs) in considering the Sale and Purchase Agreement; and
- the expected financial and/or strategic impact of the Acquisition.

After having considered the above principal factors and based on the information provided and the representations made to us, we consider the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Shareholders are concerned; and that the Acquisition (including the issuance of Consideration Shares) is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Shareholders to vote in favour of the resolution to be proposed at the EGM of the Company to approve the Acquisition (including the issuance of Consideration Shares).

Yours faithfully  
For and on behalf of  
**Access Capital Limited**

**Alexander Tai**  
*Principal Director*

**Jimmy Chung**  
*Principal Director*

**Vigers Appraisal and Consulting Limited**  
*International Assets Appraisal Consultants*

10th Floor, The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong



19 May 2008

The Directors  
Parkson Retail Group Ltd.  
Suite 1316,  
Prince's Building,  
10 Chater Road,  
Central,  
Hong Kong

Dear Sirs,

In accordance with the instruction from 百盛商業集團有限公司 Parkson Retail Group Limited (the "Group"), we have appraised the market value of Tianjin Parkson Department Store ("Tianjin Parkson") and Nanning Parkson Department Store ("Nanning Parkson") as on 31 March 2008 (the "Appraisal Date").

The purpose of this report is to provide an independent opinion on the market value of both Nanning Parkson and Tianjin Parkson as at the Appraisal Date for the purpose of the acquisition of 100% interest in the Tianjin Parkson and 70% interest in the Nanning Parkson by the Group (the "Acquisition").

**BACKGROUND****Tianjin Parkson & Nanning Parkson Department Store**

Both stores are established under the laws of People's Republic of China ("PRC"). Both stores are engaged in the retail business through their rented of Parkson branded department stores, i.e. Tianjin Parkson located at No.162 Fuan Street, Heping District, Tianjin ("Tianjin Parkson") and Nanning Parkson located at No.18 Qingyun Street, Chaoyang Road, Nanning ("Nanning Parkson"). Both stores are not engaged in any business other than its retail operation in Tianjin Parkson or Nanning Parkson. Both stores positioned themselves at the middle to middle-upper end of the retail market and offers a wide range of merchandise which can be broadly categorized into four categories namely "fashion and apparel", "cosmetics and accessories", "household, electrical goods and others" and "groceries and perishables".

Both stores offer wide range of product lines includes the fashion for woman, menswear, houseswear, food and necessities. The retail sales comprises of (i) direct sales, where the stores invests in the inventory and (ii) concessionaire sales, which is a business model similar to consignment of which the stores enter into agreements with certain owners/distributors of branded goods (know as concessionaires), who are permitted to occupy designated areas in the stores and to establish their own sales counters for their products, the brand owners/distributors invest in the inventory and the stores receives commission calculated based on a fixed percentage of the sales generated from such brands.

### **Retail Sales Market in Tianjin**

Tianjin is located at the northern end of the Grand Canal of China with a population of 10.43 million approximately. Tianjin is one of the four municipalities of China that are directly under the central government and have provincial-level status. Tianjin is divided into 18 county-level divisions, including 15 districts and 3 counties. Its urban area is the third largest in China, after Shanghai and Beijing. It has an area about 11,760 sqkm with approximately 7.83 million urban residents.

In 2005, the total retail sales of consumer product in Tianjin had reached RMB 119.0 billion or 13.9% increase against 2004. The wholesales and retail sales had recorded RMB 48.9 billion, or 13.5% increase as compared to 2004.

Consumption on automobile had the highest growth, 120%, in 2005; consumption on oil product, Electronic Publication and home appliance (including video and musical equipment) came second, which recorded growth of 40%; consumption on food and beverage represented the third major consumptions in Tianjin and the growth were 20.9%.

### **Retail Sales Market in Nanning**

Nanning is located in the southern part of Guangxi Zhuang Autonomous Region with a population of 6.60 million approximately. Nanning is known as one of the key region which supplying different types of mineral resources. It has an urban area about 22,112 sqkm with approximately 2.67 million urban residents.

In 2005, the total retail sales of consumer product in Nanning had reached RMB 37.8 billion or 13.8% increase against 2004. The wholesales and retail sales had recorded RMB 33.6 billion, or 13.58% increase as compared to 2004.

In the Tenth-Five year period, total retail sales of Nanning had recorded cumulative growth of 78.3%, or 12.22% per annum or average.

Consumption on home electric equipment (including video and musical equipment) had the highest growth, 34.56%, in 2005; consumption on fashion, shoe and textile product came second, which recorded growth of 26.32%; consumption on oil product represented the third major consumptions in Nanning and the growth were 22.73%; Other consumption such as food and beverage, tobacco product, alcoholic drink, gold, sport equipment, toy and office and home appliance also demonstrated high growth at above 15.0%.

**BASIS AND METHODOLOGY OF VALUATION**

We have been asked to evaluate the market value of the 100% interest in the Tianjin Parkson and 70% interest in the Nanning Parkson (the “Interest”). Market value is defined as the estimated amount for which an asset might be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In this valuation, the enterprise value to earnings before interest, taxes, depreciation and amortization multiples under the market approach is adopted as the valuation method. The choice of valuation method will be discussed in the following sections.

