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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)

VERY SUBSTANTIAL DISPOSAL: DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN A WHOLLY-OWNED PRC SUBSIDIARY AND THE RELEVANT SHAREHOLDER'S LOAN

DISPOSAL OF THE SALE EQUITY

The Parties have entered into the EFA pursuant to which the Vendor has agreed to sell, and the Purchasers have agreed to purchase, the Sale Equity at the Total Equity Consideration upon the terms and conditions of the EFA. The Total Equity Consideration comprises (i) a fixed amount of RMB1,670,258,898.36; (ii) the aggregate amount of the cash and the bank balance as shown in the accounts of the Disposal Company as at the Handover Completion Date; and (iii) an amount equivalent to the Advanced Rental Taxes (or any part thereof) refunded by the PRC governmental authorities to the Disposal Company pursuant to the Tax Refund Application after the Issuance Date, if any. Completion of the EFA is subject to the fulfilment (or waiver, if applicable) of the Equity Conditions on or before the Long Stop Date.

DISPOSAL OF THE SALE LOAN

The Vendor, the Company, Purchaser A and the Purchasers Parent have entered into the LFA with the Disposal Company concurrently with the signing of the EFA. Pursuant to the LFA, Purchaser A has agreed to acquire the Sale Loan from the Vendor at the Loan Consideration upon the terms and conditions of the LFA. Completion of the LFA is subject to the fulfilment (or waiver, if applicable) of the Loan Conditions on or before the Long Stop Date.

IMPLICATIONS UNDER THE LISTING RULES

The Disposal constitutes a very substantial disposal for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM AND CIRCULAR

The EGM will be convened as soon as practicable for the Shareholders to consider and, if thought fit, approve the Transactions. The Circular, which will contain, among other things, further details on the Disposal will be despatched to the Shareholders on or before 15 November 2016.

The Disposal is subject to the fulfillments (or waiver, if applicable) of the conditions set out in the EFA and the LFA and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

1. INTRODUCTION

The Board is pleased to announce that on 13 September 2016, the Company and the Vendor, an indirect wholly-owned subsidiary of the Company, entered into (i) the EFA with the Purchasers and the Purchasers Parent and (ii) the LFA with Purchaser A, the Purchasers Parent and the Disposal Company. Pursuant to the EFA, which is legally binding, the Vendor agreed to sell, and the Purchasers agreed to purchase, the Sale Equity at the Total Equity Consideration. The Vendor, the Company, Purchaser A and the Purchasers Parent entered into the LFA with the Disposal Company concurrently with the signing of the EFA. Pursuant to the LFA, which is legally binding, Purchaser A agreed to acquire the Sale Loan from the Vendor at the Loan Consideration.

2. THE EFA

The principal terms of the EFA are summarised below:

(a) Date

13 September 2016.

(b) Parties

The Vendor, the Company, the Purchasers and the Purchasers Parent.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Purchaser A, Purchaser B and the Purchasers Parent 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 disposed of

The Sale Equity, of which Purchaser A shall acquire 99.99999999% and Purchaser B shall acquire 0.00000001%.

(d) Total Equity Consideration and basis of its determination

(i) The Total Equity Consideration

The Total Equity Consideration, which is payable in cash, comprises:

(A) Equity Consideration A in the amount of RMB1,670,258,898.36;

(B) Equity Consideration B; and

(C) Equity Consideration C.

The Total Equity Consideration was determined after arm's length negotiations between the Vendor and the Purchasers with reference to (I) the unaudited net asset value of the Disposal Company as at 31 July 2016; (II) the prevailing market price of the properties comparable with the Disposal Property in size, age, usage and location; (III) the cash and bank balance that the Disposal Company may have as at the Handover Completion Date; and (IV) the Refunded Taxes that the Disposal Company may receive after the Issuance Date.

As at 31 August 2016, the cash and bank balance of the Disposal Company was approximately RMB769,850.46.

(ii) Further information on the Refunded Taxes

The Disposal Property, which is owned by the Disposal Company solely, was previously subject to the Previous Tenancy Agreements. The Advanced Rental Taxes had been paid by the Disposal Company to the relevant PRC governmental authorities as a result of the payment of the Advanced Rental. Since the Previous Tenancy Agreements had been terminated on 31 July 2016, the Disposal Company will apply to the relevant PRC governmental authorities for the refund of the business taxes and other relevant taxes and surcharges in relation to the Advanced Rental paid for the remaining tenancy period under the Previous Tenancy Agreements i.e. the period from 1 August 2016 to 31 August 2023.

Assuming that the Tax Refund Application will be approved by the relevant PRC governmental authorities, it is expected that the maximum amount of the Refunded Taxes would be equivalent to the amount of the Advanced Rental Taxes (i.e. approximately RMB19,500,000).

There is no guarantee that the Tax Refund Application will be approved by the relevant PRC governmental authorities and even if the Tax Refund Application is approved by the relevant PRC governmental authorities, there is no guarantee that the amount of the Refunded Taxes actually received by the Disposal Company will be equivalent to the expected maximum amount of the Refunded Taxes disclosed above.

