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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 JIANGXI KAIMEI**

The Board is pleased to announce that the Company, has agreed to acquire, indirectly, the equity interest in Jiangxi Kaimei, a company which owns and operates the K&M Store in Nanchang City in the Jiangxi Province of the PRC. 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 in Golden Village Group Limited, which in turn is the sole legal and beneficial owner of the equity interest in Jiangxi Kaimei.

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 dispatched to shareholders of the Company within 21 days after the publication of this Announcement.

The Board is pleased to announce that the Company has agreed to acquire, indirectly, the entire equity interest in Jiangxi Kaimei, which owns and operates the K&M Store in Nanchang City in the Jiangxi Province of the PRC. The acquired equity interest in Jiangxi Kaimei will be consolidated into the accounts of the Company immediately following the completion of the Acquisition.

THE SALE AND PURCHASE AGREEMENT

Date

21 March, 2007

Parties

Vendor: Millionlink Pacific Limited

Purchaser: Grand Parkson Retail Group 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 Golden Village Group Limited. The Vendor, Millionlink Pacific Limited is the sole legal and beneficial owner of the entire issued share capital in Golden Village Group Limited, which, in turn, is the sole legal and beneficial owner of the entire equity interest in Jiangxi Kaimei. Jiangxi Kaimei owns and operates the K&M Store in Nanchang City in the Jiangxi Province of the PRC.

Consideration and Completion

The total consideration for the Acquisition is RMB510,000,000.00, which shall be satisfied by payment in cash and financed by internal resources of the Company as follows:

- (a) The Purchaser shall pay the Vendor in cash for part of the consideration, amounting to the sum of RMB51,000,000.00 on the Business Day immediately after the date of the signing of the Sale and Purchase Agreement by telegraphic transfer or upon signing of the Sale and Purchase Agreement by banker's draft, pursuant to the terms of the Sale and Purchase Agreement against the Vendor's delivery of the Completion Documents to the CD Escrow Agent to hold as stakeholders and who is authorized by the parties to deal with the same in accordance with the provisions of the CD Escrow Agreement;
- (b) The balance of the total consideration in the sum of RMB459,000,000.00 shall be paid at Completion and in the manner described as follows:
 - i) RMB339,000,000.00 to be paid directly to the Vendor by telegraphic transfer or banker's draft, pursuant to the terms of the Sale and Purchase Agreement;
 - ii) HK\$ equivalent of RMB120,000,000.00 to be paid to an EL Escrow Accounts and to be released only upon the vendor having procured the full repayment of the Entrusted Loan.

The total 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 total consideration reflects normal commercial terms which were arrived at after arm's-length negotiations between the Vendor and the Purchaser, with reference to the historical earnings of Jiangxi Kaimei.

Completion shall take place on the second Business Day immediately after the fulfillment of the Conditions, which is estimated to be before 31 May 2007.

Conditions

Completion of the Sale and Purchase Agreement is subject to the satisfaction of, inter alia, the following conditions on or before the Long Stop Date:

- (a) the discharge of the Nanchang Mortgage to be procured by the Vendor;

- (b) Upon the signing of this Agreement, the Vendor shall deliver or cause to be delivered the Completion Documents and the Share Mortgage to the CD Escrow Agent to hold as stakeholders and who are authorized by the parties to deal with the same in accordance with the provisions of the CD Escrow Agreement;
- (c) Within 10 Business Days after the signing of the Sale and Purchase Agreement, the parties shall arrange for the Entrusted Loan and cause the Entrusted Loan to be executed;
- (d) Within 5 Business Days on fulfillment of (c) aforesaid, the Purchaser shall procure the release of the Entrusted Loan in favour of Kaimei Development, and to pay the same directly to Nanchang Bank for and on behalf of Kaimei Development as full and final settlement of the Nanchang Debt and to facilitate the release/discharge the Nanchang Mortgage.
- (e) Subject to fulfillment of (d) aforesaid, the Vendor shall procure for the release/discharge of the Nanchang Mortgage on or before the Long Stop Date.

Kaimei Development is wholly owned by Sino Wealth Holdings Limited, a Hong Kong registered company. The ultimate beneficial owners of Sino Wealth Holding Limited are substantially the same as the ultimate beneficial owners of the Vendor.

The arrangement of the Entrusted Loan from Shanghai Ninesea in favour of Kaimei Development is to facilitate the release of the Nanchang Mortgage, which is a condition to the completion of this transaction.

