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 2010

HIGHLIGHTS

Total gross sales proceeds ("GSP") increased by 12.8% to RMB6,883.1 million.

Same store sales ("SSS") (1) growth continued to recover to 11.3%.

Profit from operations increased by 8.3% to RMB734.4 million. Excluding the impact of the employee share options expense, on a comparable basis profit from operations increased by 14.2% to RMB774.4 million.

Net profit attributable to the Group increased by 9.3% to RMB504.9 million. Excluding the impact from the employee share options expense, on a comparable basis profit attributable to the Group increased by 17.9% to RMB544.9 million.

Earnings per share was RMB0.18.

Interim dividends of approximately RMB170 million or RMB0.06 per share.

(1) Year on year change in total gross sales proceeds for stores in operation throughout the entire comparative period after adjusting for the impacts from the change of contractual relationship with certain suppliers of jewelry products and cigarette products from concessionaire contract to lease agreement.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The Board of Directors of Parkson Retail Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company, its subsidiaries and an associated company (the "Group") for the six months ended 30 June 2010 with comparative figures for the corresponding period in the year 2009. 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** **2010** *Unaudited* *RMB'000*	**2009** *Unaudited* *RMB'000*
Revenues	4	1,885,129	1,721,874
Other operating revenues	4	266,116	230,866
Total operating revenues		2,151,245	1,952,740
Operating expenses			
Purchases of goods and changes in inventories		(548,698)	(542,717)
Staff costs		(196,236)	(137,359)
Depreciation and amortization		(85,331)	(81,746)
Rental expenses		(265,821)	(231,333)
Other operating expenses		(320,802)	(281,751)
Total operating expenses		(1,416,888)	(1,274,906)
Profit from operations	5	734,357	677,834
Finance income/(costs), net	6	(49,161)	(52,153)
Share of profit from an associate		173	441
Profit from operations before income tax		685,369	626,122
Income tax	7	(163,556)	(150,267)
Net profit for the period		521,813	475,855
Attributable to:			
Owners of the parent		504,897	462,145
Non-controlling interests		16,916	13,710
		521,813	475,855
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.180	RMB0.166
Diluted		RMB0.180	RMB0.166

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2010	2009
	Unaudited	*Unaudited*
	RMB'000	*RMB'000*
Profit for the period	521,813	475,855
Net gain/(loss) on cash flow hedges	1,191	(122,329)
Share options granted	40,000	-
Exchange differences on translation of foreign operations	(2,121)	204
Other comprehensive income/(loss) for the period, net of tax	39,070	(122,125)
Total comprehensive income for the period, net of tax	560,883	353,730
Attributable to:		
Owners of the parent	543,967	340,020
Non-controlling interests	16,916	13,710
	560,883	353,730

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2010 *Unaudited* *RMB'000*	As at 31 December 2009 *Audited* *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		2,500,740	2,445,354
Investment properties		51,961	52,565
Lease prepayments		507,276	514,309
Intangible assets		2,101,506	2,101,506
Investment in an associate		2,405	2,232
Other assets		50,900	58,516
Held-to-maturity investments, unlisted		1,358,180	1,365,640
Deferred tax assets		50,642	41,586
Total non-current assets		6,623,610	6,581,708
CURRENT ASSETS			
Inventories		191,602	179,911
Trade receivables	10	28,512	28,655
Prepayments, deposits and other receivables		392,731	427,727
Investment in principal guaranteed deposits		1,215,344	809,170
Pledged deposits		208,000	-
Cash and short-term deposits		2,286,861	3,046,929
Total current assets		4,323,050	4,492,392
CURRENT LIABILITIES			
Interest-bearing bank loans		(197,337)	-
Trade payables	11	(1,198,409)	(1,526,436)
Customers' deposits, other payables and accruals		(1,300,665)	(1,466,555)
Tax payable		(80,001)	(80,439)
Senior guaranteed due May 2012, redeemable in 2010		-	(845,089)
Derivative financial instruments designated as hedging instruments		-	(93,011)
Total current liabilities		(2,776,412)	(4,011,530)
NET CURRENT ASSETS		1,546,638	480,862
TOTAL ASSETS LESS CURRENT LIABILITIES		8,170,248	7,062,570

