PARKSON RETAIL GROUP LIMITED

百盛商業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3368)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

HIGHLIGHTS

Total gross sales proceeds increased to RMB4,313.6 million, an increase of 61.5%;

Same store sales[(1)] (SSS) growth remains strong at 19.6%;

Total operating revenues increased to RMB1,481.2 million, an increase of 57.2%;

Profit from operations increased to RMB476.9 million, an increase of 56.8%;

Net profit for the period increased to RMB334.2 million, an increase of 49.9%;

Net profit attributable to the Group increased to RMB303.5 million, an increase of 54.7%

Earnings per share for the period was RMB0.55

Interim dividend of RMB0.22 per share

(1) Year on year change in total gross sales proceeds for stores in operation throughout the comparative periods

INTERIM RESULTS

The Board of Directors of Parkson Retail Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 with comparative figures for the corresponding period in the year 2006. The unaudited consolidated interim results have been reviewed by the auditors, Ernst & Young and the audit committee of the Company (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June 2007 Unaudited *RMB'000*	2006 Unaudited *RMB'000*
Revenues		1,313,039	853,089
Other operating revenues		168,163	89,448
Total operating revenues	3	1,481,202	942,537
Operating expenses			
Purchase of goods and changes in inventories		426,931	284,712
Staff costs		141,437	86,897
Depreciation and amortisation		53,692	39,282
Rental expenses		153,182	98,379
Other operating expenses		229,018	129,191
Total operating expenses		1,004,260	638,461
Profit from operations		476,942	304,076
Finance income/(cost), net	4	(38,030)	21,784
Share of profit from an associate		54	259
Profit from operations before income tax		438,966	326,119
Income tax	5	(104,725)	(103,150)
Net profit for the period		334,241	222,969
Attributable to:			
Equity holders of the parent		303,452	196,207
Minority interests		30,789	26,762
		334,241	222,969
Earnings per share - Basic	6	RMB0.55	RMB0.36
Earnings per share - Diluted	6	RMB0.55	N/A
Proposed interim dividend per share		RMB0.22	RMB0.15

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2007 Unaudited *RMB'000*	As at 31 December 2006 Audited *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	765,172	749,923
Intangible assets	1,470,889	689,565
Lease prepayments	426,010	431,550
Investment properties	224,736	227,368
Investment in an associate	2,268	2,214
Held-to-maturity Investments	1,523,100	1,561,740
Other assets	230,186	107,408
Deferred tax assets	36,270	45,460
TOTAL NON-CURRENT ASSETS	4,678,631	3,815,228
CURRENT ASSETS		
Inventories	121,951	109,904
Trade receivables	21,842	18,489
Prepayments, deposits and other receivables	376,698	259,492
Cash and bank balances	2,928,864	3,271,366
TOTAL CURRENT ASSETS	3,449,355	3,659,251
CURRENT LIABILITIES		
Interest-bearing bank loans and borrowings	-	83,886
Trade payables	787,729	871,618
Customers' deposits, other payables and accruals	559,177	611,097
Tax payable	86,604	113,518
TOTAL CURRENT LIABILITIES	1,433,510	1,680,119
NET CURRENT ASSETS	2,015,845	1,979,132
TOTAL ASSETS LESS CURRENT LIABILITIES	6,694,476	5,794,360
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and borrowings	1,465,000	1,607,027
Long term payables	94,836	93,994
Notes	2,422,467	1,526,806
Deferred tax liabilities	196,699	247,050
TOTAL NON-CURRENT LIABILITIES	4,179,002	3,474,877
NET ASSETS	2,515,474	2,319,483

Represented by:		
OWNER'S EQUITY	2,441,266	2,227,587
MINORITY INTERESTS	74,208	91,896
TOTAL EQUITY	2,515,474	2,319,483

NOTES

1. GROUP INFORMATION AND BASIS OF PRESENTATION

Group information

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 ("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. Dealing of the shares of the Company on the Stock Exchange commenced on 30 November 2005.

Basis of preparation

The interim condensed consolidated income statement for the six months ended 30 June 2007 and the interim condensed consolidated balance sheet as at 30 June 2007 (collectively the "Interim Condensed Financial Statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

The accounting policies used in the Interim Condensed Financial Statements are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31 December 2006.

The Interim Condensed Financial Statement do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2006 and the interim financial statements for the six months ended 30 June 2006 which was set out in the Company's annual report for the year 2006 and interim report for the six months ended 30 June 2006.

