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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: 3368)

**CONNECTED TRANSACTION: ACQUISITION OF 70% OF
A COMPANY ENGAGED IN THE BUSINESS OF
PROVIDING HIRE PURCHASE/CREDIT SALE SCHEME**

On 13 September 2018, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the SPA with the Vendor, pursuant to which the Purchaser agreed to acquire 70% of the equity interest in the Target Company at a consideration of RM49,000,000 (equivalent to approximately HK\$92,755,815.30). Subject to the consent of Bank A, the Purchaser or the Company, as the case may be, will also replace PHB as a guarantor for the sum of RM7,000,000, representing 70% of a credit facility in the sum of RM10,000,000 granted by Bank A to the Target Company. The principal business of the Target Company is the provision of Islamic and conventional Hire Purchase/Credit Sale scheme for consumer durables and motorcycles in Malaysia through dealers authorized by it. Upon completion of the Acquisition, the Target Company will become (i) an indirectly non-wholly-owned subsidiary of the Company and (ii) a connected subsidiary of the Company under the Listing Rules and therefore a connected person of the Company.

As the Vendor is a connected person of the Company, the Acquisition constitutes a connected transaction of the Company under the Listing Rules. This connected transaction is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under the Listing Rules.

The Board is pleased to announce that on 13 September 2018, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the SPA with the Vendor, pursuant to which the Purchaser agreed to acquire 70% of the equity interest in the Target Company at a cash consideration of RM49,000,000 (equivalent to approximately HK\$92,755,815.30). A summary of the principal terms of the SPA and the relevant information are set out below.

1. THE SPA

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

(a) Date

13 September 2018.

(b) Parties

The Purchaser and the Vendor.

(c) Assets to be acquired by the Group

The assets to be acquired by the Group through the Purchaser are the Sale Shares, which represent 70% of the equity interest in the Target Company. As advised by the Vendor, the Target Company was established by the Vendor. Accordingly, there is no acquisition cost in relation to the Sale Shares for the Vendor. Please refer to section 2 below for information on the Target Company. Upon Completion, the Target Company will be owned as to 70% by the Group and the remaining 30% by the Vendor. Accordingly, the Target Company will become an indirect non-wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

(d) Purchase Price and related information

The Purchase Price is RM49,000,000 payable in one lump sum upon Completion.

The Purchase Price was determined after arm's length negotiation between the Purchaser and the Vendor and principally by reference to (i) the audited earnings of the Target Company for the 12 months ended 30 June 2017 and the unaudited earnings of the Target Company as at 30 June 2018 and (ii) the valuation of the entire issued share capital of the Target Company in the amount of RM74,962,000 as at 31 March 2018 according to the valuation report issued by a business valuer appointed by the Group. The Purchase Price represents a discount of approximately 7% to the valuation of the Sale Shares (i.e. 70% of the said business valuation). The Group intends to finance the Purchase Price by way of bank borrowing. As set out in section 1(e)(v) below, the Purchaser being satisfied with its financing arrangements in connection with the transactions contemplated under the SPA is one of the Conditions.

(e) Conditions

Completion shall be subject to the fulfilment (or waiver, if applicable) of the Conditions, including but not limited to the following:

- (i) the Purchaser having completed due diligence of the Target Company to its satisfaction;
- (ii) the Vendor having obtained all necessary approvals, consents or waivers for the transactions contemplated under the SPA;
- (iii) the Target Company having obtained all necessary approvals, consents, waivers or licences for the transactions contemplated under the SPA;
- (iv) the Purchaser having obtained all necessary approvals, consents or waivers for the transactions contemplated under the SPA;
- (v) the Purchaser being satisfied with its financing arrangements in connection with the transactions contemplated under the SPA and such financing arrangements being in compliance with all applicable laws, regulations, including the Listing Rules;

- (vi) consent of Bank B for (A) an absolute assignment or novation or transfer of Loan B from PHB to the Target Company which will come into effect on or before the Completion Date having been obtained, and reducing the existing PHB's corporate guarantee for Loan B from 100% of Loan B to 30% thereof; or (B) granting a bank facility to the Target Company for full settlement of Loan B and thereby accepted by the Target Company; and

Note: for the avoidance of doubt, the Group is not required to assume or otherwise provide any guarantee in relation to Loan B or the banking facility referred to above under the SPA.

