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**PARKSON RETAIL GROUP LIMITED**

*(a company incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3368)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF MANAGED STORES IN KUNMING**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Acquisition”	the transactions contemplated under the Sale and Purchase Agreement
“Anshan Parkson”	鞍山天興百盛購物中心有限公司 (Anshan Tianxing Parkson Shopping Centre Co., Ltd.), a limited liability company established under the laws of the PRC and an indirect subsidiary of the Company, which is owned as to 51% by the Group and as to 49% by Anshan Tianxing
“Anshan Tianxing”	鞍山天興國際置業發展有限公司 (Anshan Tianxing International Properties Development Co., Ltd.), a sino-foreign equity joint venture enterprise established under the laws of the PRC and a joint venture partner of the Group, which is owned as to 50% by 鞍山市金羽經貿有限公司 (Anshan Jin Yu Economic and Trade Co., Ltd.) and as to 50% by Praise Shine Company Limited (賀明有限公司)
“Asia Victory”	Asia Victory International Limited, an international business company incorporated under the laws of the British Virgin Islands
“Asset Purchase Agreement”	the Asset Purchase Agreement dated 16 October 2006 between Kunming Yun Shun He and Kunming Brilliant relating to, amongst other things, the acquisition by Kunming Yun Shun He (昆明雲順和商業發展有限公司) of certain assets and liabilities of Kunming Brilliant
“Asset Transfer”	the transfer of the assets, liabilities and the business of Kunming Brilliant to Kunming Yun Shun He (昆明雲順和商業發展有限公司) pursuant to the Asset Purchase Agreement
“Associate”	in relation to an individual, his spouse, his child or step-child, any person acting under his instructions (pursuant to an agreement or arrangement, formal or otherwise) and any person or entity controlled by him
“Board”	the board of Directors of the Company
“Bolian Real Estate”	Kunming Bolian Real Estate Development Co. Ltd, a company established under the laws of the PRC with limited liability which is owned by companies which are directly or indirectly owned by the Vendor

## DEFINITIONS

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“Chongqing Parkson”	重慶萬友百盛廣場有限公司 (Chongqing Wanyu Parkson Plaza Co., Ltd.), a sino-foreign equity joint venture enterprise established under the laws of the PRC 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 and a joint venture partner of the Group
“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, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration to be paid by the Purchaser to the Vendor for the Acquisition
“Dalian Tianhe”	大連天河百盛購物中心有限公司 (Dalian Tianhe Parkson Shopping Center Co., Ltd.), a sino-foreign equity joint venture enterprise established under the laws of the PRC
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and joint ventures
“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 sino-foreign equity joint venture enterprise established under the laws of the PRC 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 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 and a joint venture partner of the Group, which is owned as to 30% by Zhang Pei, as to 40% by Zhang Zhi Jun and as to 30% by Zhang Ya
“HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

## DEFINITIONS

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“Inner Mongolia Leader”	內蒙古立達百盛廣場有限公司 (Inner Mongolia Leader Parkson Plaza Co., Ltd), a sino-foreign equity joint venture enterprise established under the laws of the PRC
“Kunming Brilliant”	Kunming Brilliant Parkson Plaza Co Ltd, a limited liability company established under the laws of the PRC on 2 March 2000
“Kunming Brilliant Renmin Road Branch”	branch office of Kunming Brilliant situated at Renmin Zhong Lu, Kunming, Yunnan Province, the PRC and established on 23 December 2004
“Kunming Managed Store”	the department store located at Shanshi Street, Kunming, Yunnan Province, the PRC, which is owned by Kunming Brilliant and managed by the Group
“Kunming Renmin Road Managed Store”	the department store located at Renmin Zhong Lu, Kunming, Yunnan Province, the PRC, which is owned by Kunming Brilliant Renmin Road Branch and managed by the Group
“Kunming Yun Shun He”	Kunming Yun Shun He Retail Development Co Ltd. (昆明雲順和商業發展有限公司), a limited liability company established under the laws of the PRC and having its registered office at 6 Shanshi Road, Kunming, Yunnan, PRC
“Latest Practicable Date”	1 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“LDHB”	Lion Diversified Holdings Berhad, a public limited liability company incorporated and domiciled in Malaysia, the shares of which are listed on the Main Board of Bursa Securities Malaysia Berhad and the controlling shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Managed Stores”	the Kunming Managed Store and the Kunming Renmin Road Managed Store, which the Company managed on behalf of Kunming Brilliant, and for which the Company received consultancy and management services fees
“Mianyang Parkson”	綿陽富臨百盛廣場有限公司 (Mianyang Fulin Parkson Plaza Co., Ltd.), a sino-foreign equity joint venture enterprise incorporated under the laws of the PRC and an indirect subsidiary of the Company, which is owned as to 60% by the Group and as to 40% by Sichuan Fulin

