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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 EXECUTION OF COOPERATIVE AGREEMENT TO ACQUIRE QINGDAO SHOPPING MALL

The Board is pleased to announce that the Company, through its indirect wholly owned subsidiary, has entered into the Cooperative Agreement whereby the Vendor undertakes to construct the Qingdao Shopping Mall according to the specifications provided by the Purchaser for a maximum Acquisition Price of RMB1,570.0 million payable in cash.

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

COOPERATIVE AGREEMENT

Date

20 December 2012

Parties

Vendor: Shanghai Industrial Qingdao Development Co., Ltd.

Purchaser: Beijing Huadesheng Property Management Co., Ltd.

Subject Matter

The Company has through its indirect fully owned subsidiary entered into a Cooperative Agreement with the Vendor to acquire the land use right and the building ownership right of the Qingdao Shopping Mall.

The Vendor undertakes to construct the Qingdao Shopping Mall according to the building specifications provided by the Purchaser and to handover the completed Qingdao Shopping Mall to the Purchaser on or before 31 July 2015. The Qingdao Shopping Mall is part of a fully integrated commercial development project, known as Beer City Project undertaken by the Vendor. The Beer City Project sits on a vacant land with total site area of approximately 227,674.7 square metres. The site area apportioned to the Qingdao Shopping Mall is approximately 45,714 square metres, with a total planned gross floor area of approximately 216,000 square metres, of which approximately 131,000 square metres is for retail use and the balance of 85,000 square metres is for the ancillary and an estimated 2,000 car park lots. The Qingdao Shopping Mall consists of 5 levels above ground and 3 basement floors. The land use right of the Qingdao Shopping Mall is for a total period of 40 years expiring on 5 December 2050.

The Cooperative Agreement provides 2 options at the discretion of the Purchaser when the conditions are met in accordance to the Cooperative Agreement or the Pre Sale Permit is obtained by the Vendor which can be summarized as follow:

- i) the Vendor will continue to build and deliver a completed Qingdao Shopping Mall to the Purchaser at the Acquisition Price of RMB1,570.0 million based on the existing building specifications provided by the Purchaser on or before July 2015. A sales and purchase agreement for the Qingdao Shopping Mall (“Shopping Mall Agreement”) will be entered into between the parties to formalise this arrangement.
- ii) the Purchaser will acquire the construction in progress of the Qingdao Shopping Mall from the Vendor, the consideration would be the sum of RMB441.6 million and the Construction Cost incurred and paid for at the time of transfer. The consideration will not be more than the Acquisition Price of RMB1,570.0 million. If the Purchaser were to exercise this option, the land use right and all the relevant permits will be transferred to the Purchaser immediately and the Purchaser will proceed to complete the construction of the Qingdao Shopping Mall. A sales and purchase agreement for the Construction In Progress (“CIP Agreement”) will be entered into between the parties to formalise this arrangement.

For avoidance of doubt, in the event that (i) the conditions are met in accordance to the Cooperative Agreement or the Pre Sale Permit is obtained by the Vendor; and (ii) the Cooperative Agreement is not terminated based on the situations as stated under the heading “Termination” below, the Purchaser has to adopt one of the abovementioned options.

The Company will issue an announcement in due course to provide an update on the option adopted. Such announcement will include but not limited to information pertaining to the date and terms of completion.

The Qingdao Shopping Mall will be used partially for the operation of department store, with additional space to be leased out to the shopping mall tenants, which include the anchor tenant stores, standalone stores, entertainment outlets and the amenities services outlets to provide a fully integrated shopping and entertainment experience to our customers.

ACQUISITION PRICE AND CONDITIONS FOR THE ACQUISITION

Acquisition Price

If the Purchaser were to exercise the option for a Shopping Mall Agreement when the Pre Sale Permit is obtained by the Vendor, total consideration for the acquisition of Qingdao Shopping Mall will remain at RMB1,570.0 million.

If the Purchaser were to exercise the option for a CIP Agreement when the Pre Sale Permit is obtained by the Vendor, the consideration would be the sum of RMB441.6 million and the Construction Cost incurred and paid for at the time of transfer. In any event, the consideration for CIP Agreement will not be more than the Acquisition Price of RMB1,570.0 million.

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, CBRE. CBRE has valued the Qingdao Shopping Mall based on the direct comparison approach by making reference to comparable sales evidence available in the market with similar size, character and location. In the opinion of CBRE, the market value of the Qingdao Shopping Mall is approximately RMB1,599.0 million.