- (vii) the Target Company having obtained the consent of Bank A for the following:

- (A) reducing the existing guarantee given by PHB for Loan A from 100% to 30% and adding the Purchaser or the Company, whichever applicable, as guarantor for 70% of Loan A with effect on or after the Completion Date; and

- (B) addition of the Purchaser as a shareholder of the Target Company.

The Conditions must be fulfilled (or waived, if applicable) within six months from the date of the SPA (or such other date as the Vendor and the Purchaser may agree in writing).

The Purchaser may waive any of the Conditions except for those set out in (ii), (iii) and (v) above. The Vendor does not have any right to waive any Condition.

(f) Completion

Subject to the fulfilment (or waiver) of the Conditions, Completion shall take place on the Completion Date.

(g) Shareholders' agreement

As at the Announcement Date, it is expected that the Purchaser and the Vendor will, subject to the occurrence of the Completion, enter into a shareholders' agreement for regulating their respective rights and obligations as shareholders of the Target Company.

2. INFORMATION ON THE TARGET COMPANY

(a) Business

The Target Company is a company established in Malaysia whose principal business is the provision of Islamic and conventional Hire Purchase/Credit Sale scheme for consumer durables and motorcycles in Malaysia through dealers authorized by it. The business of the Target Company aims to provide customers with the convenience in purchasing products via payment instalments.

The Hire Purchase/Credit Sale scheme of the Target Company, which is regulated by the Ministry of Domestic Trade, Cooperative and Consumerism, provides convenience to customers to finance their purchases of (i) white goods, such as washing machine and refrigerator; (ii) brown goods, such as Hi-Fi systems, televisions and other household appliances, (iii) furniture; and (iv) motorcycles.

The target customers of the Target Company are principally potential buyers of motorcycle, electrical appliance or furniture that need financing. Those buyers who need financing for their purchases are required to act through the dealers authorized by the Target Company from whom they buy the consumer products. The finance granted by the Target Company will be paid to the authorized dealers directly for settling the purchase price of the relevant consumer products purchased by the buyers. The buyers will not receive the finance from the Target Company directly. The dealers of the Target Company are principally electrical chain stores, mobile chain stores, motorcycle stores and furniture stores. The Target Company has a network of dealers in the major cities and towns in east and west Malaysia, such as Ipoh, Johor Bahru, Kuantan, Kuching and Kota Kinabalu. The dealers are classified according to the policy of the Target Company based on the dealer's sales contribution to the Target Company. In return, the Target Company will dispense marketing support, attention and any form of monetary reward, incentive and commission in accordance with the policy of the Target Company.

The Target Company possesses a money lending licence issued by the Ministry of Urban Wellbeing, Housing and Local Government and therefore is also permitted to carry out money lending business. As at the Announcement Date, the money lending business is extended to the employees of the Target Company only.

(b) Financial information

Set out below is the financial information of the Target Company for the two financial years ended 30 June 2017 and 30 June 2018 respectively prepared in accordance with Malaysian Financial Reporting Standards:

	For the year ended 30 June 2017 (audited) <i>RM'000</i>	For the year ended 30 June 2018 (unaudited) <i>RM'000</i>
Profit/(loss) before tax and extraordinary items	7,023 (approximately HK\$13,294)	11,849 (approximately HK\$22,430)
Profit/(loss) after tax and extraordinary items	5,800 (approximately HK\$10,979)	9,005 (approximately HK\$17,046)
	As at 30 June 2017 (audited) <i>RM'000</i>	As at 30 June 2018 (unaudited) <i>RM'000</i>
Total assets	126,805 (approximately HK\$240,039)	202,170 (approximately HK\$382,703)
Total liabilities	90,758 (approximately HK\$171,803)	154,274 (approximately HK\$292,037)
Net assets	36,047 (approximately HK\$68,236)	47,895 (approximately HK\$90,664)

3. INFORMATION ON THE GROUP AND THE VENDOR

The principal activities of the Group are the operation and management of a network of department stores in the PRC. The Purchaser is an indirect wholly-owned subsidiary of the Company whose principal business is acting as an investment holding company for the Group's overseas businesses outside the PRC market.