Significant accounting policies

The accounting policies adopted in the preparation of the Interim Condensed Financial Statement are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2006, except for the adoption of new or revised International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as noted below.

IAS 1 Amendment	–	Capital Disclosures
IFRS 7	–	Financial Instruments: Disclosures
IFRIC 7	–	Applying the Restatement Approach under IAS 29 *Financial Reporting in Hyperinflationary Economies*
IFRIC 8	–	Scope of IFRS 2
IFRIC 9	–	Reassessment of Embedded Derivatives
IFRIC 10	–	Interim Financial Reporting and Impairment

The adoption of these standards and interpretations did not have any effect on the financial position or the performance of the Group.

The Group has not applied the following new and revised IFRSs and IFRICs, which have been issued but are not yet effective, in these financial statements:

IAS 23 (Revised)	–	Borrowing Costs
IFRS 8	–	Operating Segments
IFRIC 11	–	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	–	Service Concession Arrangements
IFRIC 13	–	Customer Loyalty Programmes
IFRIC 14	–	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 11, IFRIC 12, IFRIC 13, IFRIC 14, IAS 23 (Revised) and IFRS 8 shall be applied for annual period beginning on or after 1 March 2007, 1 January 2008, 1 July 2008, 1 January 2008, 1 January 2009 and 1 January 2009, respectively.

2. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2007	**2006**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Direct Sales	514,267	340,688
Concessionaire Sales	3,543,922	2,171,181
Total merchandise sales	4,058,189	2,511,869
Others (including consultancy and management services, rental income and other operating revenues)	255,381	159,897
Total gross sales proceeds	4,313,570	2,671,766

3. REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2007	**2006**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Sales of goods – direct sales	514,267	340,688
Commissions from concessionaire sales	711,554	441,952
Rental income	69,679	48,199
Consultancy and management service fees	17,539	22,250
Other operating revenues	168,163	89,448
	1,481,202	942,537

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 and over 90% of the Group's assets are located in the PRC. Accordingly, no analysis of segment information is presented.

Note : other operating revenues

	For the six months ended 30 June	
	2007	**2006**
	Unaudited	**Unaudited**
	RMB'000	RMB'000
Promotion income	44,579	20,328
Credit card handling fees	50,907	19,163
Equipment leasing income	5,995	3,457
Display space leasing fees	8,781	6,545
Service fees	12,879	6,218
Administration fees	16,968	14,268
Government grants	4,056	10,136
PRC tax compensation	3,553	-
Other income	20,445	9,333
	168,163	89,448

4. FINANCE INCOME/(COST), NET

	For the six months ended 30 June	
	2007	**2006**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Finance cost	(154,067)	(5,544)
Finance income	116,037	27,428
Exchange losses	-	(100)
	(38,030)	21,784

5. 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 is as follows:

	For the six months ended 30 June	
	2007	**2006**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Current income tax	118,719	103,321
Deferred income tax	(13,994)	(171)
	104,725	103,150

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the net profit attributable to equity holders of the parent for the period of approximately RMB303,452,000 and the average number of 552,261,000 shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the net profit attributable to equity holders of the parent for the period of approximately RMB196,207,000 and the average number of 552,000,000 in issue during the period.

Diluted earnings per share for the six months ended 30 June 2007 is RMB0.55. No diluted earnings per share is presented for the six months period ended 30 June 2006 because no diluting events existed during that period. The calculation of diluted earnings per share takes into account on the effects of employee share options granted on the 10 January 2007.

7. INTERIM DIVIDEND

The Board of Director has declared the payment of interim dividend for the six months ended 30 June 2007 of RMB0.22 (2006: RMB0.15) in cash per share. The interim dividend will be paid in Hong Kong dollars, such amount is to be calculated by reference to the middle rate published by People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 14 September 2007.

The dividends will be payable on or about 28 September 2007 to shareholders whose names appear on the Register of Members of the Company at close of business on 14 September 2007.

8. CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 10 September 2007 to 14 September 2007 (both dates inclusive), during such period no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer forms 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 not later than 4:30 p.m. on 7 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

The PRC economy expanded by 10.7% for the year 2006 and continued its robust growth for the first six months of this year, the gross domestic product ("GDP") grew by approximately 11.5%, to reach RMB10.7 trillion for the first six months of this year. The continuing robust economy growth has resulted in the strong emergence of middle class, the accelerating household income and improved purchasing power of the PRC consumers. On the back of these positive factors, the retail industry grew solidly by 13.9% to reach RMB7.6 trillion for the year 2006 and registered a stronger growth of 15.4% to reach RMB4.2 trillion for the first six months of this year.

