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PARKSON 百盛

PARKSON RETAIL GROUP LIMITED

百盛商業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 03368 & 05936)

(1) INSIDE INFORMATION: SETTLEMENT OF LITIGATION AND

(2) CONNECTED TRANSACTION: PAYMENT OF COMPENSATION TO A CONNECTED PERSON PURSUANT TO SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

The Plaintiff, Serbadagang (a connected person of the Company), Hefei Parkson (a wholly-owned subsidiary of the Company), Xinhui, Dalian Tianhe Parkson (a connected person of the Company) and Dashang entered into the Settlement Agreement for the purposes of settling (i) the litigation between the Plaintiff and Hefei Parkson in relation to the ownership of the Anshan Majority Interests; and (ii) the litigations between the Plaintiff and Serbadagang in relation to (x) Serbadagang's claims for its entitlement to the profits of Dalian Tianhe Parkson; and (y) a department store of Dalian Tianhe Parkson in Shenyang, Liaoning Province, the PRC.

Pursuant to the Settlement Agreement, (A) Serbadagang shall transfer 60% of the equity interest in Dalian Tianhe Parkson to a related party of the Plaintiff at a consideration of RMB1 in exchange for the Plaintiff and its related parties abandoning their claims in relation to the ownership of the Anshan Majority Interests and, in consideration of (A), Hefei Parkson shall pay the Relevant Dividends (or any part thereof) to Serbadagang as compensation, the exact amount of which to be negotiated and agreed between Hefei Parkson and Serbadagang; and (B) Serbadagang shall abandon its claims against the Plaintiff in relation to the litigations referred to in (ii) above.

COMPENSATION AGREEMENT

Pursuant to the Settlement Agreement, Serbadagang and Hefei Parkson entered into the Compensation Agreement whereby (i) Hefei Parkson shall pay the Initial Compensation to Serbadagang on or before 30 April 2018; (ii) Hefei Parkson shall further negotiate with Serbadagang on a possible additional compensation; and (iii) the possible additional compensation is subject to Hefei Parkson and Serbadagang entering into a legally binding agreement on or before 30 June 2018.

IMPLICATIONS UNDER THE LISTING RULES

The transactions contemplated by the Settlement Agreement and the Compensation Agreement constitute a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and, therefore, is subject to the notification and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements.

This announcement is made by the Company pursuant to (i) the inside information provisions under part XIVA of the SFO and Rule 13.09(2)(a) of the Listing Rules; and (ii) Chapter 14A of the Listing Rules.

1. INTRODUCTION

1.1 Background on the Hefei Parkson Litigation

Reference is made to the announcements of the Company dated 6 March 2017 (the “**First Announcement**”) and 20 March 2017 respectively.

In the First Announcement, it was disclosed, among other things, that:

- (a) Dalian Tianhe Parkson was owned as to (i) 60% by Serbadagang; and (ii) 40% by the Plaintiff.
- (b) Xinhui and an independent third party were the initial registered shareholders of Anshan Parkson, holding the Anshan Majority Interests and 49% of the equity interests of Anshan Parkson respectively.
- (c) In April 2004, Xinhui transferred the Anshan Majority Interests to Hefei Parkson pursuant to the Relevant SPA at the consideration of RMB5,100,000.
- (d) The Group acquired Creation (Hong Kong), which held 49% of the equity interests of Anshan Parkson at the material time, as disclosed in the announcement of the Company dated 23 April 2007.
- (e) After completion of the Group’s acquisition of Creation (Hong Kong) referred to in paragraph (d) above, Anshan Parkson became an indirect wholly-owned subsidiary of the Company.
- (f) The Plaintiff alleged that (i) Xinhui held the Anshan Majority Interests as the nominee of Dalian Tianhe Parkson; and (ii) the disposal of the Anshan Majority Interests through the Relevant SPA was made without the agreement of the board of directors of Dalian Tianhe Parkson (the “**Plaintiff’s Allegations**”) and initiated a legal proceeding in its capacity as a shareholder of Dalian Tianhe Parkson in 2011 seeking (x) a ruling that the Relevant SPA was void from the beginning; and (y) Hefei Parkson should return to Xinhui the Anshan Majority Interests.
- (g) In 2014, the Dalian Intermediate Court ruled that the Plaintiff did not have the legal standing to initiate legal proceedings on behalf of Dalian Tianhe Parkson. The Plaintiff disagreed with the aforesaid ruling and appealed to the Liaoning High Court.
- (h) By virtue of a judgement given by the Liaoning High Court dated 21 November 2014, the Liaoning High Court revoked the decision of the Dalian Intermediate Court referred to in paragraph (g) above and ordered a re-trial of the Plaintiff’s Allegations at the Dalian Intermediate Court.