## DEFINITIONS

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“Nanning Brilliant”	南寧柏聯百盛商業有限公司 (Nanning Brilliant Parkson Commercial Co., Ltd.), a sino-foreign equity joint venture enterprise established under the laws of the PRC
“PRC”	the People’s Republic of China
“Purchaser”	Global Heights Investment Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Qingdao No. 1”	青島第一百盛有限公司 (Qingdao No.1 Parkson Co., Ltd.), a sino-foreign equity joint venture enterprise established under the laws of the PRC
“RM”	Ringgit Malaysia, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	the State Administration of Industry and Commerce of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 November 2006 entered into between the Vendor, Mr Kok Lam, and the Purchaser, Global Heights Investment Limited, as further described in this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shaanxi Chang’an Information”	陝西長安信息置業投資有限公司 (formerly known as “陝西天寶置業投資有限公司”) (Shaanxi Chang’an Information Property Investment Co., Ltd.), a limited liability company established under the laws of the PRC and a joint venture partner of the Group, which is owned as to 65.45% by 長安信息產業(集團)股份有限公司 (Chang’an Information Property (Group) Co., Ltd.), as to 20.73% by 西安亞盛實業開有限公司 (Xi’an Ya Sheng Industrial Development Co., Ltd.), as to 6.91% by 陝西眾興企業集團有限公司 (Shaanxi Zhong Xing Enterprise Group Co., Ltd.)
“Shaanxi Shuangyi”	陝西雙翼石油化工有限責任公司 (Shaanxi Shuangyi Petroleum and Chemical Company Limited), a limited liability company established under the laws of the PRC, a joint venture partner of the Group, which is owned as to 40% by Gao Yun Feng and 20% each by Gao Lu, Gao Rui and Si Jin Yi

## DEFINITIONS

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“Shanghai Lion Property”	上海九海金獅物業管理有限公司 (Shanghai Nine Sea Lion Properties Management Co., Ltd.), a sino-foreign co-operative joint venture enterprise established under the laws of the PRC between the Group and Shanghai Nine Sea Industry and an associated company of the Company
“Shanghai Nine Sea Industry”	上海九海實業有限公司 (formerly known as “上海九海實業公司”) (Shanghai Nine Sea Industry Co., Ltd.), a limited liability company established under the laws of the PRC and a joint venture partner of the Group
“Shanghai Nine Sea Parkson”	上海九海百盛廣場有限公司 (formerly known as “上海九海金獅廣場有限公司”) (Shanghai Nine Sea Parkson Plaza Co., Ltd.), a sino-foreign co-operative joint venture enterprise established under the laws of the PRC between the Group and Shanghai Nine Sea Industry and an indirect subsidiary of the Company
“Share(s)”	the ordinary share(s) of the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Shunhe International”	Shunhe International Investment Limited (formerly known as Sino Oriental International Limited), a limited liability company incorporated in Hong Kong
“Sichuan Fulin”	四川富臨實業集團有限公司 (Sichuan Fulin Industrial Group Co., Ltd.), a limited liability company established under the laws of the PRC, a joint venture partner of the Group, which is owned as to 51% by An Zhi Fu, as to 20% by An Dong, as to 20% by Nie Dan, as to 5% by An Zhou and as to 4% by Xu Bo
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Vendor”	Mr Kok Lam
“Wuxi Distribution”	無錫市供銷合作總社 (Wuxi Distribution Corporation), a collectively-owned enterprise established under the laws of the PRC and a joint venture partner of the Group