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 shall be paid to the Vendor in the following manners:

1. A sum of RMB400.0 million will be deposited into an escrow account ("Escrow 1") within 15 working days upon the execution of the Cooperative Agreement.
2. Construction Cost of up to the maximum of RMB1,128.4 million will be deposited into another escrow account ("Escrow 2") based on the progress of the construction jointly certified by the Purchaser and the Vendor. Escrow 2 will be jointly managed by the Purchaser and the Vendor and can only be utilized to pay off the construction cost in relation to the construction of Qingdao Shopping Mall;
3. The settlement of the Acquisition Price will be based on the following manners depending on whether the Purchaser were to exercise the option to enter into a Shopping Mall Agreement or CIP Agreement with the Vendor:
 - a) If the Purchaser were to enter into a Shopping Mall Agreement with the Vendor at an acquisition price of RMB1,570.0 million:
 - i) The sum of RMB400.0 million deposited into Escrow 1 will be released to the Vendor within 5 working days upon signing of the Shopping Mall Agreement and treated as part settlement of the Acquisition Price;
 - ii) The sum paid into Escrow 2 and utilized to pay for the construction cost will be treated as part settlement of the Acquisition Price;
 - iii) The Purchaser will continue to pay the remaining balance of the construction cost into Escrow 2 based on the progress of the construction; and

- iv) The remaining balance of RMB41.6 million will be settled within 5 working days upon the delivery of vacant possession of Qingdao Shopping Mall to the Purchaser and the completion on the transfer of title.
- b) If the Purchaser were to exercise the option to enter into a CIP Agreement with the Vendor at a total consideration of RMB441.6 million plus the sum paid into Escrow 2 and utilized to pay for the construction cost:
- i) A sum of RMB200.0 million will be released to the Vendor from Escrow 1 within 5 working days upon signing of CIP Agreement;
 - ii) The balance of RMB200.0 million in Escrow 1 will be released to the Vendor within 5 working days upon completion on the transfer of land use right to the Purchaser;
 - iii) The balance of RMB41.6 million will be settled within 5 working days upon completion of the CIP Agreement;
 - iv) The sum paid into Escrow 2 and utilized to pay for the development will be treated as final settlement of the Acquisition Price; and
 - v) The balance of Escrow 2 (if any) will be returned to the Purchaser.

A letter of undertaking has been provided by the controlling shareholder of the Vendor, Shanghai Industrial Development, to the Purchaser, whereby, Shanghai Industrial Development agrees to be held responsible in the event that the Vendor fails to fulfill its obligations under the Cooperative Agreement pertaining to the land and the construction in progress.

Termination

The Cooperative Agreement may be terminated in the following situations:

- A. by mutual agreement between the Vendor and the Purchaser;
- B. by the Vendor, upon breaches any of the following provisions by the Purchaser and the Purchaser fails to remedy the same within one month upon the written notice of the Vendor:
 - i) failures by the Purchaser to finalise the design plan of Qingdao Shopping Mall before the end of May 2013;
 - ii) in the absence of any government, legal or policy restrictions or reason attributable to the Vendor, the Purchaser refuses to execute the Shopping Mall Agreement or CIP Agreement when the conditions are met in accordance to the Cooperative Agreement or the Pre Sale Permit is obtained by the Vendor;
- C. by the Purchaser, upon breaches any of the following provisions by the Vendor and the Vendor fails to remedy the same within one month upon the written notice of the Purchaser:
 - i) the Vendor refuses to execute the CIP Agreement upon the exercise of option by the Purchaser to acquire the construction in progress, or failures by the Vendor to:
 - a) obtain the acknowledgement of receipt by land administration authority on the transfer of land use right within 3 days upon execution of CIP Agreement, or
 - b) complete the transfer of the land use right to the Purchaser within 30 days upon execution of CIP Agreement, or
 - c) transfer to the Purchaser all the relevant permits within 45 days upon the transfer of the land use right to the Purchaser;

- ii) the Purchaser unable to acquire the building within the stipulated time frame due to breaches of any warranty, representation and undertaking of the Cooperative Agreement by the Vendor;
- iii) the Vendor refuses to execute the Shopping Mall Agreement or complete the registration of the Shopping Mall Agreement within 10 days upon signing of Shopping Mall Agreement;
- iv) in the absence of any government restrictions or reason attributable to the Purchaser, the Vendor fails to
 - a) commence the construction of Qingdao Shopping Mall within the stipulated time frame; or
 - b) fulfill the conditions for the execution of CIP Agreement; or
 - c) fulfill the conditions for the execution of Qingdao Shopping Mall; or
 - d) deliver the vacant possession of the Qingdao Shopping Mall to the Purchaser within the stipulated time frame; or
 - e) transfer the relevant titles of Qingdao Shopping Mall to the Purchaser within the stipulated time frame.

In the event that the Cooperative Agreement is terminated by the Purchaser, the Vendor shall:

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

If the Vendor fails to complete any of the events within the stipulated time frame as provided under the Cooperative Agreement, the Vendor is obliged to pay a defaulting interest of 0.03% per day calculated based on the Acquisition Price, commencing from the date of the occurrence of such breach until the date such breach has been rectified.

In the event that the Cooperative Agreement is terminated by the Vendor, the Purchaser shall pay a sum of RMB300 million as agreed liquidated damages and in addition thereto, shall compensate all losses suffered by the Vendor due to such breach.