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2010 *Unaudited* *RMB'000*	**As at 31 December 2009** *Audited* *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	(1,302,000)	(1,303,000)
Long-term payables	(110,925)	(105,891)
Deferred tax liabilities	(247,445)	(249,192)
Senior guaranteed notes due November 2011	(1,348,561)	(1,353,033)
Senior guaranteed notes due May 2012	(842,147)	-
Derivative financial instruments designated as hedging instruments	(46,026)	(59,309)
Total non-current liabilities	(3,897,104)	(3,070,425)
NET ASSETS	4,273,144	3,992,145
EQUITY		
Equity attributable to owners of the parent		
Issued capital	58,307	58,297
Reserves	4,130,391	3,581,059
Proposed final dividends	-	280,722
	4,188,698	3,920,078
Non-controlling interests	84,446	72,067
TOTAL EQUITY	4,273,144	3,992,145

NOTES

1. CORPORATE INFORMATION

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 ("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 the Group are operation of department store business in the People's Republic of China ("PRC").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the company for the six months ended 30 June 2010 (the "Financial Statements") have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

3. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	660,250	651,203
Concessionaire sales	5,860,473	5,131,008
Total merchandise sales	6,520,723	5,782,211
Others (including consultancy and management service fees, Rental income and other operating revenues)	362,328	321,721
Total gross sales proceeds	6,883,051	6,103,932

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	660,250	651,203
Commissions from concessionaire sales	1,128,667	979,816
Rental income	85,617	77,906
Consultancy and management service fees	10,595	12,949
Other operating revenues	266,116	230,866
Total operating revenues	2,151,245	1,952,740

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, commissions from concessionaire sales, consultancy and management service fees, rental income and other operating revenues.

Segment information

For management purposes, the Group has a single operating and reportable segment - the operation and management of department stores in the PRC. All revenues from external customers are generated in the PRC and all significant operating assets of the Group are located in the PRC.

Note: Other operating revenues

		For the six months ended 30 June	
		2010	**2009**
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
Administration and credit card handling fees		116,046	103,840
Government grants	(i)	7,460	18,533
Promotion incomes & other incomes		142,610	108,493
		266,116	230,866

Note:

(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.

5. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories recognised as expenses	548,698	542,717
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	105,044	87,689
Pension scheme contributions	15,503	15,410
Social welfare and other costs	34,190	32,851
Share options expense	33,419	-
	188,156	135,950
Director's remuneration (including share options expense)	8,080	1,409
	196,236	137,359
Depreciation and amortization	85,331	81,746
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	164,476	140,569
Contingent lease payments *	101,345	90,764
	265,821	231,333
Loss on disposal of items of property, plant and equipment	131	1,326
Auditors' remuneration	827	1,334
Gross rental income in respect of investment properties	(8,161)	(10,188)
Sub-letting of properties:		
Minimum lease payments	(33,205)	(29,819)
Contingent lease payments *	(44,250)	(37,899)
	(77,455)	(67,718)
Total gross rental income	(85,616)	(77,906)
Foreign exchange differences, net	(4,810)	151

Minimum lease payments of the Group include rental payments for the lease agreement with pre-determined rental payments and minimum guaranteed rental payments for lease agreements with contingent rental payments.

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

6. FINANCE INCOME/(COSTS), NET

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expenses on bank and other loans, wholly repayable within five years	(157,999)	(159,698)
Interest income	108,838	107,545
	(49,161)	(52,153)

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 operate.

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

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	174,359	151,410
Deferred income tax	(10,803)	(1,143)
	163,556	150,267

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the net profit attributable to equity shareholders of the Company for that period of approximately RMB504.9 million and the weighted average number of 2,807,781,311 shares in issue during that period.

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the net profit attributable to equity shareholders of the Company for the period of approximately RMB462.1 million and the weighted average number of 2,790,807,955 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 and employee share options granted on 1 March 2010.

9. INTERIM DIVIDENDS

The Board of Directors approved the payment of interim dividends for the six months ended 30 June 2010 of RMB0.06 (2009:RMB0.05 per share) in cash per share. The interim dividends 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 29 October 2010.

The interim dividends will be payable on or about 30 November 2010 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 29 October 2010.

10. TRADE RECEIVABLES

Trade receivables are mainly consultancy and management service fees receivables from the "Parkson" and "Xtra" branded managed stores. 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:

	30 June 2010	**31 December 2009**
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	4,282	5,888
3 to 12 months	7,076	14,389
Over 1 year	17,154	8,378
	28,512	28,655

Included in the balance were trade receivables from jointly-controlled entities of RMB313,000 (31 December 2009: RMB701,181) and fellow subsidiaries of RMB13,592,000 (31 December 2009: RMB13,503,000) which were attributable to the management and 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:

	30 June 2010	31 December 2009
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	1,076,866	1,421,925
3 to 12 months	91,016	79,379
Over 1 year	30,527	25,132
	1,198,409	1,526,436

12. CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 25 October 2010 to 29 October 2010 (both dates inclusive). During such period no transfer of shares will be registered. In order to qualify for the interim 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 on 22 October 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

Powered by the aggressive monetary policies and fiscal stimulus packages implemented by various governments, the world economy continued to recover from the recession started in the year 2008. Gross Domestic Product ("GDP") data released in the past six months indicate that most if not all major economies are returning to growth with selected emerging economies including the BRICs (Brazil, Russia, India and China or PRC) posting impressive growth rate. The financial market, which was the root cause of the financial crisis that eventually led to the recession in most part of the world, appears to be stronger and more resilient after the crisis. This is evidenced by the relatively calm reaction recently towards the European sovereign debts trajectory.