## DEFINITIONS

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“Wuxi Parkson”	無錫三陽百盛廣場有限公司 (Wuxi Sanyang Parkson Plaza Co., Ltd.), a sino-foreign equity joint venture enterprise established under the laws of the PRC and an indirect subsidiary of the Company, which is owned as to 60% by the Group and as to 40% by Wuxi Distribution
“Xi’an Chang’an Parkson”	西安長安百盛百貨有限公司 (Xi’an Chang’an Parkson Store Co., Ltd.), a limited liability company established under the laws of the PRC and an indirect subsidiary of the Company, which is owned as to 51% by the Group and as to 49% by Shaanxi Chang’an Information
“Xi’an Shidai Parkson”	西安時代百盛百貨有限公司 (Xi’an Shidai Parkson Store Co., Ltd.), a limited liability company established under the laws of the PRC and an indirect subsidiary of the Company, which is owned as to 51% by the Group and as to 49% by Shaanxi Shuanyi
“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 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 Friendship (Group) Co., Ltd.), a public limited liability company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange, and a joint venture partner of the Group
“Yangzhou Commercial”	揚州商業大廈 (Yangzhou Commercial Plaza), a state-owned enterprise established under the laws of the PRC and a joint venture partner of the Group
“Yangzhou Parkson”	揚州百盛商業大廈有限公司 (Yangzhou Parkson Plaza Co., Ltd.), a sino-foreign equity joint venture enterprise established under the laws of the PRC and an indirect subsidiary of the Company, which is owned as to 55% by the Group and as to 45% by Yangzhou Commercial
“%”	per cent.





**PARKSON RETAIL GROUP LIMITED**

*(a company incorporated in the 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. Studer Werner Josef  
Mr. Ko Tak Fai, Desmond

*Registered office:*

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*Principal place of business in Hong Kong:*

Suite 1316  
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Hong Kong

8 December 2006

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF MANAGED STORES IN KUNMING**

**INTRODUCTION**

On 16 November 2006, the Company announced that it had agreed to acquire, indirectly, the entire equity interest of Kunming Yun Shun He, which owns two “Parkson” branded Managed Stores in Kunming City of the PRC, namely the Kunming Managed Store and the Kunming Renmin Road Managed Store.

The Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. This circular contains details of the Acquisition required to be disclosed under the Listing Rules.

# LETTER FROM THE BOARD

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## THE SALE AND PURCHASE AGREEMENT

### Date

15 November 2006

### Parties

Vendor: Kok Lam

Purchaser: Global Heights Investment Limited (a wholly owned subsidiary of the Company)

### The Acquisition

Pursuant to the Sale and Purchase Agreement, the Purchaser has acquired the entire issued share capital of Asia Victory from the Vendor. Prior to the entering into of the Sale and Purchase Agreement, the Vendor, Mr Kok Lam, was the legal and beneficial owner of the entire issued share capital of Asia Victory. Asia Victory is the sole legal and beneficial owner of the entire issued share capital in Shunhe International, which in turn is the sole legal and beneficial owner of the equity interest in Kunming Yun Shun He. Kunming Yun Shun He owns two “Parkson” branded Managed Stores in Kunming City of the PRC, namely, the Kunming Managed Store and the Kunming Renmin Road Managed Store.

### Consideration and Completion

The Consideration for the Acquisition payable by the Purchaser under the Sale and Purchase Agreement is RMB 315,608,099. The Consideration is to be financed from the Company’s internal resources.

RMB 195,260,787 of the Consideration was paid to the Vendor in cash on 16 November 2006 against the Vendor’s delivery of certain documents to the Purchaser, including the duly executed transfer documents to effect the transfer of the entire issued share capital of Asia Victory to the Purchaser.

The remaining sum of RMB 120,347,312 was paid to the Vendor upon completion of the Acquisition on 23 November 2006, against the Vendor’s delivery of evidence of the following:

- (i) full settlement of the outstanding amounts payable by Bolian Real Estate to Kunming Yun Shun He; and
- (ii) full settlement of the outstanding amounts payable by Bolian Real Estate to Kunming Brilliant and its affiliates.

The Consideration was paid in the HKD equivalent of RMB based on the middle rate published by the People’s Bank of China for the conversion of RMB to HKD, on the respective dates of payment.

