

**PARKSON RETAIL GROUP LTD:
A BREAD-AND-BUTTER COMPANY WHICH SHOULD DO WELL**

The bid by Parkson Retail Group Ltd () (Code: 3368, Main Board, The Stock Exchange of Hongkong Ltd) for 44 percent of the Issued and Fully Paid-Up Share Capital of Parkson Retail Development Company Ltd () is quite likely to cost the Company more than 20 percent of the cash that it raised at its **Initial Public Offering** (IPO) of November 17, 2005, and the subsequent Over-Allotment Option of 24.84 million Shares, exercised by the Lead Manager of the IPO on December 2, 2005.

This acquisition may not be a bad thing because Parkson Retail Group has proved, over the past few years, to be endowed with some pretty clever executives, managing the Company's 37 departmental stores in 26 cities of the People's Republic of China (PRC), proper, as opposed to the Hongkong Special Administrative Region (HKSAR) of the PRC.

The Issued and Fully Paid-Up Share Capital of Parkson Retail Development Ltd is owned as to 44 percent by China Arts and Crafts (Group) Company (), an entity of the Government of the PRC, and 56 percent owned by Parkson Retail Group Ltd.

On January 25, 2006, China Arts and Crafts agreed with a wholly owned subsidiary of Parkson Retail Group, namely, Shanghai Lion Parkson Investment Consultant Company Ltd (), that, subject to the necessary approvals of the regulatory authorities of the Government of the PRC, and subject to a valuation and a public tender process, it would sell its interest in Parkson Retail Development Company Ltd to Shanghai Lion Parkson.

A refundable deposit in the sum of 110 million renminbi (about \$HK105.77 million) has been paid by Shanghai Lion Parkson to China Arts and Crafts as earnest money.

Parkson Retail Development Company Ltd, which is referred to in the February 16, 2006, announcement, detailing this proposed acquisition, is mentioned only by the term, Beijing Parkson.

The financial information with regard to this Beijing departmental store company is given at Page 17 of the announcement as follows:

	Financial Year, Ended December 31		Six Months, Ended June 30
	<u>All Figures Are Denominated In Renminbi'000*</u>		
	2003	2004	2005
Turnover	862,255	1,091,809	677,605
Profit Before Taxation	121,670	135,527	78,803
Net Profit After Taxation	81,185	90,639	49,376

Total Assets	678,075	639,623	715,090
Net Current Liabilities	(281,341)	(276,073)	(510,276)
Net Asset Value	150,455	154,987	204,336

* \$HK1.00 = 1.04 renminbi

TARGET () has no idea how China Arts and Crafts will value its 44-percent interest in Parkson Retail Development Company Ltd, or have its interest valued in accordance with its instructions to the valuers, appointed by it, but at 10 times net earnings for the 2004-Year, it will cost Parkson Retail Group about 206 million renminbi (about \$HK198 million).

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