In arriving at our opinion of value, we make reference to three generally accepted approaches to value, namely; the Market Approach, the Cost Approach and the Income Approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to indicate market prices to reflect condition and utility of the appraised assets relative to the comparable market transactions.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation as condition or obsolescence present, whether arising from physical, functional or economic causes.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for asset than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent asset with similar risk.

**Information Reviewed**

As part of our analysis we have been furnished with information prepared by the Group, including but not limited to the following:

- The business nature of Tianjin Parkson and Nanning Parkson and the Vendor, business licenses, background and relevant information of Tianjin Parkson and Nanning Parkson;
- Audited financial statements of the Tianjin Parkson and Nanning Parkson for the financial year end at 2005 to 2007;
- Historical capital spending and capital structure of Tianjin Parkson and Nanning Parkson;
- Fixed asset register of the Tianjin Parkson and Nanning Parkson as at 31 December 2007;

- Market position, competitive advantages and disadvantages of the Tianjin Parkson and Nanning Parkson and deflection to other competitors, if any.
- Relevant operational and financial information in relation to the Tianjin Parkson and Nanning Parkson, such as operational performance indicators and descriptions, research on background of other comparable companies, their business profiles, financial results, etc. were conducted by us.

We have reviewed the information required, which is considered sufficient for the issue of the valuation report of the type in question and we believe no material factor has been intentionally omitted or withheld from the given information in order to reach an informed view.

### **Valuation Method**

We consider that the use of the enterprise value to earnings before interest, taxes, depreciation and amortization multiples is an appropriate valuation methodology for the valuation of the Interest since the method reflects the going concern of Tianjin Parkson and Nanning Parkson and provides direct reference on the market value from a group of comparable companies in the market.

The valuation is derived from applying (i) an expected enterprise value to earnings before interest, taxes, depreciation and amortization multiple of a group of listed companies operating in comparable business, adjusted for the uniqueness of the subject being valued, (ii) the EBITDA of Tianjin Parkson and Nanning Parkson reflected in the financial statement for the year ended 31 December 2007 with appropriate adjustments.

Before arriving at our opinion of value, we have considered, inter alia, the following factors:

- the nature of the business and the history of the Group;
- the economic outlook of the PRC, Tianjin and Nanning in general;
- the general outlook of the retail industry in the PRC, Tianjin and Nanning;
- the composition of revenue and earnings quality of the retail business and other comparable companies in retail business;
- future challenge and developments in the retail business;
- the financial condition of Tianjin Parkson and Nanning Parkson; and
- the specific risks associated with Tianjin Parkson and Nanning Parkson.

**Assumptions**

In preparing this appraisal, a number of assumptions have been made in giving our opinion on the market value of Tianjin Parkson and Nanning Parkson. The following assumptions are considered to be applicable to the appraisals in connection with Tianjin Parkson and Nanning Parkson and have a significant effect on this appraisal. These assumptions have been evaluated and validated in order to provide a reasonable basis in arriving at our opinion of value. The major assumptions adopted in this valuation are as follows:

- There will be no material adverse change in the political, legal, fiscal or economic condition in the PRC and other regions in which the Tianjin Parkson and Nanning Parkson operates;
- Tianjin Parkson and Nanning Parkson will retain the key management, competent personnel and technical staff to support its ongoing operation;
- Market trend and conditions for the Tianjin Parkson and Nanning Parkson in related areas will not deviate significantly from the economic forecasts in general. Consumer behaviour will have no significant change throughout the valuation period;
- The valuation assumed the operation period will run into indefinite future, that is, we assume that the business license can be renewed, or relevant administrative procedure in relation to the renewal of business can be properly carried out. We further assume the area for the retail operation and subleasing remain its existing state throughout the valuation period;
- We assumed that the general management practice of Tianjin Parkson and Nanning Parkson after the Acquisition, including but not limited to accounting policy and dividend policy, will have no significant deviation from the current practice adopted by Tianjin Parkson and Nanning Parkson;
- The valuation assumes that the core income stream of Tianjin Parkson and Nanning Parkson remain from the retail operation of Tianjin Parkson and Nanning Parkson. The valuation will not consider the non-operating income such as interest income, other investment and have not made any estimates on imponderables, or disaster which may affect the future income;
- The valuation is prepared on the assumption that no assets, rights and obligations under contracts to be entered, all in relation to the operation of the Tianjin Parkson and Nanning Parkson to be purchased that will generate any forms of economic benefit or loss in monetary terms, which have not been reflected in the financial statement for the year ended 31 Dec 2007 at the date of valuation.

We have assumed the reasonableness of the information provided and relied to a considerable extent on such information in arriving at our opinion of value.

### Valuation Considerations

Our investigation has covered the earnings multiples of companies engaged in retail business in China. We consider enterprise value to earnings before interest, taxes, depreciation and amortization method as the appropriate method to evaluate the market value of subjects being valued since: (I) the valuation shall first to appraise the enterprise value of Tianjin Parkson and Nanning Parkson. The measurement of benefit stream shall make reference to the cash flow to the firm. Under this premise, EBITDA is an appropriate as compared to other measurement, since it represents the operating cash flow contributed to a company subject to minimal accounting effect across border. Thus the ratio, enterprise value to earnings before interest, taxes, depreciation and amortization (EV/EBITDA) provide more comparable results (II) Since EV/EBITDA ratio deduced the value of Tianjin Parkson and Nanning Parkson on the basis of their earning power, this ratio can appropriately reflect the going concern and the growth expectation in relation to the retail business.

