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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)

CONTINUING CONNECTED TRANSACTIONS – ANNUAL CAPS

Summary

The Group has entered into certain lease arrangements and management consultancy agreements with its Connected Persons. In compliance with the applicable requirements in Chapter 14A of the Listing Rules, the Board wishes to make an announcement on the annual caps for the year 2009 in respect of the aforesaid lease arrangements and the management consultancy agreements. It is noted that the applicable percentage ratios in respect of those revised annual caps do not exceed the 2.5% threshold provided under Rule 14A.34 of the Listing Rules.

As disclosed in its Prospectus and its announcement dated 14 June 2007, the Group has entered into certain lease arrangements and management consultancy agreements with its Connected Persons. In compliance with Rule 14A.34 of the Listing Rules, the Board wishes to announce the annual caps for the year 2009 in respect of the following lease arrangements and management consultancy agreements:

DETAILS OF CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions were disclosed in the Prospectus and its announcement dated 14 June 2007 in further detail.

(A) Lease arrangements between Chongqing Parkson and Chongqing Wanyou

Chongqing Parkson entered into two leases with Chongqing Wanyou (a 30% substantial shareholder of Chongqing Parkson and therefore, a Connected Person of the Company) on 23 January 1996 and 20 September 2000 pursuant to which Chongqing Wanyou agreed to lease premises of a total floor space of approximately 10,800 sq.m. located at No. 77 Chang Jiang Er Road, Tai Ping Yu Zhong District, Chongqing (“Demised Premises”) to Chongqing Parkson to be used as its place of business. The first lease is meant for the leasing of part of basement 1 till 6th floor of

the Demised Premises while the second lease is meant for the leasing of the remaining part of basement 1 of the Demised Premises.

The term of each lease is 20 and 25 years respectively. Annual rent for the first lease is calculated at the higher of (a) the basic rent and (b) the turnover rent. The basic rent for the first three years is RMB2,800,000, thereafter subject to an annual 3% increment (such increment is capped at RMB6,000,000). The turnover rent is calculated at 3% of Chongqing Parkson's annual turnover. For the second lease, the annual rent for the first three rental years is RMB500,000. Thereafter, the annual rent will be the higher of (i) an amount equivalent to 103% of the previous year's rent (capped at RMB1 million) and (ii) 3% of the annual turnover deriving from the subject matter of the second lease.

For the year ended 31 December 2008, the aggregated rental amount paid by the Group to Chongqing Wanyou amounted to RMB5,238,275, which is lower than the estimated annual cap of RMB7,000,000 for the corresponding year as disclosed in the Announcement.

The Company estimated the aggregated annual cap for the rental amount for the above mentioned two leases for the year ending 31 December 2009 at RMB8,000,000. The cap is determined based on the management's expectations on the performance of Chongqing Parkson with reference to the store's age profile, its past performances and past growth trend, the geographical location of the store and the retail industry growth in the PRC.

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

(B) Lease arrangements between Guizhou Parkson and Guizhou Huawei and between Guizhou Parkson and Guizhou Shenqi Commercial

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

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

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

For the year ended 31 December 2008, the rental amount paid by the Group to Guizhou Huawei amounted to RMB14,639,866, which is lower than the estimated annual cap of RMB22,000,000 for the corresponding year as disclosed in the

Announcement.

On 14 June 2007, Guizhou Parkson entered into a lease with Guizhou Shenqi Commercial whereby Guizhou Shenqi Commercial agreed to lease the premises of a total gross floor space of 14,119 sq.m. located at No. 38, Zhonghua Middle Road, Guiyang, Guizhou to Guizhou Parkson to be used as its place of business.

The term of the lease is 20 years. The annual rent is based on the higher of:

- (a) Fixed sum of RMB5 million; and
- (b) 2% of the Gross Sales Proceeds from gold, jewellery, electrical appliances and merchandises from the super market plus 6% of the Gross Sales Proceeds from other merchandises;

subject to a maximum cap of RMB15 million.

For the year ended 31 December 2008, the rental amount paid by the Group to Guizhou Shenqi Commercial amounted to RMB3,750,000, which is lower than the maximum annual cap of RMB15,000,000 as disclosed in the announcement dated 14 June 2007.

Both Guizhou Huawei and Guizhou Shenqi Commercial are Connected Persons to the Company for the following reasons:

- (i) Guizhou Huawei
 - Zhang Pei, Zhang Zhi Jun and Zhang Ya jointly own 30% of the registered capital of Guizhou Huawei.
 - Zhang Pei, Zhang Zhi Jun and Zhang Ya also jointly own 100% equity interest in Guizhou Shenqi Enterprise, a 40% substantial shareholder of Guizhou Parkson.
- (ii) Guizhou Shenqi Commercial
 - Guizhou Shenqi Enterprise and Guizhou Baiqiang own 49% and 51% equity interest in Guizhou Shenqi Commercial respectively
 - As mentioned above, Zhang Pei, Zhang Zhi Jun and Zhang Ya jointly own 100% equity interest in Guizhou Shenqi Enterprise, a 40% substantial shareholder of Guizhou Parkson.
 - Zhang Pei and Zhang Ya jointly own 100% of Guizhou Baiqiang.