- (i) The re-trial in relation to the Plaintiff's Allegations commenced in December 2016 at which the Plaintiff requested that (i) the Relevant SPA be ruled void from the beginning; and (ii) Hefei Parkson should return the Anshan Majority Interests to Xinhui. At the time, the Group was advised by the PRC Legal Advisers that the Plaintiff's claim was without merit and the PRC Legal Advisers expected that Hefei Parkson would prevail in the Hefei Parkson Litigation.

1.2 Judgement

The First Announcement also disclosed, among other things, that according to the Judgement, the Dalian Intermediate Court ruled that:

- (a) the Relevant SPA was void;
- (b) Hefei Parkson should return the Anshan Majority Interests to Xinhui within 10 days after the Judgement had come into effect; and
- (c) Dalian Tianhe Parkson should return the consideration for the transfer of the Anshan Majority Interests in the amount of RMB5,100,000 to Hefei Parkson within 10 days after the Judgement had come into effect.

1.3 Appeal against the Judgement

In the announcement of the Company dated 20 March 2017, the Company disclosed that Hefei Parkson had submitted an appeal (the "**Appeal**") against the Judgement to the Dalian Intermediate Court on 18 March 2017.

1.4 Serbadagang Litigations

The Plaintiff is also involved as a defendant in the following two litigations initiated by Serbadagang, a wholly-owned subsidiary of PHB:

- (a) (i) Serbadagang, as plaintiff; and (ii) the Plaintiff and Dalian Tianhe Parkson, as defendants, were involved in a litigation in relation to Serbadagang's claims for its entitlement to the profits of Dalian Tianhe Parkson in Serbadagang's capacity as a shareholder of Dalian Tianhe Parkson, as disclosed in more details in the announcement of PHB dated 27 May 2009 and published on the Main Market of Bursa Malaysia Securities Berhad.
- (b) (i) Serbadagang, as plaintiff; (ii) the Plaintiff as one of the defendants; and (iii) Dalian Tianhe Parkson as third party, were involved in a litigation in relation to a department store of Dalian Tianhe Parkson in Shenyang, Liaoning Province, the PRC, as disclosed in more details in the announcement of PHB dated 10 July 2009 and published on the Main Market of Bursa Malaysia Securities Berhad.

The Group has no involvement in any of the Serbadagang Litigations.

1.5 Settlement Agreement and Compensation Agreement

At the request and direction of the Liaoning High Court and with a view to fully and finally settling the Hefei Parkson Litigation and the Serbadagang Litigations, the Parties entered into the Settlement Agreement.

Pursuant to the Settlement Agreement, Hefei Parkson and Serbadagang entered into the Compensation Agreement.

2. SETTLEMENT AGREEMENT

Set out below is a summary of the principal terms of the Settlement Agreement and the relevant information.

2.1 Date

1 February 2018.

The Settlement Agreement was required to be approved by the court of the PRC in order for it to come into effect and such approval was granted by the Liaoning High Court on 10 February 2018.

2.2 Parties

The parties to the Settlement Agreement are:

- (a) Plaintiff;
- (b) Serbadagang;
- (c) Hefei Parkson;
- (d) Xinhui;
- (e) Dalian Tianhe Parkson; and
- (f) Dashang.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, except for Serbadagang and Dalian Tianhe Parkson, each of the counterparties and their respective ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons.