## LETTER FROM THE BOARD

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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 combined historical earnings of the Kunming Managed Store and Kunming Renmin Road Managed Store. The Directors are of the view that the terms of Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Post Completion Undertakings**

Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes, for the benefit of the Purchaser, that he will not, and will procure that none of his Associates will, for a period of three years after the completion of the Sale and Purchase Agreement, carry on or be engaged, concerned or interested (directly or indirectly) in any business of retail merchandise in department stores of similar size within the PRC which directly or indirectly competes with the business of the Purchaser.

The Vendor further undertakes that he will not, at any time after the date of the Sale and Purchase Agreement, allow the direct or indirect use by the Vendor or any of his Associates of the “Parkson” and “百盛” service mark, trade name or logo (whether registered or not), and shall also undertake to complete the change of the company name of Kunming Brilliant before 1 May 2007, so as to remove “百盛” from Kunming Brilliant’s company name and to provide documents issued by SAIC evidencing such change.

### **INFORMATION ON THE VENDOR, ASIA VICTORY, SHUNHE INTERNATIONAL, AND KUNMING YUN SHUN HE**

The Vendor, Mr Kok Lam, is a businessman, and is independent of and not connected with the Company. Prior to the entering into of the Sale and Purchase Agreement, the Vendor was the legal and beneficial owner of the entire issued share capital of Asia Victory. Asia Victory is a special purpose investment holding company, the sole asset of which is the entire issued share capital in Shunhe International. Shunhe International is in turn, the sole legal and beneficial owner of the equity interest in Kunming Yun Shun He, which owns the two “Parkson” branded Managed Stores located in Kunming City, the PRC.

The above structure of Asia Victory and its subsidiaries is the result of a reorganisation which had been completed prior to the Acquisition. As part of the reorganisation, Kunming Yun Shun He and Kunming Brilliant entered into an Asset Purchase Agreement, whereby Kunming Yun Shun He acquired certain assets, liabilities and the business of Kunming Brilliant, including its two “Parkson” branded Managed Stores, namely the Kunming Managed Store and the Kunming Renmin Road Managed Store. The assets acquired pursuant to the Asset Purchase Agreement are those assets relevant and needed to enable Kunming Yun Shun He to continue the business. The assets, which comprise of current assets and renovation costs, amounted to RMB 84.7 million in book value. Assets not relevant to the business were not acquired. In respect of liabilities, only selected liabilities were transferred to Kunming Yun Shun He. The liabilities so acquired amounted to the value of the assets acquired, which is RMB 84.7 million.

The principal business of Kunming Brilliant was the ownership of the Kunming Managed Store and the Kunming Renmin Road Managed Store, prior to the transfer of such ownership to Kunming Yun Shun He. Kunming Brilliant is beneficially owned by the Vendor. Before the Acquisition, the Company managed the stores pursuant to a management services contract with Kunming Brilliant, for which the Company received consultancy and management services fees. The management services contract ceased after the date of completion of the Acquisition.

### **INFORMATION ON THE LEASES AND CONCESSIONAIRE AGREEMENTS OF THE KUNMING MANAGED STORE**

Prior to the Asset Purchase Agreement which was entered into on 16 October 2006 and which completed on 31 October 2006, a lease agreement was in place internally between Kunming Brilliant and Bolian Real Estate, as the landlord, in relation to the Kunming Managed Store. Both companies are owned and controlled by the Vendor. Pursuant to the Asset Purchase Agreement, the above lease agreement was terminated, and a new lease has been entered into between Kunming Yun Shun He and Bolian Real Estate. The new lease is for a term of 20 years, commencing on 1 November 2006 and terminating on 31 December 2026, for a gross area of approximately 28,056 square meters. Rent payable for the period from 1 November 2006 to 31 December 2008 will be calculated based on 4.5% of the net sales turnover of the store. From 1 January 2009 onwards, the rental payable will be based on (i) 4% of the net sales turnover for merchandise sold at the supermarket, as well as jewellery, mobile phones, luxury watches and digital cameras, and (ii) 6% of the net sales turnover for all other merchandise.

Prior to the Asset Purchase Agreement, there were also separate concessionaire agreements between Kunming Brilliant and third party concessionaires. Pursuant to the Asset Purchase Agreement, new concessionaire agreements on the same terms and conditions as before were entered into between Kunming Yun Shun He and all third party concessionaires. The concessionaire agreements follow a standard format. However, the terms and conditions of the concessionaire agreements differ as between the various concessionaires depending on various factors including the type of merchandise, brand popularity, geographical coverage of the brand and its track record.

