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PARKSON RETAIL GROUP LIMITED

百盛商業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3368)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF MANAGED STORES
RESUMPTION OF TRADING**

The Board is pleased to announce that the Company has agreed to acquire, indirectly, the equity interest in Kunming Yun Shun He, which owns two “Parkson” branded Managed Stores in Kunming City of the PRC, namely, the Kunming Managed Store and Kunming Renmin Road Managed Store. Specifically, the Company, through a wholly-owned subsidiary of the Company, has entered into a Sale and Purchase Agreement in which the Vendor has agreed to sell and the Purchaser has agreed to purchase 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.

The Acquisition constitutes a discloseable transaction for the Company which is subject to the relevant requirements under Chapter 14 of the Listing Rules. A circular providing the information required under the Listing Rules will be despatched to shareholders of the Company within 21 days after the publication of this Announcement.

Trading in the shares of the Company was suspended at the request of the Company from 9:30 a.m. on 16 November 2006 pending the release of this Announcement. The Company has applied for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 17 November 2006.

The Board is pleased to announce that the Company has agreed to acquire, indirectly, the equity interest in Kunming Yun Shun He, which owns two “Parkson” branded Managed Stores in Kunming City of the PRC, namely, the Kunming Managed Store and Kunming Renmin Road Managed Store. The acquired equity interest in Kunming Yun Shun He will be consolidated into the accounts of the Company following the Acquisition.

THE SALE AND PURCHASE AGREEMENT

Date

15 November 2006

Parties

Vendor: Kok Lam

Purchaser: Global Heights Investment Limited

The Acquisition

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Asia Victory. The Vendor, Mr Kok Lam, is 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 Kunming Renmin Road Managed Store.

Consideration and Completion

The total consideration for the Acquisition is RMB 315,608,099.00, which shall be satisfied by payment in cash and financed by internal resources of the Company.

The Purchaser shall pay the Vendor in cash part of the consideration, amounting to the sum of the HKD equivalent of RMB195,260,787 for the transfer of the issued share capital of Asia Victory within two days of the date of the Sale and Purchase Agreement, against the Vendor’s delivery of certain documents to the Purchaser on the date of the Sale and Purchase Agreement, pursuant to the terms of the Sale and Purchase Agreement. On the date of the Sale and Purchase Agreement, and notwithstanding that the Acquisition has yet to be “completed”, the Vendor duly executed and delivered the relevant transfer documents to effect the transfer of the entire issued share capital of Asia Victory to the Purchaser.

Completion shall take place on the date when the Vendor has complied with its completion obligations as set out in the Sale and Purchase Agreement, including:

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

The Purchaser shall only pay the Vendor the remaining consideration, amounting to the sum of the HKD equivalent of RMB120,347,312 within 2 days from completion, against compliance by the Vendor of its obligations above.

The consideration shall be 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.

The Directors consider that the total consideration for the entire issued share capital of Asia Victory reflects normal commercial terms which were arrived at after arm's-length negotiations between the Vendor and the Purchaser, with reference to the aggregated historical earnings of the Kunming Managed Store and Kunming Renmin Road Managed Store. Both stores are located in Kunming City.

Completion is expected to take place within one month from the date of the Sale and Purchase Agreement.

INFORMATION ON 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, which 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 in turn is the owner of the two Parkson branded Managed Stores located in Kunming City of the PRC.

The Vendor, Mr Kok Lam, is a businessman. The Vendor is independent of and not connected with the Company.

To facilitate the Acquisition, the ownership structure of Asia Victory and its subsidiaries was reorganised into the structure mentioned above. As part of the reorganisation, which has been completed, the Asset Purchase Agreement was also entered into between Kunming Yun Shun He and Kunming Brilliant, 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 Kunming Renmin Road Managed Store. The assets acquired 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 that were not relevant to the business were not acquired. With respect to 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 Kunming Renmin Road Managed Store, prior to the transfer of such ownership to Kunming Yun Shun He. Prior to 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 will cease on completion. Kunming Brilliant is beneficially owned by the Vendor.

Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes to 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 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.

Further, the Vendor undertakes that he will not, at any time after the date of the Sale and Purchase Agreement, allow the 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 name and shall produce documents evidencing such change.

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, a wholly owned subsidiary of the Company, is to invest in the department store business in the PRC.

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, and the Asset Transfer pursuant to the terms of the Asset Purchase Agreement. 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 aggregated historical earnings of the Kunming Managed Store and Kunming Renmin Road Managed Store) when it negotiated the consideration for this Acquisition. The Directors believe that, based on the historical earnings of the Kunming Managed Store and the Kunming Renmin Road Managed Store, the consideration payable for the Acquisition is favourable and is in line with market benchmarks.

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

(Audited under PRC generally accepted accounting principles) <i>(in RMB '000)</i>	Year ended 31 December 2004 <i>(in RMB '000)</i>	Year ended 31 December 2005 <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 ⁽¹⁾	391,358	588,728
Total operating revenue ⁽²⁾	NA ⁽³⁾	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 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. Both are established and profitable department stores, in particular the Kunming Managed Store which has been in operation for more than 5 years.

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

At the date of this Announcement, 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 also 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.

A circular containing, among other things, details of the Acquisition and the information required under the Listing Rules will be despatched to the shareholders of the Company within 21 days after the publication of this Announcement.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the shares of the Company was suspended at the request of the Company from 9:30 a.m. on 16 November 2006 pending the release of this Announcement. The Company has applied for the resumption of trading in the Shares of the Company with effect from 9:30 a.m. on 17 November 2006.

DEFINITIONS

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

“Acquisition”	means the transactions contemplated under the Sale and Purchase Agreement;
“Asia Victory”	means Asia Victory International Limited, an international business company incorporated under the laws of the British Virgin Islands;
“Asset Purchase Agreement”	means the Asset Purchase Agreement dated 16 October 2006 and entered into 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”	means 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”	means, 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”	means the board of directors of the Company;
“Bolian Real Estate”	means Kunming Bolian Real Estate Development Co. Ltd, a company established under the laws of the PRC with limited liability which is or indirectly owned by the Vendor;
“Directors”	means directors of the Company;
“Group”	means the Company, its subsidiaries and joint ventures;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“HKD”	means the lawful currency of Hong Kong;
“Kunming Brilliant”	means 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”	means the branch office of Kunming Brilliant situated at Renmin Zhong Lu, Kunming, Yunnan Province, the PRC and established on 23 December 2004;

“Kunming Managed Store”	means 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”	means 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”	means 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;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd;
“Managed Stores”	means 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;
“PRC”	means the People’s Republic of China;
“Purchaser”	means Global Heights Investment Limited, a company incorporated in the British Virgin Islands;
“RMB”	means the lawful currency of the PRC from time to time;
“Sale and Purchase Agreement”	means the sale and purchase agreement dated 15 November 2006 entered into between the Purchaser and the Vendor;
“Shunhe International”	means Shunhe International Investment Limited (formerly known as Sino Oriental International Limited), a limited liability company incorporated in Hong Kong;
“Vendor”	means Mr Kok Lam

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

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

Hong Kong, 16 November 2006

Please also refer to the published version of this announcement in South China Morning Post.