In the construction of comparables, we have considered the following factors in order to provide appropriate comparison. First, the comparables shall be in the same industry as the subject companies being appraised. We thus select only companies have their operation focus in retail business. Second, the comparables shall report positive earnings so to infer meaningful multiples for comparison. Third, we have selected companies who have their core operation in the PRC. This is due to the subject companies are operating in the PRC and any comparables operate other than in the PRC could suffer from the bias in country factor, especially the growth prospect of the retail industry in PRC is substantially different from other countries. Moreover, by constructing a comparables of the PRC comparable, the difference on financial reporting and tax difference can also be eliminated. Thus provides consistent comparison against Tianjin Parkson and Nanning Parkson being appraised.

We will also make adjustments on the conclusion of EV to EBITDA multiple, where appropriate; such as the marketability of Tianjin Parkson and Nanning Parkson; or other possible factors which may affect the value of Tianjin Parkson and Nanning Parkson in order to reflect a reasonable value of Tianjin Parkson and Nanning Parkson. We have included the following companies which listed on the Shenzhen Stock Exchange and Shanghai Stock Exchange which are principally engaged in retail business. The following are the details of the Comparables:

<b>Company</b>	<b>Stock Code</b>	<b>EV/EBITDA at 31/3/2008</b>
重慶百貨	600729.SS	21.0
合肥百貨	000417.SZ	12.2
新華百貨	600785.SS	14.3
益民百貨	600824.SS	37.3
蘭州民百	600738.SS	27.1
烟台華聯	600766.SS	-97.7
漢商集團	600774.SS	108.2
杭州解百	600814.SS	19.1
武漢中百	000759.SZ	29.8
王府井	600859.SS	23.1

Company	Stock Code	EV/EBITDA at 31/3/2008
北京城鄉	600861.SS	19.5
大連友誼	000679.SZ	22.5
華聯綜超	600361.SS	15.6
通程控股	000419.SZ	19.0
廣州友誼	000987.SZ	17.3

*Source:* Reuters, Yahoo and Consolidated Financial Statement of the companies with adjustments.

### Analysis of Comparables

Our first consideration is to identify the relevance of the business engaged by the companies in the Comparables. We may not consider those companies which have higher weighting in non-retails business. We may also not consider companies with negative earnings or an observable outlier. This leaves us a total of 15 companies for comparison. In order to determine an expected EV/EBITDA ratio for the subject, we have considered several factors as our basis of conclusion: (i) the asset size of Tianjin Parkson and Nanning Parkson, which showed substantial difference against the comparables. In our investigation, we noted that most of the comparables currently owned the properties of which their retail business operated in. In contrast to the comparables, Tianjin Parkson and Nanning Parkson does not own the property but paying rent for the operating area being occupied. Such difference in operation shall be considered and reflect a possible adjustment on the EV/EBITDA ratio. (ii) EBITDA to sales, which represents the key indicator on the profitability and is highly correlated to the value of a retail business. In the valuation, we will also consider the gross profit margin, EBITDA to sales and net profit to sales. (iii) The growth rate, which is one of the factor implicitly considered by the market and was factored into the EV/EBITDA ratio. In general, we expect a higher growth will result a higher EV/EBITDA ratio. (iv) The gearing and the related return on equity. Higher gearing generally help increase the return to equity if it is under normal leverage. However, as the gearing increase, the liquidity risk also increases. Thus the gearing will have dual impact on value of the business. On an acceptable leverage, the value of equity increase as a result of lower cost of capital. On the high side, the liquidity risk increase and hence reduces the equity value.

Valuation based on the enterprise value would require the exclusion of debt amount to arrive the equity value. Since the value concluded from multiples represents the operating value of Tianjin Parkson and Nanning Parkson, we have also considered the non-operating cash position of Tianjin Parkson and Nanning Parkson.

Since the EV/EBITDA ratio inferred by the comparables represent the value of equity interest in a freely transferable status. We shall also make a discount on its marketability to reflect its illiquidity in nature. When we consider the leverage of Tianjin Parkson's and Nanning Parkson's equity, we have also make adjustment on the expected EV/EBITDA to reflect the risk of liquidation.

**OPINION OF VALUE**

Based on the aforesaid investigation, analysis and appraisal method employed, it is our opinion that, as of 31 March 2008, the market value of the 100% interest of Tianjin Parkson is reasonably stated as RENMINBI 101 MILLION ONLY and the market value of the 70% interest of Nanning Parkson is reasonably stated as RENMINBI 147 MILLION ONLY.

The opinion of value was based on generally accepted appraisal procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the assets or the value reported.