The Vendor is a company established in Malaysia whose principal business is investment holding.

4. REASONS AND BENEFITS FOR ENTERING INTO THE ACQUISITION

As at the Announcement Date, the principal activities of the Group are the operation and management of a network of department stores in the PRC. The Board reviews the business strategy of the Group from time to time and looks for business investment opportunities to expand the Group's revenue stream. Based on the information available to the Board and as supported by the financial information of the Target Company set out in section 2(b) above, the Target Company has had a stable income and profits historically. Accordingly, the Board is confident that upon Completion, the Target Company can bring instant income and profit to the Group. The Acquisition will also allow the Group to expand into a new business, namely the provision of credit services such as consumer financing and hire purchase financing which are in high demand in Malaysia. The Company is confident that the demand for new motorcycles will continue to increase and remain stable given that motorcycles are almost an essential mode of transportation for the low to middle income groups in Malaysia. The Group believes that the Target Company has the capacity as well as in the pipeline to introduce a series of new financing products. Based on the Company's discussion with the Vendor, the Company understands that the Target Company has a business plan targeting the expansion of its motorcycle and electrical appliances dealers network and developing branches throughout all the major cities in Malaysia. On the basis set out above and the information on the business of the Target Company as disclosed in section 2(a) above but subject to the results of the due diligence on the Target Company, the Board is satisfied with the historical performance of the Target Company and is also optimistic about the prospects of the Target Company.

Having taken into account the above reasons and benefits, the Directors (including all the independent non-executive Directors) consider (i) the terms of the SPA to be fair and reasonable; (ii) on normal commercial terms or better but not in the ordinary and usual course of business of the Group on the basis of the meaning of “ordinary and usual course of business” under Rule 14A.06(28) of the Listing Rules; and (iii) in the interests of the Company and the Shareholders as a whole.

As Tan Sri Cheng and his spouse are together entitled to exercise or control the exercise of more than 30% of the voting power at general meetings of PHB and PHB is an indirect holding company of the Vendor, Tan Sri Cheng is materially interested in the Acquisition and has abstained from voting on the relevant Board resolution(s) approving the SPA. Juliana Cheng San San, an executive Director, is the daughter of Tan Sri Cheng and is therefore an associate (as defined under the Listing Rules) of Tan Sri Cheng and, as such, has also abstained from voting on the relevant Board resolution(s) approving the SPA in accordance with the Company’s constitution.

5. IMPLICATIONS UNDER THE LISTING RULES

5.1 Connected transaction

PHB is a connected person of the Company by virtue of it being the ultimate holding company of the Company. The Vendor, by virtue of it being controlled by PHB is therefore also a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

As the highest applicable percentage ratios (as defined under the Rule 14.07 of the Listing Rules) other than the profit ratio in respect of the Acquisition calculated on the basis of the aggregation of the Purchase Price of RM49,000,000 and the Relevant Guarantee of RM7,000,000 is more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders’ approval requirements under the Listing Rules.

5.2 Connected subsidiary

Upon Completion, a controlling shareholder of the Company (namely, PHB) will own 30% of the issued shares of the Target Company. As such, the Target Company will be an indirect non-wholly-owned subsidiary of the Company where the connected person of the Company at the issuer level can exercise or control the exercise of 10% or more of the voting power at its general meetings and, accordingly, the Target Company will become a connected subsidiary and therefore a connected person of the Company under the Listing Rules.

5.3 Possible financial assistance received by the Group from a connected person upon Completion

As disclosed in more details in sections 1(e)(vi) and 1(e)(vii) above, there may be guarantees given by PHB for securing the banking facilities of the Target Company upon or after Completion. By virtue of PHB being a connected person of the Company, such guarantees will constitute financial assistance received by a subsidiary of the Company (namely, the Target Company) from a connected person and therefore will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Under Rule 14A.90 of the Listing Rules, financial assistance received by the listed issuer's group from a connected person is fully exempt if (i) it is conducted on normal commercial terms or better and (ii) it is not secured by the assets of the listed issuer's group. The Company will ensure that all the applicable requirements under the Listing Rules are complied with before the Target Company in its capacity as a subsidiary of the Company receiving any financial assistance from PHB.