The PRC government's response to the crisis has been proactive, speedy and proven to be resolute. It reacted to the financial crisis through strong fiscal response and expansionary monetary policy which have not only ensure PRC continued to maintain strong economic growth throughout the crisis but also contributed significantly to the recovery of the world economy. After a few consecutive quarters of very strong economic growth, the PRC economy appeared to be in danger of overheating and since beginning of this year the PRC government decisively started to unwind many of its crisis response measures. Credit growth was reduced, measures were taken against the formation of bubble in the property market, central government initiated consolidation of the industries facing excess capacity, and returning to the managed floating exchange rate regime. These counter measures are essential to ensure stability and sustainability of economic growth in the medium to a longer term. In line with these counter measures, the PRC GDP growth in the second quarter slowed to 10.3% compared to the red hot 11.9% in first quarter of the year. Nevertheless, the first half GDP growth of 11.1% is still way above the full year target growth rate of 8%.

In contrast to the same period of the year 2009 where the GDP growth was predominantly driven by the extraordinary growth of fixed asset investment, the GDP growth for the first half of this year was more balanced with growth recorded across all three major sectors of the economy. Export sector which suffered a sharp contraction in the same period of last year, recorded a 35.2% expansion in the first half of the year, the fixed asset investments recorded a growth of 25.0%, substantially lower than the 33.5% recorded in the same period of last year and the domestic consumption maintaining a steady growth rate of 18.2% during the same period.

During the period under review, the Group continued to execute its stated business plans and expansion strategies with satisfactory results. The Group achieved a total GSP growth of 12.8% with our reported SSS growth recovering to 10.7%. However, after adjusting for the impacts from the change of contractual relationship with certain jewelry and cigarette suppliers from concessionaire base to rental base, the comparable adjusted SSS growth was even higher at 11.3%. Sequentially, the comparable adjusted SSS growth in the second quarter recovered further to 11.9% compared to 10.8% recorded in the first quarter of the year.

The improved market condition and consumer sentiment enable the Group to continue scaling down its discount activities. The merchandise gross margin improved by 0.2% compared to the same period of last year.

As part of our continuous efforts to enhance store image and improve productivity from the better use of available floor spaces, we continued to reinvent and remodel the flagship or potential flagship stores. In this respect, works on Hefei store and Xi'an Shidai store kicked off in the second quarter of the year and are expected to complete before the year end, after which premium cosmetic brands and up market fashion brands will be introduced to the stores. The remodeling works on Xinjiang store is targeted to start in second half of the year.

The concessionaire sales continued to outgrow the direct sales as the maturing stores portfolio enables the Group to increase the sales of fashion and fashion related merchandises through the concessionaire model. The concessionaire sales increased by 14.2% in the first half of the year and accounted for approximately 89.9% of the total merchandise sales and the direct sales increased by 1.4% in the first half of the year and accounted for approximately 10.1% of the total merchandise sales.

The Group expanded its network coverage to Zhejiang province through the opening of Shaoxing store in the month of May 2010. The opening of Beijing Suntrans Store is set on the 4 September this year and the opening of our second store in Wuxi is targeted before the end of third quarter. The final quarter of the year will see the opening of our first store in Zigong, Sichuan province and our second store in Hefei city. The Group remains committed to add on an average 15% new floor space annually and is targeting to double the Group's trading floor space in 5 years.

Prospect

The GDP numbers and recent economic data released by major economies seem to suggest that the recession is over and the world economy is returning to growth. However lingering issues such as the persistently high unemployment rate, sequentially slower GDP growth in second quarter for most of the major economies, ailing property markets, cautious consumers spending and concern on sovereign debts in a number of European countries suggest that the recovery remain sluggish and road for sustainable recovery remain choppy.

Being the second largest economy in the world, the PRC economy is now more connected than ever to the development of the world economy. It is undeniable that the PRC economy is structurally more flexible and seems more promising amongst the major economies in the world, however given its increasingly open economy, the sustainability of its growth will become more vulnerable to the external factors. The challenges to PRC now is to maintain the momentum of its economic growth while continue to work on transforming its growth model to an economy that will be powered by its consumers.