Accordingly, both Guizhou Huawei and Guizhou Shenqi Commercial are Associates to Guizhou Shenqi Enterprise, a substantial shareholder of Guizhou Parkson and a Connected Person to the Company. Hence, both Guizhou Huawei and Guizhou Shenqi Commercial are Connected Persons to the Company. Guizhou Huawei, Guizhou Shenqi Commercial, Guizhou Baiqiang and Guizhou Shenqi Enterprise are principally engaged in retail, pharmaceutical and property related businesses.

Further, as the ultimate shareholders of Guizhou Huawei and Guizhou Shenqi Commercial are identical, the 2 lease agreements mentioned above are to be aggregated and treated as one continuing connected transaction pursuant to Rule

14A.25.

In this respect, the Company estimated the aggregated annual cap for the rental amount for the above mentioned two lease agreements with Guizhou Huawei and Guizhou Shenqi Commercial for the year ending 31 December 2009 at RMB23,000,000. The cap is determined based on the management's expectations on the performance of Guizhou Parkson with reference to the 2 stores' age profiles, their past performances and past growth trend, the geographical location of the stores and the retail industry growth in the PRC.

The Directors, including the independent non-executive Directors, are of the view that the 2 lease arrangements between Guizhou Parkson and Guizhou Huawei and between Guizhou Parkson and Guizhou Shenqi Commercial are on normal commercial terms, are in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those provided by landlords who are Independent Third Parties.

(C) *Lease arrangement between Xinjiang Parkson and Xinjiang Youhao*

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

The term of the lease is 20 years. The annual rental amounts for the periods from 1 January 2003 to 31 December 2003 and 1 January 2004 to 31 December 2004 were RMB21,500,000 and RMB23,750,000 respectively. For the period from 1 January 2005 to 31 December 2012, the annual rent will be RMB25,000,000. Thereafter, the rent will be negotiated between the parties based on a formula taking into consideration the PRC consumer price index.

For the year ended 31 December 2008, the rental amount paid by the Group to Xinjiang Youhao amounted to RMB24,762,494, which is lower than the estimated annual cap of RMB25,000,000 for the year ended 31 December 2008 as disclosed in the Announcement.

The Company estimated the annual cap for the rental amount for the year ending 31 December 2009 at RMB25,000,000. The cap is determined based on the fixed rental rate as provided in the tenancy agreement.

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

(D) *Management consultancy agreements with the Lion Group*

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

Members of the Lion Group	Date of the management consultancy agreement
Qingdao No. 1 Parkson Co., Ltd. (“Qingdao No. 1”)	1 October 2005
Laoshan branch of Qingdao No. 1	1 October 2005
Yantai branch of Qingdao No. 1	10 September 2005
Dalian Shishang Parkson Retail Development Co., Ltd.	1 May 2005
Shenyang Parkson Shopping Plaza Co., Ltd. (“Shenyang Parkson”)	28 November 2003
Shantou Parkson Commercial Co., Ltd. (“Shantou Parkson”)	1 June 2005

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

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

For the year ended 31 December 2008, the management fees received for the provision of such services amounted to RMB7,178,877, which is lower than the estimated annual cap of RMB15,000,000 for the corresponding year as disclosed in the Announcement.

The Company estimated the annual cap for the aggregate annual management fees for the year ending 31 December 2009 at RMB12,000,000. The cap is determined based on the management’s expectations on the performance of these Managed Stores with reference to their age profiles, their past performances and past growth trend, the geographical location of those managed stores and the retail industry growth in the PRC.

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

LISTING RULES THRESHOLD

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

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

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

INFORMATION ABOUT THE GROUP

The Group is principally engaged in the operation of 40 "Parkson" branded department stores and 2 "Xtra" branded supercentres situated in prime locations in 26 cities in the PRC. The Group offers a wide range of merchandise in those department stores and supercentres, including fashion and apparel, cosmetics and accessories, household, electrical goods and groceries.

DEFINITIONS

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

"Announcement"	the announcement dated 25 February 2008 of the Company with regard to the revision of the annual caps of certain continuing connected transactions
"Associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Chongqing Parkson"	重慶萬友百盛廣場有限公司 (Chongqing Wanyou Parkson Plaza Co., Ltd.*), a sino-foreign equity joint venture enterprise established under the laws of the PRC on 2 March 1995, and an indirect Subsidiary of the Company, which is owned as to 70% by the Group and as to 30% by Chongqing Wanyou
"Chongqing Wanyou"	重慶萬友經濟發展有限責任公司 (formerly known as 重

