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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 THE BUILDING OWNERSHIP RIGHT AND THE LAND USE RIGHT TO THE SUNTRANS BUILDING

The Board is pleased to announce that the Company, through its indirect wholly owned subsidiary, has entered into the Sale and Purchase Agreement whereby the Vendor has agreed to sell and the Purchaser has agreed to acquire the land use right and the building ownership right to the Suntrans Building for a cash Acquisition Price of RMB1.128 billion (subject to adjustment).

As the applicable percentage ratio calculated under Chapter 14 of the Listing Rules exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company which is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date

15 January 2009

Parties

Vendor: Beijing Suntrans Real Estate Development Co., Ltd.

Purchaser: Beijing Huadesheng Property Management Co., Ltd.

Subject Matter

The land use right and the building ownership right to the Suntrans Building.

The Suntrans Building is part of a fully integrated commercial development project, known as Suntrans Project undertaken by the Vendor. The Suntrans Project sits on the Suntrans Land with a total site area of approximately 54,000 square metres. The site area apportion to the Suntrans Building is approximately 14,347 square metres (also known as S1) with a total gross floor area of approximately 62,720 square meter, of which 51,120 square meter is for retail use and the balance of 11,600 square meter is for the use of car park. The Suntrans Building consists of 11 floors with 3 basement floors and 1 roof annexed. It is still under construction with structural works duly completed and the Vendor undertakes to handover the completed Suntrans Building to the Purchaser on or before 5 September 2009.

Upon completion of the Suntrans Project, the Suntrans Land will be subdivided into 4 parcels of lands namely S1, S2, S3 and S4 for the respective buildings. The land area that joined those 4 buildings is for common use amongst the owners of the buildings. The land use right of the Suntrans Land is for a total period of 40 years expiring on the 30 August 2044. There are currently 2 existing charges created over the Suntrans Land in favour of Minsheng Bank namely: Charge 1 and Charge 2.

ACQUISITION PRICE AND CONDITIONS FOR THE ACQUISITION

Acquisition Price

The total purchase consideration for the Acquisition is RMB1.128 billion (subject to adjustment). The Acquisition Price shall be adjusted in the following manner:

If the actual gross floor area of the Suntrans Building as set out in the Building Area Surveying Report (面積測繪報告) is less than 62,720 square metres and the shortage is more than 300 square metres, the Vendor shall refund to the Purchaser part of the Acquisition Price in respect of the shortage exceeding 300 square metres at the rate of RMB17,984.75 per square metre. However, if the actual gross floor area of the Suntrans Building exceeds 62,720 square metres, the Purchaser is not obliged to make any additional payment for such part and all the rights of such part belong to the Purchaser.

The Acquisition Price was determined after arm's-length negotiations between the Vendor and the Purchaser, with reference to the prevailing market price based on the valuation carried out by the international property valuer, DTZ. DTZ has valued the Suntrans Building base on the combination of the direct market comparison approach and discounted cash flow approach by making reference to the transaction, the asking price of and the asking rental for similar properties around the same area. In the opinion of DTZ, the market value of the Suntrans Building is approximately RMB1.190 billion.

Based on the above factors, the Directors considered that the Acquisition Price reflects normal commercial terms and is fair and reasonable. The Acquisition Price will be fully funded by the internal resources of the Group.

Payment Mode

The Acquisition Price of RMB1.128 billion shall be paid to the Vendor at the following times and in the following manners:

- (a) within 5 working days upon the execution of the Sale and Purchase Agreement, RMB30 million;
- (b) within 5 working days upon the completion of the pre-sale of commercial housing registration procedure in respect of the Sale and Purchase Agreement on the Beijing city Real Property Transaction Administration System (北京市房地產交易管理系統) with the Beijing Municipal Construction Committee (北京市建設委員會), RMB70 million;
- (c) within 5 working days upon the fulfillment of the following conditions, RMB400 million:
 - (i) the execution of a quadripartite agreement between the Purchaser, the Vendor, Beijing Parkson and Minsheng Bank whereby the parties agree, inter alia, (1) within 5 working days upon receipt of RMB400 million from the Purchaser, the Vendor shall utilise the same to settle its outstanding debts with Minsheng Bank; (2) within 5 working days upon receipt of the said sum from the Vendor, Minsheng Bank shall discharge or cause to be discharged Charge 1; and
 - (ii) the registration of a charge created over S1 and the construction project erected thereon as security for the Acquisition Price paid by the Purchaser under the Sale and Purchase Agreement;
- (d) within 5 working days upon the fulfillment of the following conditions by the Vendor on or before 20 February 2009, RMB140 million:
 - (i) the completion of the main structure and the outer walls of the Suntrans Building; and
 - (ii) the discharge of Charge 2;
- (e) within 5 working days upon the delivery by the Vendor of the following electrical and mechanical equipments (details of which are set out in schedule 1 of the Sale and Purchase Agreement) on or before 31 May 2009, RMB50 million:
 - (i) lifts and escalators;
 - (ii) power transformers;
 - (iii) high voltage distribution box; and
 - (iv) low voltage distribution box;
- (f) within 5 working days upon the fulfillment of the following conditions by the Vendor on or before 31 July 2009, RMB50 million:
 - (i) the completion of the fire inspection on the Suntrans Building by the fire department of Beijing city and the issuance of a fire prevention certificate in respect thereof;
 - (ii) save for the building control system, all other conditions set out in Schedule 4 of the Sale and Purchase Agreement evidencing the completion of the construction work on Suntrans Building have been duly fulfilled and the Purchaser is able to submit its application for the renovation works on the Suntrans Building to the relevant authorities for approval;

