

 **PARKSON 百盛**
PARKSON RETAIL GROUP LIMITED
百盛商業集團有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 3368)

FINAL RESULT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

HIGHLIGHTS ON FINAL RESULT

Total gross sales proceeds improved to RMB6,168.7 million, an increase of 86.5%.

Same store sales⁽¹⁾ growth remains strong at 17.1%.

Total operating revenues improved to RMB2,184.0 million, an increase of 79.8%.

Profit from operations improved to RMB707.9 million, an increase of 78.2%.

Net profit for the year improved to RMB513.2 million, an increase of 87.1%.

Net profit attributable to the Group for the year improved to RMB460.8 million, an increase of 85.8%.

Earnings per share was RMB0.83.

Proposed final dividends of RMB149.0 million or RMB0.27 per share.

(1) Year on year change in total gross sales proceeds for stores in operation throughout the current year and the immediate preceding year.

FINAL RESULT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

The Board of Directors of Parkson Retail Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company, its subsidiaries, jointly-controlled entities and an associate (the “Group”) for the year ended 31 December, 2006 with comparative figures for the year 2005 as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	<i>Notes</i>	2006	2005
		<i>RMB'000</i>	<i>RMB'000</i>
Revenues	4	1,942,005	1,131,890
Other operating revenues	4	242,029	82,768
Total operating revenues		<u>2,184,034</u>	<u>1,214,658</u>
Operating expenses			
Purchases of goods and changes in inventories		(632,325)	(363,461)
Staff costs		(196,566)	(120,262)
Depreciation and amortisation		(88,737)	(64,055)
Rental expenses		(227,054)	(103,902)
Other operating expenses		(331,439)	(165,785)
Total operating expenses		<u>(1,476,121)</u>	<u>(817,465)</u>
Profit from operations	5	707,913	397,193
Finance income, net	6	23,538	8,445
Share of profit from an associate		538	522
Profit from operations before income tax		731,989	406,160
Income tax	7	(218,835)	(131,836)
Net profit for the year		<u>513,154</u>	<u>274,324</u>
Attributable to:			
Equity holders of the parent		460,761	248,012
Minority interests		52,393	26,312
		<u>513,154</u>	<u>274,324</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT - Basic	8	<u>RMB0.83</u>	<u>RMB0.55</u>
DIVIDENDS			
Interim		82,800	—
Proposed final	9	149,040	143,520
		<u>231,840</u>	<u>143,520</u>
DIVIDENDS PER SHARE			
Interim		RMB0.15	—
Proposed final	9	RMB0.27	RMB0.26
		<u>RMB0.42</u>	<u>RMB0.26</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 31 December	
		2006	2005
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		749,923	581,535
Investment properties		227,368	17,394
Lease prepayments		431,550	49,066
Intangible assets		689,565	82,191
Investment in an associate		2,214	2,120
Held-to-maturity investments		1,561,740	—
Other assets		107,408	72,629
Deferred tax assets		45,460	32,789
Total non-current assets		<u>3,815,228</u>	<u>837,724</u>
CURRENT ASSETS			
Inventories		109,904	80,938
Trade receivables	10	18,489	16,737
Investments		—	1,842
Prepayments, deposits and other receivables		259,492	233,250
Cash and cash equivalents		3,271,366	2,080,407
Total current assets		<u>3,659,251</u>	<u>2,413,174</u>
CURRENT LIABILITIES			
Interest-bearing bank loans		(83,886)	(154,856)
Trade payables	11	(871,618)	(569,003)
Customers' deposits, other payables and accruals		(611,097)	(355,448)
Tax payable		(113,518)	(94,629)
Total current liabilities		<u>(1,680,119)</u>	<u>(1,173,936)</u>
NET CURRENT ASSETS		<u>1,979,132</u>	<u>1,239,238</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,794,360</u>	<u>2,076,962</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		(1,607,027)	(79,446)
Long term payables		(93,994)	(77,895)
Deferred tax liabilities		(247,050)	(46,295)
Senior guaranteed notes		(1,526,806)	—
Total non-current liabilities		<u>(3,474,877)</u>	<u>(203,636)</u>
NET ASSETS		<u><u>2,319,483</u></u>	<u><u>1,873,326</u></u>

