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 2008

HIGHLIGHTS

Total gross sales proceeds surged to RMB5,217.7 million, an increase of 21.0%;

Same store sales[(1)] ("SSS") growth remains satisfactory at 14.4%;

Profit from operations increased to RMB593.9 million, an increase of 24.5%;

Net profit for the period increased to RMB432.2 million, an increase of 29.3%;

Net profit attributable to the Group increased to RMB411.8 million, an increase of 35.7%;

Basic earnings per share[(2)] for the period was RMB0.148;

Interim dividend of RMB0.060 per share[(2)].

(1) Year on year change in total gross sales proceeds for stores in operation throughout the comparative periods and comparative years
(2) After adjusting for the effect from the Share Subdivision on the 4 July 2008

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 2008 with comparative figures for the corresponding period in the year 2007. 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

		For the six months ended 30 June	
		2008	**2007**
		Unaudited	**Unaudited**
	Notes	*RMB'000*	*RMB'000*
Revenues	3	1,557,162	1,313,039
Other operating revenues	3	199,541	168,163
Total operating revenues	3	1,756,703	1,481,202
Operating expenses			
Purchase of goods and changes in inventories		(496,305)	(426,931)
Staff costs		(146,164)	(141,437)
Depreciation and amortisation		(74,603)	(53,692)
Rental expenses		(177,171)	(153,182)
Other operating expenses		(268,607)	(229,018)
Total operating expenses		(1,162,850)	(1,004,260)
Profit from operations		593,853	476,942
Finance income/ (costs), net	4	(35,002)	(38,030)
Share of profit from an associate		55	54
Profit from operations before income tax		558,906	438,966
Income tax	5	(126,707)	(104,725)
Net profit for the period		432,199	334,241
Attributable to:			
Equity holders of the parent		411,798	303,452
Minority interests		20,401	30,789
		432,199	334,241
Basic earnings per share	6	RMB0.148	RMB0.110
Diluted earnings per share	6	RMB0.147	RMB0.110
Interim dividend		167,248	121,582
Interim dividend per share	7	RMB0.060	RMB0.044

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2008 *RMB'000*	As at 31 December 2007 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		1,248,800	818,705
Investment properties		219,472	222,104
Lease prepayments		414,930	420,470
Intangible assets		1,675,386	1,562,040
Investment in an associate		2,401	2,346
Investment deposits		10,000	40,000
Held-to-maturity investments		1,371,820	1,460,920
Other assets		165,616	248,477
Deferred tax assets		39,643	34,971
Total non-current assets		5,148,068	4,810,033
CURRENT ASSETS			
Inventories		160,451	143,940
Trade receivables		24,665	18,974
Prepayments, deposits and other receivables		313,713	374,852
Investment deposits		574,650	781,450
Cash and short-term deposits		2,440,461	2,860,216
Total current assets		3,513,940	4,179,432
CURRENT LIABILITIES			
Interest-bearing bank loans		(10,000)	-
Trade payables		(862,124)	(1,144,716)
Customers' deposits, other payables and accruals		(624,613)	(735,720)
Tax payable		(95,634)	(123,129)
Total current liabilities		(1,592,371)	(2,003,565)
NET CURRENT ASSETS		1,921,569	2,175,867
TOTAL ASSETS LESS CURRENT LIABILITIES		7,069,637	6,985,900

NON-CURRENT LIABILITIES		
Interest-bearing bank loans	(1,333,000)	(1,417,000))
Long term payables	(96,444)	(95,628)
Derivative financial instruments designated as hedging instruments	(111,062)	(88,189)
Senior notes	(844,028)	(897,179)
Deferred tax liabilities	(242,434)	(184,711)
Senior guaranteed notes	(1,350,306)	(1,435,118)
Total non-current liabilities	(3,977,274)	(4,117,825)
NET ASSETS	3,092,363	2,868,075

EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	57,950	57,925
Reserves	2,958,437	2,731,126
	3,016,387	2,789,051
Minority interests	75,976	79,024
TOTAL EQUITY	3,092,363	2,868,075

