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|-------------------|------------------|-------------|-------------------|--------------------|------------------------|
| 1 Australia | 7 Indonesia | 13 Romania | 19 Slovenia | 25 Austria | 31 France |
| 2 The Philippines | 8 Mainland China | 14 Turkey | 20 Lithuania | 26 Germany | 32 United Kingdom |
| 3 South Korea | 9 Thailand | 15 Israel | 21 Hungary | 27 The Netherlands | 33 Spain |
| 4 Taiwan | 10 Singapore | 16 Latvia | 22 Italy | 28 Luxembourg | 34 Morocco |
| 5 Hong Kong | 11 Malaysia | 17 Slovakia | 23 Poland | 29 Switzerland | 35 Republic of Ireland |
| 6 Macau | 12 Russia | 18 Estonia | 24 Czech Republic | 30 Belgium | 36 Portugal |

Retail

The retail division consists of the A S Watson group of companies, one of the world's largest and most diversified retailers currently operating 11 retail chains in Europe and four major retail chains in Asia, with more than 7,100 stores in 36 markets worldwide that provide high quality personal care, health and beauty products; luxury perfumery and cosmetic products; food, wine and general merchandise; and consumer electronic and electrical appliances. A S Watson also manufactures and distributes various water and other beverages in Hong Kong and the Mainland.

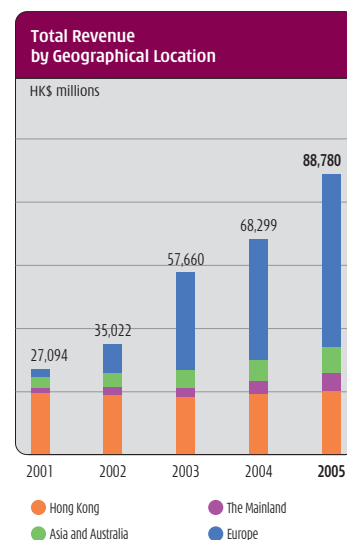
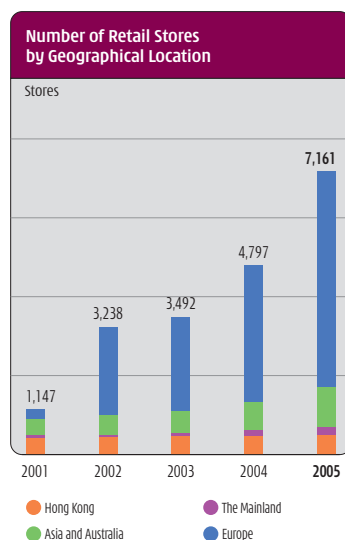


Retail

These businesses are managed under four principal operating divisions: Health and Beauty; Luxury Perfumeries and Cosmetics; Food, Electronics and General Merchandise ("FEGM"); and Manufacturing.

Total revenue for the retail division totalled HK\$88,780 million, an increase of 30% compared to last year, mainly due to contributions from Marionnaud Parfumeries ("Marionnaud") and The Perfume Shop, which were acquired in April and August respectively; a full-year contribution from the Rossmann retail chain in Germany, in which a 40% interest was acquired in August 2004; and also continued sales growth in PARKnSHOP and Watsons in the Mainland, Watsons in Taiwan and the UK retail operations. EBIT of HK\$3,261 million was 2% above last year, mainly due to the profits from Marionnaud, The Perfume Shop and Rossmann; improved results from Watsons in the Mainland and the UK retail operations; offset by lower results from the retail operations, mainly in Hong Kong, due to margin compression. This division contributed 44% and 6% of the Group's total revenue and EBIT from its established businesses respectively.

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Health and Beauty

The health and beauty division consists mainly of Savers and Superdrug in the UK; Kruidvat and Trekpleister in Continental Europe; Rossmann in the Czech Republic, Hungary, Poland and Germany; Drogas in the Baltic States; Watsons in Asia and Nuance-Watson in Hong Kong and Singapore. Watsons stores were also recently opened in Turkey, Estonia and Slovenia.



● European customers are pampered with more varieties of health and beauty products with Watsons Your Personal Store entering Europe in 2005.



● Spektr Group, acquired by A S Watson, is an established health and beauty retail chain in St Petersburg, Russia, operating 24 stores.



● The Perfume Shop, acquired by A S Watson in August 2005, operates over 120 stores in the UK, Ireland and Australia.

Watsons reported strong growth in both revenue and EBIT. In Southeast Asia, the Watsons operations in Singapore, Malaysia, Thailand and the Philippines all reported increased revenue and EBIT, mainly due to continued new store expansion. To further enhance its presence in Asia, in March, Watsons opened its first store in South Korea. The division also expanded its footprint to Turkey by acquiring Cosmo Shop, a seven-store health and beauty retail chain and by the opening of a Watsons store. In June, the acquisition of Apex Pharmacy, a 20-store pharmacy chain in Malaysia, was completed and rebranding of these stores to the Watsons brandname is in progress. This division currently operates more than 1,300 stores in 11 markets in Asia.

Retail concessions at the Hong Kong International Airport and the Singapore Changi Airport, operated by Nuance-Watson, a 50% joint venture, continued to provide a positive contribution to the division and reported strong growth in revenue and EBIT.

Luxury Perfumeries and Cosmetics

The luxury perfumeries and cosmetics division comprises ICI Paris XL and the two Europe-based luxury perfumery and cosmetics retail chains, Marionnaud and The Perfume Shop, acquired in April and August respectively. Marionnaud is the largest perfumery and cosmetics retailer headquartered in France with more than 1,200 stores in 14 countries and is well known for its wide, high quality product range. The Perfume Shop, which operates principally in the UK with more than 120 outlets, has established a market position as the leading specialist fragrance retailer in the UK. Both of these businesses have made EBIT contributions to the Group and are performing ahead of expectations. The Group is currently integrating these two new businesses with its existing retail operations to realise administrative efficiencies and to leverage the increased buying power from the leading combined market share.