	<i>Notes</i>	As at 31 December	
		2006	2005
		<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		57,436	57,436
Reserves		2,170,151	1,723,444
		<hr/>	<hr/>
		2,227,587	1,780,880
Minority interests		91,896	92,446
		<hr/>	<hr/>
TOTAL EQUITY		<u>2,319,483</u>	<u>1,873,326</u>

NOTES

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands with limited liability on 3 August 2005. The Company's ultimate holding company is Lion Diversified Holdings Berhad (the "LDHB"), a company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

The Company acts as an investment holding company. The principal activities of its subsidiaries are the operation of department store business in the People's Republic of China (the "PRC"). Pursuant to a reorganisation exercise (the "Group Reorganisation") to rationalize the structure of the Group in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group since 9 November 2005. Details of the Group Reorganisation are set out in the initial public offering prospectus issued by the Company dated 17 November 2005.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Company for the year ended 31 December 2006 (the "Financial Statements") have been prepared in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

3. GROSS SALES PROCEEDS

	For the year ended	
	31 December	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods – direct sales	758,049	441,220
Concessionaire sales	5,011,806	2,670,785
	<hr/>	<hr/>
Total merchandise sales	5,769,855	3,112,005
Others (including consultancy and management service fees, rental income and other operating revenues)	398,863	195,964
	<hr/>	<hr/>
Total gross sales proceeds	<u>6,168,718</u>	<u>3,307,969</u>

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

Revenues are recognised to the extent that it is probable that the economic benefits of a transaction will flow to the Group. Revenues are categorised to include the Sales of Goods – Direct Sales, the Commissions from Concessionaire Sales, the Consultancy and Management Service Fees, the Rental Income and the Other Operating Revenues.

	For the year ended	
	31 December	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods – direct sales	758,049	441,220
Commissions from concessionaire sales	1,027,122	577,474
Rental income	115,153	65,505
Consultancy and management service fees	41,681	47,691
Other operating revenues	242,029	82,678
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Total operating revenues	<u>2,184,034</u>	<u>1,214,658</u>

Over 90% of the Group's revenues and contribution to operating profit is attributable to the operation and management of department stores in the PRC. Accordingly no analysis of segment information is presented.

Note: Other operating revenues

	<i>Notes</i>	For the year ended	
		31 December	
		2006	2005
		<i>RMB'000</i>	<i>RMB'000</i>
Promotion income		63,279	19,260
Administration and credit card handling fees		78,320	24,940
Government grants	(i)	10,655	1,500
PRC tax compensations	(ii)	25,914	3,224
Other incomes		63,861	33,844
		<hr/>	<hr/>
		<u>242,029</u>	<u>82,768</u>

Notes:

- (i) Various local government grants have been granted to reward the Group for its contributions to the local economy. There were no unfulfilled conditions or contingencies attaching to these government grants.
- (ii) PRC tax compensations were granted to the Group for its reinvestment of dividend income from certain PRC group companies to establish a new foreign investment enterprise in the PRC. There were no unfulfilled conditions or contingencies attaching to these PRC tax compensations.

5. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	For the year ended	
	31 December:	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories recognised as expenses	632,325	363,461
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	158,848	91,983
Pension scheme contributions	15,207	10,147
Social welfare and other costs	19,118	15,476
	<u>193,173</u>	<u>117,606</u>
Depreciation and amortisation	88,737	64,055
Operating lease rentals in respect of leased properties:		
Minimum lease payments	183,887	91,973
Contingent lease payments *	43,167	11,929
	<u>227,054</u>	<u>103,902</u>
Loss on disposal of items of property, plant and equipment	1,006	324
Auditors' remuneration	4,900	3,517
Allowance for doubtful debts	2,454	1,145
Gross rental income in respect of investment properties	(16,978)	(3,432)
Sub-letting of properties:		
Minimum lease payments	(59,032)	(30,371)
Contingent lease payments *	(39,143)	(31,702)
	<u>(98,175)</u>	<u>(62,073)</u>
Total gross rental income	<u>(115,153)</u>	<u>(65,505)</u>
Direct operating expenses arising on rental-earning investment properties	1,411	3,868
Foreign exchange differences, net	13,273	1,769

* Contingent lease payments rents are calculated based on a percentage of relevant performance of the tenants pursuant to the rental agreements.

6. FINANCE INCOME, NET

	For the year ended 31 December	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Interest expenses on bank and other loans, wholly repayable within five years	(51,509)	(6,383)
Interest income	75,047	14,828
	<u>23,538</u>	<u>8,445</u>

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the applicable tax laws and regulations of the PRC, certain subsidiaries and jointly-controlled entities within the Group enjoy preferential tax rate for the year 2005 and the year 2006.