SUPPLEMENTARY FINANCIAL INFORMATION

	For the six months ended 30 June (RMB'000)					
	2008 (Unaudited)			2007 (Unaudited)		
	Continuing Operations	Discontinued Stores	Total	Continuing Operations	Discontinued Stores	Total
Gross Sales Proceeds	5,168,852	48,859	5,217,711	4,200,448	113,122	4,313,570
Revenues	1,547,748	9,414	1,557,162	1,284,298	28,741	1,313,039
Other operating revenues	197,893	1,648	199,541	163,885	4,278	168,163
Total operating revenues	1,745,641	11,062	1,756,703	1,448,183	33,019	1,481,202
Operating expenses						
Purchases of goods and changes in inventories	(495,901)	(404)	(496,305)	(417,471)	(9,460)	(426,931)
Staff costs	(139,962)	(6,202)	(146,164)	(137,993)	(3,444)	(141,437)
Depreciation and amortisation	(74,356)	(247)	(74,603)	(53,404)	(288)	(53,692)
Rental expenses	(173,453)	(3,718)	(177,171)	(145,019)	(8,163)	(153,182)
Other operating expenses	(262,213)	(6,394)	(268,607)	(223,268)	(5,750)	(229,018)
Total operating expenses	(1,145,885)	(16,965)	(1,162,850)	(977,155)	(27,105)	(1,004,260)
Profit / (Loss) from operations	599,756	(5,903)	593,853	471,028	5,914	476,942
Finance income / (costs), net	(35,162)	160	(35,002)	(38,346)	316	(38,030)
Share of profit from an associate	55	0	55	54	0	54
Profit from operations before income tax	564,649	(5,743)	558,906	432,736	6,230	438,966
Income tax	(125,646)	(1,061)	(126,707)	(102,943)	(1,782)	(104,725)
Net profit for the period	439,003	(6,804)	432,199	329,793	4,448	334,241
Attributable to:						
Equity holders of the parent	418,602	(6,804)	411,798	299,004	4,448	303,452
Minority interests	20,401	-	20,401	30,789	-	30,789
	439,003	(6,804)	432,199	329,793	4,448	334,241

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. Its ultimate holding company is Parkson Holdings Berhad ("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").

Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2008 (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 2007.

The Interim Condensed Financial Statements 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 2007 and the interim financial statements for the six months ended 30 June 2007 which was set out in the Company's annual report for the year ended 31 December 2007 and interim report for the six months ended 30 June 2007 respectively.

Significant accounting policies

The accounting policies adopted in the preparation of the Interim Condensed Financial Statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2007, except for the adoption of new or revised International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as noted below.

IFRIC 11	-	IFRS 2 - Group and Treasury Share Transactions
IFRIC 12	-	Service Concession Arrangements
IFRIC 14	-	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

2. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2008	**2007**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Direct Sales	602,170	514,267
Concessionaire Sales	4,328,770	3,543,922
Total merchandise sales	4,930,940	4,058,189
Others (including consultancy and management services, rental income and other operating revenues)	286,771	255,381
Total gross sales proceeds	5,217,711	4,313,570

3. REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2008	**2007**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Sales of goods – direct sales	602,170	514,267
Commissions from concessionaire sales	867,762	711,554
Rental income	71,580	69,679
Consultancy and management service fees	15,650	17,539
Other operating revenues	199,541	168,163
	1,756,703	1,481,202

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 turnover and contribution to the operating profit is attributable to the operation and management of department stores, over 90% of the Group's turnover and contribution to the operating profit is attributable to customers in the PRC and over 90% of the Group's operating assets are located in the PRC. Accordingly, no analysis of segmental information is presented.

Note : Other operating revenues

	Notes	For the six months ended 30 June 2008 Unaudited *RMB'000*	2007 Unaudited *RMB'000*
Promotion income		44,959	44,579
Administration & credit card handling fees		87,792	67,875
Government grants	(i)	8,622	4,056
Others		58,168	51,653
		199,541	168,163

Note:

(i) Various local government grants were granted to reward the Group for its contributions to the local economy. There were no unfulfilled conditions or contingencies attaching to these government grants.

