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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:
SIGNING OF THE FORMAL AGREEMENTS RELATING TO THE DISPOSAL
OF THE ENTIRE EQUITY INTERESTS IN
BEIJING HUADESHENG PROPERTY MANAGEMENT CO., LTD
(北京華德盛物業管理有限公司), A WHOLLY-OWNED PRC SUBSIDIARY,
AND THE RELEVANT SHAREHOLDER'S LOAN**

SIGNING OF THE EQUITY TRANSFER AGREEMENT

The Vendor, the Company, the Purchasers and the Purchasers Parent have entered into the Equity Transfer Agreement on 13 October 2016 and, as a result, the EFA was terminated.

The Equity Transfer Agreement contains all the material terms of the EFA with necessary modifications to reflect the fact that the Equity Transfer Agreement has been entered into and the EFA has been terminated as a result thereof, save that (i) terms governing the vacation and handover of the Disposal Property have been added; (ii) certain terms governing the consequences of the No Breach by Vendor Condition and the No Breach by Purchasers Condition being unfulfilled (or waived) have been varied; (iii) terms regarding the affairs of the Disposal Company and the Disposal Property before the date on which the Vendor and the Purchasers signed the confirmation in relation to the handover of the Disposal Company and the Disposal Property have been added; and (iv) additional warranties have been given by the Vendor.

SIGNING OF THE LOAN TRANSFER AGREEMENT

The Vendor, the Company, Purchaser A, the Purchasers Parent and the Disposal Company have entered into the Loan Transfer Agreement on 13 October 2016 and, as a result, the LFA was terminated.

The Loan Transfer Agreement contains all the material terms of the LFA with necessary modifications to reflect the fact that the Loan Transfer Agreement has been entered into and the LFA has been terminated as a result thereof, save that terms regarding the proof of the amount of the Disposal Company's debts have been added.

IMPLICATIONS UNDER THE LISTING RULES

As disclosed in the First Announcement, since 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.

1. BACKGROUND

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

- (a) the EFA and the LFA had been entered into; and
- (b) the Equity Transfer Agreement(s) and the Loan Transfer Agreement(s) would be entered into within 30 calendar days after the signing of the EFA and the LFA (or such longer period as the Parties might agree).

2. SIGNING OF THE EQUITY TRANSFER AGREEMENT

(a) Signing of the Equity Transfer Agreement

The Board is pleased to announce that the Vendor, the Company, the Purchasers and the Purchasers Parent have entered into the Equity Transfer Agreement on 13 October 2016 as contemplated by the EFA and, as a result, the EFA was terminated.

Save and except for the variations and supplements as summarised in paragraph (b) below (the “**Equity Variations**”), the Equity Transfer Agreement contains all the material terms of the EFA as disclosed in the section headed “2. The EFA” of the First Announcement with necessary modifications to reflect the fact that the Equity Transfer Agreement has been entered into and the EFA has been terminated as a result. For example, the Equity Transfer Agreement(s) Condition was not included in the Equity Transfer Agreement since such condition required that the Equity Transfer Agreement(s) be entered into but it becomes unnecessary for the purpose of the Equity Transfer Agreement as a result of the signing of the Equity Transfer Agreement.

(b) Variations and supplements to the EFA

The Equity Transfer Agreement included new terms principally for the purpose of supplementing the terms of the EFA, a summary of which is set out below:

- (i) under the EFA, if the No Breach by Vendor Condition is not fulfilled (or waived), the EFA and the Equity Transfer Agreement(s) shall be terminated and the Vendor shall pay 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).

Under the Equity Transfer Agreement, the consequence set out in the preceding paragraph applies only if the Vendor’s breach relates to a breach of certain specified Vendor’s warranties and the Vendor has not remedied the breach(es) within the reasonable period as requested by the Purchasers. The aforesaid specified Vendor’s warranties are summarised as follows: (A) the approval of the board of directors of the Company of the Transactions had been obtained prior to the signing of the Equity Transfer Agreement; (B) all the information and documents provided to the Purchasers are true and complete; (C) the Vendor holds 100% of the equity interests of the Disposal Company free from encumbrances; (D) the Disposal Company shall be the sole owner of the Disposal Property from

the date of signing of the Equity Transfer Agreement up to the Issuance Date; (E) prior to the Issuance Date, the Vendor shall coordinate with the Purchasers in relation to completing the application to the taxation authorities by the Disposal Company with regard to the simplified collection of the value-added taxes on the future leasing income of the Disposal Property (except that if the failure to complete the application is caused by the taxation authorities, the Vendor shall not be considered as having breached this warranty) (“**Taxation Application Warranty**”); and (F) compliance of the relevant requirements on anti-corruption and anti-bribery by the Vendor. In addition to the consequence set out in the preceding paragraph, the Vendor shall bear the relevant costs for remedying the breach(es). In the case of breach(es) of other Vendor’s warranties, the Vendor should remedy the breach(es) within the reasonable period as requested by the Purchasers and bear the relevant costs, but the Purchasers shall not be entitled to terminate the Equity Transfer Agreement.

