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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)

MAJOR TRANSACTION: SUPPLEMENTAL AGREEMENT IN RELATION TO THE ACQUISITION OF THE QINGDAO SHOPPING MALL

THE VARIED TRANSACTION

In the 2012 Announcement, it was disclosed that the Vendor and Beijing Huadesheng entered into the Cooperative Agreement in relation to acquisition of the land use right and the building ownership right to the Qingdao Shopping Mall. In the SPA Announcement, it was disclosed that the Vendor and the Purchaser entered into the SPA in respect of the Original Transaction whereby the Purchaser would acquire the Qingdao Shopping Mall at the Original Consideration. The Cooperative Agreement and the SPA were entered into on the understanding that registration of title would be effected only for the levels of the Qingdao Shopping Mall which were above ground and the Original Consideration was also determined based on this understanding. As a result of the implementation of the Management Rules in January 2015, payment of the Additional Land Premium became mandatory and, procedurally, such payment must be completed before the registration of title to the Above Ground Levels can be completed. Accordingly, the Vendor and the Purchaser entered into the Supplemental Agreement to provide for the payment of the Additional Land Premium by the Purchaser and the registration of title to the Commercial Portion, in addition to the titles to the Above Ground Levels, by the Vendor.

IMPLICATIONS UNDER THE LISTING RULES

The Varied Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and the shareholders' approval requirements under the Listing Rules. However, as no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Varied Transaction, the written approval given by a closely allied group of Shareholders who are interested in approximately 53.87% of the issued share capital of the Company as at the Announcement Date will be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Varied Transaction will be despatched to the Shareholders on or before 17 March 2016 (being 15 business days after the Announcement Date).

1. BACKGROUND

- (a) In the 2012 Announcement, it was disclosed, among other things, that the Vendor and Beijing Huadesheng had entered into the Cooperative Agreement in relation to acquisition of the land use right and the building ownership right to the Qingdao Shopping Mall which comprised five levels above the ground and three basement floors.
- (b) In the SPA Announcement, it was disclosed, among other things, that:
 - (i) the Company had established a new wholly-owned subsidiary, namely the Purchaser, to take over the role of purchaser of the Qingdao Shopping Mall from Beijing Huadesheng;
 - (ii) the Vendor and the Purchaser entered into the SPA in respect of the Original Transaction whereby the Purchaser would acquire the Qingdao Shopping Mall at the Original Consideration; and
 - (iii) the Original Transaction would constitute a discloseable transaction of the Company.
- (c) At the time of the entering into of the Cooperative Agreement and the SPA, the laws and regulations of the PRC applicable to the Qingdao Shopping Mall did not provide for mandatory registration of titles to properties which were situated underground. Accordingly and following the then prevailing market practice, the Vendor had not paid the land premium for the Commercial Portion and therefore the title to the Commercial Portion had not been registered.
- (d) In January 2015, the Qingdao government implemented the Management Rules which set out, among other things, the procedures and requirements for registration of titles to properties situated underground and the mandatory payment of land premium to the government for those underground properties which were used for commercial purposes.
- (e) In light of the implementation of the Management Rules, the Vendor and the Purchaser entered into the Supplemental Agreement to provide for, among other things, the Purchaser' acquisition of the title to the Commercial Portion and payment of the Additional Land Premium.

2. THE SUPPLEMENTAL AGREEMENT

The Board is pleased to announce that on 25 February 2016, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Supplemental Agreement with the Vendor. Pursuant to the Supplemental Agreement, the Purchaser agreed to pay the Additional Land Premium upon the terms and conditions of the Supplemental Agreement. The principal terms of the Supplemental Agreement are summarised below:

(a) Date

25 February 2016.

(b) Parties

The Purchaser and the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules).

(c) Assets to be acquired by the Group

The title to the Commercial Portion.

(d) Additional Land Premium

The amount of the Additional Land Premium is RMB112,344,623.48, comprising (i) an amount of RMB91,903,462 representing the land premium calculated in accordance with the Management Rules and (ii) an amount of RMB20,441,161.48 representing the taxes, stamp duties and surcharges arising from payment of land premium under the applicable PRC laws and regulations. The Purchaser shall pay the Additional Land Premium to the Vendor within one working day after the signing of the Supplemental Agreement.

According to the applicable PRC laws and regulations, the amount of the Additional Land Premium is required to be calculated on the basis of the Commercial Portion having an area of 28,795 square meters. However, the final registered area is subject to the calculation of the relevant PRC governmental authorities.

The Additional Land Premium will be funded by the internal resources of the Group.