An analysis of the provision for tax in the Financial Statements is as follows:

	For the year ended 31 December	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Current income tax	221,464	130,132
Deferred income tax	(2,629)	1,704
	<u>218,835</u>	<u>131,836</u>

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2006 was based on the net profit attributable to equity holders of the Group for the year ended 31 December 2006 of approximately RMB460,761,000 and the total 552,000,000 shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 December 2005 was based on the net profit attributable to equity holders of the Group for the year ended 31 December 2005 of approximately RMB248,012,000 and the weighted average of approximately 451,278,904 shares in issue during the year on the assumption that the 441,600,000 shares issued pursuant to the Group Reorganisation had been in issue throughout the year ended 31 December 2005, and as adjusted to reflect the issue of 110,400,000 new shares by way of public offering in issue on 30 November 2005.

Diluted earnings per share for the years ended 31 December 2006 and 2005 have not been disclosed because no diluting events existed during the two years.

9. PROPOSED FINAL DIVIDENDS

The Board of Directors recommended the payment of a final dividend for the year of 2006 of RMB0.27 (2005: RMB0.26) in cash per share. The Company declared and paid an interim dividend of RMB0.15 (2005: nil) in cash per share. On the assumption that the approval is obtained during the forthcoming annual general meeting for the payment of the proposed final dividends, the Company shall be paying a full year dividends of RMB0.42 (2005: RMB0.26) in cash per share for the year 2006, representing approximately 50% of the year's net profit attributable to the Group.

Upon the approval to be obtained from the forthcoming annual general meeting, the final dividends will be payable on or about 3 May 2007 to the shareholders whose name appears on the Register of Members of the Company at close of business on 27 April 2007.

10. TRADE RECEIVABLES

Trade receivables are mainly consultancy and management service fees receivables from the "Parkson" or "Xtra" branded managed stores. The Group normally allows a credit period of not more than 90 days. A provision for doubtful debts is made when it is considered that the trade receivables may not be recoverable.

An aged analysis of the trade receivables is as follows:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Within 3 months	7,785	6,815
3 to 12 months	4,566	9,876
Over 1 year	7,782	2,845
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	20,133	19,536
Less: Allowance for doubtful debts	(1,644)	(2,799)
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	18,489	16,737
	<hr/> <hr/>	<hr/> <hr/>

Included in the balance were trade receivables from jointly-controlled entities of RMB1,250,000 (2005 : RMB1,828,000) and from fellow subsidiaries of RMB12,416,000 (2005: RMB1,416,000) which attributable to the consultancy fee income of the Group. Such balances were unsecured and interest-free.

11. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Within 3 months	838,190	554,896
3 to 12 months	26,611	9,947
Over 1 year	6,817	4,160
	<hr/>	<hr/>
	871,618	569,003
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Included in the balances as at 31 December 2006 were payables to a fellow subsidiary of RMB1,080,000 (2005: nil) which attributable to the royalty fee expenses of the Group. The balances were unsecured and interest-free.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 23 April 2007 to 27 April 2007 (both dates inclusive), during such period no transfer of shares will be registered. In order to qualify for the proposed final dividends, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4.00pm 20 April 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The PRC economy continued its remarkable growth for the year 2006. As reported by the National Bureau of Statistic of China the Gross Domestic Product (the "GDP") expanded by approximately 10.7%, led by the strong growth in the export, fixed asset investment and the domestic consumption.

In line with the strong economy growth and the booming domestic consumption market, the retail industry expanded solidly by 13.7% to top RMB7.6 trillion on the back of the rising disposable income and the strong emergence of middle class. The growth rate for the retail industry was higher than the GDP growth reflecting the continuous efforts from the PRC government to boost the domestic consumption.

The Group achieved a strong double digit Same Store Sales (the "SSS") growth of approximately 17.1% for the year under review. The impressive SSS growth was made possible through attractive promotional activities to increase the traffic flow and our philosophy of innovation by continuously varying our merchandise mix and upgrading our brand mix to introduce quality brand and innovative products to our loyal customers in this diverse and yet fast growing market.