Yours faithfully,

For and on behalf of

**VIGERS APPRAISAL & CONSULTING LTD.**

**Raymond Ho Kai Kwong**  
*Registered Professional Surveyor*  
*MRICS, MHKIS, MSc (e-com)*  
*Executive Director*

**Favian Kam Man Yin**  
*Chartered Financial Analyst*  
*CFA, MBA*  
*Director*

*Note:* Raymond K. K. Ho, Chartered Surveyor, MRICS, MHKIS has nineteen years experience in undertaking valuation of properties in Hong Kong, Macau and the PRC and has extensive experience in business valuation in the Greater China region since 1993. Favian M. Y. Kam, CFA, has over ten years experience in business valuation.

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

**DISCLOSURE OF INTERESTS****Directors and chief executive of the Company**

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and/or debentures, as the case may be, of the Company (excluding the Consideration Shares) or any its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) in the Listing Rules, were as follows:

- (a) Long positions of Tan Sri Cheng Heng Jem in the share capital of the Company:

Name of Corporation	Nature of Interest	Name of Registered owner	Name of Beneficial owner	Number and Class of Securities	Approximate Percentage of Shareholding
Company	Corporate interest <sup>1</sup>	PRG Corporation	PRG Corporation	298,360,000 ordinary shares	53.52% <sup>2</sup>

*Notes:*

- Tan Sri Cheng Heng Jem, together with his wife, Puan Sri Chan Chau Ha alias Chan Chow Har, through their interest and a series of companies in which they have a substantial interest, are entitled to exercise or control the exercise of more than one third of the voting power at general meetings of PHB. Since PHB is entitled to exercise or control the exercise of 100% of the voting power at general meeting of PRG Corporation Limited (“PRG Corporation”), pursuant to the SFO, he is deemed to be interested in the Shares held by PRG Corporation in the Company.
- Based on the issued and paid up share capital of the Company as at the Latest Practicable Date.

(b) Long positions of Tan Sri Cheng Heng Jem in the share capital of the Company's associated corporations (as defined in the SFO):

Name of Associated Corporation	Nature of Interest	Name of Registered owner	Name of Beneficial owner	Number and Class of Securities	Approximate Percentage of Shareholding
PHB	Beneficial interest and corporate interest	Tan Sri Cheng Heng Jem and a series of controlled corporations	Tan Sri Cheng Heng Jem and a series of controlled corporations	650,100,076 ordinary shares	62.84%
PRG Corporation	Corporate interest	East Crest International Limited	East Crest International Limited	1 ordinary share	100%
East Crest International Limited	Corporate interest	PHB	PHB	1 ordinary share	100%
Parkson Vietnam Investment Holdings Co., Ltd.	Corporate interest	PHB	PHB	2 ordinary shares	100%
Parkson Properties Holdings Co., Ltd.	Corporate interest	PHB	PHB	2 ordinary shares	100%
Parkson Venture Pte Ltd	Corporate interest	East Crest International Limited	East Crest International Limited	14,800,000 ordinary shares	100%
Serbadagang Holdings Sdn. Bhd.	Corporate interest	East Crest International Limited	East Crest International Limited	2 ordinary shares	100%
Sea Coral Limited	Corporate interest	East Crest International Limited	East Crest International Limited	1 ordinary share	100%
Parkson Corporation Sdn. Bhd.	Corporate interest	East Crest International Limited	East Crest International Limited	50,000,002 ordinary shares	100%
Parkson HCMC Holdings Co., Ltd.	Corporate interest	Parkson Vietnam Investment Holdings Co., Ltd.	Parkson Vietnam Investment Holdings Co., Ltd.	2 ordinary shares	100%
Parkson HaiPhong Holdings Co., Ltd.	Corporate interest	Parkson Vietnam Investment Holdings Co., Ltd.	Parkson Vietnam Investment Holdings Co., Ltd.	2 ordinary shares	100%
Parkson TSN Holdings Co., Ltd.	Corporate interest	Parkson Vietnam Investment Holdings Co., Ltd.	Parkson Vietnam Investment Holdings Co., Ltd.	2 ordinary shares	100%
Parkson Properties NDT (Emperor) Co., Ltd.	Corporate interest	Parkson Properties Holdings Co., Ltd.	Parkson Properties Holdings Co., Ltd.	2 ordinary shares	100%
Qingdao No. 1 Parkson Co., Ltd.	Corporate interest	Parkson Venture Pte. Ltd.	Parkson Venture Pte. Ltd.	124,501,580 ordinary shares	52.95%

**APPENDIX II****GENERAL INFORMATION**

<b>Name of Associated Corporation</b>	<b>Nature of Interest</b>	<b>Name of Registered owner</b>	<b>Name of Beneficial owner</b>	<b>Number and Class of Securities</b>	<b>Approximate Percentage of Shareholding</b>
Dalian Tianhe Parkson Shopping Centre Co., Ltd.	Corporate interest	Serbadagang Holdings Sdn. Bhd.	Serbadagang Holdings Sdn. Bhd.	60,000,000 registered capital (RMB)	60%
Nanning Parkson	Corporate interest	Sea Coral Limited	Sea Coral Limited	14,000,000 registered capital (RMB)	70%
Dalian Parkson Retail Development Co., Ltd.	Corporate interest	Sea Coral Limited	Sea Coral Limited	60,000,000 registered capital (RMB)	100%
Tianjin Parkson	Corporate interest	Sea Coral Limited	Sea Coral Limited	10,000,000 registered capital (RMB)	100%
Changchun Parkson Retail Development Co., Ltd.	Corporate interest	Sea Coral Limited	Sea Coral Limited	10,000,000 registered capital (RMB)	100%
Jet East	Corporate interest	East Crest International Limited	East Crest International Limited	1 ordinary share	100%
Victory Hope	Corporate interest	Jet East	Jet East	1 ordinary share	100%
Parkson HaiPhong Co., Ltd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	2,140,975.96 capital (USD)	100%
Parkson Vietnam Co., Ltd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	7,840,000 capital (USD)	100%
Park Avenue Fashion Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	250,002 ordinary shares	100%
Spring Active Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	2 ordinary shares	100%