4. FINANCE INCOME/(COSTS), NET

	For the six months ended 30 June 2008 Unaudited *RMB'000*	2007 Unaudited *RMB'000*
Interest expenses	(165,727)	(154,067)
Interest income	130,725	116,037
	(35,002)	(38,030)

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	
	2008	**2007**
	Unaudited	**Unaudited**
	RMB'000	*RMB'000*
Current income tax	132,443	118,719
Deferred income tax	(5,736)	(13,994)
	126,707	104,725

6. EARNINGS PER SHARE

On 4 July 2008, the Company's shareholders approved the subdivision of every one existing issued and unissued share of HK$0.10 each in the share capital of the Company into 5 subdivided shares of HK$0.02 each ("Share Subdivision"). The Share Subdivision took effect on 7 July 2008. Accordingly, the calculation for both the basic earnings per share and the diluted earnings per share for the current period and the comparative period for the year 2007 takes into account on the effects from the Share Subdivision.

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the net profit attributable to equity shareholders of the Company for that period of approximately RMB411,798,000 and the average number of 2,786,880,315 subdivided shares in issue during that period.

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the net profit attributable to equity shareholders of the Company for the period of approximately RMB303,452,000 and the average number of 2,761,305,240 subdivided shares in issue during the period.

The calculation of diluted earning per share takes into account on the effects of employee share options granted on the 10 January 2007.

7. INTERIM DIVIDEND

The Board of Directors has declared the payment of interim dividend for the six months ended 30 June 2008 of RMB0.060 (2007 : RMB0.044 per share after adjusting for the effect from the Share Subdivision) 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 31 October 2008.

The dividends will be payable on or about 30 November 2008 to shareholders whose names appear on the Register of Members of the Company at close of business on 31 October 2008.

8. CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 27 October 2008 to 31 October 2008 (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 24 October 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

The PRC economy achieved a respectable growth of 10.4% for the first six months of this year. The economic growth has been remarkably resilient with growth rate only marginally lower than the 11.5% achieved for the same period of last year despite having to face considerably more challenging economic environments and conditions brought along by both the external factors such as the sub-prime crisis in the United States of America, the high crude oil and commodity prices worldwide and the internal factors such as the austerity measures by the government to cool off certain overheated sectors of the economy, the high inflation driven by persistent increase in food prices and the natural disasters.

Healthy growth of the economy, low unemployment rate and increasing household income have provided the platform for the continuing strong emergence of middle class that supports the growth of the domestic consumption market in the PRC, particularly, the retail industry that grew by a nominal rate of 21.4% in the first six months of the year. After adjusting the price effect, the real growth rate was estimated to be approximately 13.9% which is marginally higher than 13.0% achieved in the previous year.

During the period under review, the Group executed its stated business plans and strategies to capitalize on the growing retail market with satisfactory successes despite having to face a much more challenging trading environment due to the macro headwind and the natural disasters. The unfortunate earthquake that shaken Sichuan Province in the third week of May 2008 has also affected our operation in that area. Our stores in Chengdu were closed for 3 days in the month of May and our store in Mianyang was only reopened on 27 June 2008.

The Group recorded a steady composite SSS growth of 14.4%, through a combination of improved productivity from the more efficient use of the available floor space, the increase of “ticket price” and the improved traffic in our stores. Excluding the SSS growth for the month of May and June in Mianyang store and the Sichuan Shishang store (stores affected by the strong Sichuan earthquake), the adjusted composite SSS growth for the Group was slightly higher at 14.8%.

In line with the maturity of the stores profile, the Group continued to reinvent and remodel the stores to further enhance its image and performance. In this respect, certain potential flagship stores such as the Kunming store, Xi’an Shidai store and Anshan store have been and will be undergoing renovation and remodeling to prepare for the introduction of affordable higher end cosmetic and fashion brands. 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 and consistent growth of 22.1% and 17.1% respectively. The maturing stores portfolio enables 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 87.8% of the total merchandise sales, it has increased by approximately 0.5% from the same period of last year.

The Group continued to open new stores to strengthen our operation and network and to further consolidate our position as one of the leading department store owners and operators in this fast growing market. During the period under discussion, the Group opened the new Guiyang store with a total gross floor area of approximately 15,000 square meters and the Group is targeting to open additional new stores in the second half of this year with combined gross floor area of approximately 115,000 square meters.