(e) Material obligations of the Vendor

(i) The Vendor shall, within two working days after receipt of the Additional Land Premium, pay the Additional Land Premium in accordance with legal documents entered into between the Vendor and the relevant PRC governmental authorities.

(ii) The Vendor shall transfer the title to the Above Ground Levels and the Commercial Portion to the Purchaser before 31 May 2016.

(f) Coming into effect of the Supplemental Agreement

The Supplemental Agreement shall come into effect after the Vendor and the Purchaser have obtained, among other things, the relevant approvals under the applicable laws and regulations.

As at the Announcement Date, both the Vendor and the Purchaser have obtained the approvals contemplated by the Supplemental Agreement and accordingly, the Supplemental Agreement has come into effect. As to the shareholders' approval of the Purchaser, please refer to the section headed "Implications under the Listing Rules" below for more details.

3. INFORMATION ON THE QINGDAO SHOPPING MALL

The Qingdao Shopping Mall is located in Laoshan District of Qingdao City and is part of a fully integrated commercial development project known as Beer City Project undertaken by the Vendor. According to the Cooperative Agreement and as disclosed in the 2012 Announcement and the SPA Announcement, the Qingdao Shopping Mall was estimated to have a site area of approximately 45,714 square metres. In 2013, the Vendor registered the title to the Qingdao Shopping Mall individually and the actual area registered was 50,213.7 square metres. Accordingly, the actual site area of the Qingdao Shopping Mall acquired by the Purchaser pursuant to the SPA was 50,213.7 square metres.

Based on the original plan, the Qingdao Shopping Mall had 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 ancillary use and for an estimated 2,000 car parking lots. In 2013, the Purchaser changed the building specifications such that the above ground levels of the Qingdao Shopping Mall were reduced from five to four, with a total gross floor area of approximately 228,600 square metres, of which approximately 123,200 square metres is for retail use and the balance of 105,400 square metres is for ancillary use and for an estimated 2,000 car parking lots. The Purchaser proposed the change in specifications after taking into account, among other things, the constructions costs, the expected shopping leisure, the overall planning of the operation of the Qingdao Shopping Mall and the applicable building work standard and concluded that four levels were more cost effective and could produce more commercial benefits as compared to five levels.

The building and construction of the Qingdao Shopping Mall was completed in December 2015 and, based on the information available to the Company as at the Announcement Date, it is expected that the Qingdao Shopping Mall will be opened for business in April 2016. As at the Announcement Date, binding agreements in relation to the occupation of the Qingdao Shopping Mall, representing approximately 95% of the lettable area, have already been entered into.

The book value of the Qingdao Shopping Mall was RMB1,422,320,000 as at 31 December 2015.

4. 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 a wholly-owned subsidiary of the Company whose scope of business includes, among other things, general merchandise, cosmetics and property management.

The Vendor is a company established in the PRC whose scope of business includes, among other things, property development and property management.

5. REASONS AND BENEFITS FOR ENTERING INTO THE VARIED TRANSACTION

As disclosed in the SPA Announcement, the SPA was entered into to formalise an option provided under the Cooperative Agreement whereby the Vendor would continue to build and deliver a completed Qingdao Shopping Mall to the Purchaser based on the building specifications provided by the Purchaser. At the time the Cooperative Agreement and the SPA were respectively entered into, the laws and regulations of the PRC applicable to the Qingdao Shopping Mall did not provide for mandatory registration of titles to properties which were situated underground. Accordingly, the Cooperative Agreement and the SPA were entered into on the understanding that registration of title would be effected only for the levels of the Qingdao Shopping Mall which were above ground and the Original Consideration was also determined based on this understanding. As a result of the implementation of the Management Rules in January 2015, payment of the Additional Land Premium became mandatory and, procedurally, such payment must be completed before the registration of title to the Above Ground Levels can be completed. Accordingly, the Vendor and the Purchaser entered into the Supplemental Agreement to provide for the payment of the Additional Land Premium by the Purchaser and the registration of title to the Commercial Portion, in addition to the titles to the Above Ground Levels, by the Vendor. As disclosed in the section headed “2. The Supplemental Agreement – (e) Material obligations of the Vendor” in this announcement, the Additional Land Premium would ultimately be paid by the Vendor to the relevant PRC governmental authorities. No title can be registered for (i) the non-Commercial Portion of the first basement floor of the Qingdao Shopping Mall, which will be used as car parks and ancillary purposes and (ii) the second and third basement floors of the Qingdao Shopping Mall, which will be used as car parks and ancillary purposes.