2.3 Principal terms of the Settlement Agreement

Pursuant to the Settlement Agreement:

- (a) Serbadagang shall transfer the DTP Subject Equity to Dashang at a consideration of RMB1 and, subject to Serbadagang transferring the DTP Subject Equity to Dashang and performing its other obligations under the Settlement Agreement in accordance with the Settlement Agreement, the Plaintiff, Dalian Tianhe Parkson and Xinhui shall abandon their claims in relation to the ownership of the Anshan Majority Interests and the rights attaching thereto, including without limitation the Relevant Dividends, while Hefei Parkson shall abandon its request for the return of the consideration of RMB5,100,000 referred to in section 1.2(c) above;
- (b) in consideration of Serbadagang transferring the DTP Subject Equity to Dashang at a consideration of RMB1 and the Plaintiff, Dalian Tianhe Parkson and Xinhui shall abandon their claims in relation to the ownership of the Anshan Majority Interests as mentioned in paragraph (a) above, Hefei Parkson shall pay the Relevant Dividends (or any part thereof) to Serbadagang as compensation, the exact amount of which to be negotiated and agreed between Hefei Parkson and Serbadagang;
- (c) the Plaintiff shall submit the Settlement Agreement to the Liaoning High Court for the Liaoning High Court to prepare the relevant civil settlement document and, subject to the completion of the transfer of the DTP Subject Equity, the Plaintiff and Dalian Tianhe Parkson shall be deemed to have abandoned their claims in the Hefei Parkson Litigation; and
- (d) Serbadagang shall apply to the Liaoning High Court to abandon its claims in the Serbadagang Litigations.

3. COMPENSATION AGREEMENT

Pursuant to the Settlement Agreement, Serbadagang and Hefei Parkson entered into the Compensation Agreement. Set out below is a summary of the principal terms of the Compensation Agreement and the relevant information.

3.1 Date

10 February 2018.

3.2 Parties

The parties to the Compensation Agreement are Hefei Parkson and Serbadagang.

3.3 Principal terms of the Compensation Agreement

Pursuant to the Compensation Agreement, Hefei Parkson and Serbadagang agreed that:

- (a) Hefei Parkson shall pay the Initial Compensation to Serbadagang on or before 30 April 2018;
- (b) Hefei Parkson shall further negotiate with Serbadagang on a possible additional compensation (the “**Possible Additional Compensation**”); and
- (c) the Possible Additional Compensation is subject to Hefei Parkson and Serbadagang entering into a legally binding agreement on or before 30 June 2018.

The Initial Compensation was agreed between Hefei Parkson and Serbadagang after arm’s length negotiation between them. The Group has also taken into account the fact that the Initial Compensation is approximately RMB248 million less than the Relevant Dividends. In this regard, please refer to section 5 below for more information.

The Initial Compensation will be funded by the internal resources of the Group.

4. INFORMATION ON THE PARTIES

The principal activities of the Group are the operation and management of a network of department stores in the PRC.

Hefei Parkson is a company established in the PRC whose principal business includes, among other things, operation of department stores.

Serbadagang is an investment holding company established in Malaysia and is a wholly-owned subsidiary of PHB. PHB is the ultimate holding company of the Company, wherein the Chairman and his spouse, through their interest and a series of companies in which they have a substantial interest, are deemed to have a controlling interest in the Company for the purposes of the SFO. By virtue of PHB being the ultimate holding company of the Company, PHB is a connected person of the Company, and Serbadagang, being a wholly-owned subsidiary of PHB, is also a connected person of the Company.

Xinhui is a company established in the PRC whose principal business includes, among other things, material supply and marketing.

Dalian Tianhe Parkson is a company established in the PRC whose principal business includes, among other things, operation of department stores. As at the Announcement Date, Dalian Tianhe Parkson is owned as to 60% by Serbadagang and, hence, is a connected person of the Company as at the Announcement Date.