During the period under review, the Group achieved an impressive same store sales growth of 19.6% through the combination of improve productivity from the more efficient use of the available floor space, the increase of "ticket price" and the improved traffic in our stores.

The Group carried out various marketing and promotional campaigns during the period under discussion, such as the promotion with the Malaysia Tourism Board in conjunction with the 50 Anniversary Independence of Malaysia, joint promotion with the Vogue magazine, the Beauty & Scents Rendezvous cosmetic promotion and others to reward our loyal customers and to attract new customers. On the merchandising front, we remain confident with the strategy of upgrading the brand mix and changing the merchandise mix in line with the maturity of the stores. In this respect, distinctive and affordable luxury brands such as Hermes, Tumi and Mont Blanc were added to the flagship stores in Beijing and Shanghai. In order to maximise the productivity of the existing floor space, we continuously monitor the use of floor space and relocate the premium and high-traffic floor space to high-value merchandises whenever opportunities arise.

Both the concessionaire sales and direct sales demonstrated strong consistent growth of 63.2% and 50.9% respectively. The maturing stores portfolio enable the Group to increase the sales of higher value merchandises through the concessionaire model, as a result, the concessionaire sales outgrew the direct sales and accounted for approximately 87.3% of the total merchandise sales, it was up by approximately 0.9% from the same period of last year.

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 40,000 square meters of retailing space to our existing portfolio.

In March 2007, we entered into an agreement to acquire the entire share capital of Golden Village, the ultimate sole owner and operator of the Jiangxi Kaimei store in Nanchang, the capital city of Jiangxi Province. This acquisition was successfully completed in the second half of April 2007 and had immediately contributed to the performance of the Group.

In April 2007, we opened our third Beijing store in the east side of the city of Beijing, the performance of the store has been very encouraging and we are confident that it will contribute to the bottom line of the Group starting from next year.

In April 2007, we entered into sale and purchase agreement to acquire the remaining 49% interest in the operation of our subsidiary Anshan Parkson and also 100% interest of the land use and property use rights of the property on which the Anshan Parkson department store is located. The acquisition of the 49% interest in the operation was successfully completed in the month of June 2007.

In May 2007, we entered into an agreement to acquire the remaining 40% interest in the operation of our subsidiary Mianyang Parkson. Completion is expected before the end of September this year.

Prospects

The PRC economy has been one of the world's fastest growing economies over the last two decades. On the back of this rapid economy growth, the total retail sales has achieved a compounded annual growth rate of 12.5% from RMB1.9 trillion in the year 1994 to RMB7.6 trillion in the year 2006. For the year 2006, retail industry registered a growth of 13.9%, approximately 3.2% higher than the economy expansion of 10.7% and for the period under discussion the retail industry growth rate of 15.4% continue to outgrow the GDP by approximately 3.9%, it reflects the continuous efforts from the PRC government to rebalance the economy growth away from export and fixed asset investment to domestic consumption. We remain bullish on the retail industry in the PRC and stay cautiously optimistic about the growing economy in the PRC despite the current uncertainties facing the world economy.

The Group intends to open more new stores in the second half of this year and in the coming years to increase the number of stores that we own and operate, especially in cities or existing markets which we already have a presence with strong brand equity and also in relatively affluent cities or new markets to further expand our network and enhance our brand image. Other than expanding through the opening of new stores or "organic growth", the Group will also focus on three prongs acquisition strategies by continuously pursuing the acquisition of the minority interests of our existing subsidiaries, the controlling interest of the existing managed stores and also continue to explore and assess opportunities for third party acquisitions that meet our strategic initiatives and return on capital requirement.

The Group will continue to improve customer loyalty by further develop the Parkson brand and persist on our operational focus on improving the profitability of our existing stores, we strive to continue our proven business model, to upgrade our stores, continue to alter the merchandise mix and brand mix in line with the development in each individual market that we operate to maintain a healthy SSS.

Encouraged by our strong performance in the first half of the year, we are confident that the year 2007 will be another record breaking year for the Group. We remain confident in our strategies and believe that the Group is well-positioned to consolidate our leadership position and to maximize returns to our shareholders.

