

PARKSON HOLDINGS BERHAD (“Parkson Holdings” or the “Company”)

- A. PROPOSED LEASE AND ACQUISITION; AND**
- B. PROPOSED PRA LEASING**

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

The Board of Directors of the Company (“**Board**”) wishes to announce that True Excel Investments (Cambodia) Co., Ltd. (“**True Excel**” or the “**Purchaser**”), a wholly-owned subsidiary of the Company, had on 13 September 2013 entered into the following agreements:

- (a) a conditional option agreement with PP.SW Development Co. Ltd (“**PPSW**”) (“**Option Agreement**”) wherein True Excel is granted the option to enter into a lease agreement for the lease of the lower ground floor and first floor of the Proposed Parkson Mall (as defined in Section 2.1(a) below), for a term of 50 years with automatic renewal for another 50 years (“**Leased Period**”), for an indicative refundable deposit of approximately USD42.00 million (equivalent to approximately RM138.60 million) (“**Indicative Refundable Deposit**”) (“**Proposed Lease**”); and
- (b) a conditional sale and purchase agreement with PPSW (“**SPA**”) for the purchase of the second to seventh floors of the Proposed Parkson Mall for an indicative consideration of approximately USD75.09 million (equivalent to approximately RM247.80 million) (“**Indicative Purchase Consideration**”) (“**Proposed Acquisition**”).

The Proposed Lease and the Proposed Acquisition shall collectively be referred to as the “**Proposed Lease and Acquisition**”. The total of the Indicative Refundable Deposit and the Indicative Purchase Consideration of approximately USD117.09 million (equivalent to approximately RM386.40 million) shall collectively be referred to as the “**Indicative Amount**”.

True Excel had also on 13 September 2013 entered into the following two conditional heads of terms (“**HOT**”) with Parkson (Cambodia) Co., Ltd. (“**Parkson Cambodia**”), a wholly-owned subsidiary of Parkson Retail Asia Limited (“**PRA**”) (“**Proposed PRA Leasing**”):

- (a) to sub-lease to Parkson Cambodia or its nominee company, the anchor tenant space at the first floor of the Proposed Parkson Mall measuring 3,223m² at lease rental rate of USD10 per m² per month or USD32,230 per month; and
- (b) to lease to Parkson Cambodia or its nominee company, the anchor tenant space at the second floor and third floor of the Proposed Parkson Mall measuring 7,783m² at lease rental rate of USD10 per m² per month or USD77,830 per month.

PRA is a 67.61% owned subsidiary of Parkson Holdings listed on the Singapore Exchange Securities Trading Limited.

The Proposed Lease and Acquisition and the Proposed PRA Leasing shall collectively be referred to as the “**Proposals**”.

For the purpose of this announcement, an exchange rate of USD1.00 : RM3.30 is assumed.

2. DETAILS OF THE PROPOSED LEASE AND ACQUISITION

2.1 Background information on the Proposed Parkson Mall

PPSW will be undertaking an integrated commercial and property development project on its land under title no. Phor Por. 09279 located in Sangkat Kakap, Khan Dang Kor, Phnom Penh City, Cambodia measuring approximately 4.12 hectares (approximately 10.18 acres) in area (“**Land**”) which includes the following:

- a) a 7-storey shopping mall together with the lower ground floor and accessory parcel levels comprising retail space and elevated parking floors (“**Proposed Parkson Mall**”); and
- b) business hotel (300 rooms), office/food & beverage (“**F&B**”) lots, shop houses, show offices, 12-storey serviced apartments and 8-storey of shop-apartments (“**Proposed PPSW Parcel**”).

The Proposed Parkson Mall and the Proposed PPSW Parcel shall collectively be referred to as the “**Proposed Aeropod Project**”. The Proposed Aeropod Project will be developed in two phases and is expected to be completed in 5 years. The Proposed Parkson Mall is expected to be completed in 3 years.

True Excel is proposing to lease and acquire the Proposed Parkson Mall at the Indicative Amount, which is subject to the Maximum Amount (as defined in Section 2.3 below).