In the event that the Conditions shall not be fulfilled or waived on or before the Long Stop Date, the following shall take place on or before the expiry of thirty (30) days from the day next following the Long Stop Date:

- (a) Vendor shall refund in full the deposit to the Company within 5 Business Days from the Long Stop Date;
- (b) In the event that the Entrusted Loan has not been released to Kaimei Development, the CD Escrow Agent shall release the Completion Documents and the Share Mortgage to the Vendor;
- (c) In the event that the Entrusted Loan has been released to Kaimei Development, Vendor shall i) procure Kaimei Development to repay RMB60 million within 10 Business days from the Long Stop Date; ii) procure that Kaimei Development deliver a mortgage of the third and fourth floors of the Leased Property in favour of Shanghai Ninesea within 45 days from the Long Stop Date; and iii) procure Kaimei Development to repay the balance of the Entrusted Loan within 180 days from the Long Stop Date.
- (d) Subject to the fulfillment of part (c) i) and (c) ii) or (c) i) and (c) iii), the CD Escrow Agent shall release the Completion Documents and Share Mortgage to the Vendor;

thereafter, this Agreement shall be null and void and of no further force and effect with neither party having any rights and obligations against the other save and except for any antecedent breaches.

INFORMATION ON THE VENDOR

Prior to the entering into of the Sale and Purchase Agreement, the Vendor, Millionlink Pacific Limited, was the legal and beneficial owner of the entire issued share capital of Golden Village Group Limited, which is a special purpose investment holding company, the sole asset of which is sole legal and beneficial ownership of the equity interest in Jiangxi Kaimei, the owner and operator of the K&M Store located in Nanchang City in the Jiangxi Province of the PRC. K&M Store operates on the Leased Property, Jiangxi Kaimei leases the Leased Property and leases certain machinery and equipments from Kaimei Development for a term of 20 years which expires in the month of December, 2026 with an option to renew for an additional 5 years. The gross floor area of the K&M Store is approximately 31,955 square meter, the aggregated rental expenses and other fees per annum payable for the property and the equipment leases is calculated and based on the higher of (i) minimum lease rental payment of RMB16 million or (ii) 2.25% of the sales proceeds (the aggregate of direct sales, concessionaire sales and the gross up of the rental income based on the combined gross profit margin of direct sales and concessionaire sales) net of value added tax. Jiangxi Kaimei will continue to lease the Lease Property from Kaimei Development on the same terms and conditions after the acquisition.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, Kaimei Development and its ultimate beneficiaries are third parties independent of the Company and its connected persons.

Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes to the Purchaser that it will not and will procure that none of its Affiliates will, for a period of three years after Completion (i) be interested, directly or indirectly, in more than 30% of the shares or equity carrying unrestricted voting rights in any company or (ii) be involved in the operations and management, directly or indirectly, in any company or entity, which carries on the business of operating department stores within the Province of Jiangxi.

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 principal 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 GOLDEN VILLAGE GROUP LTD AND ITS SUBSIDIARIES

Set out below are the extract of audited historical combined financial information of Golden Village Group Limited and its subsidiaries prepared in accordance with International Financial Reporting Standards

	Year ended 31 December 2006 (RMB000)	Year ended 31 December 2005 (RMB000)
Gross sales proceeds ⁽¹⁾	548,829	428,824
Operating revenues ⁽²⁾	149,072	102,716
Profit before tax	46,480	283
Profit after tax	33,083	283
Total assets	158,181	104,726
Total liabilities	126,472	99,994
Net assets	31,709	4,732

(1) “Gross sales proceeds” includes the direct sales (inclusive of value added tax), gross sales proceeds from concessionaire sales (inclusive of value added tax), rental income (inclusive of the sales tax) and other operating revenue (inclusive of sales tax)

(2) Operating revenues includes the direct sales, commission from concessionaire sales, rental income and other operating revenue. Gross sales proceeds from concessionaire sales are not recognized under the International Financial Reporting Standard, which only recognizes the commission arising from the concessionaire sales.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The K&M Store is strategically located in Nanchang, one of the fastest growing cities in Central China and the capital city of the Jiangxi Province. The K&M Store has been operating in Nanchang City for approximately 5 years with a strong foothold and a well established reputation. As one of the largest department stores in Nanchang, the operating revenues grew by approximately 45.1% from RMB102.7 million in the year 2005 to RMB149.1 million in the year 2006. Due to the strong economy and retail industry growth in Nanchang City, coupled with the excellent location of the store, the management believes that by transforming the operation of the store into Parkson management model, the store is expected to continue its strong growth momentum in the years to come.

The Board believes that the Acquisition would immediately enhance the growth and profitability of the Group. The Acquisition will also enable the Group to gain an immediate entrance into this new market and enable the Group to use it as a platform to quickly expand our business in Nanchang City and the Jiangxi Province in the immediate future and to complement the Group’s long term growth strategy in the central region of China.