Financial Review

Total gross sales proceeds and operating revenues

For the first half of year 2007, the Group generated a total gross sales proceeds received or receivable of RMB4,313.6 million (comprises of direct sales, sales proceeds from concessionaire sales, rental incomes, consultancy and management fees and other operating revenues). Total gross sales proceeds for the period represent a growth of 61.5% or RMB1,641.8 million from the same period of last year. The strong improvement in total gross sales proceeds are mainly due to the strong SSS growth of approximately 19.6%, the inclusion of the full six months sales performance of the acquisitions completed in the second half of the year 2006 and the inclusion of approximately two months of sales performance of Jiangxi Kaimei acquisition which was completed in the second half of April 2007. The growth was also partly contributed by the change in the manner in which we recognised certain other operating revenues received or receivables from our concessionaires. Prior to July 2006, we recognised such revenues on a net basis by deducting the corresponding expenses incurred in relation to the revenues. We now recognise these other operating revenues on a gross basis at their full amount and we also recognise the corresponding expenses in full as other operating expenses. The increase in gross sales proceeds was however partially offset by the drop of consultancy and management service fees received or receivable as a result of a reduction of the number of managed stores.

The combined merchandise sales of our Beijing Parkson flagship store and the Shanghai Ninesea flagship store during the period contributed approximately 30.5% to our total merchandise sales, a drop of 3.7% compared to 34.2% for the full of last year despite recognising in full the merchandise sales of Beijing Parkson after the successful acquisition of the remaining 44% minority interest in July 2006.

The Group generated total merchandise sales of approximately RMB4,058.2 million. The concessionaire sales contributed approximately 87.3% and the direct sales contributed the balance of 12.7%. The Fashion & Apparel category made up approximately 48.5% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 31.0%. The Household & Electrical category contributed approximately 9.0% and the balance of approximately 11.5% came from the Groceries and Perishables category.

Commission rate from concessionaire sales was within management's expectation at 20.1%. Direct sales margin improved marginally by 0.6% to 17.0% compared to the same period last year.

Total operating revenues of the Group for the period under review grew by RMB538.7 million or 57.2% from the same period last year. The growth was in line with the growth of the total gross sales proceeds.

Operating Expenses

Purchase of goods and changes in inventories

The purchase of goods and changes 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 RMB426.9 million, an increase of RMB142.2 million or 50.0% from RMB284.7 million recorded for the same period of last year. The increase was however partially offset by the improved gross margin of direct sales.

Staff costs

Staff costs increased by RMB54.5 million or 62.8% to RMB141.4 million, the increase was mainly due to i) the inclusion of the employee share option cost of RMB12.7 million for the share options granted and vested during the period; ii) the full six months staff cost from the acquisitions completed in the second half of the year 2006 and approximately two months staff costs from the Jiangxi Kaimei acquisition which was completed in the second half of April 2007.

As a percentage to total operating revenues, the staff cost increased marginally to 9.5% from 9.2% recorded in the same period of last year. However, excluding the employee share options cost the ratio stood at 8.7% representing a marginal improvement of 0.5%.

Depreciation and amortisation

Depreciation and amortisation increased by RMB14.4 million or 36.7% to RMB53.7 million, the increase was primarily contributed by the depreciation and amortisation cost of the acquisitions completed in the second half of the year 2006 and the Jiangxi Kaimei acquisition which was completed in the second half of April 2007. In particular, the additional depreciation and amortisation cost from the Beijing Parkson flagship store that owned part of the buildings that it currently occupied.

As a percentage to total operating revenues, depreciation and amortisation cost dropped to 3.6% from 4.2% 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 RMB54.8 million or 55.7% to RMB153.2 million. The increase was largely due to the inclusion of additional rental cost from the acquisitions completed in the second half of the year 2006 and the Jiangxi Kaimei acquisition which was completed in the second half of April 2007. 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 dropped marginally to 10.3% from 10.4% recorded in the same period of last year in line with the management's expectation.

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 rose by RMB99.9 million or 77.3% to RMB229.0 million due primarily to i) the manner in which we recognised certain other operating revenues received or receivables and the corresponding expenses as previously discussed ii) the acquisitions completed in the second half of the year 2006 and the Jiangxi Kaimei acquisition which was completed in the second half of April 2007 and iii) the pre opening expenses for Beijing Metro City branch of approximately RMB3.0 million charged off.

As a percentage to operating revenues, the ratio increased marginally by 1.8% from the same period of last year to 15.5% mainly due to the aforesaid reasons.

