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 2007

HIGHLIGHTS ON FINAL RESULT

Total gross sales proceeds improved to RMB9,003.4 million, an increase of 46.0%.

Same store sales [1] growth remains strong at 18.4%.

Total operating revenues improved to RMB3,059.7 million, an increase of 40.1%.

Profit from operations improved to RMB1,016.5 million, an increase of 43.6%.

Net profit for the year improved to RMB727.8 million, an increase of 41.8%.

Net profit attributable to the Group for the year improved to RMB676.0 million, an increase of 46.7%.

Earnings per share was RMB1.22.

Proposed final dividends of approximately RMB211.0 million or RMB0.38 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 2007

The Board of Directors of Parkson Retail Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2007 with comparative figures for the year 2006 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**For the year ended 31 December 2007** *RMB'000*	**2006** *RMB'000*
Revenues	4	2,726,983	1,942,005
Other operating revenues	4	332,703	242,029
Total operating revenues		3,059,686	2,184,034
Operating expenses			
Purchases of goods and changes in inventories		(865,721)	(632,325)
Staff costs		(268,163)	(196,566)
Depreciation and amortization		(113,812)	(88,737)
Rental expenses		(324,759)	(227,054)
Other operating expenses		(470,709)	(331,439)
Total operating expenses		(2,043,164)	(1,476,121)
Profit from operations	5	1,016,522	707,913
Finance income / (cost), net	6	(73,805)	23,538
Share of profit from an associate		535	538
Profit from operations before income tax		943,252	731,989
Income tax	7	(215,451)	(218,835)
Net profit for the year		727,801	513,154
Attributable to:			
Equity holders of the parent		676,000	460,761
Minority interests		51,801	52,393
		727,801	513,154
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB1.22	RMB0.83
Diluted		RMB1.22	N/A
DIVIDENDS			
Interim		121,582	82,800
Proposed final	9	211,000	149,040
		332,582	231,840
DIVIDENDS PER SHARE			
Interim		RMB0.22	RMB0.15
Proposed final	9	RMB0.38	RMB0.27
		RMB0.60	RMB0.42

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2007 RMB'000	As at 31 December 2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		818,705	749,923
Investment properties		222,104	227,368
Lease prepayments		420,470	431,550
Intangible assets		1,562,040	689,565
Investment in an associate		2,346	2,214
Investment deposits		40,000	-
Held-to-maturity investments, unlisted		1,460,920	1,561,740
Other assets		248,477	107,408
Deferred tax assets		34,971	45,460
Total non-current assets		4,810,033	3,815,228
CURRENT ASSETS			
Inventories		143,940	109,904
Trade receivables	10	18,974	18,489
Prepayments, deposits and other receivables		374,852	259,492
Investment deposits		781,450	-
Cash and short-term deposits		2,860,216	3,271,366
Total current assets		4,179,432	3,659,251
CURRENT LIABILITIES			
Interest-bearing bank loans		-	(83,886)
Trade payables	11	(1,144,716)	(871,618)
Customers' deposits, other payables and accruals		(735,720)	(611,097)
Tax payable		(123,129)	(113,518)
Total current liabilities		(2,003,565)	(1,680,119)
NET CURRENT ASSETS		2,175,867	1,979,132
TOTAL ASSETS LESS CURRENT LIABILITIES		6,985,900	5,794,360

	Notes	As at 31 December 2007 RMB'000	2006 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		(1,417,000)	(1,607,027)
Long term payables		(95,628)	(93,994)
Derivative financial instruments designated as hedging instruments		(88,189)	-
Senior notes		(897,179)	-
Deferred tax liabilities		(184,711)	(247,050)
Senior guaranteed notes		(1,435,118)	(1,526,806)
Total non-current liabilities		(4,117,825)	(3,474,877)
NET ASSETS		2,868,075	2,319,483
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		57,925	57,436
Reserves		2,731,126	2,170,151
		2,789,051	2,227,587
Minority interests		79,024	91,896
TOTAL EQUITY		2,868,075	2,319,483

NOTES

1. 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 Parkson Holdings Berhad (the "PHB"), 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").