(e) Equity Deposit

The Purchasers shall pay a deposit (the “**Equity Deposit**”) in the amount of RMB167,000,000, representing approximately 10% of Equity Consideration A, into the Equity Escrow Account within five working days after the signing of the EFA. The Equity Deposit shall form part of the first instalment of Equity Consideration A.

(f) Payment schedule of the Total Equity Consideration

(i) Payments to the Equity Escrow Account

Equity Consideration A shall be paid by the Purchasers into the Equity Escrow Account in three instalments, the details of which are summarised below:

Instalments	Portions of Equity Consideration A	Timeline
First instalment (“ First Equity Consideration Instalment ”)	20%	Within five working days after the signing of the Equity Transfer Agreement(s)
Second instalment (“ Second Equity Consideration Instalment ”)	40%	(Subject to the fulfilment or waiver of the Equity Conditions) Within five working days after the electronic platform of the relevant branch of the Administration for Industry and Commerce has confirmed acceptance of the documents regarding the changes in, among other things, the shareholders and the legal representative of the Disposal Company, but before the submission of the documents regarding the above changes at the office of the relevant branch of the Administration for Industry and Commerce
Third instalment (“ Third Equity Consideration Instalment ”)	40%	Within five working days after the relevant branch of the Administration for Industry and Commerce has issued a notice on acceptance of the documents regarding, among other things, changes in the shareholders and the legal representative of the Disposal Company

- (ii) Release of monies from the Equity Escrow Account to the bank account designated by the Vendor

The monies maintained in the Equity Escrow Account and Equity Consideration B shall be transferred to the bank account designated by the Vendor in two instalments, the details of which are summarised below:

Payments	Portions of the monies maintained in the Equity Escrow Account and other consideration (if any)	Timeline
First payment (“ First Released Equity Consideration ”)	90% of the monies maintained in the Equity Escrow Account	Within five working days after (i) registration of the transfer of the Sale Equity has been completed and a new business licence of the Disposal Company has been issued and (ii) filings regarding changes in the directors, supervisors and senior management, all being persons appointed or recommended by the Purchasers, having been completed
Second payment (“ Second Released Equity Consideration ”)	<ul style="list-style-type: none"> • 10% of the monies maintained in the Equity Escrow Account • Equity Consideration B 	Within five working days after (i) the Disposal Property has been vacated and delivered to the Purchasers and (ii) the Vendor and the Purchasers have signed a confirmation in this regard

- (iii) Payments of Equity Consideration C

If the Disposal Company shall receive any Post Issuance Date Refunded Taxes, the Purchasers shall pay an amount equivalent to such Post Issuance Date Refunded Taxes to the Vendor within five working days after the receipt of the Post Issuance Date Refunded Taxes by the Disposal Company.

(g) Equity Conditions

The Equity Completion is subject to the fulfilment of the Equity Conditions on or before the Long Stop Date. Set out below is a summary of the Equity Conditions:

- (i) the shareholders’ resolution(s) of the Company for the approval of the transfers of the Sale Equity and the Sale Loan having been passed and the announcement, the contents of which being subject to the consent of the Purchasers, regarding such resolution(s) having been published at the website of the Stock Exchange or the Company (the “**Approval Condition**”);
- (ii) there being no breach of the EFA and/or the Equity Transfer Agreement(s) by the Vendor (the “**No Breach by Vendor Condition**”);
- (iii) there being no breach of the EFA and/or the Equity Transfer Agreement(s) by the Purchasers (the “**No Breach by Purchasers Condition**”);
- (iv) the Loan Condition as set out in paragraph (i) of the subsection headed “3. The LFA – (g) Loan Conditions” below having been fulfilled (the “**Loan Condition (I)**”); and
- (v) the Equity Transfer Agreement(s) having been entered into within the Equity Exclusivity Period (the “**Equity Transfer Agreement(s) Condition**”).

(h) Fulfilment (or waiver) of the Equity Conditions and consequences if the Equity Conditions are not fulfilled (or waived)

The table below summarises the information on whether the Equity Conditions can be waived and relevant information:

Equity Conditions	Whether it can be waived
Approval Condition	: Cannot be waived
No Breach by Vendor Condition	: Can be waived by the Purchasers
No Breach by Purchasers Condition	: Can be waived by the Vendor
Loan Condition (I)	: Cannot be waived
Equity Transfer Agreement(s) Condition	: No express provision on whether this condition can be waived. Please refer to paragraph (v) of this subsection below for consequence of failure to fulfil this condition

Set out below is a summary on the consequences if the relevant Equity Condition are not fulfilled (or waived, if applicable) on or before the Long Stop Date:

(i) Approval Condition

The EFA and the Equity Transfer Agreement(s) shall be terminated and the Vendor shall pay 200% of both the Equity Deposit and the Loan Deposit (the “**Prescribed Compensation**”) to the Purchasers together with other monies paid by the Purchasers within five working days after the termination of the EFA and the Equity Transfer Agreement(s).