2.2 Details of the Proposed Parkson Mall

The details of the Proposed Parkson Mall are set out below:

| Floor | Indicative Built-up Area (m ²) | Indicative Net Lettable Area (m ²) | Indicative Tenant Mix |
|---------------------------------|--|--|---|
| Lower Ground Floor [^] | 23,617 | 4,534 | Supermarket, mini anchor, retail lots (speciality shops) and 421 bays car park (including 98 bays to be retained by PPSW) |
| First Floor [^] | 13,786 | 8,355 | Department store*, retail lots (speciality shops), double frontage retail lots (speciality shops), showroom / signature office and F&B |
| Second Floor | 13,802 | 10,065 | Department store*, mini anchor, retail lots (speciality shops), double frontage retail lots (speciality shops), showroom / signature office and kiosk |
| Third Floor | 13,999 | 9,928 | Department store*, mini anchor, retail lots (speciality shops), showroom / signature office and kiosk |
| Fourth Floor | 14,064 | 10,145 | Retail lots (speciality shops), kiosk and entertainment (including food court, family KTV, amusement centre, cineplex of 8-screens and bowling of 12-lanes) |
| Fifth Floor | 10,004 | 2,487 | Entertainment (including cineplex, gymnasium and swimming pool), 166 bays of car park and 136 bays of motorbike park |
| Sixth Floor | 11,807 | - | 283 bays of car park |
| Seventh Floor | 9,478 | - | 186 bays of car park |
| Total | 110,557 | 45,514 | |

* To be occupied by the anchor tenant, Parkson Cambodia.

[^] The lower ground floor and first floor can only be leased from PPSW as foreigners are not allowed to own land in Cambodia under the Law on Ownership Rights over Private Units of Co-Owned Building for Foreigners of Cambodia.

2.3 Basis and justification for the Indicative Amount

The Indicative Amount was arrived at based on a summation of land value, actual development cost incurred and 10% profit in attendant on actual development cost incurred (“**10% PIA**”) and after taking into consideration a discount of approximately USD17.91 million or approximately 13.3% over the open market valuation of USD135.00 million (equivalent to RM445.50 million) as certified by Knight Frank (Cambodia) Pte Ltd (“**Knight Frank**”) on 20 August 2013 (“**Market Value**”). The breakdown of the Market Value and discount of the Indicative Amount to the Market Value is as follows:

| | Market Value USD'million | Indicative Amount USD'million | Discount % |
|------------------------------------|-------------------------------------|--|-----------------------|
| Lower ground floor and first floor | 47.00 | 42.00 | 10.6 |
| Second floor to seventh floor | 88.00 | 75.09 | 14.7 |
| Total | 135.00 | 117.09 | 13.3 |

The Market Value was arrived at using the Investment Method after taking into consideration the following basis and assumptions:

- a) the Proposed Parkson Mall is fully completed with all relevant approvals obtained from the authorities; and
- b) a 50+50 years lease interest in respect of the lower ground floor and first floor and interest in perpetuity over the second to seventh floors.

The final amount for the Proposed Lease and Acquisition shall be finalised upon completion of the construction of the Proposed Parkson Mall (“**Final Amount**”) which is subject to a maximum amount of USD131.00 million (equivalent to approximately RM432.30 million) (“**Maximum Amount**”). Further details are set out in Section 2.5 of this announcement.

2.4 Consideration formula for the Proposed Parkson Mall

The consideration for the Proposed Parkson Mall shall be determined based on the formula as set out below:

$$\text{Final Amount} = X + 110\% (Y + Z + \text{Adjustment Sum})$$

Where,

“X” means the agreed land cost attributable to the Proposed Parkson Mall based on the proportionate built-up area of the Proposed Aeropod Project.

“Y” means actual tender award price of the Proposed Parkson Mall's construction cost, infrastructure/external works construction cost, utilities' installation and connection which attribute to the Proposed Parkson Mall.

“Z” means actual charges for the consultancy, project management and statutory and/or authorities charges and taxes.

“Adjustment Sum” means a provision for PPSW for prime materials (including cement, concrete, brick and steel bar) unforeseen upward price fluctuation and design contingency as certified by independently appointed professional architect.

The consideration for the Proposed Parkson Mall excludes all statutory taxes in Cambodia which shall be payable by the Purchaser, if any.

Premised on the above, the Indicative Amount for the Proposed Lease and Acquisition is derived as follows:

| Details | Indicative Amount | |
|--|----------------------|----------------------|
| | USD'million | RM'million |
| Estimated development cost <i>(include but not limited to construction costs and project professional/consultancy fees such as fees for architects and engineers)</i> | 93.71 | 309.24 |
| Indicative land cost <i>(pro-rated share of the Proposed Parkson Mall on the Land based on built-up area and indicative market value of the Land)</i> | 14.01 | 46.24 |
| Sub-total | <u>107.72</u> | <u>355.48</u> |
| 10% PIA | 9.37 [^] | 30.92 |
| Indicative Amount | <u>117.09</u> | <u>386.40</u> |

Note:-

[^] Computed based on the estimated development cost multiply by 10%.

2.5 Adjustment to the Indicative Amount

Any adjustments to the Indicative Amount shall not exceed the Maximum Amount, being an additional amount of up to approximately 12% of the Indicative Amount due to the actual development costs and Adjustment Sum that may be incurred for the Proposed Parkson Mall.