The Board (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

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 dispatched to the shareholders of the Company within 21 days after the publication of this Announcement

DEFINITIONS

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

“Acquisition”	means the transaction contemplated under the Sale and Purchase Agreement;
“Affiliates”	means any subsidiary or beneficial owner of more than 50% of the issued share capital of the Vendor and Kaimei Development
“Board”	means the board of directors of the Company
“Business Day”	means a day (other than Saturday or Sunday) on which commercial banks in Hong Kong are generally opened for business
“CDEscrow Agent”	Goldbond Capital (Asia) Limited
“CD Escrow Agreement”	the escrow agreement dated the same date of the Sale and Purchase Agreement entered into between the CD Escrow Agent, the Vendor and the Purchaser in relation to the escrow arrangement for the Completion Documents
“Company”	Parkson Retail Group Limited (百盛商業集團有限公司), a company incorporated under the laws of Cayman Islands with limited liability on 3 August, 2005
“Completion”	completion of the Sale and Purchase Agreement
“Completion Documents”	documents necessary for vesting the legal and beneficial interest of the entire issued share capital of Golden Village Group Limited in favour of the Purchaser
“Directors”	the directors of the Company
“Entrusted Bank”	China Merchants Bank, Shanghai Branch, Hualin sub branch

“Entrusted Loan”	means the principal amount of RMB120,000,000.00 to be made available to Kaimei Development by Shanghai Ninesea pursuant to the Entrusted Loan Agreement for the sole purpose of repayment of the Nanchang Debt to enable the Purchaser to discharge the Nanchang Mortgage in accordance with the terms of the Sale and Purchase Agreement
“Entrusted Loan Agreements”	the loan agreements to be entered into between the Entrusted Bank, Shanghai Ninesea and Kaimei Development whereby Shanghai Ninesea will procure that the Entrusted Bank shall grant and Kaimei Development shall accept the Entrusted Loan.
“EL Escrow Account”	means the bank account to be opened by the Vendor with the EL Escrow Agent pursuant to the terms of the EL Escrow Agreement as the EL Escrow Account (as therein defined)
“EL Escrow Agent”	Industrial and Commercial Bank of China (Asia) Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKD”	the lawful currency of Hong Kong
“Jiangxi Kaimei”	江西凱美百貨投資管理有限公司 (Jiangxi Keimei Retail Co. Ltd.), a wholly foreign owned company established in the PRC, currently the owner and operator of the K&M Store
“Kaimei Development”	江西凱美實業發展有限公司, a wholly foreign owned company established in the PRC and is owned by Sino Wealth Holdings Limited, a Hong Kong registered company. The ultimate beneficial owner/owners of Sino Wealth Holdings Limited is substantially the same as the ultimate beneficial owner of the Vendor.
“K&M Store”	the department store located at Tai Ping Yang Shopping Plaza, No.177 Zhongshan Road, East Lake District, Nanchang City, Jiangxi Province, PRC, which is owned and managed by Jiangxi Kaimei
“Leased Property”	The basement floor and 1st to 4th floor of a commercial arcade known as Tai Ping Yang Shopping Plaza, (太平洋購物廣場)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 May 2007 or such later date as the parties to the Sale and Purchase Agreement may agree in writing

“Mortgaged Property”	1st and 2nd floors and the basement level of the commercial arcade known as Tai Ping Yang Shopping Plaza (太平洋購物廣場) currently mortgaged to Nanchang Bank.
“Nanchang Bank”	Nanchang City Commercial Bank
“Nanchang Debt”	the outstanding debts payable by Kaimei Development to Nanchang Bank.
“Nanchang Mortgage”	the mortgage as evidenced by registered mortgage certificates created over the Mortgaged Property forming part of the Leased Property
“PRC”	means the People’s Republic of China
“Purchaser”	means Grand Parkson Retail Group Limited
“RMB”	Means the lawful currency of the PRC from time to time
“Sale and Purchase Agreement”	Means the sale and purchase agreement dated 21 March, 2007 entered into between the Vendor and the Purchaser
“Shanghai Ninesea”	Shanghai Nine Sea Parkson Plaza Co, Ltd, a sino-foreign co-operative joint venture enterprise established under the law of PRC and an indirect subsidiary of the Company
“Share Mortgage”	a share pledge in respect of the 50,000 shares of and in Golden Village Group Limited given by the Vendor as security against the repayment of the Entrusted Loan as more particularly described in the Sale and Purchase Agreement
“Vendor”	means Millionlink Pacific Limited, a company incorporated in the British Virgin Islands whose registered office is at OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands

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 Hem is a non-executive director of the Company and Mr. STUDER Werner Josef, Mr. KO Tak Fai, Desmond and Mr. YAU Ming Kim are the independent non-executive directors of the Company.

Hong Kong, 21 March 2007

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