To safeguard the Company from having to pay the Prescribed Compensation by virtue of the failure to obtain the Shareholders’ approval of the Transactions, the Company has obtained an undertaking letter dated 13 September 2016 from the Majority Shareholders, who owned an aggregate of 1,448,270,000 Shares according to information available to the public, representing approximately 54.67% of the issued Shares as at the Announcement Date, pursuant to which the Majority Shareholders irrevocably and unconditionally undertook to the Company, among other things, that their aggregate shareholding in the Company will not be less than the majority of the issued capital of the Company from the date of the undertaking letter up to and including the date on which the EGM is held and they will vote all the Shares owned by them to approve the Transactions at the EGM. On the basis of the said undertaking letter and since (x) the terms of the Transactions are fair and reasonable as a whole and therefore the Directors are confident that the Transactions would be supported by the Shareholders; and (y) there is no reason to suspect that the Parties cannot agree on the poll results announcement as at the Announcement Date, the Directors are of the view that there is no real risk that the Approval Condition cannot be satisfied. The Directors are also of the opinion that (A) the Prescribed Compensation is a fair and reasonable term and in the interest of the Company and the Shareholders as whole and (B) would not deter the Shareholders to freely consider and exercise their voting rights.

(ii) No Breach by Vendor Condition

The same consequence as in the case of the Approval Condition being unfulfilled.

(iii) No Breach by Purchasers Condition

(A) The EFA and the Equity Transfer Agreement(s) shall be terminated; (B) the Vendor shall be entitled to forfeit both the Equity Deposit and the Loan Deposit and (C) the Vendor shall return to the Purchasers other monies paid by the Purchasers other than the Equity Deposit and the Loan Deposit.

(iv) Loan Condition (I)

Loan Condition (I) is equivalent to the Approval Condition. Accordingly, the consequence sets out in paragraph (i) above applies. Additionally, the LFA and the Loan Transfer Agreement(s) shall be terminated.

(v) Equity Transfer Agreement(s) Condition

- (A) If the Equity Transfer Agreement(s) Condition cannot be fulfilled by virtue of the Vendor entering into agreement or understanding in relation to the transfers of the Sale Equity and the Sale Loan with parties other than the Purchasers and the Purchasers Parent during the Equity Exclusivity Period (the “**Equity Exclusivity Period Breach**”), the Purchasers shall be entitled to terminate the EFA and the LFA and, in this case, the Vendor shall pay the Prescribed Compensation to the Purchasers within five working days after the termination of the EFA and the LFA.
- (B) If the Equity Transfer Agreement(s) Condition cannot be fulfilled by reasons other than the Equity Exclusivity Period Breach, the EFA and the LFA shall be terminated. In addition, the Vendor shall return all monies paid by the Purchasers, including without limitation the Equity Deposit and the Loan Deposit together with interest accrued thereon, within five working days after the expiry of the Equity Exclusivity Period.

The Company would like to stress that the Prescribed Compensation is payable only if there is an Equity Exclusivity Period Breach, and the Equity Exclusivity Period Breach will occur only if *the Vendor* entered into agreement or understanding in relation to the transfers of the Sale Equity and the Sale Loan with parties other than the Purchasers and the Purchasers Parent during the Equity Exclusivity Period. As such, whether the Equity Exclusivity Period Breach will occur is within the control of the Company. Accordingly, the Directors are of the view that there is no real risk that the Equity Transfer Agreement(s) Condition cannot be satisfied by virtue of the Equity Exclusivity Period Breach.

(i) **Equity Completion**

Subject to the fulfilment (or waiver, if applicable) of the Equity Conditions, the Equity Completion shall take place after registration of the transfer of the Sale Equity at the relevant Administration of Industry and Commerce has occurred and the provisions of the EFA governing the payment and release of Equity Consideration A and Equity Consideration B have been performed.

The Equity Completion and the Loan Completion are inter-conditional. If the Equity Completion does not take place concurrently with the Loan Completion, neither the Vendor nor the Purchasers shall be obliged to proceed with the Equity Completion. The LFA contains provisions governing completion which are similar to the EFA under which the transfer of the Sale Loan will not be considered as having been completed until the provisions of the LFA governing the payment and release of the Loan Consideration have been performed. As demonstrated by the payment schedules set out in the subsections headed “2. The EFA – (f) Payment schedule of the Total Equity Consideration” above and “3. The LFA – (f) Payment schedule of the Loan Consideration” below, the release of the balance of the monies in the Equity Escrow Account and the Loan Escrow Account will occur concurrently. Accordingly, if the provisions governing the payment and release of (i) the relevant parts of the Total Equity Consideration under the EFA and (ii) the Loan Consideration under the LFA are observed, the Equity Completion and the Loan Completion will occur concurrently.