- (c) Short positions of Tan Sri Cheng Heng Jem in the share capital of the Company's associated corporations (as defined in the SFO):

Name of Associated Corporation	Nature of Interest	Name of Registered owner	Name of Beneficial owner	Number and Class of Securities	Approximate Percentage of Shareholding
PHB	Corporate interest	Tan Sri Cheng Heng Jem and a series of controlled corporations	Tan Sri Cheng Heng Jem and a series of controlled corporations	40,000,142 ordinary shares	3.86%

- (d) Long positions of Tan Sri Cheng Heng Jem in the debentures of the Company's associated corporations (as defined in the SFO):

Corporate interest through Excel Step Investments Limited, Tan Sri Cheng Heng Jem is deemed to be interested in 100% of RM228.8 million nominal value 3.5% redeemable convertible secured loan stocks 2007/2010 issued by PHB as Tan Sri Cheng Heng Jem is entitled to exercise or control the exercise of more than one third of the voting power at the general meetings of Excel Step Investments Limited.

- (e) Long positions of Cheng Yoong Choong in the share capital of the Company:

Name of Corporation	Nature of Interest	Name of Beneficiary	Subject Matter	Number and Class of Securities	Approximate Percentage of Shareholding <sup>2</sup>
Company	Beneficial interest	Cheng Yoong Choong	Option to subscribe for shares <sup>1</sup>	455,000 ordinary shares	0.08%

*Notes:*

- Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
- Based on the issued and paid up share capital of the Company as at the Latest Practicable Date.

(f) Long positions of Cheng Yoong Choong in the share capital of the Company's associated corporations (as defined in the SFO):

<b>Name of Associated Corporation</b>	<b>Nature of Interest</b>	<b>Name of Registered owner</b>	<b>Name of Beneficial owner</b>	<b>Number and Class of Securities</b>	<b>Approximate Percentage of Shareholding</b>
PHB	Beneficial interest	Cheng Yoong Choong	Cheng Yoong Choong	5,935,299 ordinary shares	0.61%

(g) Long positions of Chew Fook Seng in the share capital of the Company:

<b>Name of Corporation</b>	<b>Nature of Interest</b>	<b>Name of Beneficiary</b>	<b>Subject Matter</b>	<b>Number and Class of Securities</b>	<b>Approximate Percentage of Shareholding <sup>2</sup></b>
Company	Beneficial interest	Chew Fook Seng	Option to subscribe for shares <sup>1</sup>	150,000 ordinary shares	0.02%

*Notes:*

1. Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
2. Based on the issued and paid up share capital of the Company as at the Latest Practicable Date.

(h) Long positions of Werner Josef Studer in the share capital of the Company:

<b>Name of Corporation</b>	<b>Nature of Interest</b>	<b>Name of Beneficiary/ Registered Owner</b>	<b>Subject Matter/ Name of Beneficial Owner</b>	<b>Number and Class of Securities</b>	<b>Approximate Percentage of Shareholding <sup>2</sup></b>
Company	Beneficial interest	Werner Josef Studer	Option to subscribe for shares <sup>1</sup>	15,000 ordinary shares	Less than 0.01%
Company	Beneficial interest	Werner Josef Studer	Werner Josef Studer	12,000 ordinary shares	Less than 0.01%

*Notes:*

1. Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
2. Based on the issued and paid up share capital of the Company as at the Latest Practicable Date.

- (i) Long positions of Werner Josef Studer in the share capital of the Company's associated corporations (as defined in the SFO):

Name of Associated Corporation	Nature of Interest	Name of Registered owner	Name of Beneficial owner	Number and Class of Securities	Approximate Percentage of Shareholding
PHB	Beneficial interest	Werner Josef Studer	Werner Josef Studer	101,250 ordinary shares	0.01%

- (j) Long positions of Ko Tak Fai, Desmond in the share capital of the Company:

Name of Corporation	Nature of Interest	Name of Beneficiary	Subject Matter	Number and Class of Securities	Approximate Percentage of Shareholding <sup>2</sup>
Company	Beneficial interest	Ko Tak Fai, Desmond	Option to subscribe for shares <sup>1</sup>	55,000 ordinary shares	Less than 0.01%

*Notes:*

- Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
- Based on the issued and paid up share capital of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company (excluding the Consideration Shares) and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**Substantial shareholders of the Group**

As at Latest Practicable Date, so far as the Directors are aware, each of the following persons, not being a Director or chief executive of the Company, had interests and short positions in the Company's shares (excluding the Consideration Shares) which falls to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