- (g) within 5 working days upon the fulfillment of the following conditions by the Vendor on or before 5 September 2009, RMB188 million:
 - (i) the completion of the construction work Suntrans Building as evidenced by the issuance of the memorandum on completion of construction work by the Beijing Municipal Construction Committee. In addition thereto, the delivery of the building quality inspection report, the completion of construction report and other report which evidence the completion of the construction of Suntrans Building;
 - (ii) the delivery of the vacant possession of the Suntrans Building to the Purchaser for it to commence its renovation work; and
 - (iii) the registration of a separate charge created over either S2 or S3 as security for the Acquisition Price paid by the Purchaser under the Sale and Purchase Agreement;
- (h) within 5 working days upon the issuance of the titles to the land use right and the building ownership right of the Suntrans Building in favour of the Purchaser on or before the expiry of 4 months from the delivery date of the vacant possession of the Suntrans Building to the Purchaser, RMB150 million:
 - (i) upon the expiry of the defect liability period, which is 12 months from the delivery date of the vacant possession of the Suntrans Building to the Purchaser, RMB50 million.

In the event that the Vendor is unable to fulfill any of the conditions set out in items (d) to (h) within the stipulated time frame, the Purchaser is entitled to either:

- (1) extend the said time frame provided that the Vendor shall pay to the Purchaser a defaulting interest at the rate of 10% per annum, calculated on a daily basis, on an amount of the acquisition price already paid by the Purchaser under the Sale and Purchase Agreement commencing from the date next following the expiry date of the relevant stipulated time frame until the date on which such conditions are duly fulfilled; or
- (2) waive the relevant condition and proceed to continue with the Sale and Purchase Agreement. For the avoidance of doubt, such waiver shall not prejudice the Purchaser's rights to claim for remedy and damages under the Sale and Purchase Agreement; or
- (3) terminate the Sale and Purchase Agreement and claim for damages in accordance the terms set out below.

Termination

The Sale and Purchase Agreement shall be terminated in the following situations:

- (a) upon the occurrence of a termination event (as defined below) and the Innocent Party (as defined below) elects to terminate the Sale and Purchase Agreement;
- (b) by mutual agreement between the Vendor and the Purchaser;
- (c) due to compulsory acquisition of S1 by the relevant authorities and the Purchaser elects to terminate the Sale and Purchase Agreement;
- (d) the occurrence of a Force majeure event which continues for a period of 90 days and either party elects to terminate the Sale and Purchase Agreement.

A termination event means: Subject to a party (“**Innocent Party**”) observing and fulfilling the terms and provisions on its part to be observed and performed, if the other party (“**Defaulting Party**”):

- (i) neglects or by wilful default, fails or refuses or be unable to complete the transactions stipulated under the Sale and Purchase Agreement; or
- (ii) breaches of any of the provisions of the Sale and Purchase Agreement and fail to remedy the same within 30 days upon the occurrence of such breach;

the Innocent Party shall be entitled to elect to:

- (1) terminate the Sale and Purchase Agreement by notifying the Defaulting Party in writing (the date of termination of the Sale and Purchase Agreement shall be the date of the said written notification); or
- (2) continue with the Sale and Purchase Agreement.

In the event that the Innocent Party elects to terminate the Sale and Purchase Agreement, within 7 days upon the date of termination:

- (a) the Vendor shall return to the Purchaser all monies received from the Purchaser; and
- (b) the Defaulting Party shall pay a sum of RMB300 million to the Innocent Party as agreed liquidated damages and in addition thereto, shall compensate all losses suffered by the Innocent Party due to such breach.

In the event that the Innocent Party elects to continue with and to complete the Sale and Purchase Agreement, the Defaulting Party is obliged to pay a defaulting interest of 10% per annum, calculated on a daily basis, on an amount of the Acquisition Price already paid by the Purchaser under the Sale and Purchase Agreement, commencing from the date of the occurrence of the relevant breach until the date such breach has been duly rectified. However, if the Defaulting Party is the Purchaser, the said defaulting interest of 10% should be calculated based on the outstanding Acquisition Price payable by the Purchaser under the Sale and Purchase Agreement.