(j) Equity Transfer Agreement(s)

- (i) The Vendor and the Purchasers shall enter into the Equity Transfer Agreement(s) within the Equity Exclusivity Period. According to the EFA, the Equity Transfer Agreement(s) is expected to provide for, among other things:
 - (A) the vacation and handover of the Disposal Property and the detailed terms in this connection; and
 - (B) other matters as may be agreed between the Vendor and the Purchasers which are not otherwise provided for under the EFA.
- (ii) The EFA shall be terminated upon the coming into effect of the Equity Transfer Agreement(s).

Paragraph (i)(A) above sets out the specific matters that will be dealt with under the Equity Transfer Agreement(s). The provision set out in paragraph (i)(B) above was included in the EFA solely for the purpose to cater for situations outside the expectation of the Parties. On this basis, the Company does not expect that the Equity Transfer Agreement(s) will be materially deviated from the EFA other than the expected specific matters as disclosed in paragraph (i)(A) above. If the Equity Transfer Agreement(s) shall be materially deviated from the EFA other than the expected specific matters as disclosed in paragraph (i)(A) above, the Company will issue announcement(s) disclosing the deviations.

(k) LFA and the Loan Transfer Agreement(s)

- (a) The Vendor and the Purchasers shall, concurrently with the signing of the EFA, enter into the LFA; and
- (b) the Loan Transfer Agreement(s) shall be entered into within 30 calendar days after the signing of the EFA or such longer period as the Parties (other than Purchaser B) may agree.

(l) Representations and warranties

The Vendor has given representations and warranties which are customary in transactions of similar nature, such as (i) it has the authority to perform the EFA; (ii) it holds 100% of the equity interest of the Disposal Company free from encumbrances; and (iii) the Disposal Company is the sole owner of the Disposal Property.

The Purchasers have given representations and warranties which are customary in transactions of similar nature, such as (i) they have the authorities to perform the EFA; and (ii) all the information and documents provided to the Vendor are true and complete.

(m) Guarantees on performance of the transaction documents

The Company guarantees the Vendor's performance of the EFA, the LFA, the Equity Transfer Agreement(s) and the Loan Transfer Agreement(s). Similarly, the Purchasers Parent guarantees the Purchasers' performance of the EFA, the LFA, the Equity Transfer Agreement(s) and the Loan Transfer Agreement(s).

(n) Exercise of the rights, and performance of the obligations, of the Purchasers by Purchaser A

The Purchasers' rights shall be exercised, and the Purchasers' obligations shall be performed, by Purchaser A.

(o) Default

The EFA contains provisions specifying the remedies in case of certain defaults. For example, if the Vendor defaults in payment of monies payable by it under the EFA, such as returning the Equity Deposit and/or the Loan Deposit to the Purchasers, the Vendor is obliged to pay an additional amount equivalent to 0.03% of the amount it is otherwise obliged to pay for each day during the continuance of the default. If the Vendor has failed to perform its payment obligations and the Company has received the Purchasers' notice requesting the Company to perform such Vendor's obligations but the Company has failed to do so, the Company will also be subject to the provision requiring payment of an additional amount equivalent to 0.03% of the amount it is otherwise obliged to pay during the continuance of the default. The Purchaser and the Purchasers Parent are subject to similar provisions in relation to the Company as disclosed in the preceding statements of this paragraph in relation to, among other things, payments of the deposits and consideration pursuant to the EFA and/or the LFA.

3. THE LFA

The principal terms of the LFA are summarised below:

(a) Date

13 September 2016.

(b) Parties

The Vendor, the Company, Purchaser A, Purchasers Parent and the Disposal Company.

(c) Assets to be disposed of

The Sale Loan.

(d) The Loan Consideration and basis of its determination

The Loan Consideration in the amount of RMB649,741,101.64 was determined after arm's length negotiations between the Vendor and the Purchasers with reference to the unaudited carrying value of the Sale Loan as at 31 July 2016.

(e) Loan Deposit

Purchaser A shall pay the Loan Deposit in the amount of RMB65,000,000 into the Loan Escrow Account within five working days after the signing of the LFA.

(f) Payment schedule of the Loan Consideration

(i) Payments to the Loan Escrow Account

The Loan Consideration shall be paid by Purchaser A into the Loan Escrow Account in three instalments, the details of which are summarised below:

Instalments	Portions of the Loan Consideration	Timeline
First instalment	20%	Concurrently with the payment of the First Equity Consideration Instalment
Second instalment	40%	Concurrently with the payment of the Second Equity Consideration Instalment
Third instalment	40%	Concurrently with the payment of the Third Equity Consideration Instalment

(ii) Release of monies from the Loan Escrow Account to the bank account designated by the Vendor

The monies maintained in the Loan Escrow Account shall be transferred to the bank account designated by the Vendor in two instalments, the details of which are summarised below:

Payments	Portions of the monies maintained in the Loan Escrow Account	Timeline
First payment	90%	Concurrently with the release of the First Released Equity Consideration
Second payment	10%	Concurrently with the release of the Second Released Equity Consideration

(g) Loan Conditions

The Loan Completion is subject to the fulfilment of the Loan Conditions on or before the Long Stop Date. A summary of the Loan Conditions is set out below:

- (i) the Approval Condition (“**Loan Condition (I)**”);
- (ii) the Approval Condition, the Vendor No Breach Condition and the Purchasers No Breach Condition having been fulfilled (or waived, if applicable) (“**Loan Condition (II)**”); and
- (iii) the Loan Transfer Agreement(s) having been entered into within 30 calendar days after the signing of the LFA or such longer period as the Vendor and Purchaser A may agree (“**Loan Condition (III)**”).