The Maximum Amount does not include any costs and expenses arising out of layout amendments or specifications upgrading which varies from the floor plan and specifications which were agreed upon as may be requested by the Purchaser and/or required by the relevant authorities ("**Variation Order**"). True Excel shall pay PPSW the costs and expenses arising out of the Variation Order together with 10% PIA on such amounts.

In the event that the Final Amount is lower than the Indicative Amount, True Excel shall pay the lower Final Amount to PPSW.

PPSW undertakes to bear any costs and expenses in excess of the Maximum Amount and in addition any costs impact arising from the default, negligence or omission by PPSW.

2.6 Payment terms

The Indicative Amount and Adjustment Sum (if any) shall be paid by the Purchaser to PPSW in the following manner:

| | Proposed Lease and Acquisition* | | | | | |
|---|---------------------------------|---------------|--------------|---------------|---------------|---------------|
| | Option Agreement | | SPA | | Total | |
| | USD'million | RM'million | USD'million | RM'million | USD'million | RM'million |
| <u>1st Payment (10%)</u> | | | | | | |
| Within 10 business days from the signing of the Option Agreement and the SPA and the execution of the land pledge agreement (" Land Pledge Agreement ") for the creation of a pledge over the Land by PPSW in favour of True Excel | | | | | | |
| - 10% of the Indicative Refundable Deposit and Indicative Purchase Consideration (whichever applicable) | 4.20 | 13.86 | 7.51 | 24.78 | 11.71 | 38.64 |
| <u>Balance Payments (including Additional Sums, if any) (90%)</u> | | | | | | |
| Progress payment within 10 business days from each date upon receipt of invoice, based on progress monthly billings to be agreed between the parties and as certified by an independently appointed professional architect | | | | | | |
| i) Balance of the Indicative Refundable Deposit and Indicative Purchase Consideration (whichever applicable) | 37.80 | 124.74 | 67.58 | 223.01 | 105.38 | 347.75 |
| Indicative Amount | 42.00 | 138.60 | 75.09 | 247.79 | 117.09 | 386.39 |
| ii) Adjustment Sum (if any)** | 4.99 | 16.46 | 8.92 | 29.44 | 13.91 | 45.91 |
| Maximum Amount | 46.99 | 155.07 | 84.01 | 277.23 | 131.00 | 432.30 |

Notes:

* The Indicative Amount for the Option Agreement and the SPA is based on estimated development cost and excludes all statutory tax in Cambodia which shall be payable by the Purchaser.

** The Adjustment Sum of USD13.91 million (or approximately RM45.91 million) may be charged under the Option Agreement and/or the SPA in accordance with the formula as set out in Section 2.4 of this announcement.

2.7 Salient terms of the Proposed Lease and Acquisition

The salient terms of the Proposed Lease and Acquisition are set out below:

- (i) Pursuant to the Option Agreement, True Excel shall lease the lower ground floor and first floor of the Proposed Parkson Mall free from charges, liens, pledges or any other encumbrances.
- (ii) Pursuant to the SPA, True Excel shall acquire the second floor to seventh floor of the Proposed Parkson Mall free from charges, liens, pledges or any other encumbrances.

- (iii) The Proposed Lease and Acquisition is conditional upon the conditions precedent set out in Section 10 of this announcement being satisfied within a period of 90 days from the date of the Option Agreement and the SPA, which date shall be automatically extended for a further 60 days, or such other later date as may be mutually agreed by the parties in writing ("**Conditional Period**").
- (iv) In the event that any or all of the conditions precedent is or are not fulfilled within the Conditional Period, True Excel has the right to terminate the Option Agreement and the SPA and the 1st Payment thereon shall be refunded to True Excel within 10 business days from the date of termination.
- (v) The 1st Payment is secured against a charge over the Land and shall be discharged upon the unconditional date of the Proposed Lease and Acquisition.
- (vi) From the handover date of the Proposed Parkson Mall to True Excel, being the last date of the period of 36 months commencing from the Unconditional Date ("**Agreed Handover Date**"), True Excel shall be entitled to a period of 12 months for warranty against manufacturing defects and component failure.
- (vii) Under the Option Agreement, the option to lease lower ground and first floors shall automatically be exercised on the Agreed Handover Date whereupon True Excel and PPSW shall enter into lease agreement ("**Lease Agreement**") in respect of the 50+50 years lease of the lower ground and first floors.
- (viii) In the event PPSW does not complete the construction and delivery of the Proposed Parkson Mall by the Agreed Handover Date, PPSW shall be liable to pay agreed late delivery damages at 8% per annum on the Final Amount calculated on daily basis from the day following the Agreed Handover Date until the actual date of delivery of the completed Proposed Parkson Mall.
- (ix) PPSW shall not pledge or allow the pledge of the Land to any party without the prior consent of True Excel.
- (x) In respect of the Proposed Lease, the Final Amount paid by True Excel shall be amortised over the duration of the first 50 years term and True Excel has the option to convert the said lease into a full co-ownership should the Cambodian Laws permitted such in the future. In such an event, True Excel has no further financial obligation to PPSW except the statutory taxes under the Cambodian prevailing tax laws (if any) (e.g. property transfer tax) to effect such conversion at or after the end of the first 50 years term.
- (xi) Each of the Option Agreement and the SPA is co-terminous with the other.
- (xii) In the event of termination of the Option Agreement and the SPA or a breach or a failure by the defaulting party before the end of the Agreed Handover Date, the non-defaulting party has the following election of remedies under the SPA:
 - (a) If PPSW defaults, True Excel may seek specific performance or take over the construction of the Proposed Parkson Mall or terminate the SPA. If True Excel takes over the construction, PPSW shall pay all costs incurred in excess of the Maximum Amount.
 - (b) If True Excel defaults, PPSW may seek specific performance or terminate the SPA.