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the company for the year ended 31 December 2007 (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	
	2007	**2006**
	RMB'000	*RMB'000*
Sales of goods – direct sales	1,044,130	758,049
Concessionaire sales	7,455,218	5,011,806
Total merchandise sales	8,499,348	5,769,855
Others (including consultancy and management service fees, rental income and other operating revenues	504,058	398,863
Total gross sales proceeds	9,003,406	6,168,718

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the year ended 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
Sales of goods – direct sales	1,044,130	758,049
Commissions from concessionaire sales	1,511,498	1,027,122
Rental income	138,797	115,153
Consultancy and management service fees	32,558	41,681
Other operating revenues	332,703	242,029
Total operating revenues	3,059,686	2,184,034

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.

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

		For the year ended 31 December	
		2007	**2006**
	Notes	*RMB'000*	*RMB'000*
Promotion income		78,972	63,279
Administration and credit card handling fees		150,019	78,320
Government grants	(i)	5,262	10,655
PRC tax compensations	(ii)	3,553	25,914
Other incomes		94,897	63,861
		332,703	242,029

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	
	2007	**2006**
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	865,721	632,325
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	186,336	158,848
Equity-settled share option expenses	20,725	-
Pension scheme contributions	16,915	15,207
Social welfare and other costs	35,571	19,118
	259,547	193,173
Depreciation and amortisation	113,812	88,737
Operating lease rentals in respect of leased properties:		
Minimum lease payments	218,923	183,887
Contingent lease payments *	105,836	43,167
	324,759	227,054
Loss on disposal of items of property, plant and equipment	2,766	1,006
Auditors' remuneration	4,000	4,900
Allowance for doubtful debts	918	2,454
Gross rental income in respect of investment properties	(25,444)	(16,978)
Sub-letting of properties:		
Minimum lease payments	(52,205)	(59,032)
Contingent lease payments *	(61,148)	(39,143)
	(113,353)	(98,175)
Total gross rental income	(138,797)	(115,153)
Direct operating expenses arising on rental-earning investment properties	4,817	1,411
Foreign exchange differences, net	807	13,273

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

6. FINANCE INCOME / (COST), NET

	For the year ended 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
Interest expenses	(326,966)	(51,509)
Interest income	253,161	75,047
	(73,805)	23,538

7. INCOME TAX

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

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

	For the year ended 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
Current income tax	240,134	221,464
Deferred income tax	(24,683)	(2,629)
	215,451	218,835

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2007 was based on the net profit attributable to equity holders of the Group for the year ended 31 December 2007 of approximately RMB676,000,000 and weighted average of approximately 553,936,185 shares in issue during the year.

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 weighted average of approximately 552,000,000 shares in issue during the year.

The calculation of diluted earnings per share for the years ended 31 December 2007 was based on the net profit attributable to equity holders of the Group for the year ended 31 December 2007 of approximately RMB676,000,000 and the weighted average of approximately 555,030,399 shares in issue after taken into accounts of the dilutive effects from the outstanding share option granted. There were no diluted events existed for the year 2006.

9. PROPOSED FINAL DIVIDENDS

The Board of Directors recommended the payment of a final dividend for the year of 2007 of RMB0.38 (2006:RMB0.27) in cash per share. The Company declared and paid an interim dividend of RMB0.22 (2006: RMB0.15) 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 RMB0.60 (2006:RMB0.42) in cash per share for the year 2007, representing approximately 49.2% 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 30 June 2008 to the shareholders whose name appears on the Register of Members of the Company at close of business on 22 May 2008.