<b>Name of Shareholder</b>	<b>Long/Short position</b>	<b>Nature of Interest</b>	<b>Number of Shares</b>	<b>Percentage of shareholding (direct or indirect)</b>
PRG Corporation	Long	Beneficial owner	298,360,000	53.52%
PHB	Long	Corporate interest	298,360,000 <sup>1</sup>	53.52%
Puan Sri Chan Chau Ha alias Chan Chow Har <sup>2</sup>	Long	Interest of spouse	298,360,000	53.52%
JPMorgan Chase & Co.	Long	Beneficial interest, Investment manager and Custodian	67,090,190 <sup>3</sup>	12.03%
	Short	Beneficial interest	2,442,500	0.43%
Deutsche Bank Aktiengesellschaft	Long	Beneficial interest, Investment manager and Person having a security interest in shares	45,445,961 <sup>4</sup>	8.15%
	Short	Beneficial interest and Person having a security interest in shares	26,299,133 <sup>4</sup>	4.71%
Mirae Asset Global Investments (Hong Kong) Limited	Long	Investment manager	28,039,500	5.02%

*Notes:*

1. PRG Corporation is a wholly-owned subsidiary of PHB. By virtue of the SFO, PHB is deemed to be interested in the Shares held by PRG Corporation in the Company.

2. Puan Sri Chan Chau Ha alias Chan Chow Har is the wife of Tan Sri Cheng Heng Jem and is deemed to be interested in 298,360,000 Shares which Tan Sri Cheng Heng Jem is deemed to be interested in for the purposes of the SFO.
3. The capacities of JPMorgan Chase & Co. in holding the 67,090,190 shares (Long position) were as to 2,652,571 shares as beneficial owner, 52,578,862 shares as investment manager and 11,858,757 shares in the lending pool as custodian. The interest of JPMorgan Chase & Co. was attributable on account through a number of its wholly-owned subsidiaries.
4. The capacities of Deutsche Bank Aktiengesellschaft in holding the 45,445,961 shares (Long position) and 26,299,133 (Short position) were as to 10,696,641 shares (Long position) and 3,880,510 (Short position) as beneficial owner, 570,350 shares (Long position) as investment manager, 34,178,970 shares (Long position) and 22,418,623 shares (Short position) as person having a security interest in shares. The interest of Deutsche Bank Aktiengesellschaft was attributable on account through a number of its wholly-owned subsidiaries.

As at the Latest Practicable Date, as far as the Directors are aware, each of the following persons, not being a Director or Chief Executive of the Company, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of a member of the Group other than the Company:

Substantial Shareholder	Member of the Group	Percentage of equity interest held
Xinjiang Youhao <sup>1</sup>	Xinjiang Parkson	49%
Wuxi Sunan Investment <sup>2</sup>	Wuxi Parkson	40%
Yangzhou Commercial <sup>3</sup>	Yangzhou Parkson	45%
Shaanxi Shuang Yi <sup>4</sup>	Xi'an Shidai Parkson	49%
Chongqing Wanyou <sup>5</sup>	Chongqing Parkson	30%
Guizhou Shengqi Enterprise <sup>6</sup>	Guizhou Parkson	40%
Shanghai Nine Sea Industry <sup>7</sup>	Shanghai Lion Property	71% <sup>8</sup>
Shanghai Nine Sea Industry	Shanghai Nine Sea Parkson	29% <sup>8</sup>

*Notes:*

1. 新疆友好(集團)有限公司 (Xinjiang Friendship (Group) Co., Ltd.), owns 49% of the equity interest of Xinjiang Youhao Parkson Development Co., Ltd. ("Xinjiang Parkson").
2. 無錫市供銷合作總社 (Wuxi Distribution Corporation) previously owned 40% of the equity interest of Wuxi Sanyang Parkson Plaza Co., Ltd. ("Wuxi Parkson") and had transferred the said 40% equity interest in Wuxi Parkson to 無錫蘇南投資擔保有限公司 (Wuxi Sunan Investment Guarantee Co., Ltd.) in February 2008.
3. 揚州商業大廈 (Yangzhou Commercial Plaza), owns 45% of the equity interest of Yangzhou Parkson Plaza Co., Ltd. ("Yangzhou Parkson").
4. 陝西雙翼石油化工有限責任公司 (Shaanxi Shuangyi Petroleum and Chemical Company Limited), acquired from Xi'an Xinrun Property Co., Ltd. ("Xian Xinrun") 西安新潤置業有限公司 49% of the equity interest in Xi'an Shidai Parkson Store Co., Ltd. ("Xi'an Shidai Parkson") on 4 September 2006.

5. 重慶萬友經濟發展有限責任公司 (Chongqing Wanyou Economic Development Co., Ltd.), owns 30% of the equity interest of Chongqing Wanyou Parkson Plaza Co., Ltd. (“Chongqing Parkson”).
6. (i) 貴州神奇實業有限公司 (Guizhou Shenqi Enterprise Co., Ltd.), owns 40% of the equity interest of Guizhou Shenqi Parkson Retail Development Co., Ltd. (“Guizhou Parkson”).  
  