If the Purchaser defaults in any payment to the Vendor within the stipulated time frame, the Purchaser is obliged to pay a defaulting interest of 0.03% per day on the outstanding amount until the date of payment is made.

INFORMATION ON THE VENDOR

The Vendor is Shanghai Industrial Qingdao Development Co., Ltd, a company duly incorporated in the PRC and a subsidiary of Shanghai Industrial Development. The Vendor is the registered owner of the land use right pertaining to the Beer City Project. The Vendor is principally engaged in property development in the PRC. 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 53 department stores situated in prime locations in 35 cities in the PRC. The Group offers a wide range of merchandise in those department stores, 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 investment holding company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Qingdao city is one of the major seaport, tourism and industrial centre of China and located in the eastern Shandong province of the PRC. In 2011, Qingdao city has over 7.6 million population, with a reported GDP of RMB661.6 billion. The retail market size of Qingdao for the year 2011 was approximately RM223.3 billion and enjoyed an annual compounded growth rate of more than 16% in the past 5 years. The urban disposable income per capita of Qingdao for the year 2011 was RMB28,567, an increase of 14.3% from the year 2010.

The Qingdao Shopping Mall is located at Laoshan District which situated at the east side of Qingdao City. The Qingdao Shopping Mall sits at the hub of Laoshan District where the planned financial district is situated. Accessibility to the Qingdao Shopping Mall is excellent since various public transport facilities, especially with the subway line M2 which is in the process of construction and is expected to commence operation in year 2017 with a planned exit gate directly linking the Qingdao Shopping Mall.

The Company currently operates one “Parkson” department store in Qingdao city (the “Qingdao Parkson Store”). The Qingdao Parkson Store has been in operation since 1998 and has established strong brand equity amongst the middle class in Qingdao. The brand equity established by the Qingdao Parkson Store in Qingdao city throughout the years of operation provides the platforms for the Group to further increase its market share and strengthen our foothold in this fast growing market.

The management believes that in order to maintain the Group’s competitive edge and continue to further capitalise on the growth of the retail industry in Qingdao, there is a need to further expand our operation in the east side of Qingdao city through a shopping mall that will provide a fully integrated shopping experience to our customers. In this respect, the Acquisition would serve to maximize the sales and profit potential of our operation in Qingdao city to enhance the growth and profitability of the Group.

The Directors believe that the terms of the Cooperative Agreement 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

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

DEFINITIONS

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

“Acquisition Price”	a maximum consideration of RMB1,570.0 million for the Qingdao Shopping Mall
“Acquisition”	the acquisition by the Purchaser from the Vendor of the land use right and the building ownership right of Qingdao Shopping Mall as contemplated under the Cooperative Agreement
“Beer City Project”	A fully integrated commercial development project located at No. 195, Hong Kong East Road, Laoshan District, Qingdao City, Shandong Province, PRC with total site area of approximately 227,674.7 square metres and total planned gross floor area of approximately 732,500 square metres
“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
“CBRE”	CB Richard Ellis Limited, 4/F Three Exchange Square, 8 Connaught Place, Central, Hong Kong
“Company”	Parkson Retail Group Limited, a limited liability company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005
“Construction Cost”	Construction cost for the construction of the Qingdao Shopping Mall, which include but not limited to design fees, consultation fees, agency fees, services fees, construction costs, materials costs, facilities expenses, insurance, administrative costs and other associated expenses but excluding the land cost
“Cooperative Agreement”	the agreement entered into between the Purchaser and the Vendor on 20 December 2012 for the Acquisition
“Director(s)”	the director(s) of the Company

“Group”	the Company, its subsidiaries, jointly controlled entities and associated company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Pre Sale Permit”	A pre sales permit (預售許可證) issued by Administration of Real Estate Development of Laoshan District, Qingdao (青島市嶗山區房地產開發管理局) after certain conditions are met
“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 a direct wholly owned subsidiary of Beijing Parkson
“Qingdao Shopping Mall”	A shopping complex to be constructed by the Vendor at a vacant land located at No. 195, Hong Kong East Road, Laoshan District, Qingdao City, Shandong Province, PRC with total planned gross floor area of approximately 216,000 square metres
“Qingdao Parkson Store”	Parkson branded department store located at No. 44-60, Zhongshan Road, Qingdao City, Shandong Province, PRC with total operating are of approximately 28,900 square metres
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Industrial Development”	Shanghai Industrial Development Co, Limited, a state owned enterprise duly incorporated in the PRC and listed in the SSE.
“SSE”	Shanghai Stock Exchange
“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”	Shanghai Industrial Qingdao Development Co., Ltd. (上實發展 (青島) 投資開發有限公司), a company duly registered in the PRC and a subsidiary of Shanghai Industrial Development

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

20 December 2012

As at the date of this announcement, Datuk 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 KO Tak Fai, Desmond, Mr STUDER Werner Josef and Mr YAU Ming Kim, Robert are the independent non-executive Directors of the Company.