The above contractual arrangements (post-completion of the Asset Purchase Agreement) in relation to the store remain unchanged after the Completion of the Acquisition on 23 November 2006.

## LETTER FROM THE BOARD

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### INFORMATION ON THE LEASES AND CONCESSIONAIRE AGREEMENTS OF THE KUNMING RENMIN ROAD MANAGED STORE

Prior to the Asset Purchase Agreement, a lease agreement was in place between Kunming Brilliant and Xinan Commercial Building Co Ltd, as the landlord, in relation to the Kunming Renmin Road Managed Store. Pursuant to the Asset Purchase Agreement, the rights under the lease agreement were assigned to Kunming Yun Shun He. The lease is for a term of up to 31 December 2019, for a gross area of approximately 21,152 square meters. Annual rent payable is calculated based on the higher of:

- (i) the minimum rental payable of RMB 10,800,000; and
- (ii) an amount based on the net sales turnover of the store calculated as follows:
  - (a) 3% on the net sales turnover for merchandise sold at the supermarket and 6% on the net sales turnover for all other merchandise sold at the store, where the annual total net sales turnover is RMB 500 million or below; plus
  - (b) 1.5% on net sales turnover for merchandise sold at the supermarket and 3% on the net sales turnover for all other merchandise sold at the store, where the annual total net sales turnover is above RMB 500 million.

Prior to the Asset Purchase Agreement, there were also separate concessionaire agreements between Kunming Brilliant and third party concessionaires. Pursuant to the Asset Purchase Agreement, new concessionaire agreements on the same terms and conditions as before were entered into between Kunming Yun Shun He and all third party concessionaires. The concessionaire agreements follow a standard format. However, the terms and conditions of the concessionaire agreements differ as between the various concessionaires depending on various factors including the type of merchandise, brand popularity, geographical coverage of the brand and its track record.

The above contractual arrangements (post-completion of the Asset Purchase Agreement) in relation to the store remain unchanged after the Completion of the Acquisition on 23 November 2006.

### INFORMATION ON THE COMPANY AND THE PURCHASER

The Company and its subsidiaries are principally engaged in the operation of 36 “Parkson” branded department stores and two “Xtra” branded supercentres situated in prime locations in 26 cities in the PRC. The Group offers a wide range of merchandise in those department stores and supercentres, including fashion and apparel, cosmetics and accessories, household, electrical goods and groceries.

The principle business of the Purchaser, which is a wholly-owned subsidiary of the Company, is to invest in the department store business in the PRC.

# LETTER FROM THE BOARD

## HISTORICAL FINANCIAL INFORMATION ABOUT ASIA VICTORY AND KUNMING BRILLIANT

Asia Victory, Shunhe International and Kunming Yun Shun He were created for the purposes of the reorganisation of the ownership structure of Asia Victory and its subsidiaries. Kunming Yun Shun He was established on 30 August 2006. As a result, no historical financial information for these entities is available. The Company made reference to the combined historical earnings of the Kunming Managed Store and Kunming Renmin Road Managed Store in its negotiations with the Vendor, and in agreeing on the amount of the Consideration.

The Company has extensive experience in managing and operating department stores in the PRC market. On that basis, and having regard to market benchmarks (to which the Company also had regard in its previous acquisitions, which benchmarks are reflected in the Company's circular of 16 June 2006 pertaining to the acquisition of the then outstanding 44% interest in Parkson Retail Development Co., Ltd), the Directors believe that the consideration payable for the Acquisition is favourable and in line with such market benchmarks.

Set out below is the audited historical financial information of Kunming Brilliant:

<b>(Audited under PRC generally accepted accounting principles)</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2004</b>	<b>2005</b>
	<i>(in RMB '000)</i>	<i>(in RMB '000)</i>
Net profit before tax	32,850	42,644
Net profit after tax	20,314	28,572
Total gross sales proceeds <sup>(1)</sup>	391,358	588,728
Total operating revenue <sup>(2)</sup>	NA <sup>(3)</sup>	211,380

(1) "Total gross sales proceeds" includes direct sales, gross sales proceeds from concessionaire sales, rental income and other operating revenue.