(h) Fulfilment (or waiver) of the Loan Conditions and consequences if the Loan Conditions are not fulfilled (or waived)

The table below summarises the information on whether the Loan Conditions can be waived:

Loan Conditions	Whether it can be waived
Loan Condition (I)	: Cannot be waived
Loan Condition (II)	: As summarised in the table depicted in the subsection headed “2. The EFA – (h) Fulfilment (or waiver) of the Equity Conditions and consequences if the Equity Conditions are not fulfilled (or waived)” above
Loan Condition (III)	: No express provision on whether this condition can be waived. Please refer to paragraph (iii) of this subsection below for consequence of failure to fulfil this condition

Set out below is summary on the consequences if the relevant Loan Condition are not fulfilled (or waived, if applicable) on or before the Long Stop Date:

(i) Loan Condition (I)

Loan Condition (I) is equivalent to the Approval Condition. Accordingly, the consequence sets out in paragraph (i) of the subsection headed “2. The EFA – (h) Fulfilment (or waiver) of the Equity Conditions and consequences if the Equity Conditions are not fulfilled (or waived)” above applies. Additionally, the LFA and the Loan Transfer Agreement(s) shall be terminated.

(ii) Loan Condition (II)

As summarised in paragraphs (i), (ii) and (iii) in the subsection headed “2. The EFA – (h) Fulfilment (or waiver) of the Equity Conditions and consequences if the Equity Conditions are not fulfilled (or waived)” above.

(iii) Loan Condition (III)

- (A) If Loan Condition (III) cannot be fulfilled by virtue of the Equity Exclusivity Period Breach, the Purchasers shall be entitled to terminate the EFA and the LFA and, in this case, the Vendor shall pay the Prescribed Compensation to the Purchasers within five working days after the termination of the EFA and the LFA.
- (B) If Loan Condition (III) cannot be fulfilled by reasons other than the Equity Exclusivity Period Breach, the EFA and the LFA shall be terminated. In addition, the Vendor shall return all monies paid by the Purchasers, including without limitation the Equity Deposit and the Loan Deposit together with interest accrued thereon, within five working days after the expiry of the Equity Exclusivity Period.

The Company would like to stress that the Prescribed Compensation is payable only if there is an Equity Exclusivity Period Breach, and the Equity Exclusivity Period Breach will occur only if *the Vendor* entered into agreement or understanding in relation to the transfers of the Sale Equity and the Sale Loan with parties other than the Purchasers and the Purchasers Parent during the Equity Exclusivity Period. As such, whether the Equity Exclusivity Period Breach will occur is within the control of the Company. Accordingly, the Directors are of the view that there is no real risk that Loan Condition (III) cannot be satisfied by virtue of the Equity Exclusivity Period Breach.

(i) **Loan Completion**

The Loan Completion is subject to the fulfilment (or waiver, if applicable) of the Loan Conditions. The LFA contains provisions governing completion which are similar to those of the EFA as disclosed in the subsection headed “2. The EFA – (i) Equity Completion”. Those similar provisions under the LFA are:

- (i) the transactions under the LFA will not be considered as having been completed until the provisions of the LFA governing the payment and release of the Loan Consideration have been performed; and
- (ii) if the Loan Completion does not take place concurrently with the Equity Completion, neither the Vendor nor Purchaser A shall be obliged to proceed with the Loan Completion.

As contemplated by paragraph (ii) above, the Equity Completion and the Loan Completion are inter-conditional.

As disclosed in the subsection headed “2. The EFA – (i) Equity Completion” above, if the provisions governing the payment and release of (i) the relevant parts of the Total Equity Consideration under the EFA and (ii) the Loan Consideration under the LFA are observed, the Equity Completion and the Loan Completion will occur concurrently.

(j) Loan Transfer Agreement(s)

The parties to the LFA shall enter into the Loan Transfer Agreement(s) within 30 days period after the signing of the LFA (or such longer period as the Vendor and Purchaser A may agree). According to the LFA, the Loan Transfer Agreement(s) is expected to provide for, among other things:

- (i) details on the evidence of the debts of the Disposal Company; and
- (ii) other matters as may be agreed between the Vendor and Purchaser A which are not otherwise provided for under the LFA.

Paragraph (i) above sets out the specific matters that will be dealt with under the Loan Transfer Agreement(s). The provision set out in paragraph (ii) above was included in the LFA solely for the purpose to cater for situations outside the expectation of the relevant Parties. On this basis, the Company does not expect that the Loan Transfer Agreement(s) will be materially deviated from the LFA other than the expected specific matters as disclosed in paragraph (i) above. If the Loan Transfer Agreement(s) shall be materially deviated from the LFA other than the expected specific matters as disclosed in paragraph (i) above, the Company will issue announcement(s) disclosing the deviations.