- (c) In the case of a termination and within 6 months from the termination, both parties shall look for buyer to acquire the Proposed Parkson Mall and the sale shall be transacted at the higher sale price. PPSW shall be responsible for the sale after the 6 months period.

If the sale proceeds is higher than the paid Indicative Amount:

- a) If PPSW defaults, True Excel shall be entitled to the paid Indicative Amount (inclusive 10% PIA) and the agreed liquidated damages at 10% of the Indicative Amount (“**10% Agreed Liquidated Damages**”).
- b) If True Excel defaults, True Excel shall be entitled to the paid Indicative Amount less the 10% Agreed Liquidated Damages and the 10% PIA paid.

If the sale proceeds is lower than the paid Indicative Amount:

- a) If PPSW defaults, True Excel shall be entitled to the entire sale proceeds and 10% Agreed Liquidated Damages and PPSW shall pay to True Excel the shortfall between the paid Indicative Amount and the sale proceeds.
- b) If True Excel defaults, PPSW shall be entitled to the 10% Agreed Liquidated Damages and the 10% PIA paid and True Excel shall be entitled to the balance sale proceeds, if any and there will have no claim on any shortfall.

2.8 Source of funds

The Final Amount is proposed to be funded by borrowings of USD80 million (equivalent to approximately RM264 million) representing approximately 60% of the Maximum Amount and the remaining balance shall be funded via internally generated funds of the Parkson Holdings Group.

2.9 Liabilities to be assumed by the Parkson Holdings Group

There is no liability, including contingent liabilities and guarantees to be assumed by the Parkson Holdings Group arising from the Proposed Lease and Acquisition.

3. DETAILS OF THE PROPOSED PRA LEASING

Parkson Cambodia has agreed to:

- (a) sub-lease the anchor tenant space at the first floor measuring 3,223m²; and
- (b) lease the anchor tenant space at the second floor and third floor measuring 7,783m²

of the Proposed Parkson Mall from True Excel for a lease rental rate of USD10 per m² per month (“**Lease Rental**”).

The Lease Rental was arrived at on arm’s length basis after taking into consideration the market certification of USD10 per m² per month for anchor tenant space under the Comparison Method as certified by Knight Frank on 20 August 2013.

The salient terms of the Proposed PRA Leasing are as follows:

| Lessor / Sublessor | : | True Excel. | | | | | | | | | | |
|---------------------------------------|--|---|-------|--|-------------|-------|--------------|-------|-------------|-------|--------------|---------------------------|
| Lessee / Sublessee | : | Parkson Cambodia or its nominee company. | | | | | | | | | | |
| Retail Floor Area / Net Lettable Area | : | <table border="1"> <thead> <tr> <th>Floor</th> <th>Indicative Net Lettable Area (m²)</th> </tr> </thead> <tbody> <tr> <td>First Floor</td> <td>3,223</td> </tr> <tr> <td>Second Floor</td> <td>3,906</td> </tr> <tr> <td>Third Floor</td> <td>3,877</td> </tr> <tr> <td>Total</td> <td>11,006[^]</td> </tr> </tbody> </table> <p><i>[^] subject to final layout and joint site measurement upon completion of the construction of the Proposed Parkson Mall.</i></p> | Floor | Indicative Net Lettable Area (m ²) | First Floor | 3,223 | Second Floor | 3,906 | Third Floor | 3,877 | Total | 11,006[^] |
| Floor | Indicative Net Lettable Area (m ²) | | | | | | | | | | | |
| First Floor | 3,223 | | | | | | | | | | | |
| Second Floor | 3,906 | | | | | | | | | | | |
| Third Floor | 3,877 | | | | | | | | | | | |
| Total | 11,006[^] | | | | | | | | | | | |
| Earnest Deposit | : | USD110,060, being one month Lease Rental and paid on the signing of the heads of terms for the Proposed PRA Lease and this amount shall form part of the Security Deposit when it is due for payment. | | | | | | | | | | |
| Lease Rental | : | USD10 per m ² per month or USD110,060 per month. The Lessee/Sublessee shall be responsible for the payment of the prevailing Value Added Tax as imposed by the Royal Government of Cambodia. | | | | | | | | | | |
| Lease / Sublease Term | : | 24 years with rental review of every 4 years and the Lessee/Sublessee shall have an option to renew the tenure for a further 24 years with rental review of every 4 years. | | | | | | | | | | |
| Handover Date of Lease / Sublease | : | The handover date shall be the latest to occur of: i) the Agreed Handover Date as stated in Section 2.7(vi) of this announcement; or ii) the completion of work by Lessor/Sublessor as required by Lessee/Sublessee. | | | | | | | | | | |
| Commencement Date of Lease / Sublease | : | The commencement date shall be on the occurrence of either of the following, whichever is the later: i) 3 months from the Handover Date of the Lease/Sublease; and ii) the date when the entire Proposed Parkson Mall is officially open to public. | | | | | | | | | | |
| Security Deposit | : | i) 1 month rental deposit payable within 30 days from the Handover Date of Lease/Sublease and the Earnest Deposit shall be utilised as settlement of the said one month rental deposit; and ii) 2 months rental deposit payable within 30 days from the Commencement Date of Lease/Sublease. Upon termination of the Lease/Sublease Term, the Security Deposit shall be refunded, free of interest. | | | | | | | | | | |
| Rental Review | : | At the expiry of every 4 years, the Monthly Rental shall be reviewed to a sum equivalent to the prevailing market rate but subject to a minimum of 7% and a maximum of 12% increase from the Monthly Rental in the preceding terms. | | | | | | | | | | |
| Rent Free Period | : | 1 month of rent free period to be given to Lessee/Sublessee for major renovation involved at the demised premises after every 4 years of business operations. However, the Lessor/Sublessor shall not be liable to such claims of 1 month of rent free period in the event the renovation works are not required by the Lessee/Sublessee and/or carried out by the Lessee/Sublessee. | | | | | | | | | | |

| | | |
|--------------------------|---|---|
| Lease/Sublease Agreement | : | The Lease/Sublease Agreement shall be based upon the contents agreed in the HOTs and further terms as mutually agreed by both parties. Pending execution of the Lease/Sublease Agreement, the HOTs are deemed to be a binding contract by the Courts of Cambodia representing this Lease/Sublease. Both parties will use the best endeavours to execute the Lease/Sublease Agreement on or before the Commencement Date of Lease/Sublease. |
| Termination | : | The HOTs shall automatically terminate if the Option Agreement and SPA terminate before the Handover Date of Lease/Sublease. Upon termination of the HOTs, the Earnest Deposit shall be refunded, free of interest. |

4. INFORMATION ON PPSW

PPSW was incorporated as a private limited company on 25 October 2006 with the Cambodian Ministry of Commerce and existing under the laws of the Kingdom of Cambodia, wherein Ample Land Enterprises Limited ("**Ample Land**"), Mr Lean Phirun and Mr Seng Chhay Our hold 49%, 26% and 25% interests respectively. Ample Land is a company wherein Tan Sri William H.J. Cheng ("**TSWC**") is deemed to have a substantial interest.

PPSW is the legal and beneficial holder of a freehold land located in Sangkat Kakap, Khan Dang Kor, Phnom Penh City, Cambodia wherein the Proposed Parkson Mall shall be constructed.

As at 30 August 2013, PPSW's registered share capital is USD14,420,700, comprising 1,000 ordinary shares of USD14,420.70 each fully paid.

The directors of PPSW are TSWC and Ms Yap Chan Mei.

5. INFORMATION ON PRA

PRA was incorporated in Singapore on 31 March 2011 under the Companies Act (Cap. 50) of Singapore as a private company limited by shares. On 10 October 2011, PRA was converted to a public company limited by shares and subsequently listed on the Singapore Securities Trading Limited on 3 November 2011.

PRA is principally involved in investment holding and its subsidiaries are primarily involved in the operation of department stores.