(2) "Total operating revenue" includes direct sales, commissions from concessionaire sales, rental income and other operating revenue. Gross sales proceeds from concessionaire sales are not recognised under Hong Kong generally accepted accounting principles. Under Hong Kong generally accepted accounting principles, revenue must be calculated on the basis of "total operating revenue", which only recognises the commission arising from concessionaire sales.

(3) The audited financial statements of Kunming Brilliant for the 2004 financial year was prepared under the PRC generally accepted accounting principles, which recognises "gross sales proceeds". Kunming Brilliant was not required to prepare its accounts based on "total operating revenue" in its 2004 financial year. However, information on "total operating revenue" is available for the year ending 31 December 2005.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

Kunming Managed Store and Kunming Renmin Road Managed Store are both strategically located in Kunming City, the capital city of the Yunan Province in the PRC. Both are established and profitable department stores, in particular the Kunming Managed Store which has been in operation for more than 5 years.

## LETTER FROM THE BOARD

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The Board believes that the Acquisition would immediately enhance the growth and profitability of the Group. Ownership of the Managed Stores will enable the decision making process on the operation of the Managed Stores to become more efficient and will also provide greater flexibility in the implementation of the expansion plan for the Managed Stores. This will also complement the Group's long term growth strategy.

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

### **DISCLOSEABLE TRANSACTION**

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Vendor is a third party independent of both the Company and connected persons (as defined in the Listing Rules) of the Company.

According to the Listing Rules, the Acquisition constitutes a discloseable transaction of the Company which is subject to the relevant requirements as set out in Rules 14.34 to 14.36 and 14.38 to 14.39 of the Listing Rules.

### **FINANCIAL EFFECT OF THE ACQUISITION ON THE GROUP**

#### *Total assets*

The Consideration for the Acquisition was and will be financed from internal resources of the Group. Accordingly, other than the value of the assets acquired by Kunming Yun Shun He from Kunming Brilliant pursuant to the Asset Purchase Agreement, which amounted to RMB 84.7 million, the Acquisition will not have any material impact on the total assets of the Group.

#### *Liability*

Other than the liabilities transferred to Kunming Yun Shun He, which amounted to RMB 84.7 million, which amount is equivalent to the value of the assets acquired by Kunming Yun Shun He from Kunming Brilliant pursuant to the Asset Purchase Agreement, there will be no impact on the liability of the Group as the Consideration for the Acquisition was paid in cash and financed from internal resources of the Group.

#### *Earnings*

On the basis of the financial performance of Kunming Brilliant for the financial year of 2005 and the fact that it represented a significant improvement to the previous financial year, the Board considers that the Acquisition will enhance the earnings of the Group.

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## LETTER FROM THE BOARD

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### *Liquidity*

Taking into account the Group's unaudited cash and cash-equivalent balance (which was approximately RMB 1.6 billion as at 30 September 2006) and the positive operating cashflows of the Group's business, the Directors consider that the payment of the Consideration for the Acquisition would have no material adverse effect on the liquidity of the Group.

Accordingly, the Acquisition would not have any material impact on the financial position of the Group.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the general information as set out in the appendix of this circular.

By Order of the Board  
**Cheng Yoong Choong**  
*Managing Director*



**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**

(i) 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 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 in the Listing Rules, were as follows:

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

<b>Name of 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>
Company	Corporate interest	PRG Corporation <sup>1</sup>	PRG Corporation	306,360,000 ordinary shares	55.50%

*Note:*

1. Tan Sri Cheng Heng Jem, together with his wife, Puan Sri Chan Chau Ha alias Chan Chau Har, through their direct 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 LDHB. Since LDHB is entitled to exercise or control the exercise of 100% of the voting power at general meeting of PRG Corporation, pursuant to the SFO, he is deemed to be interested in the Shares held by PRG Corporation in the Company.

(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
PRG Corporation	Corporate interest	LDHB	LDHB	1 ordinary share	100%
Lion Mahkota Parade Sdn. Bhd.	Corporate interest	LDH Management Sdn. Bhd.	LDH Management Sdn. Bhd.	400,000 preference shares	100%
LDHB	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	415,090,930 ordinary shares	59.94% <sup>1</sup>

*Note:*

1. This represents Tan Sri Cheng Heng Jem's interest as at the Latest Practicable Date. This figure will increase if any of the debentures referred in sub-paragraph (c) below are converted into shares in LDHB.