On the merger and acquisition ("M&A") front, the Group continued to execute our stated strategies to buy out the minority shareholders of the self-owned stores and acquiring the controlling interest of the managed stores. In March 2008, we entered into sales and purchase agreement to acquire the remaining 49% interest in the operation of our jointly controlled entity Xi'an Shidai Parkson.

In May 2008, we entered into sales and purchase agreement with wholly owned subsidiary of PHB to acquire the 100% interest in the operation of Tianjin Parkson managed store and the 70% controlling interest in the operation of the Nanning Parkson managed store. The acquisition is expected to complete before the end of the third quarter of this year.

Subsequent to the six months ended 30 June 2008, the Group entered into sales and purchase agreements to acquire the remaining 9% interest in the operation of our subsidiary Xi'an Lifeng and the transaction was completed on the 20 August 2008, the Group now owned 100% interest of all the 4 Parkson branded stores in Xi'an.

In line with our strategy of rationalizing the operation to maximize productivity, we have closed two small stores, one each in Beijing and Changsha ("Discontinued Stores") in the first half of this year upon expiry of the relevant lease agreements as the size of those stores, each less than 10,000 square meters of operating area is no longer suitable for the current operating environment. We have decided to concentrate our resources to operate stores with larger floor space to maximize productivity.

Prospects

The PRC economy has been one of the most resilient and fastest growing economies in the world over the last two decades. On the back of this rapid and yet consistent economic growth, the total retail sales has also been growing strongly in the past decade with both the nominal growth rate and real growth rate consistently outpacing the economic growth. This is in line with the government's policy of rebalancing growth away from export to domestic consumption.

Looking forward, we think that the slowing demand from the main export markets and the persistently high inflation driven by the surge in food and commodity prices will continue to post challenges to the healthy growth of the PRC economy. However, we remain cautiously optimistic about the long term prospect of the PRC economy and retail industry. We believe that strong foreign reserve, solid economic foundation and carefully designed macro-economic policies should enable the PRC to promote a sound and yet strong economic growth.

The Group will continue with our stated expansion strategy of adding on an annual basis approximately 15% to 20% of operating area to our existing portfolio through a combination of opening new stores and M&A activities, 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. The Group will also continue to pursue the acquisition of the minority interests of our existing subsidiaries to enhance our shareholders' returns.

The development of customer loyalty and the further enhancement of the Parkson brand equity will continue to be our main focus. We will persist on our operational strategy on improving the productivity and profitability of our existing stores. We strive to continue our proven business model and to reinvent and upgrade our stores when time is right. We target to maintain a healthy SSS growth through the altering of merchandise mix and brand mix and increase the range of products and brands in our stores to provide our customers with more choices, lower prices and greater value merchandises.

Encouraged by our strong performance in the first half of the year, we believe that the year 2008 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

The Group generated a total gross sales proceeds received or receivable of RMB5,217.7 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 21.0% or RMB904.1 million from the same period of last year. The growth in total gross sales proceeds was contributed by (i) the satisfactory SSS growth of approximately 14.4%; (ii) the inclusion of full six months sales performance of the new stores opened last year; (iii) the inclusion of full six months sales performance of Nanchang Parkson store which was acquired in April last year and (iv) the inclusion of sales performance for store opened in the first half of this year. The growth was however partially offset by the limited sales contribution from the Discontinued Stores, namely the Beijing Haidian Parkson store and the Changsha Parkson store. Excluding the impact from the Discontinued Stores, the growth of gross sales proceeds for first half of this year was approximately 23.1%.

The SSS growth of 14.4% for the period under discussion was also affected by the temporary closure of stores located in the earthquake area. Excluding the impact from the temporary closure, the adjusted SSS growth was 14.8%. All stores have been reopened before the end of June 2008.

The gross sales proceeds of our Beijing Parkson flagship store and the Shanghai Ninesea flagship store during the period contributed approximately 27.8% to our total merchandise sales, a drop of 2.0% compared to the same period of last year, further reducing the Group's concentration risk.

The Group generated total merchandise sales of approximately RMB4,930.9 million. The concessionaire sales contributed approximately87.8% and the direct sales contributed the balance of 12.2%. The Fashion & Apparel category made up approximately 48.2% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 32.3%. The Household & Electrical category contributed approximately 8.4% and the balance of approximately 11.1% came from the Groceries and Perishables category.