As at 30 August 2013, the issued and paid-up capital of PRA is SGD231,676,000 comprising 677,300,000 ordinary shares fully paid.

The directors and substantial shareholders of PRA are as follows:

| Details | Shareholdings in PRA | | | |
|---|---------------------------------|-------|---------------------------------|----------------------|
| | Direct Interest (No. of shares) | % | Deemed Interest (No. of shares) | % |
| <u>Directors</u> | | | | |
| TSWC | 500,000 | 0.07 | 457,933,300 | 67.61 |
| Tan Siang Long | 60,000 | * | - | - |
| Datuk Cheng Yoong Choong | 300,000 | 0.04 | - | - |
| Toh Peng Koon | 90,000 | 0.01 | - | - |
| Gen(R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin | 60,000 | * | - | - |
| Tan Soo Khoon | 60,000 | * | - | - |
| Michel Grunberg | 60,000 | * | - | - |
| Wee Kheng Jin | 60,000 | * | - | - |
| <u>Substantial shareholders</u> | | | | |
| East Crest International Limited | 457,933,300 | 67.61 | - | - |
| Parkson Holdings | - | - | 457,933,300 | 67.61 ^(a) |
| TSWC | 500,000 | 0.07 | 457,933,300 | 67.61 ^(b) |

Notes:

* Amount less than 0.01%

(a) Deemed interested in the shares held by East Crest International Limited by virtue of Section 7(4) of the Companies Act (Cap. 50) of Singapore

(b) Deemed interested in the shares held by East Crest International Limited by virtue of Section 7(4) of the Companies Act (Cap. 50) of Singapore

6. RATIONALE FOR THE PROPOSALS

In line with the Parkson Holdings Group's objective of owning key shopping malls, the Proposed Lease and Acquisition represents an opportunity for the Parkson Holdings Group to develop a shopping mall at a strategic location in Phnom Penh, Cambodia, which will provide the Parkson Holdings Group with a steady income stream derived from rental income, and the total shopping mall management with full control of the tenant mix.

The Proposed Lease and Acquisition will enable Parkson to penetrate new emerging market and establish a strong base for future expansion and furthermore, there is potential capital appreciation of up to the open market value of USD135.00 million as certified by Knight Frank.

7. PROSPECTS OF THE PROPOSALS

As stated in Section 2 above, PPSW will be undertaking an integrated commercial and property development project on the entire Land which includes, *among others*, a shopping mall, serviced apartments and business hotel.

The Proposed Parkson Mall is expected to commence its commercial operation in the financial year ending 30 June 2017. The Proposed Lease and Acquisition will allow the Parkson Holdings Group to have a shopping mall directly opposite the Phnom Penh International Airport. Furthermore, the Proposed Aeropod Project has good accessibility with enhanced infrastructure and strategic location neighbouring various commercial and other mixed developments, *among others*, the international brand car showrooms e.g. Hyundai, Mitsubishi, Isuzu, Mazda, Kia, Toyota, Honda, Great Wall and BMW; industrial parks e.g. Phnom Penh Special Economic Zone (PPSEZ) and Canadia Industrial Park; Bali Resorts, Ratana Plaza and Attwood Business Centre.

In addition, it has been reported that Cambodia maintained a respectable gross domestic product (“GDP”) growth rate from 2004 up till mid 2008 of 10% per annum except in 2009 as a result of the world economic recession. For the year 2010 to 2012, it recorded GDP growth rates of at least 6.0% per annum.

With the country’s economy growing at a steady pace, this has set a platform for Cambodia to attract an influx of foreign direct investments including the retail industry. Phnom Penh, being Cambodia’s economic centre, has in recent years been reported to have attracted international retailers such as Aeon (shopping mall operator) and Costa Coffee, Swensons and Kentucky Fried Chicken (food and beverage operators).

The World Bank has also reported Cambodia’s gross national income (“GNI”) per capita has been growing at a rate of between 4% to 10% per annum since 2004 to 2012. The rising standard of living presents an opportunity for the setup of shopping malls to capture tenancy from up-market international retailers. As such, the Proposed Lease and Acquisition should provide Parkson Holdings the opportunity to capitalise on the growth of the Cambodian economy.

Premised on the above, the Company is expected to benefit from the prospect of the Proposed Lease and Acquisition by leveraging on this growth as it is strategically located within the various commercial and other mixed developments in Phnom Penh City.

8. RISK FACTORS OF THE PROPOSALS

The following risk factors (which may not be exhaustive) pertaining to the Proposals should be noted and taken into consideration:

(a) Political, Economic, Social and Regulatory Risks

There can be no assurance that any material change in the political, economic, social and regulatory conditions in Cambodia will not have a material and/or adverse effect on the financial and business prospects of the Proposed Parkson Mall.