INFORMATION ON THE VENDOR

The vendor is Beijing Suntrans Real Estate Development Co., Ltd., a company with limited liabilities duly incorporated in the PRC. The Vendor is the registered owner of the Suntrans Land and the developer of the development project currently erected thereon. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company as at the date of this Announcement.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company and its subsidiaries are principally engaged in the operation of 40 department stores and 2 supercentres situated in prime locations in 27 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 Purchaser, a wholly owned subsidiary of Beijing Parkson, is an indirect wholly owned subsidiary of the Company primary acting as a special purpose vehicle to acquire the Suntrans Building and to manage the same.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Beijing, the capital city of the PRC, is the political, educational, and cultural center of the PRC. The GDP of Beijing is reported to exceed RMB900 billion with GDP per capita of more than RMB55,000 in the year 2007 and has been growing at a compounded annual growth rate of approximately 16% in the past 5 years since the year of 2002. In line with the continuous strong GDP growth, the retail industry has also expanded strongly and is reported to exceed RMB380 billion in the year 2007 and with the reported nominal growth rate of more than 20% up to the end of October 2008, the retail market size is expected to exceed RMB400 billion for the year 2008.

The Group started its operation in the PRC in the year 1994 through the first store opened in the financial district of the Beijing city. Over the last 14 years the Group has established strong brand equity in the Beijing retail market and is now one of the leading department store operators in Beijing with two stores in operation.

The Board and management believed that in order to maintain the Group's competitive edge and continue to capitalise on the growth of the retail industry in Beijing, there is a need to further expand our operation in the city, particularly in the eastern part of the city through a new store that will provide a fully integrated shopping experience including merchandise offering, refreshment, entertainment and amenities services to our customers. In this respect, the Acquisition would serve our needs and enhance the competitiveness of our operation in Beijing city. Further, owning the property will provide the flexibility to the Group on the presentation and the subsequent reinvention of the store.

The Directors believe that the terms of the Acquisition are fair, reasonable and in the normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

DISCLOSEABLE TRANSACTION

According to the Listing Rules, the Acquisition constitutes a discloseable transaction of the Company which is subject to the notification and publication requirements as set out in Rules 14.58 to 14.60 of the Listing Rules.

DEFINITIONS

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

“Acquisition Price” the total Acquisition Price of RMB1.128 billion for the Acquisition

“Acquisition”	the acquisition by the Purchaser from the Vendor of the land use right and the building ownership right of Suntrans Building as contemplated under the Sale and Purchase Agreement;
“Beijing Parkson”	Parkson Retail Development Co., Ltd, a limited liability company incorporated in the PRC on 20 October 1993 and is an indirect wholly subsidiary of the Company
“Board”	the board of Directors of the Company
“Charge 1”	the charge created over the Suntrans Land and the development project erected thereon in favour of Minsheng Bank to secure a loan of RMB400 million owing by Beijing Suntrans to Minsheng Bank
“Charge 2”	the charge created over the Suntrans Land and the development project erected thereon in favour of Minsheng Bank to secure a loan of RMB380 million owing by Yunan District City Development Investment Co., Ltd. (雲南省城市建設投資有限公司) (the owner of S4 of the Suntrans Land) to Minsheng Bank
“Company”	Parkson Retail Group Limited, a limited liability company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005
“Director(s)”	the director(s) of the Company
“DTZ”	DTZ Debenham Tie Leung Limited, 15/F Tower 2, Bright China Chang An Building, 7 Jianguomennei Avenue, Dongcheng District, Beijing 100005, China
“GDP”	Gross domestic product.
“Group”	the Company, its subsidiaries, jointly controlled entities and associated company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Minsheng Bank”	China Minsheng Banking Corp., Ltd. Shenzhen Branch, Minsheng Bank Plaza, New States 11 Street, Futian District, Shenzhen, PRC (深圳市福田區新洲十一街民生銀行大廈), PRC
“PRC”	the People’s Republic of China
“Purchaser”	Beijing Huadesheng Property Management Co., Ltd. (北京華德盛物業管理有限公司), a company with limited liabilities incorporated in the PRC on 30 December 2008 and is an indirect wholly owned subsidiary

	of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the Agreement for Sale and Purchase of Commercial Housing together with an agreement supplemental thereto, both entered into between the Purchaser and the Vendor on 15 January 2009
“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)
“Suntrans Building”	A shopping complex consists of 11 floors (with 3 basement floors and 1 roof annexed) located at S1 of Suntrans Centre, Region A of Shuangquan Centre, Taiyanggong Village, Chaoyang District, Beijing, PRC which is still under construction with the structural works duly completed
“Suntrans Land”	The piece land known as Region A of Shuangquan Centre, Taiyanggong Village, Chaoyang District, Beijing, PRC with a land area of approximately 54,000 square metres. The Suntrans Land consists of 4 parcels of land, namely S1, S2, S3 and S4
“Suntrans Project”	A fully integrated commercial development project that consists of four blocks of building that includes a shopping complex, an international five star hotel, possibly a cultural centre and an entertainment centre
“Vendor”	Beijing Suntrans Real Estate Development Co., Ltd. (北京雙全房地產開發有限公司), a company with limited liabilities incorporated in the PRC on 8 January 1997
“%”	per cent

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, Mr KO Tak Fai, Desmond and Mr Yau Ming Kim, Robert are the independent non-executive directors of the Company.

Hong Kong, 15 January 2009