Dashang is a company established in the PRC whose principal business includes, among other things, commercial trade and retail. Dashang is the ultimate holding company of the Plaintiff.

5. REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTIONS

The Directors have taken into account the following principal factors before entering into the Settlement Agreement and the Compensation Agreement:

- (a) the Liaoning High Court directed that the Hefei Parkson Litigation and the Serbadagang Litigations be settled under one settlement agreement;
- (b) the PRC Legal Advisers have advised the Company that Hefei Parkson would likely lose the Appeal and further advised that if Hefei Parkson loses in the Appeal, it is likely that Anshan Parkson would have to (i) return the Anshan Majority Interests to Xinhui as pleaded by the Plaintiff; and (ii) pay the Relevant Dividends to the Plaintiff (or its related party). The Directors are of the view that if Hefei Parkson were to return the Anshan Majority Interests to Xinhui, the Group would have lost a subsidiary which has had net profits for the last 10 consecutive years (net profit of approximately RMB38.5 million (audited) and RMB39.4 million (unaudited) for the two years ended 31 December 2016 and 2017, respectively); and
- (c) the amount of the Relevant Dividends of approximately RMB348 million (unaudited) exceeds the amount of the Initial Compensation by RMB248 million.

After taking into account the factors set out above, the Directors (excluding the Chairman and Juliana Cheng for the reasons disclosed below but including all the independent non-executive Directors) conclude that paying part of the Relevant Dividends (namely, the Initial Compensation) pursuant to the Settlement Agreement and the Compensation Agreement with the obligation to negotiate on the Possible Additional Compensation (but no commitment to make additional payment) in exchange for avoiding the risk of permanently losing a profitable subsidiary and having to pay the Relevant Dividends to the Plaintiff in full and final settlement of the Anshan Parkson Litigation is the best available option to the Group. Accordingly, the Directors consider that (i) the terms of the Transactions are fair and reasonable; (ii) the Transactions are on normal commercial terms or better but not in the ordinary and usual course of business of the Group; and (iii) the Transactions are in the interests of the Company and the shareholders of the Company as a whole. The Board is of the opinion that the payment of the Initial Compensation would not have any material adverse impact on the business and operation of the Group.

By virtue of the Chairman's connection with PHB and the relationship among PHB, Serbadagang and Dalian Tianhe Parkson as disclosed in more details in section 4 above, the Chairman is materially interested in the Transactions and has abstained from voting on the relevant Board resolution(s) approving the Transactions. Juliana Cheng, an executive Director, is the daughter of the Chairman and therefore is an associate of the Chairman under the Company's constitution and, as such, has also abstained from voting on the relevant Board resolution(s) approving the Transactions in accordance with the Company's constitution.

6. IMPLICATIONS UNDER THE LISTING RULES

As disclosed in section 4 above, both Serbadagang and Dalian Tianhe Parkson are the connected persons of the Company. Accordingly, the Transactions constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the percentage ratios (other than the profits ratio) in respect of the Transactions are less than 5%, the Transactions constitute a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and, therefore, is subject to the notification and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements.

DEFINITIONS

In this announcement, the following terms have the meanings set forth below unless the context requires otherwise:

“Announcement Date”	the date of this announcement, being 12 February 2018
“Anshan Majority Interests”	51% of the equity interests of Anshan Parkson
“Anshan Parkson”	Anshan Tianxing Parkson Shopping Centre Company Limited* (鞍山天興百盛購物中心有限公司), a company established in the PRC and a subsidiary of the Company
“Appeal”	as defined in section 1.3 of this announcement
“associate”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“Chairman”	Tan Sri Cheng Heng Jem, the chairman of the Company and an executive Director
“Company”	Parkson Retail Group Limited, a company incorporated in the Cayman Islands
“Compensation Agreement”	the compensation agreement dated 10 February 2018 and entered into between Hefei Parkson and Serbadagang as described in more details in section 3 of this announcement
“connected person”	has the meaning given to it under the Listing Rules
“Creation (Hong Kong)”	Creation (Hong Kong) Investment & Development Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Dalian Intermediate Court”	the Intermediate People’s Court of Dalian, Liaoning Province* (遼寧省大連市中級人民法院)
“Dalian Tianhe Parkson”	Dalian Tianhe Parkson Shopping Mall Company Limited* (大連天河百盛購物中心有限公司), a company established in the PRC
“Dashang”	Dashang Group Company Limited* (大商集團有限公司), a company established in the PRC
“Directors”	the directors of the Company
“DTP Subject Equity”	60% of the equity interest in Dalian Tianhe Parkson owned by Serbadagang
“First Announcement”	as defined in section 1.1 of this announcement
“Group”	the Company and its subsidiaries