(b) Construction Risks

PPSW will be constructing and developing the Proposed Parkson Mall based on their expertise and specialisation. However, there can be no assurance that the services rendered will always be satisfactory or match the targeted quality level on a timely manner. Further, there is a risk that PPSW may experience difficulties that may affect its ability to continue with the construction works, thus delaying the completion progress.

Notwithstanding the above, steps will be taken by True Excel to mitigate such risk by performing periodical assessments to monitor the development and quality of the project’s construction.

(c) Fluctuations in Raw Materials Price

Construction costs for the Proposed Parkson Mall may vary according to the fluctuation in the price of raw materials including cement, concrete, brick, steel bar that can be affected by many factors beyond True Excel's control, which amongst others, include the general state of the global economy, the level of industrial development worldwide, competition, industrial productivity levels, imposition of import duties/levies and foreign currency fluctuations.

There can be no assurance that any future fluctuation in the price of raw materials will not have material adverse impact as such fluctuation will cause variation in the construction cost of the Proposed Parkson Mall. However, the purchase consideration for the Proposed Parkson Mall is protected by the Maximum Amount.

(d) Foreign Exchange Risk

Any weakening or strengthening of currencies in the future may impact the profitability of Parkson Holdings Group in RM terms since True Excel will be operating in Cambodia.

(e) Competition

There are several existing and upcoming retail players in Phnom Penh. Any overall decline in demand or increase in new entrants may exert a downward pressure on True Excel's rental rates affecting its profit.

9. EFFECTS OF THE PROPOSALS

(a) Share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings in Parkson Holdings as the Proposals do not involve any issuance of new shares by Parkson Holdings.

(b) Earnings and earnings per share ("EPS")

The Proposals are not expected to have a material impact on the earnings and EPS of the Parkson Holdings Group for the financial year ending 30 June 2014 but are expected to contribute positively to the future earnings of the Parkson Holdings Group.

(c) Net assets ("NA") and NA per share

On a proforma basis, the Proposals are not expected to have a material impact on the NA and NA per share of the Parkson Holdings Group based on the audited consolidated statement of financial position of Parkson Holdings as at 30 June 2012.

(d) Gearing

Based on the audited consolidated statement of financial position of Parkson Holdings as at 30 June 2012 and assuming the Maximum Amount of USD131.0 million (equivalent to approximately RM432.30 million) is funded by bank borrowings of USD80 million (equivalent to RM264 million), or representing approximately 60% of the Maximum Amount and balance to be funded via internally generated funds of the Parkson Holdings Group, the Proposals are expected to increase the Parkson Holdings Group's gearing from 0.5 times to 0.6 times.

10. APPROVALS REQUIRED

The Proposals shall be subject to the fulfilment of the following conditions precedent:

- a) Proposed Lease and Acquisition
 - (i) the approval of the shareholders of Parkson Holdings;
 - (ii) cause and procure Land pledge to be executed by PPSW in favour of True Excel for the creation of the pledge of Land by PPSW in favour of True Excel;
 - (iii) the submission of the Certificate of Ownership of the Land at Ministry of Land Management, Urban Planning, and Construction for the future obtaining of the Title Acknowledging the Private Unit Owners; and
 - (iv) any other relevant authorities or parties, if required.
- b) Proposed PRA Leasing
 - (i) the approval of the shareholders of Parkson Holdings; and
 - (ii) any other relevant authorities or parties, if required.

The Proposed Lease and Acquisition and the Proposed PRA Leasing are inter-conditional upon each other.

Save for the above, the Proposals are not conditional upon any other proposals.

11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

(a) Directors' Interests

TSWC does not consider himself independent in respect of the Proposals by virtue of the following ("**Interested Director**"):

- i. He being a major shareholder of Parkson Holdings, is deemed to have a substantial interest in PPSW by virtue of his deemed interest in Ample Land; and
- ii. He is the Chairman and a substantial shareholder of PRA, having a direct interest of 0.07% and an indirect interest of 67.61% in PRA, and his daughter, Ms Cheng Hui Yen, Natalie has a direct interest of 0.007% in PRA.

Save as disclosed above, none of the other Directors of the Company has any interest, direct or indirect, in the Proposals.

The Interested Director has abstained and will continue to abstain from all Board deliberations and voting at meetings of the Board in relation to the Proposals.

The Interested Director will also abstain from voting in respect of his direct and/or indirect shareholdings in Parkson Holdings on the resolutions pertaining to the Proposals at the extraordinary general meeting ("**EGM**") of Parkson Holdings to be convened.