5.4 Possible financial assistance provided by the Group to a connected person upon Completion

As disclosed in more details in section 1(e)(vii) above, the Company may be added as a guarantor for 70% of Loan A. By virtue of the Target Company being a connected subsidiary upon Completion and assuming that the Company provides guarantee for the Target Company's banking facilities upon or after Completion, such guarantee will constitute a financial assistance provided by the Company to a connected person (namely, the Target Company in its capacity as a connected subsidiary) and therefore will constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

Under Rule 14A.89 of the Listing Rules, financial assistance provided by the listed issuer's group to a connected person is fully exempt if it is conducted (i) on normal commercial terms or better and (ii) in proportion to the equity interest directly held by the listed issuer or its subsidiary in the connected person or the commonly held entity. Any guarantee given by the listed issuer's group must be on a several (and not a joint and several) basis. The Company will ensure that all the applicable requirements under the Listing Rules are complied with before it provides any financial assistance to the Target Company in its capacity as a connected subsidiary.

6. DEFINITIONS

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

“Acquisition”	means the acquisition of the Sale Shares by the Purchaser;
“Announcement Date”	means the date of this announcement, being 13 September 2018;
“Bank A”	means the licensed Islamic bank in Malaysia which has provided Loan A;
“Bank B”	means the licensed Islamic bank in Malaysia which has provided Loan B;

“Board”	means the board of Directors;
“Company”	means Parkson Retail Group Limited, a company incorporated in the Cayman Islands;
“Completion”	means completion of the SPA;
“Completion Date”	means a day within 14 days after the day on which the last of the Conditions is fulfilled or waived in accordance with the SPA (or such later date as the Vendor and the Purchaser may agree in writing prior to Completion);
“Conditions”	means the conditions precedent for the Completion;
“connected person”	has the meaning given to it under the Listing Rules;
“connected subsidiary”	has the meaning given to it under the Listing Rules;
“controlling shareholder”	has the meaning given to it under the Listing Rules;
“Directors”	means the directors of the Company;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan A”	means a short term revolving credit in the sum of RM10,000,000 granted to the Target Company;

“Loan B”	means the banking facilities in the sums of USD15,000,000.00 and RM30,000,000.00 respectively obtained by PHB for the benefit of the Target Company;
“PHB”	means Parkson Holdings Berhad, a company established in Malaysia and a controlling shareholder of the Company interested in approximately 54.97% of the total issued Shares through corporations controlled by it;
“PRC”	means the People’s Republic of China and, for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“Purchase Price”	means the purchase price for the Sale Shares, being RM49,000,000;
“Purchaser”	means Oroleon (Hong Kong) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Relevant Guarantee”	means the guarantee which may be given by the Purchaser or the Company as disclosed in section 1(e)(vii)(A);
“RM”	means Ringgit Malaysia, the lawful currency of Malaysia;
“Sale Shares”	means 21,000,000 ordinary shares of the Target Company in issue that represent 70% of the entire issued share capital of the Target Company;
“Shareholders”	means holders of the Shares;
“Shares”	means ordinary shares of par value of HK\$0.02 each in the capital of the Company;
“SPA”	means the sale and purchase agreement dated 13 September 2018 in relation to the Acquisition and entered into between the Vendor and the Purchaser;

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Tan Sri Cheng”	means Tan Sri Cheng Heng Jem, the chairman of the Company and an executive Director;
“Target Company”	means Parkson Credit Sdn Bhd, a company established in Malaysia;
“USD”	means United States Dollars, the lawful currency of the United States of America; and
“Vendor”	means Parkson Credit Holdings Sdn Bhd, a company established in Malaysia and an indirect wholly-owned subsidiary of PHB.

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

13 September 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’ Sri Dr. Hou Kok Chung and the Independent Non-executive Directors are Dato’ Fu Ah Kiow, Mr. Ko Desmond and Mr. Yau Ming Kim, Robert.

* *In this announcement, sums in RM are translated to HK\$ at the rate of HK\$1 = RM0.5283. This does not mean that RM could be converted into HK\$ based on such exchange rate, or vice versa.*