The Group acquired in the month of July, the minority interest of six Parkson branded department stores through the successful acquisition of the remaining 44% equity interest in Parkson Retail Development Co, Ltd (the "44% Beijing Parkson"). The acquisition has immediately enhanced the profitability of the Group and allowed the Group greater flexibility in the implementation of Beijing Parkson's business expansion plan.

The Group acquired the 100% ownership of the two Parkson branded managed stores in Kunming, (the "Kunming Stores") in the month of November. The acquisition has not only immediately enhanced the profitability of the group but also complement on the Group's long term growth strategy in the south-west region of PRC, in particular the Yunan Province.

The Group further consolidated its position as one of the leading department store operators in the PRC by signing five new lease arrangements through out the year to add a total of approximately 120,000 square meters of retailing space to its existing portfolio. The Group target to roll out all the five new stores in the year 2007.

In the month of November, the Group issued a 5 years US\$200 million High Yield Notes (the "High Yield Notes") that carry an annual coupon of 7.875%, the gross proceeds from the High Yield Notes was used to subscribe for a Credit Link Note (the "CLN") issued by JPMorgan Chase Bank, N.A., London Branch, simultaneously JPMorgan Chase Bank, N.A., Shanghai Branch extended approximately RMB1.5 billion of Commercial Banking Loans (the "Commercial Loans") to our subsidiaries in the PRC to fund

our future expansion plans (the arrangement collectively known as “Structure Financing”). The Structure Financing will eliminate the Group exposure to exchange rate and interest rate fluctuation and allowed the Group to borrow in the most cost efficient way for a long term borrowing.

Prospect

At macro level, the PRC economy is expected to maintain its strong growth in the near future and amid the continuous efforts from the PRC government to rebalance the economy growth away from investment and export towards domestic consumption, the strengthening of Renminbi (the “RMB”) and more importantly the accelerated growth of the disposable income, the retail industry is poised to be the main beneficiary of the future strong economy performance. The strong brand equity of Parkson among the middle to middle upper end consumers in the PRC market will ensure that the Group continues to capitalize on the strong demand for high quality branded fashion and lifestyle products among the increasingly affluent PRC consumers.

The Group will remain firmly focused on the department store business in the PRC market and continue to enhance its leadership position in the market through carefully developed expansion plans. Other than rolling out a minimum of five new stores in the year 2007, we will continue to sign new lease agreements in preparation for the new stores opening in the coming years. We will keep pursuing the acquisition on the minority interest of the existing stores and the controlling interest of the Parkson branded managed stores. We will also actively explore the opportunities to make acquisitions that meet our strategic initiatives and return on capital requirements.

Financial Review

Total gross sales proceeds and operating revenues

During the year under review, the Group generated a total gross sales proceeds received or receivable of RMB6,168.7 million (comprises of direct sales, sales proceeds from concessionaire sales, rental incomes, consultancy and management service fees and other operating revenues). Total gross sales proceeds for the period represent a growth of 86.5% or RMB2,860.7 million from RMB3,308.0 million reported in the same period of last year largely as a result of i) the strong SSS growth of approximately 17.1% ii) full year sales contribution from new stores opened last year (the “New Stores”) and Parkson branded managed stores acquired throughout the second half of last year (the “Acquired Group”) and iii) the inclusion into this year’s accounts, the post acquisition’s sales performances of the 44% Beijing Parkson’s and the Kunming Stores. The growth was also partly contributed by the receipt of the PRC government incentive for dividend reinvested to acquire the 44% Beijing Parkson and the change of arrangement with the concessionaires which resulted in increase recognition of other operating revenues. The growth was however partially offset by the reduction in the consultancy and management service fees due to lesser managed stores within the Group’s portfolio after the acquisition of some of the managed stores.

The Group generated total merchandise sales of approximately RMB5,769.9 million. The concessionaire sales contributed approximately 86.9% and the direct sales contributed the balance of 13.1%. The Fashion & Apparel category made up approximately 50.0% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 28.5%, the Household & Electrical category contributed approximately 9.5% and the balance of approximately 12.0% came from the Groceries and Perishables category.

Commission rate from concessionaire sales was within management’s expectation at 20.5%. It was 1.1% lower than the previous year due to the lower commission rate for (i) the New Stores and the Acquired Group and (ii) the Kunming Stores.

Total operating revenues of the Group for the year under review grew by RMB969.4 million to RMB2,184.0 million or 79.8% from the numbers reported in the same period of last year. The strong growth rate was in line with the growth of the total gross sales proceeds and partially offset by the reduction of the consultancy and management service fees.

