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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)**

### **PROPOSED ISSUE OF APPROXIMATELY US\$200 MILLION SENIOR GUARANTEED NOTES DUE 2011**

Parkson Retail Group Limited (the "**Company**") wishes to announce certain information regarding its proposed offering (the "**Offering**") of approximately US\$200 million aggregate principal amount of Senior Notes due 2011 (the "**Notes**"). The coupon on the Notes is expected to be determined on or around 6 November 2006. The Offering is arranged by J.P. Morgan Securities Ltd. as sole Bookrunner and Lead Manager.

The Offering, combined with the arrangements described below, will enable the Company to obtain long-term financing from international institutional investors.

The Company intends to use substantially all of the net proceeds of the Offering to purchase a credit linked note (the "**CLN**") issued by J.P. Morgan Chase Bank, N.A., London Branch ("**CLN Issuer**") and sold to the Company by J.P. Morgan Securities Ltd. Simultaneous with the purchase of the CLN, certain subsidiaries of the Company located in the PRC (the "**Onshore Entities**") will enter into a series of loans with JPMorgan Chase Bank, Shanghai Branch ("**JPMorgan Shanghai**") to borrow an aggregate principal amount of up to approximately RMB1,500 million (at the current exchange rate, equivalent to approximately US\$190 million) (the "**Onshore Loans**"). The Company intends to use the proceeds from the Onshore Loans for the expansion of the Company's business in the PRC.

The directors believe that the Offering of the Notes is of sufficient materiality to disclose pursuant to Rule 13.09(1) of the Listing Rules.

## INTRODUCTION

The Company wishes to announce certain information regarding the Offering of the Notes. The Notes will be guaranteed by certain of the Company's subsidiaries. The Offering is arranged by J.P. Morgan Securities Ltd. as sole Bookrunner and Lead Manager.

## PURPOSE OF ISSUE AND STRUCTURE

The Offering, combined with the arrangements described below, will enable the Company to obtain long-term financing from international institutional investors.

The Company intends to use substantially all of the net proceeds of the Offering to purchase the CLN issued by the CLN Issuer and sold to the Company by J.P. Morgan Securities Ltd. Simultaneous with the purchase of the CLN, the Onshore Entities will enter into a series of loans with JPMorgan Shanghai to borrow the Onshore Loans. The Company intends to use the proceeds from the Onshore Loans for the expansion of the Company's business in the PRC.

## PRINCIPAL TERMS OF THE NOTES

The Company intends to issue approximately US\$200 million aggregate principal amount of Notes in the proposed offering. The Company will issue notes only in fully registered form without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000.

The Notes will mature five years from the date of issuance.

The Notes will be:

- (a) senior obligations of the Company;
- (b) effectively subordinated to all existing and future secured debt of the Company to the extent of the value of the assets securing that debt;
- (c) *pari passu* with all existing and future senior debt of the Company;
- (d) senior in right of payment to all existing and future debt of the Company expressly subordinated in right of payment to the Notes;
- (e) guaranteed on a senior basis by certain subsidiary guarantors of the Company incorporated outside of the PRC (the "**Subsidiary Guarantors**");
- (f) secured by a pledge of all of the Company's equity interests in the capital stock of the Subsidiary Guarantors on a first priority basis;
- (g) redeemable up to 35% from the proceeds of certain equity offerings;
- (h) subject to certain conditions, redeemable in whole, but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the applicable "make whole" premium; and

- (i) subject to certain covenants by the Company, including limitations on the incurrence of debt, limitations on certain restricted payments, limitations on asset sales, and limitations on transactions with affiliates of the Company.

## **LISTING OF THE NOTES**

Application has been made for the listing of the Notes on the Official List of Singapore Exchange Securities Trading Limited (“SGX-ST”) for the listing and quotation of the Notes on the SGX-ST.

## **THE CLN AND THE ONSHORE LOANS**

The CLN is expected to be in a principal amount of approximately US\$200 million. The Company expects to utilise payments of interest and principal on the CLN by the CLN Issuer to meet its payments obligations on the Notes.

The aggregate principal amount of the Onshore Loans will be approximate to that of the CLN. The Onshore Loans will be unsecured and for a tenor approximate to the Notes.

However, in the event of the occurrence of certain trigger default events in relation to the Onshore Loans or the Onshore Entities, the CLN will be subject to early redemption at a final price based on the recovery value of the Onshore Loans as may be reasonably determined by JPMorgan Chase Bank, and the CLN Issuer will cease to be obligated to pay any amounts due under the CLN to the Company. Moreover, either the CLN Issuer or J.P. Morgan Securities Ltd. will also repay to the Company, to the extent required, an amount based on that which JPMorgan Shanghai has recovered and received through the liquidation process of the Onshore Entities.

## **FINANCIAL IMPACT ON THE COMPANY**

Based on the structure of the transactions described above, the Company’s consolidated accounts will show an increase in reported debt as the Notes and the Onshore Loans will both be consolidated into the books of the Company.

However, the effective impact on economic leverage of the Onshore Loans and the CLN described above will be neutral to the Company on a consolidated basis since (i) the interest and principal payments from the CLN will be used to service the Notes, and (ii) upon early redemption of the CLN resulting from the occurrence of certain events of default on the Onshore Loans or by the Onshore Entities, the CLN Issuer and J.P. Morgan Securities Ltd. (jointly and severally) will pay to the Company an amount based on the amount received by JPMorgan Shanghai through the liquidation process of the Onshore Entities or third party purchasers of the defaulted Onshore Loans (in each case, to the extent such amount is in excess of the value of the Onshore Loans as at the occurrence of the event of default on the Onshore Loans or by the Onshore Entities as determined by the calculation agent under the CLN).

The complete structure of the transaction, on a consolidated basis, provides the Company and its Onshore Subsidiaries with a net borrowing cost that is expected to be lower than that of traditional financing. Further, the transactions will also serve to protect the Company from exposure to currency fluctuations of the RMB (as the reporting currency of the Company) against the US\$.

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, 31 October 2006

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