The following are the associated corporations (as defined in the SFO) of the Company in which Tan Sri Cheng Heng Jem is deemed interested as a result of his controlling interest in LDHB (the figures in brackets represent LDHB's interests in these corporations): Qingdao No. 1 (52.60%), Hamba Research & Development Co., Ltd. (98%), Nanning Brilliant (70%), Dalian Tianhe (60%), Aktif-Sunway Sdn. Bhd. (80%), Panareno Sdn. Bhd. (35%) and Inner Mongolia Leader (25%).

In relation to the following associated corporations (as defined in the SFO) of the Company which are non wholly-owned subsidiaries of LDHB, Tan Sri Cheng Heng Jem is also deemed interested in the remaining minority interest in those corporations as follows:

Name of associated corporation	LDHB's interest	Additional deemed interest
Lion Mahkota Parade Sdn. Bhd. <sup>D</sup>	99.99%	0.01% <sup>A</sup>
Likom CMS Sdn. Bhd.	99.98%	0.02% <sup>B</sup>
LDH Investment Pte. Ltd.	60%	40% <sup>C</sup>

*Notes:*

- A. Corporate interest through Ayer Keroh Resort Sdn. Bhd. Tan Sri Cheng Heng Jem, through a series of companies in which he has a substantial interest, is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, he is deemed to be interested in the shares held by Ayer Keroh Resort Sdn. Bhd. in Lion Mahkota Parade Sdn. Bhd.

- B. Corporate interest through Likom Computer System Sdn. Bhd. Tan Sri Cheng Heng Jem is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, he is deemed to be interested in the shares held by Likom Computer System Sdn. Bhd. in Likom CMS Sdn. Bhd.
- C. Corporate interest through Lion Asia Investment Pte. Ltd. Tan Sri Cheng Heng Jem, through a series of companies in which he has a substantial interest, is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, he is deemed to be interested in the shares held by Lion Asia Investment Pte. Ltd. in LDH Investment Pte. Ltd.
- D. Interest refers to the class of ordinary shares of Lion Mahkota Parade Sdn. Bhd. Interest in the class of preference shares is disclosed in preceding table under sub-paragraph (b) above.

(c) *Long Positions of Tan Sri Cheng Heng Jem in the debentures of the Company and its associated corporations (as defined in the SFO):*

Through beneficial and corporate interests, Tan Sri Cheng Heng Jem is deemed to be interested in 93.66% of the RM38.4 million 2% redeemable convertible unsecured loan stock due 31 May 2009 issued by LDHB (“RCULS”) as follows:

- corporate interest<sup>1</sup> (through Amsteel Corporation Berhad) in 89.18% of the RCULS;
- corporate interest<sup>2</sup> (through Lion Industries Corporation Berhad) in 4.48% of the RCULS.

In addition, Tan Sri Cheng Heng Jem has a beneficial interest in the RCULS held by Amsteel Corporation Berhad and Lion Industries Corporation Berhad (amounting in aggregate to 93.66% of the RCULS in issue) as follows:

- option granted by Amsteel Corporation Berhad to Tan Sri Cheng Heng Jem to acquire 89.18% of the RCULS held by Amsteel Corporation Berhad;
- option granted by Lion Industries Corporation Berhad to Tan Sri Cheng Heng Jem to acquire 4.48% of the RCULS.

The above options are and will remain exercisable until 15 December 2006.

*Notes:*

1. Corporate interest through Amsteel Corporation Berhad. Tan Sri Cheng Heng Jem is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, Tan Sri Cheng Heng Jem is interested in the RCULS held by Amsteel Corporation Berhad.
2. Corporate interest through Lion Industries Corporation Berhad. Tan Sri Cheng Heng Jem is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, Tan Sri Cheng Heng Jem is interested in the RCULS held by Lion Industries Corporation Berhad.
3. The percentage figures given above with respect to the RCULS are as at the Latest Practicable Date. These figures will change upon the exercise of any of these debentures.

(d) *Long Positions of Cheng Yoong Choong 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
LDHB	Beneficial interest	Cheng Yoong Choong	Cheng Yoong Choong	998,846 ordinary shares	0.14%

Save as disclosed in this circular, 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 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 for Securities Transactions by Directors of Listed Issuers.