Commission rate from concessionaire sales was flat at 20.0%. Direct sales margin improved marginally by 0.6% to 17.6% as compared to the same period of last year.

Total operating revenues of the Group for the period under review grew by RMB275.5 million or 18.6% from the same period of last year, in line with the growth of the total gross sales proceeds. The growth was partially offset by the reduction of the consultancy and management service fees and the limited revenue contribution from Discontinued Stores. Excluding the impact from the Discontinued Stores, the growth rate was 20.5%

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 RMB496.3 million, an increase of RMB69.4 million or 16.2% from RMB426.9 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 RMB4.7 million or 3.3% to RMB146.2 million, other than the normal increase in basic salary and incentive payments, the increase was also due to (i) the inclusion of the additional staff compensation costs of RMB4.8 million incurred in relation to the closure of the Discontinued Stores; (ii) the inclusion of full six months staff costs for stores opened and acquired last year and (iii) the inclusion of staff costs for stores opened this year. The increase was however partially offset by the staff costs saving in relation to the Discontinued Stores.

As a percentage to total operating revenues, the staff cost ratio decreased marginally to 8.3% from 9.5% recorded in the same period last year, as a result of improved productivity per head and zero employee share option cost incurred in the first half of this year compared to RMB12.7 million for the same period of last year.

Depreciation and amortisation

Depreciation and amortisation increased by RMB20.9 million or 38.9% to RMB74.6 million. The increase was primarily contributed by (i) the inclusion of full six months depreciation and amortisation cost for stores opened and acquired last year; (ii) the inclusion of depreciation and amortisation cost for store opened this year; and (iii) the inclusion of depreciation and amortisation cost for the property that we acquired and currently occupied by Anshan Parkson store.

Due to the aforesaid reasons, as a percentage to total operating revenues, depreciation and amortisation cost ratio increased to 4.2% from 3.6% reported for the same period of last year.

Rental expenses

Rental expenses increased by RMB24.0 million or 15.7% to RMB177.2 million, the increase was largely due to: (i) the inclusion of full six months rental expenses for stores opened and acquired last year; (ii) the inclusion of rental expenses for stores opened this year and (iii) the increase of payment of contingent rent for the performance related lease agreement. The increase of rental was however partly offset by the saving of rental expenses in relation to the Discontinued Stores and rental paid by Anshan Parkson store in the previous year.

As a percentage to total operating revenues, the rental expenses ratio dropped marginally to 10.1% from 10.3% recorded in the same period of last year due to the aforesaid reasons.

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 RMB39.6 million or 17.3% to RMB268.6 million due primarily to: (i) the inclusion of full six months other operating expenses for stores opened and acquired last year; (ii) the inclusion of other operating expenses for store opened this year and (iii) inclusion of approximately RMB2.9 million of additional expenses in relation to the closure of Discontinued Stores.

As a percentage to operating revenues, the ratio decreased marginally by 0.2% from the same period of last year to 15.3% mainly due to improved efficiency of the operation.

Profit from operations

Profit from operations increased to RMB593.9 million, an improvement of RMB116.9 million or 24.5% due to the improved sales performance and the increased operating leverage as result of better operating efficiency. The growth was however offset by the lost of profits from the Discontinued Stores and the one-off closure cost in relation to the Discontinued Stores.

Excluding the impact from the Discontinued Stores, the growth of profit from operations for the first six months of the year was approximately 27.3%

The profit from operations as a percentage to operating revenues improved by 1.6% to 33.8%, excluding the impact from Discontinued Stores, the margin of profit from operations was 34.4%

Finance income/(costs), net

For the period under discussion the Group incurred a net finance cost of approximately RMB35.0 million, a decrease of 8.0% over the same period of last year. The net finance cost is calculated base on the interest expenses paid or payable in relation to the high yield notes that the Group issued in the month of November 2006 and May 2007 and the bank loans after netting off the finance incomes received or receivable from deposits with the banks and the investment in Credit Link Notes.

Share of profit from an associate

Share of profit from the associated company increased to RMB55,000 due to increased management income received by the associated company.