(k) Termination of the LFA

- (a) If the EFA (or the Equity Transfer Agreement(s)) shall be terminated or otherwise becomes void, the LFA and the Loan Transfer Agreement(s) will also be terminated or becomes void automatically except where the EFA is terminated or otherwise becomes void as a result of its replacement by the Equity Transfer Agreement(s).
- (b) The LFA shall be terminated upon the coming into effect of the Loan Transfer Agreement(s).

(l) Guarantees on performance of the transaction documents

The Company guarantees the Vendor's performance of the EFA, the LFA, the Equity Transfer Agreement(s) and the Loan Transfer Agreement(s). Similarly, the Purchasers Parent guarantees the Purchasers A's performance of the EFA, the LFA, the Equity Transfer Agreement(s) and the Loan Transfer Agreement(s).

(m) Default

The LFA contains provisions specifying the remedies in case of certain defaults. For example, if the Vendor has failed to perform its payment obligations under the EFA and/or the LFA to return the Equity Deposit and/or the Loan Deposit to the Purchasers and the Company has received the Purchasers' notice requesting the Company to perform such Vendor's obligations but the Company has failed to do so, the Company is obliged to pay an additional amount equivalent to 0.03% of the amount it is otherwise obliged to pay for each day during the continuance of the default. The Purchasers Parent is subject to similar provisions in relation to the Company as disclosed in the preceding statements of this paragraph in relation to, among other things, payments of the deposits and consideration pursuant to the EFA and/or the LFA.

4. INFORMATION ON THE DISPOSAL COMPANY

The Disposal Company is a company established in the PRC, and an indirect wholly-owned subsidiary of the Company, whose scope of business includes, among other things, property development and property management. The assets held by the Disposal Company consist mainly of the Disposal Property. Please refer to the section headed “5. Information on the Disposal Property” below for information on the Disposal Property. Save and except for the value of the Disposal Property, cash and bank balances, the Advanced Rental Taxes and the Sale Loan, the Disposal Company does not have any other major assets or liabilities as at the Announcement Date.

The unaudited net assets value of the Sale Equity was RMB401,467,246.79 as at 31 July 2016.

Set out below is the unaudited financial information of the Disposal Company for the two years ended 31 December 2014 and 2015 respectively prepared on China Accounting Standards for Business Enterprises as promulgated by the National Finance Bureau of the PRC:

	Year ended 31 December 2014 (RMB'000)	Year ended 31 December 2015 (RMB'000)
(Loss)/Profit before tax	(1,207)	1,781
(Loss)/Profit after tax	(1,207)	1,335
Net asset value attributable to the owners of the parent	405,225	406,579

Upon completion of the Disposal, the Vendor will cease to hold any equity interest in the Disposal Company and the Disposal Company will cease to be a subsidiary of the Company. Accordingly, completion of the Disposal will result in the deconsolidation of the assets and liabilities of the Disposal Company from the Group's consolidated accounts.

5. INFORMATION ON THE DISPOSAL PROPERTY

The Disposal Property is located in the Chaoyang District of Beijing and comprises seven levels above ground for commercial use and three levels under ground which are principally used as car parking spaces. The unaudited net book value of the Disposal Property was RMB1,031,810,539.54 as at 31 July 2016. As at the Announcement Date, the Company has not obtained a formal valuation on the Disposal Company. A valuation in relation to the Disposal Property will be included in the Circular.

As at the Announcement Date, the Disposal Property is being used by the Vendor for department store operation.

Under the EFA, the Vendor must have vacated the Disposal Property before the remaining 10% of the monies in the Equity Escrow Account can be released to the Vendor. Pursuant to the EFA, the vacation of the Disposal Property and the relevant detailed terms will be provided for under the Equity Transfer Agreement(s) as disclosed in the subsection headed “2. The EFA – (j) Equity Transfer Agreement(s)” above. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, it is expected that the costs and expenses associated with the vacation of the Disposal Property will not have any material adverse impact on the financial position of the Group.

6. 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 Vendor is a company established in the PRC and an indirect wholly-owned subsidiary of the Company whose scope of business includes, among other things, operation of commercial retail and the operation of wholesale.

7. INFORMATION ON THE PURCHASERS AND THE PURCHASERS PARENT

Purchaser A is a limited liability partnership established in the PRC. The scope of business of Purchaser A includes, among other things, assets management, investments management (except for trust, financial assets management, securities assets management and other restricted areas), management of equity investment funds (except for securities investments).

Purchaser B is a company established in the PRC whose scope of business includes, among other things, investment management, asset management and investment consultancy, management consultancy.

The Purchasers Parent is a company established in the PRC whose scope of business is identical to that of Purchaser B. As at the Announcement Date, the Purchasers Parent holds 80% of the equity interest of Purchaser B which, in its capacity as the general partner of Purchaser A, controls 100% of the voting rights in relation to all the affairs of Purchaser A.