Having taken into account the above reasons and benefits, the Directors (including all the independent non-executive Directors) consider that the terms of the Varied Transaction to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios in respect of the Varied Transaction, after taking into account both the Original Consideration and the Additional Land Premium (i.e. an aggregate of RMB1,534,664,623.48), exceed 25% but are less than 100%, the Varied Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and the shareholders’ approval requirements under the Listing Rules. However, as no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Varied Transaction and a closely allied group of Shareholders, who are interested in an aggregate of 1,448,270,000 Shares representing approximately 53.87% of the issued share capital of the Company as at the Announcement Date (being 2,688,523,750 Shares) having the right to attend and vote at any general meeting of the Company, has given its written approval of the Varied Transaction, the written approval of the aforementioned group of Shareholders will be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The aforesaid group of Shareholders comprises (i) East Crest (holding 9,970,000 Shares representing approximately 0.37% of the entire issued share capital of the Company as at the Announcement Date) and (ii) PRG (holding 1,438,300,000 Shares representing approximately 53.50% of the entire issued share capital of the Company as at the Announcement Date). Both East Crest and PRG are ultimately 100% controlled by Tan Sri Cheng Heng Jem, an executive Director, together with his spouse through their 100% controlled corporation, namely Parkson Holdings Berhad.

A circular containing, among other things, further details of the Varied Transaction will be despatched to the Shareholders on or before 17 March 2016 (being 15 business days after the Announcement Date).

7. DEFINITIONS

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

- “2012 Announcement”** means the announcement of the Company dated 20 December 2012 in relation to the Cooperative Agreement;
- “Above Ground Levels”** means the four levels of the Qingdao Shopping Mall above ground;
- “Additional Land Premium”** means the land premium and relevant taxes, duties and surcharges in the amount of RMB112,344,623.48 payable by the Purchaser to the Vendor for the acquisition of the title to the Commercial Portion in accordance with the Supplemental Agreement;
- “Announcement Date”** means the date of this announcement, being 25 February 2016;
- “Beijing Huadesheng”** means Beijing Huadesheng Property Management Co., Ltd.* (北京華德盛物業管理有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company;
- “Board”** means the board of Directors;
- “Commercial Portion”** means the portion of basement floor one of the Qingdao Shopping Mall which is for commercial use;
- “Company”** means Parkson Retail Group Limited, a company incorporated in the Cayman Islands;
- “Cooperative Agreement”** means the cooperative agreement dated 20 December 2012 in relation to the Qingdao Shopping Mall and entered into between the Vendor and Beijing Huadesheng;
- “Directors”** means the directors of the Company;
- “East Crest”** means East Crest International Limited, a Shareholder holding 9,970,000 Shares representing approximately 0.37% of the entire issued share capital of the Company as at the Announcement Date;

“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Management Rules”	means the Management Rules on the Land Use Right of the Underground State-owned Land of the State-owned Land Resources and Housing Management Authority of Qingdao* (青島市國土資源和房屋管理局地下空間國有建設用地使用權管理辦法);
“Original Consideration”	means the consideration paid under the SPA, being RMB1,422,320,000;
“Original Transaction”	means the transactions contemplated by the SPA;
“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;
“PRG”	means PRG Corporation Limited, a controlling shareholder (as defined under the Listing Rules) holding 1,438,300,000 Shares representing approximately 53.50% of the entire issued share capital of the Company as at the Announcement Date;
“Purchaser”	means Qingdao Lion Plaza Retail Management Co., Ltd.* (青島金獅廣場商業管理有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company;
“Qingdao Shopping Mall”	means the shopping complex located at No. 195, Hong Kong East Road, Laoshan District, Qingdao City, Shandong Province, PRC and acquired by the Purchaser pursuant to the SPA;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Shareholders”	means holders of the Shares;
“Shares”	means shares of nominal value of HK\$0.02 each in the capital of the Company;
“SPA”	means the sales and purchase agreement dated 29 December 2014 in relation to the Qingdao Shopping Mall and entered into between the Vendor and the Purchaser;

“SPA Announcement”	means the announcement of the Company dated 29 December 2014 in relation to the SPA;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	means the supplemental agreement dated 25 February 2016 in relation to, among other things, the Purchaser’s acquisition of the title to the Commercial Portion and entered into between the Vendor and the Purchaser;
“Varied Transaction”	means the Original Transaction as varied by the Supplemental Agreement; and
“Vendor”	means Shanghai Industrial Qingdao Development Co., Ltd.* (上實發展(青島)投資開發有限公司).

PARKSON RETAIL GROUP LIMITED
Tan Sri Cheng Heng Jem
Executive Director & Chairman

25 February 2016

As at the Announcement Date, the Executive Directors are Tan Sri Cheng Heng Jem, Mr. Chong Sui Hion and Ms. Juliana Cheng San San, 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.

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