(ii) 張沛 (Zhang Pei), 張之君 (Zhang Zhi Jun) and 張婭 (Zhang Ya), own 30%, 40% and 30% of the equity interest in Guizhou Shenqi Enterprise, respectively, representing a 12%, 16% and 12% indirect equity interest in Guizhou Parkson.
7. 上海九海實業有限公司 (Shanghai Nine Sea Industry Co., Ltd.), where they distribute 65% of Shanghai Lion Property’s profits.
8. Shanghai Lion Property and Shanghai Nine Sea Parkson are cooperative joint venture enterprises established under the laws of the PRC. The percentages are calculated based on the voting rights attributable to Shanghai Nine Sea Industry pursuant to the respective co-operative joint venture contracts. The percentages to distributable profits are different.

Mr Cheng Yoong Choong and Mr Chew Fook Seng are directors of PRG Corporation, a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save as disclosed above and so far as the Directors and the chief executives are aware, as at the Latest Practicable Date, no other person had an interest or short position in the Company’s shares or underlying shares (as the case may be), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was otherwise directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

#### **DIRECTORS’ INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, none of the Directors and Directors of the Company’s subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules, except for the interests held by Tan Sri Cheng Heng Jem in (through PHB) 8 Parkson branded department stores in the PRC which are managed by the Group. Details of those 8 Parkson branded department stores are set out in the prospectus of the Company issued on 17 November 2005. As mentioned earlier, the Company possessed an option/right of first refusal to acquire all and any of the 8 Parkson branded department stores as and when it deems fit.

#### **DIRECTORS’ INTEREST IN CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

**SERVICE CONTRACTS**

Tan Sri Cheng Heng Jem has signed a letter of appointment dated 9 November 2005 under which he agreed to act as a Non-executive Director for a term of three years unless terminated in accordance with the terms of the appointment letter and will receive an annual Director's fee of approximately HK\$150,000.

Mr Ko Tak Fai, Desmond and Mr Werner Josef Studer have each signed a letter of appointment dated 9 November 2005 with the Company under which they agreed to act as Independent Non-executive Directors for the period of one year and shall continue thereafter subject to a maximum of three years unless terminated in accordance with the terms of the appointment letters. Mr Yau Ming Kim, Robert has signed a letter of appointment dated 27 December 2006, with the same terms as the other two Independent Non-executive Directors. The annual Director's fee for each Independent Non-executive Director is HK\$150,000.

Save as disclosed above, none of the Directors has, nor is it proposed that any of them will have, a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries, as the case may be, within one year without payment of compensation (other than statutory compensation).

**DIRECTORS' INTERESTS IN THE ASSETS**

None of the Directors have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leases to any member of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Company were made up.

**NO MATERIAL ADVERSE CHANGE**

At as the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2007 (being the date to which the latest published audited financial statements of the Group were made up).

**EXPERT**

- (a) The following sets out the qualification of the expert which has given its opinion or advice as contained in this Circular.

<b>Name of Expert</b>	<b>Qualification</b>
Access Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Vigers Appraisal & Consulting Ltd. ("Vigers")	Chartered Professional Surveyors & Valuers

- (b) Both Access Capital and Vigers do not have any shareholdings, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Both Access Capital and Vigers do not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leases to any member of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Company were made up.
- (d) Both Access Capital and Vigers have given and have not withdrawn its written consent to the issue of this circular with the inclusion of their respective letter and reports and references to their respective name in the form and context in which they are included.
- (e) Save for the report of Vigers which is dated 19 May 2008, the letter and recommendation of Access Capital and Vigers are given as of the date of this circular for incorporation herein

#### **LITIGATION**

No member of the Group is at present engaged in any litigation or arbitration of material importance to the Group and no litigation or claim of material importance to the Group is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

#### **MISCELLANEOUS**

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) The registered office of the Company is situated at c/o M&C Corporate Services Limited, P.O. Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (c) The head office and principal place of business of the Company is situated at 9th Floor, Parkson Plaza, No.101 Fuxingmennei Avenue, Xicheng District, Beijing 100031, PRC.
- (d) The principal place of business of the Company in Hong Kong is situated at Suite 1316, Prince's Building, 10 Chater Road, Central, Hong Kong.
- (e) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The secretary of the Company is Ms. Seng Sze Ka Mee, Natalia, who is a Fellow of The Institute of Chartered Secretaries and Administrators (FCIS), The Hong Kong Institute of Chartered Secretaries (FCS, PE), and The Hong Kong Institute of Directors (FHKIoD).

- (g) The qualified accountant of the Company is Mr. Wong Kang Yean Clarence, who is a registered member of the Association of Chartered Certified Accountants and a chartered accountant with the Malaysian Institute of Accountants.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at Suite 1316, Prince's Building, 10 Chater Road, Hong Kong during normal business hours from the date of this circular up to and including 4 July 2008.

- (a) the Sale and Purchase Agreement;
- (b) the service contracts and letters of appointment referred to in the section headed "Service Contracts";
- (c) the memorandum and articles of association of the Company;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 20 of this circular;
- (e) the letter from Access Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on page 21 to 36 of this circular; and
- (f) the letter issued by Vigers, the text of which is set out in Appendix I of this circular.