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	
	2007	**2006**
	RMB'000	*RMB'000*
Within 3 months	11,822	7,785
3 to 12 months	2,064	4,566
Over 1 year	6,705	7,782
	20,591	20,133
Less: Allowance for doubtful debts	(1,617)	(1,644)
	18,974	18,489

Included in the balance were trade receivables from jointly-controlled entities of RMB852,000 (2006: RMB1,250,000) and from fellow subsidiaries of RMB9,994,000 (2006: RMB12,416,000) 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	
	2007	**2006**
	RMB'000	*RMB'000*
Within 3 months	1,086,409	838,190
3 to 12 months	46,724	26,611
Over 1 year	11,583	6,817
	1,144,716	871,618

Included in the balances as at 31 December 2007 were payables to a fellow subsidiary of RMB2,165,000 (2006: RMB1,080,000) which are attributable to the royalty fee expenses of the Group. The balances were unsecured and interest-free and are normally settled, on a 90-days terms.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 19 May 2008 to 22 May 2008 (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 16 May 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The PRC economy continued its rapid growth in the year 2007 with the Gross Domestic Product (the "GDP") expanded by approximately 11.4% based on a report by the National Bureau of Statistic of China. The GDP expansion was driven by the consistent growth in the export sector and the fixed asset investment sector and most importantly the impressive growth recorded by the domestic consumption sector. The continuous efforts from the PRC government to boost the domestic consumption sector is beginning to show results with the retail industry in particular having expanded by more than 16.8% in the year 2007, outgrowing the economy for the second consecutive year.

The PRC retail market in the year 2007 is worth more than RMB8.9 trillion and is expected to be ranked amongst the top 5 retail markets in the world. This remarkable achievement has been the result of rising disposable income and strong emergence of the middle class.

In line with the growing retail market, the Group's gross sales proceeds increased by 46.0% to reach RMB9.0 billion with the Same Store Sales (the "SSS") growth coming in strongly at approximately 18.4% for the year under review. The impressive SSS growth was made possible through a combination of i) effective promotional activities to increase customer traffic, including the joint promotion with Malaysia Tourism Board in conjunction with the 50th anniversary of the Malaysia Independence day, the joint promotion with the Vogue magazine and the Beauty & Scents Rendezvous cosmetic promotion, ii) introducing quality branded and innovative products with higher value to our loyal customers. In this respect, distinctive and affordable luxury brands such as, Hermes, Tumi, Cartier, Mont Blanc etc were added to our flagship stores and iii) continuously re-alignment in our use of floor spaces, relocating high value and productive merchandises to premium and high traffic floor spaces whenever the opportunities arise.

During the year under review, the Group continued to enlarge our market share and increase return to our shareholders through new stores opening and earnings-accretive acquisitions. We opened one new store each in Beijing and Xian to enhance our leadership position in the market and we also opened our flagship store in Chengdu in December to increase our market share.

We acquired in the month of April, the Jiangxi K&M store in Nanchang city, the provincial capital city of Jiangxi province and successfully renamed the store to Nanchang Parkson in the month of September. The management plan to utilize the strong reputation of the store in Nanchang city as the platform to further expand our network in Jiangxi province.

In the month of June 2007, we successfully acquired the remaining 49% interest in Anshan Parkson department store not already owned by the Group. Anshan Parkson has been performing remarkably well since its opening in the year 2001 and is now our flagship store for the north east region. In conjunction with the acquisition of the 49% interest in Anshan Parkson, we have also entered into a sales and purchase agreement to acquire 100% interest of the land use right and property use right of the properties that Anshan Parkson is occupying and the acquisition has been completed in the month of January 2008. The Anshan properties acquisition is in line with the Group's intention to acquire strategic locations of our flagship stores.

In October 2007, we completed the acquisition of the remaining 40% interest in Mianyang Parkson department store not already owned by the Group and in September 2007 we entered into a sales and purchase agreement to acquire the remaining 49% interest in Xian Chang'an Parkson department store not already owned by the Group. Completion is expected to be in the first quarter of the year 2008.

As at the end of December 2007, we operate and manage a total of 41 stores across 26 cities in the PRC. Out of the 41 stores, 29 are self-owned stores that we have at least majority equity stake in the operation of the stores and the remaining 12 stores are managed stores that we do not have any stake but providing management services. Total retailing space under operation and management is approximately 906,000 square meter with the self owned stores account for approximately 610,000 square meter and the managed stores account for the remaining balance of 296,000 square meter.