“Hefei Parkson”	Hefei Parkson Xiaoyao Plaza Company Limited* (合肥百盛逍遙廣場有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Hefei Parkson Litigation”	the litigation in which Hefei Parkson was named as one of the defendants as disclosed in the First Announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Compensation”	the initial compensation in the amount of RMB100 million payable by Hefei Parkson to Serbadagang pursuant to the Compensation Agreement
“Judgement”	the judgment dated 28 February 2017 given by the Dalian Intermediate Court in respect of the Plaintiff’s Allegations
“Juliana Cheng”	Juliana Cheng San San, an executive Director and the daughter of the Chairman
“Liaoning High Court”	the People’s High Court of Liaoning* (遼寧省高級人民法院)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parties”	the parties to the Settlement Agreement as disclosed in section 2.2 of this announcement
“PHB”	Parkson Holdings Berhad, a public limited liability company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad
“Plaintiff”	Dalian Tianhe Building Company Limited* (大連天河大廈有限公司), a company established in the PRC
“Plaintiff’s Allegations”	as defined in section 1.1(f) of this announcement
“Possible Additional Compensation”	as defined in section 3.3(b) of this announcement
“PRC”	the People’s Republic of China and, for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Legal Advisers”	the legal advisers of the Company as to the laws of the PRC

“Relevant Dividends”	in relation to the period from year 2003 to the year ended 31 December 2017, the amount of approximately RMB348 million (unaudited) which represents the sum of (x) (in respect of those financial years of Anshan Parkson during the said period where dividends had been paid) the amount of the aggregated dividends paid on 51% of the equity interest of Anshan Parkson; and (y) (in respect of those financial years of Anshan Parkson during the said period where Anshan Parkson had distributable profits but no dividends had been declared or paid) 51% of the aggregated distributable profits of Anshan Parkson
“Relevant SPA”	the equity interests transfer agreement entered into between Xinhui and Hefei Parkson on 12 April 2004 whereby Xinhui transferred the Anshan Majority Interests to Hefei Parkson
“RMB”	Renminbi, the lawful currency of the PRC
“Serbadagang”	Serbadagang Holdings Sdn. Bhd., a private limited liability company incorporated and domiciled in Malaysia and a wholly-owned subsidiary of PHB
“Serbadagang Litigations”	the litigations that Serbadagang was involved as disclosed in section 1.4 of this announcement
“Settlement Agreement”	the settlement agreement dated 1 February 2018 in relation to the Hefei Parkson Litigation and the Serbadagang Litigations and entered into among the Parties
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Transactions”	the transactions provided under, and contemplated by, the Settlement Agreement and the Compensation Agreement
“Xinhui”	Shenzhen Xinhui Industrial Company Limited* (深圳市鑫輝實業有限公司), a company established in the PRC

By Order of the Board
PARKSON RETAIL GROUP LIMITED
Tan Sri Cheng Heng Jem
Executive Director & Chairman

12 February 2018

As at the Announcement Date, the Executive Directors of the Company are Tan Sri Cheng Heng Jem, Mr. Chong Sui Hiong and Ms. Juliana Cheng San San, the Non-executive Director is Dato’ Dr. Hou Kok Chung and the Independent Non-executive Directors are Dato’ Fu Ah Kiow, Mr. Ko Tak Fai, Desmond and Mr. Yau Ming Kim, Robert.

* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*