Operating Expenses

Purchase of goods and change in inventories

The purchase of goods and change in inventories refer to the cost of sales for the direct sales. In line with the increase of direct sales, the cost of sales increased to RMB632.3 million, an increase of RMB268.8 million or 74.0% from RMB363.5 million recorded for the same period of last year. The gross profit margin of 16.6% declined marginally by 1.0% from 17.6% recorded for the same period of last year due to the lower gross profit margin of the New Stores, the Acquired Group and the Kunming Stores.

Staff costs

Staff costs increased by RMB76.3 million or 63.4% to RMB196.6 million, the increase was largely contributed by i) the full year staff cost of the Acquired Group, ii) the full year staff cost of the New Stores and iii) the additional staff cost from the 44% Beijing Parkson and Kunming Stores acquisition.

As a percentage to total operating revenues, the staff cost decreased marginally by 0.9% due to improved operating efficiency.

Depreciation and Amortisation

Depreciation and amortisation increased by RMB24.7 million or 38.5% to RMB88.7 million, the increase was largely contributed by i) the full year depreciation and amortisation cost of the Acquired Group, ii) the full year depreciation and amortisation cost of New Stores and iii) the additional depreciation and amortisation cost from the 44% Beijing Parkson and Kunming Stores acquisition.

As a percentage to total operating revenues, depreciation and amortisation cost dropped to 4.1% from 5.3% reported for the same period of last year. The drop is due to the strong increase of the same stores operating revenues and full year operating revenues contribution from New Stores and Acquired Group which are all on long leases and have no building cost and land use rights subject to depreciation and amortisation.

Rental Expenses

Rental expenses increased by RMB123.2 million or 118.5% to RMB227.1 million. The increase was largely due to the inclusion of i) the full year rental cost for the New Stores and the Acquired Group and ii) additional rental cost from the 44% Beijing Parkson and Kunming Stores acquisition. The increase was also partly due to the increase payment of contingent rent for the performance related lease agreements.

As a percentage to total operating revenues, the rental expenses rose to 10.4%, moved up 1.8% from the same period of last year due largely to the inclusion of full year rental expenses for the New Stores and Acquired Group which are all on long leases as compared to the year 2005 where a substantial portion of the operating revenues recorded were derived from the stores that own the property and there were no related rental expenses.

Other Operating Expenses

Other operating expenses which consist of mainly the utilities cost, marketing and promotional cost, credit card handling expenses, property management cost and general administrative cost increased by RMB165.7 million or 99.9% to RMB331.4 million. Included in the other operating expenses are the exchange loss of approximately RMB13.3 million and the change of arrangement with the concessionaires which resulted in the increase recognition of the operating expenses incurred in direct relation to the increase other operating revenues recognised. Other than that the increase was generally in line with the improved revenues.

As a percentage to operating revenues, other operating expenses ratio was 15.2%, increased by 1.5%, the increase was mainly due to the factors highlighted in the previous paragraph. The increase was also partly due to the inclusion of full year operating results for the Acquired Group and the New Stores and the heavy promotion cost incurred during the second half of the year 2006.

Profit from Operations

Profit from operations increased to RMB707.9 million, an improvement of RMB310.7 million or 78.2%, generally in line with the growth of operating revenues. Profit from operations as a percentage to operating revenues decrease marginally to 32.4% from 32.7% recorded in the same period of last year due to the inclusion of full year performance of the New Stores and the Acquired Group which have lower operating efficiency.

Finance Income

Finance income, which comprises of interest income net of interest expenses increased to RMB23.5 million, an increase of RMB15.1 million or 178.7% from RMB8.4 million recorded for the same period of last year due to the increase interest incomes from the placement of deposit with licensed banks and the interest incomes from the CLN. The increase in interest incomes was however partially offset by the increase of interest expenses in relation to the High Yield Bond and the Commercial Loans.

Share of Profit from an Associate

This is the share of profit from Shanghai Nine Sea Lion Properties Management Co. Ltd, an associate of the Company, the share of profit grew from RMB522,000 in 2005 to RMB538,000 in 2006, an increase of RMB16,000 or 3.1%.

Income Tax

The Group's income tax expense increased by RMB87.0 million or 66.0% to RMB218.8 million in line with the increase in profit from operations. The increase was however partly offset by the lower effective tax rate of 29.9%, a decline of 2.6% from 32.5% recorded for the same period of last year due to the inclusion of higher amount of non taxable interest income and increase number of stores with preferential tax rate.