#### 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 an interest in the Company's 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:

Name of shareholder	Nature of interest	Number of shares	Percentage of shareholding (direct or indirect)
PRG Corporation	Beneficial	306,360,000	55.50%
LDHB	Corporate	306,360,000 (Note 2)	55.50%
Puan Sri Chan Chau Ha alias Chan Chow Har (Note 3)	Interest of spouse	306,360,000	55.50%
Lion Development (Penang) Sdn. Bhd.	Beneficial and corporate	306,360,000 (Note 4)	55.50%
Pangkor Investments (Cayman Islands) Limited	Beneficial	54,648,000	9.9%
Khazanah Nasional Berhad	Corporate	54,648,000 (Note 5)	9.9%

Notes:

- All of the above are long positions.

2. PRG Corporation is a wholly-owned subsidiary of LDHB. By virtue of the SFO, LDHB is deemed to be interested in the Shares held by PRG Corporation in the Company.
3. 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 306,360,000 Shares which Tan Sri Cheng Heng Jem is deemed to be interested in for the purposes of the SFO.
4. Lion Development (Penang) Sdn. Bhd., directly and through a series of controlled companies, is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of LDHB. Since LDHB is entitled to exercise or control the exercise of 100% of the voting power at general meetings of PRG Corporation, by virtue of the SFO, Lion Development (Penang) Sdn. Bhd. is deemed to be interested in the Shares held by PRG Corporation in the Company.
5. Pangkor Investments (Cayman Islands) Limited is a wholly-owned subsidiary of Khazanah Nasional Berhad. As such Khazanah Nasional Berhad is deemed to be interested in the 54,648,000 Shares held by Pangkor Investments (Cayman Islands) Limited for the purposes of the SFO.

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, 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 meetings of a member of the Group other than the Company:

Substantial Shareholder	Member of the Group	Percentage of equity interest held
Xinjiang Youhao	Xinjiang Parkson	49%
Wuxi Distribution	Wuxi Parkson	40%
Yangzhou Commercial <sup>1</sup>	Yangzhou Parkson	45%
Shaanxi Chang'an Information <sup>1</sup>	Xi'an Chang'an Parkson	49%
Shaanxi Shuang Yi <sup>2</sup>	Xi'an Shidai Parkson	49%
Sichuan Fulin <sup>3</sup>	Mianyang Parkson	40%
Chongqing Wanyou	Chongqing Parkson	30%
Guizhou Shenqi Enterprise <sup>4</sup>	Guizhou Parkson	40%
Anshan Tianxing <sup>5</sup>	Anshan Parkson	49%
Shanghai Nine Sea Industry	Shanghai Lion Property	71% <sup>6</sup>
Shanghai Nine Sea Industry	Shanghai Nine Sea Parkson	29% <sup>6</sup>

*Notes:*

1. 長安信息(產業)集團股份有限公司 (Chang'an Information (Property) Group Holding Company Limited), a PRC joint stock company, the shares of which are being listed on the Shanghai Stock Exchange owns 65.45% of the equity interest of Shaanxi Chang'an Information, representing a 32.07% indirect equity interest in Xi'an Chang'an Parkson.
2. 陝西雙翼石油化工有限公司 (Shaanxi Shuangyi Petroleum and Chemical Company Limited) acquired from Xi'an Xinrun the equity interest in Xi'an Shidai Parkson on 4 September 2006.
3. 安治富 (An Zhifu) owns 51% of the equity interest in Sichuan Fulin, representing a 20.40% indirect equity interest in Mianyang Parkson.

4. 張沛 (Zhang Pei), 張之君 (Zhang Zhi Jun) and 張姪 (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.
5. Each of 鞍山市金羽經貿有限公司 (Anshan City Jinyu Jingmao Company Limited) and 香港贊明有限公司 (Praise Shine Company Limited) owns 50% of the equity interest in Anshan Tianxing, representing 24.5% indirect equity interest in Anshan Parkson.
6. 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, which is 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 in this circular and so far as the Directors 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.

## SERVICE 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)).

## 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 LDHB which owns 11 department stores in the PRC. These 11 department stores are managed by the Group.

## 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), 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.