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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)

INSIDE INFORMATION RESULTS OF ARBITRATION PROFIT WARNING AND RESUMPTION OF TRADING

This announcement is made by Parkson Retail Group Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

The Company hereby announces that according to the arbitral award dated 25 March 2015 (the “**Arbitral Award**”) issued by China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) (the “**Arbitration Commission**”), the Arbitration Commission made an award in favour of the landlord of the Premises (as defined in section 1(b) below) who is an independent third party (the “**Landlord**”) and ordered Parkson Retail Development Co., Ltd. (百盛商業發展有限公司) (an indirect wholly-owned subsidiary of the Company) (the “**Tenant**”) to, among other things, pay to the Landlord a fee in the amount of RMB36,757,641.60 for the occupation of the Premises after the termination of the Tenancy Agreement (as defined in section 1(b) below) and rental in the amount of RMB89,923,270.22 (being the difference between the amount of rental which the Tenant had already paid and the amount of rental which the Arbitration Commission had determined to be payable by the Tenant).

1. BACKGROUND

- (a) The Tenant is an indirect wholly-owned subsidiary of the Company established in the People’s Republic of China (the “**PRC**”) whose principal business is operation of department stores.
- (b) On 22 September 2006, the Tenant, as tenant, and the Landlord, as landlord, entered into a tenancy agreement (the “**Tenancy Agreement**”) in respect of part of the premises situated at the first floor to the fourth floor of Metro City Shopping Plaza* (美羅城購物中心) (the “**Plaza**”), 189 Middle of the Fourth Ring Road, Eastern Chaoyang District, Beijing, with a total area of approximately 25,140 square metres (the “**Premises**”) for a term of 20 years.

- (c) Since April 2012, the Landlord had repeatedly and unilaterally requested the Tenant to reduce the total area of the Premises under the Tenancy Agreement or alternatively terminate the Tenancy Agreement in return for compensation from the Landlord equalling three months' rental payments, and the Landlord had at the same time taken actions adverse to the business of the Premises and the Tenant, including, among other things, suspending supply of air-conditioning and installing fences at the Plaza and sealing off the main entrances which resulting in the decline in customers.
- (d) On 6 December 2012, the Landlord issued a notice of breach of contract to the Tenant, requesting the Tenant to vacate the Premises within 30 days.
- (e) On 27 December 2012, the Tenant submitted an application to the Arbitration Commission, applying for an arbitration ruling from the Arbitration Commission in respect of the disputes between the Tenant and the Landlord arising from the Tenancy Agreement and sought a ruling from the Arbitration Commission, among other things, that the Landlord should continue to perform the Tenancy Agreement and remove the fences around the Plaza.

2. THE ARBITRAL AWARD

The Company hereby announces that according to the Arbitral Award, the Arbitration Commission made an award in favour of the Landlord, that:

- (a) the Tenancy Agreement had been terminated on 6 December 2012;
- (b) the Tenant shall surrender the Premises;
- (c) for its occupation of the Premises after the termination of the Tenancy Agreement, the Tenant shall pay to the Landlord:
 - (i) a lump sum fee in the amount of RMB36,757,641.60; and
 - (ii) a daily fee calculated at the rate of RMB3.46 per square metre for the period from 1 November 2014 up to the date on which the Premises was surrendered to the Landlord (which was 26 March 2015), totalling RMB12,612,738.00;
- (d) the Tenant shall pay to the Landlord rental in the amount of RMB89,923,270.22 (being the difference between the amount of rental which the Tenant had already paid and the amount of rental which the Arbitration Commission had determined to be payable by the Tenant); and
- (e) the Tenant shall pay an arbitration fee of RMB1,101,864.80 to the Landlord.

The payments mentioned in (c) to (e) above must be paid within 30 days of the date of the Arbitral Award or interest at the annual rate of 6% will be payable thereon.

As at the date of this announcement, the Company is considering the options available to it, including the submission of an appeal to the court in the PRC to overturn the Arbitral Award. Further announcement(s) in this regard will be made by the Company as and when appropriate.

3. IMPACT OF THE ARBITRAL AWARD ON THE GROUP

As at the date of this announcement, the total amount payable by the Tenant under the Arbitral Award is approximately RMB140 million, which represents approximately 57% of the audited net profit of the Group for the year ended 31 December 2014. Based on the information currently available to the board of directors of the Company (the “**Board**”), the Board is of the opinion that the results of the Arbitral Award do not have material adverse impact on the business and operation of the Group.

4. PROFIT WARNING

The Board wishes to inform the shareholders of the Company, holders of the debt securities of the Company listed on the Hong Kong Stock Exchange and potential investors that based on preliminary review of the unaudited consolidated management accounts of the Group for the two months ended 28 February 2015 and taking into account the results of the Arbitral Award, the Board does not expect that the operating results of the Group for the first quarter of 2015 could cover the impact resulted from the Arbitral Award and therefore expects that the profit of the Group for the three months ending 31 March 2015 will decline significantly as compared with the corresponding period of year 2014. As at the date of this announcement, the Board expects that the unaudited results of the Group for the first quarter of 2015 will be released in May 2015.

5. RESUMPTION OF TRADING

At the request of the Company, trading in the securities of the Company on the Hong Kong Stock Exchange has been halted since 1:02 p.m. on 30 March 2015 pending the release of this announcement. An application has been made by the Company to the Hong Kong Stock Exchange for the resumption of trading in the securities of the Company with effect from 9:00 a.m. on 1 April 2015.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

* *For identification purposes only*

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

31 March 2015

As at the date of this announcement, the Executive Directors of the Company are Tan Sri Cheng Heng Jem and Mr. Chong Sui Hiong, the Non-executive Directors are Datuk Lee Kok Leong and Dato’ Dr. Hou Kok Chung and the Independent Non-executive Directors are Mr. Ko Tak Fai, Desmond, Mr. Yau Ming Kim, Robert and Dato’ Fu Ah Kiow.