Income tax

The Group's income tax expense increased by RMB22.0 million or 21.0% due to the increase in profit before tax, the increase was however partly offset by the lower effective tax rate of 22.7%, a decline of 1.2% from 23.9% recorded for the same period of last year due to the lower income tax rate chargeable as a result of the tax unification which took effect from the beginning of the year.

Net profit for the period

The net profit for the period ended 30 June 2008 increased to RMB432.2 million, an improvement of 29.3%. The net profit margin improved to 24.6% from 22.6% for the same period of last year due to better operating leverage, lower net finance cost and lower effective tax rate.

Excluding the impact from the Discontinued Stores, the net profit was RMB439.0 million representing a growth of 33.1% from the same period of last year and the net profit margin was higher at 25.1%.

Profit attributable to the Group

Profit attributable to the Group increased to RMB411.8 million, an increase of RMB108.3 million recorded for the same period of last year, an improvement of 35.7%. Excluding the impact from the Discontinued Stores, the profit attributable to the Group was RMB418.6 million representing a growth of 40.0% from the same period of last year.

Liquidity and financial resources

The cash and cash equivalents (defined as the aggregate of short term investment deposits and cash & short term deposits) balance of the Group stood at RMB3,015.1 million as at the end of June 2008, representing a reduction of 17.2% from the balance of RMB3,641.7 million recorded as at the end of December 2007. The reduction was mainly due to: (i) the payment of dividends of approximately RMB211.0 million to the shareholders of the Group; (ii) the payment of dividends of approximately RMB26.2 million to the minority shareholders of the Group's subsidiaries; (iii) the payment of an aggregated RMB485.5 million for the completion of the acquisition of the property occupied by Anshan Parkson and the completion of the acquisition of the remaining 49% minority interest in Xi'an Changan Parkson; (iv) the payment of a total of RMB70.0 million deposits for the acquisition of the remaining 49% minority interest in Xi'an Shidai Parkson, the acquisition of 100% interest in Tianjin Parkson managed store and the acquisition of the 70% controlling interest in the Nanning Parkson managed store; and (v) the repayment of bank loan of RMB84.0 million. The reduction was however partly offset by the positive cash flow of approximately RMB117.0 million generated from the operating activities.

Net current assets and net asset

The Group's net current assets as at 30 June 2008 was approximately RMB1,921.6 million, a decrease of 11.7% or RMB254.3 million from the balance of RMB2,175.9 million recorded as at 31 December 2007. Net asset rose to RMB3,092.4 million, an increase of RMB224.3 million or 7.8% over the balance as at 31 December 2007. The increase was mainly due to the net profit contribution for the six months ended 30 June 2008 after offsetting the dividends paid during the same period.

Pledge of assets

As at 30 June 2008, no asset is pledged to the bank or lender except for investment deposits amounting to RMB15,000,000 are pledged to secure a bank loan of the Group.

Employees

As at the end of June 2008, total number of employees for the Group was approximately 6,600. 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 Dollars (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 as at 30 June 2008
Lot 1*	24 January 2007 to 23 January 2010	5,955,600	5,256,300	699,300
Lot 2*	2 January 2008 to 1 January 2011	2,233,350	334,650	1,898,700
		8,188,950	5,590,950	2,598,000

* 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 2,233,350 share options granted under Lot 2 are exercisable from 2 January 2008 to 1 January 2011. Both Lot 1 and Lot 2 have no further vesting conditions.

As mentioned earlier, the Company's shareholders had on 4 July 2008 approved the Share Subdivision, which subsequently took effect on 7 July 2008. Accordingly, the number of outstanding share options as at 30 June 2008 had been adjusted to 12,990,000 and the exercise price had been adjusted to HK$7.35 per share.

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 2008.

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 2008.

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 2008.

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 2008. The Committee comprises the three independent Non-executive Directors of the Company.

Publication of Interim Results on the Websites of the Stock Exchange and the Company

This announcement will be published on the websites of the Stock Exchange and the Company. The interim report for the six months ended 30 June 2008 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and of the Company 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

Hong Kong, 22 August 2008

Parkson Retail Group Limited
Cheng Yoong Choong
Managing Director

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. Ko Tak Fai, Desmond, Mr. Werner Josef Studer and Mr. Yau Ming Kim, Robert.