- (ii) under the EFA, if the No Breach by Purchasers Condition is not fulfilled (or waived), (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.

Under the Equity Transfer Agreement, the consequence set out in the preceding paragraph applies only if the Purchasers’ breach relates to a breach of certain specified Purchasers’ warranties and the Purchasers have not remedied the breach(es) within the reasonable period as requested by the Vendor. The aforesaid specified Purchasers’ warranties are summarised as follows: (I) the Purchasers have obtained all necessary approvals prior to the signing the Equity Transfer Agreement; (II) all the documents provided to the Vendor are true and complete; (III) the funds to be paid to the Vendor as consideration for the purchase of the Sale Equity are from legal source; and (IV) compliance of the relevant requirements on anti-corruption and anti-bribery by the Purchasers. In addition to the consequence set out in the preceding paragraph, the Purchasers shall bear the relevant costs for remedying the breach(es). In the case of breach(es) of other Purchasers warranties, the Purchasers should remedy the breach(es) within the reasonable period as requested by the Vendor and bear the relevant costs, but the Vendor shall not be entitled to terminate the Equity Transfer Agreement.

- (iii) terms in relation to the handover of the Disposal Company, such as delivery of the originals of the certificates, permits and approvals of the Disposal Company;
- (iv) terms in relation to the arrangement during the period from (x) the signing of the Equity Transfer Agreement and (y) the date on which the Vendor and the Purchasers signed the confirmation in relation to the handover of the Disposal Company and the Disposal Property, such as (A) the Vendor and the Purchasers shall form a joint working group through which they shall coordinate on the preparation of the handover of the Disposal Company and the Disposal Property; (B) the seals of the Disposal Company shall be used in a reasonable and cautious manner without affecting the interests of the Disposal Company and the Purchasers; (C) the Vendor shall not, without the Purchasers’ prior written consent, enter into any agreement in the name of the Disposal Company (other than the written instruments for the purposes of terminating the agreements which will not be assumed by the Purchasers); and (D) any single expense exceeding RMB50,000 shall be subject to the prior written consent of the Purchasers;

- (v) additional representations and warranties given by the Vendor which are customary in transaction of similar nature, such as (A) all the information and documents provided to the Purchasers are true and complete; (B) as at the date of the Equity Transfer Agreement, the Disposal Company has paid taxes in accordance with the requirements of the national and local taxation authorities; and (C) the registered capital of the Disposal Company in the amount of RMB400,000,000 had been fully paid up; and
- (vi) as disclosed in the section headed “2. The EFA – (j) Equity Transfer Agreement(s)” of the First Announcement, the Equity Transfer Agreement(s) would provide for the vacation and handover of the Disposal Property and the detailed terms in this connection. In this regard, the Equity Transfer Agreement (i) sets out the documents, information and other items in relation to the Disposal Property which the Vendor shall deliver to the Purchasers, such as the Disposal Property and the assets attached thereto, the building ownership certificates and the state-owned land use rights certificates; (ii) specifies that all ancillary facilities which are movable must have been removed; and (iii) sets out the factors for determination of whether the handover of the Disposal Property has been satisfied.

The Equity Variations are arrived at after arm’s length negotiations among the Parties. The Directors are of the view that the Equity Variations as described in paragraph (b)(i) restrict the Purchasers’ rights to terminate the Equity Transfer Agreement to breaches of the more material Vendor’s warranties instead of any Vendor’s warranty and is therefore in the interests of the Company and the Shareholders as a whole. It is also fair and reasonable to make similar supplements in relation to the consequence of breaches of the Purchasers’ warranties. Other variations as described in paragraphs (b)(ii) to (vi) above are included to give more details to transaction of this nature to facilitate the implementation and performance of the Equity Transfer Agreement by the relevant Parties. The Directors are of the opinion that (i) the Equity Variations are in the interests of the Group and the Shareholders as a whole and that the terms of the Equity Variations are fair and reasonable so far as the Group and the Shareholders are concerned after taking into account the terms of the Transactions as a whole and that (ii) except for (A) the variations to the terms governing the consequences of the No Breach by Vendor Condition and the No Breach by Purchasers Condition being unfulfilled (or waived) as disclosed in paragraphs (b)(i) and (b)(ii) above; (B) the inclusion of the Taxation Application Warranty; and (C) the deletion of the Equity Transfer Agreement(s) Condition, a condition which becomes unnecessary as a result of the signing of the Equity Transfer Agreement, the Equity Transfer Agreement has not materially deviated from the EFA.

3. SIGNING OF THE LOAN TRANSFER AGREEMENT

(a) Signing of the Loan Transfer Agreement

The Board is pleased to announce that the Vendor, the Company, Purchaser A, the Purchasers Parent and the Disposal Company have entered into the Loan Transfer Agreement on 13 October 2016 as contemplated by the EFA and the LFA and, as a result, the LFA was terminated.

(b) Variations and supplements to the LFA

As disclosed in the section headed “3. The LFA – (j) Loan Transfer Agreement(s)” of the First Announcement, the Loan Transfer Agreement(s) would provide for details on the evidence of the debts of the Disposal Company. In this regard, the Loan Transfer Agreement specifies that, among other things, the proof of the amount of the Disposal Company’s debts shall be provided in the form of the accounting records of the Disposal Company.