The Group continues to look for new location for the expansion of our operation and network and to further consolidate our position as the leading department store owner and operator in this fast growing market. During the period under discussion, the Group executed additional lease agreements that will add a total of approximately 105,000 square meter of retailing space to our existing portfolio.

Prospect

Despite the uncertainties and threat facing the world economy due to the sub-prime mortgage issues and the anticipated slow down of the economy in the United States of America, we believe that the PRC economy will maintain its strong growth in the coming years as the PRC government will continue to rebalance the economy growth away from export and fixed asset investments toward domestic consumption, which is expected to be the main pillar of the economy going forward. Changing demographics with strong emergence of younger generation of middle class with higher spending power makes the organized modern department store format one of the strongest growing retail formats. The market provides significant and yet exciting opportunities to modern department store chain operators with good geographical coverage and track record. With our strong brand equity and deep understanding of the PRC retail market, Parkson is well positioned to continue to capitalize on the strong demand for high quality branded fashion and lifestyle products among the increasingly trendy and affluent PRC consumers.

The Group will continue our expansion plans of growing both organically and through acquisitions. The Group will continue to improve customer loyalty by further developing the Parkson brand through constantly reinventing our store, introducing innovative brands and new product lines to the market and consistently changing the merchandise mix and brand mix in our stores in line with the development of each individual market where we operate in order to maintain a healthy SSS growth.

The Group is targeting to add annually not less that 15% of floor space to our portfolio through new stores opening in the future years. At least five new stores are confirmed to be opened in the year 2008 with the possibility of more. On the acquisition front, the Group will continue to focus on our three prongs acquisition strategies of acquiring the minority interest of our existing subsidiaries and the controlling interest of the managed stores at an earnings accretive pricing to our shareholders and continue to explore the opportunities for third party acquisitions that meet our strategic initiatives and return on capital requirements.

Financial Review

Total gross sales proceeds and operating revenues

During the period under review, the Group generated a total gross sales proceeds received or receivable of RMB9,003.4 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 46.0% or RMB2,834.7 million from RMB6,168.7 million reported in the same period of last year mainly due to i) the strong SSS growth of approximately 18.4% ii) the inclusion of the full year sales performance of the acquisitions completed in the second half of the year 2006 and iii) the inclusion of the sales performances of the acquisitions completed and new stores opened in the year 2007. The growth was also partly contributed by the change in the manner in which we recognized certain other operating revenues received or receivables from our concessionaires. We now recognized these other operating revenues on a gross basis at their full amount and we also recognize the corresponding expenses in full as other operating expenses. 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 and the reduction of tax incentives granted by the PRC government from the reinvestment of dividend incomes. We received reduced tax incentives of RMB3.5 million in the first half of this year. This represents a reduction of RMB22.4 million from RMB25.9 million received in the year 2006. (RMB3.0 million received in the third quarter and the balance of RMB22.9 million received in the last quarter of the year.)

The Group generated total merchandise sales of approximately RMB8,499.3 million. The concessionaire sales contributed approximately 87.7% and the direct sales contributed the balance of 12.3%. The Fashion & Apparel category made up approximately 49.4% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 30.7%, the Household & Electrical category contributed approximately 8.7% and the balance of approximately 11.2% came from the Groceries and Perishables category.

Commission rate from concessionaire sales was within management's expectation at 20.3%. Direct sales margin improved marginally by 0.5% to 17.1% compared to the same period last year.

Total operating revenues of the Group for the year under review grew by RMB875.7 million to RMB3,059.7 million or 40.1% 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, but it was partially offset by the reduction of the consultancy and management service fees. The growth of operating revenues was also partially offset by the reduction of tax incentives granted by the PRC government from the reinvestment of dividend incomes. We received reduced tax incentives of RMB3.5 million in the first half of this year. This represents a reduction of RMB22.4 million from RMB25.9 million received in the year 2006. (RMB3.0 million received in the third quarter and the balance of RMB22.9 million received in the last quarter of the year.)

