

Chairman's Statement

Introduction

The year 2006 was another very successful year for the Group. We reported an impressive set of result with the total operating revenues increased by 79.8% to Renminbi (the "RMB") 2,184.0 million and the profit attributable to our shareholders increased by 85.8% to RMB460.8 million. Earning per share rose 50.9% to RMB0.83. On the back of this successful result, the Board of Directors recommended payment of a final dividend per share of RMB0.27. Together with the interim dividend per share of RMB0.15 declared and paid in the month of August 2006, the full year dividend would amount to RMB0.42 per share or a dividend distribution ratio of 50.3%.



TAN SRI CHENG HENG JEM
CHAIRMAN

Market Overview

The People's Republic of China (the "PRC") economy surged to become the world's fourth-largest economy on the back of decades of solid growth. The 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% to reach RMB20.9 trillion, led by the strong growth in export, fixed asset investment and domestic consumption.

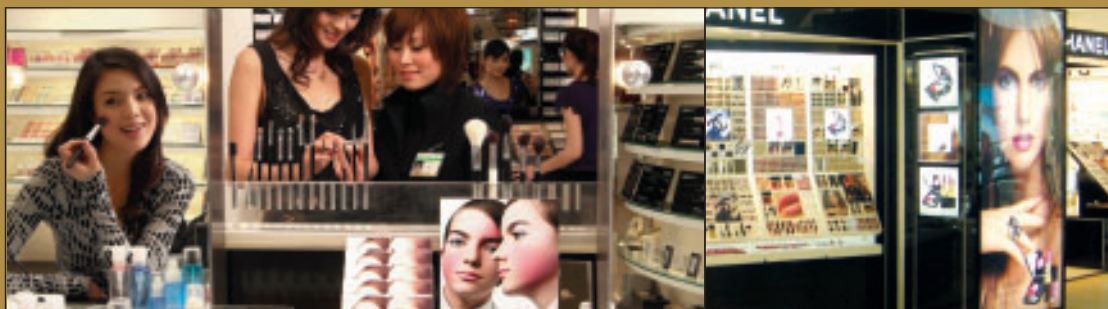
Decades of solid economic growth has led to strong emergence of middle class, rising disposable income of the PRC consumers and the booming domestic consumption market. Supported by these positive factors, the retail industry expanded solidly by 13.7% in the year 2006 to top RMB7.6 trillion, making the PRC one of the biggest and fastest growing retail markets in the world. The department store sector is believed to have approximately 10% share of the total retail industry, giving us a staggering market size of approximately RMB760 billion.

Looking Forward

Going forward, at macro level the PRC economy will continue its strong and solid growth despite uncertainties in the oil price and the world economy. Amid the central government's continuing efforts to rebalance the economic growth away from fixed asset investment and export towards domestic consumption, the strengthening of the RMB and more importantly the accelerating growth of disposable income, the retail industry is poised to be the main driving force of the future economic growth.

On behalf of the Board, I would like to express my gratitude to our workforce for their hard work and dedication, my sincere appreciation to our valued customers, shareholders and business associates for their continuing supports. Last but not least, my sincere thanks to the members of the Board of Directors and the senior management for their contribution and devotion to the Group.

TAN SRI CHENG HENG JEM
CHAIRMAN
26 FEBRUARY 2007



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 expansion of the retail industry. The liberalization of the foreign ownership in the retail industry and the emergence of various retail formats have brought along increased competition in the retail market. However, the department store sector particularly the lifestyle and fashion orientated department store will continue to be the preferred format of shopping among the increasingly affluent Chinese consumer. The Group will remain firmly focus in the department store sector and with our proven business model, dedicated workforce and healthy financial position, we are confident that we will continue to enhance our leadership position in the market and diligently execute our carefully developed expansion plans.