Save and except as disclosed in the preceding paragraph, the Loan Transfer Agreement contains all the material terms of the LFA as disclosed in the section headed “3. The LFA” of the First Announcement with necessary modifications to reflect the fact that the Loan Transfer Agreement has been entered into and the LFA has been terminated as a result. For example, Loan Condition (III) has not been included in the Loan Transfer Agreement since such condition required that the Loan Transfer Agreement(s) be entered into but it becomes unnecessary for the purpose of the Loan Transfer Agreement as a result of the signing of the Loan Transfer Agreement.

The variations and supplements to the LFA as described above are arrived at after arm’s length negotiations among the Parties. The Directors are of the opinion that (i) these variations are in the interests of the Group and the Shareholders as a whole and that the terms of such variations are fair and reasonable so far as the Group and the Shareholders are concerned after taking into account the terms of the Transactions as a whole and that (ii) except for the deletion of Loan Condition (III), a condition which becomes unnecessary as a result of the signing of the Loan Transfer Agreement, the Loan Transfer Agreement has not materially deviated from the LFA.

4. THE EQUITY DEPOSIT AND THE LOAN DEPOSIT

The Equity Deposit had already been paid and shall form part of the 20% of Equity Consideration A which the Purchasers shall pay into the Equity Escrow Account within five working days after the signing of the Equity Transfer Agreement.

The Loan Deposit had already been paid and shall form part of the 20% of the first instalment of the Loan Consideration which Purchaser A shall pay into the Loan Escrow Account within five working days after the signing of the Loan Transfer Agreement.

5. IMPLICATIONS UNDER THE LISTING RULES

As disclosed in the First Announcement, since 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.

6. EGM AND CIRCULAR

As disclosed in the section headed "12. EGM and Circular" of the First Announcement, an extraordinary general meeting of the Company will be convened as soon as practicable for the Shareholders to consider and, if thought fit, approve the Transactions and, in this regard, a circular will be despatched to the Shareholders on or before 15 November 2016.

Completion of (i) the Equity Transfer Agreement is subject to the fulfilment (or waiver, if applicable) of the Equity Conditions and (ii) the Loan Transfer Agreement 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.

7. DEFINITIONS

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

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| "Board" | means the board of Directors; |
| "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 Equity Transfer Agreement and the Loan Transfer Agreement; |
| "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); |
| "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; |

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| “Equity Completion” | means completion of the Equity Transfer Agreement; |
| “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 Deposit” | means the deposit in the amount of RMB167,000,000 paid by the Purchasers into the Equity Escrow Account pursuant to the EFA; |
| “Equity Escrow Account” | means the bank account opened in the name of the Vendor and jointly controlled by the Vendor and Purchaser A for the purpose of holding the total consideration for the transfer of the Sale Equity or any part thereof; |
| “Equity Transfer Agreement” | means the formal agreement in relation to the transfer of the Sale Equity dated 13 October 2016 and entered into among the Parties; |
| “Equity Transfer Agreement(s) Condition” | means the Equity Condition stipulated under the EFA under which the Equity Transfer Agreement(s) shall have been entered into within the Equity Exclusivity Period; |
| “Equity Exclusivity Period” | means the 30 days period after the signing of the EFA (or such longer period as the Parties may agree); |
| “First Announcement” | means the announcement of the Company in relation to the EFA and the LFA dated 13 September 2016; |
| “Group” | means the Company and its subsidiaries; |
| “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 the 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 Loan Transfer Agreement; |
| “Loan Condition(s)” | means the conditions precedent for the Loan Completion; |

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| “Loan Condition (III)” | means the Loan Condition stipulated under the LFA under which the Loan Transfer Agreement(s) shall have 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 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 paid by Purchaser A into the Loan Escrow Account pursuant to the LFA; |
| “Loan Escrow Account” | means the bank account 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” | means the formal agreement in relation to the transfer of the Sale Loan dated 13 October 2016 and entered into among the Vendor, the Company, Purchaser A, the Purchasers Parent and the Disposal Company; |
| “No Breach by Purchasers Condition” | means the Equity Condition that “there being no breach of the EFA and/or the Equity Transfer Agreement(s) by the Purchasers”; |
| “No Breach by Vendor Condition” | means the Equity Condition that “there being no breach of the EFA and/or the Equity Transfer Agreement(s) by the Vendor”; |
| “Parties” | means the Vendor, the Company, Purchaser A, Purchaser B and the Purchasers Parent; |
| “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; |
| “Prescribed Compensation” | means an amount equivalent to 200% of both the Equity Deposit and the Loan Deposit; |
| “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; |
| “RMB” | means Renminbi, the lawful currency of the PRC; |
| “Sale Equity” | means the entire equity interests of the Disposal Company; |

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| “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; |
| “Transactions” | means the Disposal and the transactions contemplated by or incidental to the Disposal; |
| “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; and |
| “%” | means percentage. |

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

13 October 2016

As at the date of this announcement, 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.*