8. GAIN EXPECTED TO ACCRUE TO THE GROUP

Without taking into account Equity Consideration B and Equity Consideration C and based on Equity Consideration A and the Loan Consideration in the aggregate amount of RMB2.32 billion but after the deduction of the currently estimated taxes, professional fees and other expenses attributable to the Disposal, it is expected that an unaudited gain of approximately RMB0.9 billion calculated by reference to the aggregate audited carrying value of the Sale Equity and the Sale Loan as at 31 December 2015 will be accrued to the Group as a result of the Disposal.

9. USE OF PROCEEDS FROM THE DISPOSAL

Without taking into account Equity Consideration B and Equity Consideration C and based on Equity Consideration A and the Loan Consideration in the aggregate amount of RMB2.32 billion but after the deduction of the currently estimated taxes, professional fees and other expenses attributable to the Disposal, the Company estimated that the net proceeds from the Disposal will be approximately RMB1.9 billion. As was disclosed in the announcement of the Company dated 17 August 2016 on the unaudited results of the Group for the six months ended 30 June 2016 (the “**Interim Results Announcement**”), the Group will continue to enrich its products and services offerings through the expansion of its fashion and F&B brands and will look for new business investment opportunities to expand the Group’s revenue streams, and intends to apply the net proceeds from the Disposal for such purposes, although as at the Announcement Date, no appropriate new business opportunity has been identified. To the extent that the net proceeds are not immediately used for the intended purpose described above, they will be placed in deposits with banks.

10. REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTIONS

Amid challenging operating environment, the department store operation located in the Disposal Property has been loss making since its opening in December 2010. Taking into consideration the estimated proceeds from the Disposal and the estimated unaudited gain from the Disposal (even without taking into account Equity Consideration B and Equity Consideration C), the Directors consider that the Disposal represents a good opportunity for the Group to unlock the value of the Disposal Company at an attractive price. In this regard, it has been disclosed in the section headed “8. Gain expected to accrue to the Group” that an unaudited gain is expected. The Disposal also means the Group can cease to invest resources in a business operation which has been loss making and thus liberalising resources on other business operations of the Group and that the proceeds from the Disposal will improve the financial position of the Group with the cash consideration to be received, providing resources for the Group to invest in the new business as disclosed in the section headed “9. Use of Proceeds from the Disposal”.

In view of the above reasons and benefits, the Directors (including all the independent non-executive Directors) consider that the terms of the Transactions are fair and reasonable and in the interests of the Shareholders as a whole.

11. IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

12. EGM AND CIRCULAR

The EGM will be convened as soon as practicable for the Shareholders to consider and, if thought fit, approve the Transactions.

The Circular, which will contain, among other things, further details on the Disposal will be despatched to the Shareholders on or before 15 November 2016 as additional time is required by the Company for the preparation of certain information for inclusion in the Circular.

Completion of (i) the EFA is subject to the fulfilment (or waiver, if applicable) of the Equity Conditions and (ii) the LFA is subject to the fulfilment (or waiver, if applicable) of the Loan Conditions. Accordingly, the Disposal may or may not proceed and there is no guarantee that the Equity Completion and the Loan Completion will take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

13. DEFINITIONS

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

- “Advanced Rental”** means the advanced rental of approximately RMB354,166,666 in respect of the period from 1 August 2016 to 31 August 2023 which had been paid by the Vendor to the Disposal Company pursuant to the Previous Tenancy Agreements;
- “Advanced Rental Taxes”** means the business taxes and other relevant taxes and surcharges of approximately RMB19,500,000 in respect of the Advanced Rental which had been paid by the Disposal Company to the relevant PRC governmental authorities;
- “Announcement Date”** means the date of this announcement, being 13 September 2016;
- “Board”** means the board of Directors;
- “Circular”** means the circular in relation to the Transactions and the EGM to be issued by the Company;
- “Company”** means Parkson Retail Group Limited, a company incorporated in the Cayman Islands;
- “Directors”** means the directors of the Company;
- “Disposal”** means the proposed disposals of the Sale Equity and the Sale Loan as contemplated by the EFA and the LFA;
- “Disposal Company”** 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;
- “Disposal Property”** means the building named Beijing Sun Palace Parkson* (北京太陽宮百盛) located at Building No. 1, Compound No. 12, Qi Sheng Middle Street, North-East of 3rd Ring Road, Chaoyang District, Beijing, the PRC (北京市朝陽區東北三環七聖中街12號院1號樓);