In addition, the Interested Director will undertake to ensure that persons connected with him who have interest in the shares of Parkson Holdings will abstain from voting in respect of their direct and/or indirect shareholdings in Parkson Holdings on the resolutions pertaining to the Proposals at the EGM of Parkson Holdings to be convened.

As at 30 August 2013, the shareholdings of the Interested Director in Parkson Holdings are as follows:

| Interested Director | Direct | | Indirect | |
|---------------------|---------------|----------------|----------------------------|----------------|
| | No. of shares | % [^] | No. of shares | % [^] |
| TSWC | 218,439,012 | 20.26 | 300,751,384 ^(a) | 27.89 |

Notes:

[^] Based on the issued and paid-up capital of the Company excluding a total of 15,550,631 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 30 August 2013.

(a) Deemed interested by virtue of Section 6A of the Companies Act, 1965 (“**Act**”) held via Likom Computer System Sdn Bhd, Ributasi Holdings Sdn Bhd, Lion Development (Penang) Sdn Bhd, Narajaya Sdn Bhd, Lion Corporation Berhad, Lion Industries Corporation Berhad, Amsteel Mills Sdn Bhd, Lion Holdings Private Limited, Deluxe Venture International Limited, Excel Step Investments Limited and Trillionvest Sdn Bhd and Section 134(12) of the Act held by his spouse, Puan Sri Chan Chau Ha.

(b) Major Shareholders’ Interests

Parkson Holdings is currently in the process of ascertaining the interest of the interested major shareholders of Parkson Holdings and/or persons connected with them in the Proposals. Such interest will be disclosed in the Circular to be issued to the shareholders of Parkson Holdings in due course.

12. TRANSACTION WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Save for the Proposed Lease and Acquisition, there was no transaction entered into between the Company and PPSW during the 12 months preceding the date of this announcement.

Save for the Proposed PRA Leasing and recurrent transactions of revenue and trading in nature, there were no other transaction entered into between the Company and PRA during the 12 months preceding the date of this announcement.

13. AUDIT COMMITTEE’S STATEMENT

The Audit Committee of the Company, after having considered all relevant aspects of the Proposals and the evaluation by AmInvestment Bank Berhad (“**AmInvestment**”), being the independent adviser, is of the opinion that the Proposals are in the best interest of the Company, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders of the Company.

14. STATEMENT BY THE BOARD OF DIRECTORS

The Board (save for the Interested Director), after having considered all relevant aspects of the Proposals and the evaluation by AmInvestment, being the independent adviser, is of the opinion that the Proposals are in the best interest of the Company.

15. INDEPENDENT ADVISER

The Proposals are deemed related party transactions under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”). In compliance with paragraph 10.08 of Chapter 10 of the Listing Requirements, AmlInvestment has been appointed by the Company to act as the independent adviser to advise the non-interested Directors and shareholders of Parkson Holdings on the fairness and reasonableness of the Proposals, whether the Proposals are to the detriment of the minority shareholders of Parkson Holdings and whether the minority shareholders of Parkson Holdings should vote in favour of the resolutions in respect of the Proposals.

16. SUBMISSION TO THE AUTHORITIES AND ESTIMATED TIME FRAME FOR COMPLETION

The application to the relevant authorities for the Proposals is expected to be submitted within 3 months from the date of this announcement.

17. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSALS

Barring any unforeseen circumstances and subject to the fulfilment of all conditions, the Proposals are expected to be unconditional by the end of December 2013 and the Proposals are expected to be completed within 36 months thereafter pursuant to the terms of the Proposals.

18. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Lease and Acquisition as per Paragraph 10.02(g) of Chapter 10 of the Listing Requirements is 16.1% derived by dividing the Maximum Amount payable of USD131.0 million (equivalent to approximately RM432.3 million) over the audited consolidated NA of Parkson Holdings as at 30 June 2012 of RM2,686.1 million.

The highest percentage ratio applicable to the Proposed PRA Leasing as per Paragraph 10.02(g) of Chapter 10 of the Listing Requirements is 15.7% derived by dividing the maximum lease receivable of USD127.5 million (equivalent to approximately RM420.7 million), assuming the maximum lease term of 48 years with a maximum rental review of 12% every 4 years, over the audited consolidated NA of Parkson Holdings as at 30 June 2012 of RM2,686.1 million.

19. DOCUMENTS FOR INSPECTION

The SPA, the Option Agreement (with the draft Lease Agreement annexed thereto), the HOTs, the Land Pledge Agreement, the valuation certificate on the Proposed Parkson Mall and Lease Rental, both issued by Knight Frank dated 20 August 2013 are available for inspection by the shareholders of the Company at the Registered Office of the Company at Level 14, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.