Net Profit for the Year

In line with the increase in revenue, the net profit for the year increased to RMB513.2 million, an improvement of RMB238.8 million or 87.1%. The net profit margin improved to 23.5% from 22.6% recorded in the same period of last year due to the lower effective tax rate, growth of operating revenues and the improved operating efficiency.

Profit Attributable to the Company

Profit attributable to the Company increased to RMB460.8 million, an increase of RMB212.7 million or 85.8%. This is in line with the increase in operating revenues and the profit from operations.

Profit Attributable to Minority Interests

Profit attributable to minority interests increased by RMB26.1 million or 99.1% to RMB52.4 million due to the increase of net profit for the year and the inclusion of full year net profits from stores within the Acquired Group that have higher percentage of minority interest.

Liquidity and Financial Resources

The Group's cash and bank balance increase to RMB3,271.4 million, an increase of RMB1,191.0 million from the balance recorded as at the end of December 2005. The increase is largely due to i) positive cash flow of RMB866.1 million generated from the operating activities, ii) RMB1,500.0 million that the Group received from the Structure Financing. The increase was however partially set off by the payment of the year 2005 final dividends of RMB143.5 million, the payment of the year 2006 interim dividends of RMB82.8 million and the payment of RMB840.6 million for the acquisition of the 44% Beijing Parkson and the Kunming Stores. Total debt to equity ratio of the Group expressed as a percentage of interest bearing loans and other borrowings over the total equity of RMB2,319.5 million was 138.7% as at 31 December 2006. However, after taken into account on the net effect of the Structure Financing (excluding the CLN and the High Yield Notes from the calculation), the debt to equity ratio of the Group as at the end of December 2006 was approximately 72.9%.

Net Current Assets and Net Assets

The Group's net current assets as at 31 December 2006 was approximately RMB1,979.1 million, an increase of 59.7% or RMB739.9 million from the balance of RMB1,239.2 million recorded as at 31 December 2005 due largely to the proceeds from the Structure Financing and partially offset by the cash payment made for the 44% Beijing Parkson and Kunming Stores acquisition. Net asset rose to RMB2,319.5 million, an increase of RMB446.2 million or 23.8% over the balance as at 31 December 2005 due largely to the net profit contribution for the year 2006 and the revaluation surplus pursuant to the 44% Beijing Parkson acquisition after offsetting the dividends paid during the year.

Pledge of Assets

As at 31 December 2006, certain of the Group's property, plant and equipment with an aggregated carrying value of RMB65.8 million and certain of the Group's lease prepayments with an aggregated carrying value of RMB122.6 million were pledged to the banks to secure general banking facilities of the Group.

Shares in certain subsidiaries of the Company were also pledged pursuant to the Structure Financing.

EMPLOYEES

As at 31 December 2006, total number of employees for the Group was approximately 5,800. The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary, incentives and bonus scheme.

Subsequent to the year end, on 10 January 2007 a total of 8,188,950 share options were granted at an exercise price of Hong Kong \$36.75 per share to 482 eligible employees pursuant to the employee share option scheme adopted by the Company on 9 November 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares since the day of listing.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Directors have complied with the standard set out in the Model Code for the year ended 31 December 2006.

AUDIT COMMITTEE

An Audit Committee ("Committee") has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Committee has reviewed the Group's results of the year 2006. The Committee comprises the three independent non executive directors of the Company.

PUBLICATION OF FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the website of Stock Exchange. The annual report for the year containing all the information required by Appendix 16 to the Listing Rules of Securities on the Stock Exchange will be dispatched to shareholders and published in the website of the Stock Exchange in due course.

ACKNOWLEDGEMENT

I would like to thank the Board, management and all our staffs for their hard works and dedication. I would also like to thank the shareholders and business associates for their strong support to the Group.

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Yoong Choong, Mr. Chew Fook Seng, the non-executive directors is Tan Sri Cheng Heng Jem and the independent non executive directors are Mr. Studer Werner Josef, Mr. Ko Tak Fai, Desmond and Mr Yau Ming Kim, Robert.

On behalf of the Board
Parkson Retail Group Limited
Cheng Yoong Choong

Hong Kong, 26 February 2007

Please also refer to the published version of this announcement in South China Morning Post.