Profit from operations

Profit from operations increased to RMB476.9 million, an improvement of RMB172.9 million or 56.8%, this is generally in line with the growth of operating revenues. Profit from operations as a percentage to operating revenues remains flat at 32.2%.

Finance cost, net

In November 2006, we entered into a financing arrangement which includes issuance of high yield notes, a subscription of a credit link note with the proceeds of the high yield notes and drawdown of on shore commercial loans (collectively "Structure Financing") to obtain funding of approximately RMB1,500.0 million for our operating entities in the PRC for business expansion. The effect from the Structure Financing and the interest expense from the additional high yield notes of USD125.0 million issued in the month of May this year ("HYN07") has resulted in a net interest expense of RMB38.0 million to the Group for the period under review compared to net interest income of RMB21.8 million for the same period of last year.

Share of profit from an associate

Share of profit from the associated company dropped to RMB54,000 due to reduction of management income received by the associated company.

Income tax

The Group's income tax expense increased by RMB1.6 million or 1.5% due to the increase in profit from operations. The increase was however partly offset by the lower effective tax rate of 23.9%, a decline of 7.7% from 31.6% recorded for the same period of last year due to the inclusion of higher amount of non taxable interest income, increase number of stores with preferential tax rate, adjustment to deferred tax assets and liabilities and refund of paid income tax to certain stores that were granted preferential tax rate during the period under discussion.

Net Profit for the period

The net profit for the period ended 30 June 2007 increased to RMB334.2 million, an improvement of 49.9%. The net profit margin dropped to 22.6% from 23.7% for the same period of last year due to the net interest expense incurred on the Structure Financing and the interest expense from the HYN07.

Profit attributable to the Group

Profit attributable to the Group increased to RMB303.5 million, an increase of RMB107.3 million recorded for the same period of last year, an improvement of 54.7%.

Liquidity and financial resources

The cash and bank balances of the Group stood at RMB2,928.9 million as at the end of June 2007, representing a reduction of 10.5% 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 RMB149.0 million to the shareholders of the Group (ii) payment of dividends of approximately RMB24.5 million to the minority shareholders of the Group's subsidiaries (iii) 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 Jiangxi Kaimei (iv) payment of approximately RMB10.0 million deposits for the acquisition of the remaining 40% minority interest in Mianyang Parkson (v) entrusted loan arrangement of approximately RMB245.9 million in relation to the Jiangxi Kaimei acquisition and Anshan Parkson 49% minority interest acquisition and (vi) net repayment of bank loan of RMB225.9 million. The reduction was however offset by the positive cash flow of approximately RMB152.6 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 RMB564.5 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 47.8% as at 30 June 2007.

Net current assets and net asset

The Group's net current assets as at 30 June 2007 was approximately RMB2,015.8 million, an increase of 1.9% or RMB36.7 million from the balance of RMB1,979.1 million recorded as at 31

December 2006. Net asset rose to RMB2,515.5 million, an increase of RMB196.0 million or 8.4% over the balance as at 31 December 2006. The increase was mainly due to the net profit contribution for the six months ended 30 June 2007 after offsetting the dividends paid during the same period.

Pledge of assets

As at 30 June 2007, no asset is pledged to the bank or lender.

Employees

As at 30 June 2007, total number of employees for the Group was approximately 6,200. 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 ("HK") $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:

The share options	Exercise period	Number of share options granted	Number of share options exercised or lapsed	Number of share options outstanding at 30 June 2007
Lot 1*	24 January 2007 to 23 January 2010	5,955,600	644,600	5,311,000
Lot 2*	2 January 2008 to 1 January 2011	2,233,350	71,250	2,162,100
		8,188,950	715,850	7,473,100

* *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. 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. 2,233,350 share options granted under Lot 2 are exercisable from 2 January 2008 to 1 January 2011.

Purchase, Sale or Redemption of Shares of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's shares during the six months ended 30 June 2007.

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 of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June 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 six months ended 30 June 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 and the Company's auditors have reviewed the Group's results for the six months ended 30 June 2007. The Committee comprises the three independent Non-executive Directors of the Company.

Publication of Interim Results on the Website of the Stock Exchange

This announcement will be published on the website of the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 June 2007 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange (www.hkex.com.hk) and on the website of the Company (www.parkson.com.cn) in due course.

Acknowledgement

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

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

Hong Kong, 24 August 2007

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