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 RMB865.7 million, an increase of RMB233.4 million or 36.9% from RMB632.3 million recorded for the same period of last year. The gross profit margin of 17.1% improved marginally by 0.5% from 16.6% recorded for the same period of last year.

Staff costs

Staff costs increased by RMB71.6 million or 36.4% to RMB268.2 million, the increase was largely contributed by i) the inclusion of the employee share option cost of RMB25.4 million for the share options granted during the year and vested during the year or to be vested in the year 2008; (ii) the full year staff cost from the acquisitions completed in the second half of the year 2006 and (iii) the inclusion of staff cost for the acquisitions completed and new stores opened during the year.

As a percentage to total operating revenues, the staff cost decreased marginally to 8.8% from 9.0% recorded last year. However, excluding the employee share options cost the ratio stood at 7.9% representing a substantial improvement of 1.1%.

Depreciation and Amortization

Depreciation and amortization increased by RMB25.1 million or 28.3% to RMB113.8 million, the increase was primarily contributed by the full year depreciation and amortization cost for the acquisitions completed in the second half of last year and the inclusion of depreciation and amortization cost for the acquisitions completed and new stores opened during the year.

As a percentage to total operating revenues, depreciation and amortization cost dropped to 3.7% from 4.1% reported for the same period of last year. The drop is in line with the strong increase in comparative store operating revenues growth.

Rental Expenses

Rental expenses increased by RMB97.7 million or 43.0% to RMB324.8 million. The increase was largely due to the inclusion of full year rental cost for the acquisitions completed in the second half of the year 2006 and the inclusion of rental cost for the acquisitions completed and new stores opened during the year. 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 increased marginally to 10.6% from 10.4% recorded in the same period of last year.

Other Operating Expenses

Other operating expenses which consist of mainly the utilities cost, marketing and promotional cost, credit card handling expenses, property management cost, pre-opening expenses of new stores and general administrative cost rose by RMB139.3 million or 42.0% to RMB470.7 million due primarily to the i) the change in the manner in which we recognised certain other operating expenses as previously discussed in the total gross sales proceeds and operating revenues section ii) the inclusion of pre-opening expenses of RMB10.2 million for new stores opened in the year 2007 iii) inclusion of the full year other operating expenses for the acquisitions completed in the second half of the year 2006 and iv) inclusion of the other operating expenses for the acquisitions completed and new stores opened in the year 2007.

As a percentage to operating revenues, the ratio increased marginally by 0.2% from the same period of last year to 15.4% mainly due to the aforesaid reasons.

Profit from Operations

Profit from operations increased to RMB1,016.5 million, an improvement of RMB308.6 million or 43.6%, this is generally in line with the growth of operating revenues. The increase was however partly offset by employee share options cost of approximately RMB25.4 million of which RMB12.7 million was recorded in the second half of the year 2007 and new store pre-opening expenses of approximately RMB10.2 million of which RMB8.9 million was recorded in the last quarter of the year 2007. Profit from operations as a percentage to operating revenues improved marginally by 0.8% to 33.2% due to better operating efficiency of the stores.

Finance Income / (Cost), net

In November 2006, we entered into a financing arrangement which includes issuance of high yield notes, a subscription of a credit link notes with the proceeds of the high yield notes and drawdown of on shore commercial loans (collectively “Structure Financing”) to obtain funding for our operating entities in the People’s Republic of China for business expansion. The effect from the Structure Financing and the interest expense from the additional high yield notes issued in the month of May this year (“HYN 07”) has resulted in a net interest expense of RMB73.8 million to the group for the period under review compared to net interest income of RMB23.5 million for the same period last year.

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 dropped from RMB538,000 in 2006 to RMB535,000 in 2007 due to reduction of management income received.