“East Crest”	means East Crest International Limited, a company incorporated in the British Virgin Islands;
“EFA”	means the equity transfer framework agreement in relation to (i) the transfer of the Sale Equity and (ii) the entry into of the LFA dated 13 September 2016 and entered into among the Parties;
“EGM”	means the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Transactions;
“Equity Completion”	means completion of the EFA;
“Equity Condition(s)”	means the conditions precedent for the Equity Completion;
“Equity Consideration A”	means the consideration in the amount of RMB1,670,258,898.36, which forms part of the consideration payable by the Purchasers for the transfer of the Sale Equity;
“Equity Consideration B”	means the aggregate amount of the cash and the bank balance as shown in the accounts of the Disposal Company as at the Handover Completion Date, which forms part of the consideration payable by the Purchasers for the transfer of the Sale Equity;
“Equity Consideration C”	means an amount equivalent to the Post Issuance Date Refunded Taxes, which forms part of the consideration payable by the Purchasers for the transfer of the Sale Equity;
“Equity Escrow Account”	means the bank account to be opened in the name of the Vendor and jointly controlled by the Vendor and Purchaser A for the purpose of holding the Total Equity Consideration or any part thereof;
“Equity Exclusivity Period”	means the 30 days period after the signing of the EFA (or such longer period as the Parties may agree);
“Equity Transfer Agreement(s)”	means the proposed formal agreement in relation to the transfer of the Sale Equity based on the EFA to be entered into among the Parties together with the relevant agreements as contemplated by the EFA;
“Group”	means the Company and its subsidiaries;
“Handover Completion Date”	means the date on which vacation and handover of the Disposal Property has completed, which date shall be the latter of (i) on or before 15 December 2016 and (ii) the 10th working day after the fulfilment of the Equity Conditions;

“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Issuance Date”	means the date on which registration of the transfer of the Sale Equity is completed and a new business licence of the Disposal Company is issued;
“LFA”	means the loan transfer framework agreement in relation to the transfer of the Sale Loan dated 13 September 2016 and entered into among the Vendor, the Company, Purchaser A, the Purchasers Parent and the Disposal Company;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Completion”	means completion of the LFA;
“Loan Condition(s)”	means the conditions precedent for the Loan Completion;
“Loan Consideration”	means the consideration in the amount of RMB649,741,101.64 payable by Purchaser A for the transfer of the Sale Loan;
“Loan Deposit”	means the deposit in the amount of RMB65,000,000 payable by Purchaser A to the Vendor pursuant to the LFA;
“Loan Escrow Account”	means the bank account to be opened in the name of the Vendor and jointly controlled by the Vendor and Purchaser A for the purpose of holding the Loan Consideration;
“Loan Transfer Agreement(s)”	means the proposed formal agreement in relation to the transfer of the Sale Loan based on the LFA to be entered into among the Vendor, the Company, Purchaser A and the Purchasers Parent together with the relevant agreements as contemplated by the LFA;
“Long Stop Date”	means the date which is the 60th calendar day from the first calendar day immediately after the date of signing of the Equity Transfer Agreement(s) (or such other date as the Vendor and the Purchasers may agree in writing);
“Majority Shareholders”	means East Crest and PRG;
“Parties”	means the Vendor, the Company, Purchaser A, Purchaser B and the Purchasers Parent;
“Post Issuance Date Refunded Taxes”	means the Refunded Taxes received by the Disposal Company after the Issuance Date (if any);

“Previous Tenancy Agreements”	means the tenancy agreement in respect of the Disposal Property between the Disposal Company as landlord and the Vendor as tenant together with the relevant agreement in relation to the advanced rental payment which had been terminated on 31 July 2016;
“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 company incorporated in the British Virgin Islands;
“Purchaser A”	means Shenzhen Qianhai Tulan Investment Centre (LLP)* (深圳前海圖藍投資中心(有限合夥));
“Purchaser B”	means Shanghai Changkun Investment Management Co. Ltd.* (上海長昆投資管理有限公司);
“Purchasers”	means Purchaser A and Purchaser B;
“Purchasers Parent”	means ZRiver Capital Investment Management Limited* (中融長河資本投資管理有限公司), the ultimate parent company of the Purchasers;
“Refunded Taxes”	means (subject to the cap amount of RMB19,500,000) the Advanced Rental Taxes (or any part thereof) refunded by the PRC governmental authorities to the Disposal Company pursuant to the Tax Refund Application, if any;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Sale Equity”	means the entire equity interests of the Disposal Company;
“Sale Loan”	means the shareholder’s loan and other monies in the aggregate amount of RMB649,741,101.64 as at 31 July 2016 owed or otherwise payable by the Disposal Company to the Vendor and its related parties after deduction of the monies payable by the Vendor to the Disposal Company;
“Shareholders”	means holders of the Shares;
“Shares”	means shares of nominal value of HK\$0.02 each in the capital of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;

“Tax Refund Application”	means the application for the refund of the Advanced Rental Taxes to be made by the Disposal Company to the relevant PRC governmental authorities;
“Total Equity Consideration”	means the aggregate of Equity Consideration A, Equity Consideration B and Equity Consideration C;
“Transactions”	means the Disposal and the transactions contemplated by or incidental to the Disposal; and
“Vendor”	means Parkson Retail Development Co., Ltd.* (百盛商業發展有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company.

PARKSON RETAIL GROUP LIMITED

Tan Sri Cheng Heng Jem

Executive Director & Chairman

13 September 2016

As at the Announcement Date, the Executive Directors 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.*