	慶萬友經濟技術實業發展總公司) (Chongqing Wanyou Economic Development Co., Ltd.*), a wholly State-owned limited liability company established under the laws of the PRC on 29 April 1997, and a joint venture partner of the Group. Chongqing Wanyou is principally engaged in trading and retail related businesses.
“Company”	Parkson Retail Group Limited (百盛商業集團有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Gross Sales Proceeds”	the aggregate of: <ul style="list-style-type: none"> (a) annual sales proceeds received or receivable from the sale of the relevant merchandise less the value added tax or such other tax as may be imposed by the Inland Revenue of PRC; and (b) annual rental incomes received or receivable from the sub-lease of the space in the Premises gross up by the gross margin of the total merchandise sales and apportion according to the aforesaid categories of merchandise base on the percentage of its original share on the total merchandise sales.
“Group”	the Company, its Subsidiaries and joint ventures
“Guizhou Baiqiang”	貴州百強投資有限公司 (Guizhou Baiqiang Investment Co. Ltd*), a company established under the laws of the PRC, which is held as to 51% by 張沛(Zhang Pei) and 49% by 張姪(Zhang Ya)
“Guizhou Huawei”	貴州華偉物業發展有限公司 (Guizhou Huawei Real Estate Development Co., Ltd.*), a sino-foreign cooperative joint venture enterprise established under the laws of the PRC on 10 September 1993, and a Connected Person of the Group
“Guizhou Parkson”	貴州神奇百盛商業發展有限公司 (formerly known as “貴州神奇百貨發展有限公司”) (Guizhou Shenqi Parkson Retail Development Co., Ltd.*), a limited liability company established under the laws of the PRC on 28 August 2002, and converted into a sino-foreign equity joint venture enterprise on 29 September 2005, and an indirect Subsidiary of the Company, which is owned as to 60% by the Group and

as to 40% by Guizhou Shenqi Enterprise

“Guizhou Shenqi Commercial”	貴州神奇商業發展有限公司 (Guizhou Shenqi Commercial Development Co. Ltd*), a company established under the laws of the PRC, which is held as to 51% by Guizhou Baiqiang and as to 49% by Guizhou Shenqi Enterprise
“Guizhou Shenqi Enterprise”	貴州神奇實業有限公司 (Guizhou Shenqi Enterprise Co., Ltd.*), a limited liability company established under the laws of the PRC on 25 May 2001, and a joint venture partner of the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	a person(s) or company(ies) which is/are independent of and not connected with any director, chief executive or substantial shareholder (within the meaning under the Listing Rules) of the Company or any of its Subsidiaries or any of their respective Associates
“LDHB”	Lion Diversified Holdings Berhad, a public limited liability company established under the laws of Malaysia, the shares of which are listed on the main board of Bursa Malaysia Securities Berhad, and a member of the Lion Group
“Lion Group”	A diversified group of companies comprising Lion Corporation Berhad, LDHB, Lion Industries Corporation Berhad, Lion Forest Industries Berhad, Amsteel Corporation Berhad, Silverstone Corporation Berhad and PHB, all of which are listed on Bursa Malaysia Securities Berhad and Lion Asiapac Limited and Lion Teck Chiang Limited (both of which are listed on the Singapore Exchange Securities Trading Limited) and their Subsidiaries. Lion Group is ultimately controlled by Tan Sri Cheng Heng Jem.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Managed Stores”	the six department stores as set out in Paragraph (D) above, which are either owned by the Lion Group or to be acquired by the Lion Group, all of which are managed by the Group
“PHB”	Parkson Holdings Berhad (formerly known as Amalgamated Containers Berhad), a public limited liability company established under the laws of Malaysia, the shares of which are listed on the main board of Bursa Malaysia Securities Berhad, and the controlling shareholder of the Company
“PRC”	the People’s Republic of China

“Prospectus”	the prospectus issued by the Company on 17 November 2005
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Lion Investment”	上海獅貿投資諮詢有限公司 (Shanghai Lion Investment Consultant Co., Ltd.*), a wholly foreign-owned enterprise established under the laws of the PRC on 3 March 1998 and an indirectly wholly-owned Subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	has the meaning ascribed to it in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Xinjiang Parkson”	新疆友好百盛商業發展有限公司 (Xinjiang Youhao Parkson Development Co., Ltd.*), a limited liability company established under the laws of the PRC on 11 November 2002, and an indirect Subsidiary of the Company, which is owned as to 51% by the Group and as to 49% by Xinjiang Youhao
“Xinjiang Youhao”	新疆友好(集團)股份有限公司 (Xinjiang Youhao (Group) Co., Ltd.*), a public limited liability company established under the laws of the PRC on 25 August 1993, the shares of which are listed on the Shanghai Stock Exchange, and a joint venture partner of Group. Xinjiang Youhao is principally engaged in retail related business
“%”	per cent

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

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

As at the date of this Announcement, Mr CHENG Yoong Choong and Mr CHEW Fook Seng are the executive directors of the Company, Tan Sri CHENG Heng Jem is a non-executive director of the Company and Mr YAU Ming Kim, Robert, Mr STUDER Werner Josef and Mr KO Tak Fai, Desmond are the independent non-executive directors of the Company.

Hong Kong, 23 February 2009