Income Tax

The Group's income tax expense decreased by RMB3.4 million or 1.5% to RMB218.8 million due to the lower effective tax rate of 22.8%, a decline of 7.1% from 29.9% recorded for the same period of last year due to the inclusion of higher amount of non taxable interest income, the prior years tax refund from the inland revenue department 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 RMB727.8 million, an improvement of RMB214.6 million or 41.8%. The net profit margin improved marginally to 23.8% from 23.5% recorded in the same period of last year due to the higher profitability and lower effective tax rate, however it was partially offset by the higher net interest expense incurred on the Structure Financing and the HYN07.

Profit Attributable to the Group

Profit attributable to the Group increased to RMB676.0 million, an increase of RMB215.2 million or 46.7%. This is in line with the increase in operating revenues and the profit from operations.

Liquidity and Financial Resources

The cash and short-term deposits balance of the Group stood at RMB2,860.2 million as at the end of December 2007, representing a reduction of 12.6% from the balance of RMB3,271.4 million recorded as at the end of December 2006. The reduction was mainly due to the (i) payment of dividends of approximately RMB270.6 million to the shareholders of the Group and payment of dividends of approximately RMB49.0 million to the minority shareholders of the Group's subsidiaries (ii) payment of an aggregated RMB790.0 million for the acquisition of the remaining 49% minority interest in Anshan Parkson and the acquisition of 100% in the Nanchang Parkson store (iii) payment of approximately RMB100.0 million for the acquisition of the remaining 40% minority interest in Mianyang Parkson and payment of RMB25.5 million deposit for the acquisition of 49% minority interest of Xian Chang'an Parkson not already owned by the Group (iv) entrusted loan arrangement of approximately RMB120.0 million in relation to the acquisition of Nanchang Parkson store (v) increase in principle protected investment deposit of RMB821.5 million with local licensed banks, (vi) maintenance capital expenditures and new store opening capital expenditures of RMB148.0 million and (vii) repayment of bank loan of RMB654.7 million. The reduction was however offset by the positive cash flow of approximately RMB825.0 million generated from the operating activities and the net proceeds of RMB928.8 million from the issuance of HYN07. The Group was at net cash position of RMB1,239.3 million after netting off the effect from the Structure Financing and the HYN07. Total debt to total assets ratio of the Group expressed as a percentage of interest bearing loans and bank borrowings over the total assets was 31.9% as at 31 December 2007 after netting off the effects from the Structure Financing.

Net Current Assets and Net Assets

The Group's net current assets as at 31 December 2007 was approximately RMB2,175.9 million, an increase of 9.9% or RMB196.8 million from the balance of RMB1,979.1 million recorded as at 31 December 2006. Net asset of the Group as at 31 December 2007 rose to RMB2,868.1 million, an increase of RMB548.6 million or 23.7% over the balance as at 31 December 2006.

Pledge of Assets

As at 31 December 2007, no asset is pledged to the bank or lender

EMPLOYEES

As at 31 December 2007, total number of employees for the Group was approximately 6,700. 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.

On 10 January 2007, a total of 8,188,950 share options were granted to 482 eligible employees at nil consideration and with an exercise price of Hong Kong $36.75 per share pursuant to an employee share option scheme adopted on the 9 November 2005. Further information of the share options granted are set out below:

	Exercise Period	Number of share options granted	Number of share options lapsed	Number of share options exercised	Number of share options outstanding as at the end of 2007
Lot 1	24 Jan 2007 - 23 Jan 2010	5,955,600	300	5,218,900	736,400
Lot 2	02 Jan 2008 - 01 Jan 2011	2,233,350	97,800	-	2,135,550
		8,188,950	98,100	5,218,900	2,871,950

* Grant date: 10 January 2007

The fair value of the options granted is estimated at the date of grant using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The 5,955,600 share options granted under Lot 1 are exercisable from 24 January 2007 to 23 January 2010 and have no other vesting conditions. The 2,233,350 share options granted under Lot 2 are exercisable from 2 January 2008 to 1 January 2011 and required an employee service period until 2 January 2008.

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.

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 2007.

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 2007.

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 2007. 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, 22 February 2008