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## APPENDIX III PROCEDURES TO DEMAND POLL AT GENERAL MEETING

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According to the Articles of Association of the Company, at any general meeting, a resolution put on the vote at the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least 5 members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and who are entitled to vote; or
- (c) any member or members present in person (or in case of a corporation, by its duly authorised representative) or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

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**APPENDIX IV                      TENTATIVE TIMETABLE FOR SHARE SUBDIVISION**

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Latest time for lodging forms of proxy for the EGM . . . . .4:00 p.m., 2 July 2008

EGM. . . . .4:00 p.m., 4 July 2008

*The following events are conditional on the results of the EGM and the granting of the listing of, and the permission to deal in, the Subdivided Shares and the Subdivided Shares to be issued under the Share Option Scheme by the Listing Committee of the Stock Exchange:*

Effective date of the Share Subdivision . . . . .7 July 2008

Dealings in the Subdivided Shares commence . . . . .9:30 a.m., 7 July 2008

Original counter for trading in Existing Shares in  
board lots of 500 Existing Shares temporarily closes . . . . .9:30 a.m., 7 July 2008

Temporary counter for trading in Subdivided Shares in  
board lots of 2,500 Subdivided Shares (in the form of  
certificates of existing shares certificates  
("Existing Share Certificates")) opens . . . . .9:30 a.m., 7 July 2008

First day of free exchange of Existing Share Certificates  
for new certificates for the Subdivided Shares  
("New Share Certificates") . . . . .7 July 2008

Original counter for trading in Subdivided Shares in  
board lots of 500 Subdivided Shares  
(in the form of New Share Certificates) re-opens . . . . .9:30 a.m., 21 July 2008

Parallel trading in Subdivided Shares (in the form of  
New Share Certificates and Existing Share Certificates) commences . . . .9:30 a.m., 21 July 2008

Parallel trading in Subdivided Shares (in the form of  
New Share Certificates and the Existing Share Certificates) ends . . . .4:10 p.m., 11 August 2008

Temporary counter for trading in Subdivided Shares in  
board lots of 2,500 Subdivided Shares  
(in the form of Existing Share Certificates) closes. . . . .4:10 p.m., 11 August 2008

Last day for free exchange of Existing Share Certificates for  
New Share Certificates . . . . .4:00 p.m., 18 August 2008

*Note:* All times above refer to Hong Kong local time.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### PARKSON RETAIL GROUP LIMITED

### 百盛商業集團有限公司

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 3368)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Parkson Retail Group Limited (“Company”) will be held at HKUST Business School Central, 15/F., Hong Kong Club Building, 3A Chater Road, Central, Hong Kong on 4 July 2008, Friday at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

#### **“1. ORDINARY RESOLUTION 1**

##### **THAT**

- (a) the sale and purchase agreement dated 21 May 2008 (“Sale and Purchase Agreement”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) entered into between East Crest International Limited as the vendor and Grand Parkson Retail Group Limited as the purchaser for the sale and purchase of the 70% equity interest in Nanning Brilliant Parkson Commercial Co., Ltd. and the 100% equity interest in Tianjin Parkson Retail Development Co., Ltd. and other transactions contemplated therein be and are hereby approved, and the directors of the Company be and are hereby authorised to take such steps as they may consider necessary, appropriate, desirable or expedient to implement or give effect to the terms of the Sale and Purchase Agreement including but not limited to signing, executing and, where applicable, affixing the common seal of the Company (in accordance with its Articles of Association) onto the relevant documents in relation thereto and if necessary, with such amendments as the directors may deem fit; and
- (b) conditional upon the Listing Committee of the Stock Exchange of Hong Kong Limited approving the listing of and granting permission to deal in up to 1,994,000 ordinary shares of HK\$0.10 each (or subject to the transaction stipulated in Ordinary Resolution 2 becoming effective, up to 9,970,000 ordinary shares of HK\$0.02 each) in the Company to be issued to the Vendor (“Consideration Shares”) under the Sale and Purchase Agreement, the directors of the Company be and are hereby authorised to allot and issue the Consideration Shares to the Vendor in accordance with the terms of the Sale and Purchase Agreement.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### 2. ORDINARY RESOLUTION 2

**THAT** subject to and conditional upon the listing committee of the Stock Exchange granting or agreeing to grant the approval for the listing of, and permission to deal in, the Subdivided Shares (as defined in paragraph (a) of this resolution below):

- (a) with effect from 7 July 2008, every one existing issued and unissued shares of HK\$0.10 each in the share capital of the Company be subdivided into five (5) shares of HK\$0.02 each (the “Subdivided Shares”) and the Subdivided Shares shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the Articles of Association of the Company (the “Share Subdivision”); and
- (b) any one or more of the directors of the Company be and is hereby authorised generally to do all things appropriate to effect and implement the Share Subdivision.”

By order of the Board  
**PARKSON RETAIL GROUP LIMITED**  
**Cheng Yoong Choong**  
*Managing Director*

Hong Kong, 12 June 2008

#### **Notes:**

- (1) a member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy (who must be an individual) to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof, must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Extraordinary General meeting or any adjourned meeting (as the case may be).
- (3) A form of proxy for use in connected with the Extraordinary General Meeting is enclosed and such form is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.parkson.com.cn](http://www.parkson.com.cn)).