Looking forward, the Group believes that while there remain challenges confronting the PRC economy in the short to medium term, given the flexibility in its economic structure and its strong execution records, the PRC economy should continues to maintain its growth momentum. On the back of this expectation of sustainable economic growth which will further support real incomes growth that will spur domestic consumption, the Group believes that its business growth, going forward, will get stronger.

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 RMB6,883.1 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 12.8% or RMB779.2 million from RMB6,103.9 million reported in the same period of last year contributed by (i) the SSS growth of approximately 10.7 %, and (ii) the inclusion of sales performance of the new stores opened in the year 2009 and the first half of 2010. The growth was however partially offset by (i) lower GSP for the change of the contracts with majority of the jewelry and cigarette suppliers from a concessionaire base contract to a rental base contract and (ii) the reduction in the consultancy and management service fees due to lesser managed stores within the Group's portfolio.

The Group generated total merchandise sales of approximately RMB6,520.7 million. The concessionaire sales contributed approximately 89.9% and the direct sales contributed the balance of 10.1%. The Fashion & Apparel category made up approximately 48.1% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 36.5%, the Household & Electrical category contributed approximately 7.5% and the balance of approximately 7.9% came from the Groceries and Perishables category.

Gross margin from the merchandise sales (a combination of concessionaire commission rate and the direct sales margin) improved marginally by 0.2% to 19.0%, in line with the reduced discount activities in the stores. Both the commission rate from concessionaire sales and direct sales margin also improved by 0.2% to 19.3% and 16.9% respectively.

Total operating revenues of the Group for the period under review grew by RMB198.5 million to RMB2,151.2 million or 10.2% from the numbers reported in the same period of last year. The growth rate for operating revenues was lower than the growth rate of the GSP due to the negative growth rate for management and consultancy fees and lower growth rate for direct sales and rental incomes.

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 rose to RMB548.7 million, an increase of RMB6.0 million or 1.1% from the same period of last year.

Staff costs

Staff costs increased substantially by RMB58.9 million or 42.9% to RMB196.2 million. The increase was primarily attributable to (i) the inclusion of RMB40.0 million of employee share options expense; (ii) increase of salaries for all level of staffs; and (iii) inclusion of staff cost for new stores opened in the second half of the year 2009 and store opened in the first half of the year

2010. The increase was partly offset by the reduction of head count by approximately 50 compared to the end of last year despite opening a new store in the month of May 2010 as the Group continued its efforts to control the number of head count.

As a percentage to total operating revenues, the staff cost ratio increased to 9.1% from 7.0% recorded in the same period of last year. Excluding the employee share options expense, the staff cost ratio increased marginally to 7.3%.

As a percentage to GSP, the staff cost ratio increased to 2.9% from 2.3% recorded in the same period of last year. Excluding the employee share options expense, the staff cost ratio remains flat at 2.3%.

Depreciation and Amortisation

Depreciation and amortisation increased by RMB3.6 million or 4.4% to RMB85.3 million. The increase was primarily attributable by (i) the inclusion of depreciation and amortisation cost for the new stores opened in the year 2009 and the year 2010; and (ii) additional depreciation cost in relation to the remodeled stores.

As a percentage to total operating revenues, depreciation and amortisation cost ratio dropped marginally to 4.0% from 4.2% recorded in the same period of last year.

As a percentage to GSP, depreciation and amortisation cost ratio dropped marginally to 1.2% from 1.3% recorded in the same period of last year.

Rental Expenses

Rental expenses rose by RMB34.5 million or 14.9% to RMB265.8 million, the increase was largely due to (i) the inclusion of rental cost for the new stores opened in the year 2009 and the year 2010; (ii) straight line accounting treatment for rental cost in relation to leases for those new stores opened; and (iii) the increased payment of contingent rent for the performance related lease agreements.

As a percentage to total operating revenues, the rental expenses ratio increased to 12.4% from 11.8% recorded in the same period of last year.

As a percentage to GSP, the rental expenses ratio increased marginally to 3.9% from 3.8% recorded in the same period of last year.

Other Operating Expenses

Other operating expenses which consist of the (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; and (d) general administrative expenses increased by RMB39.1 million or 13.9% to RMB320.8 million due to (i) the inclusion of other operating expenses for the new stores opened in the year 2009 and the year 2010; and (ii) the inclusion of pre-opening expenses for the Shaoxing store opened in the month of May 2010.

As a percentage to operating revenues, other operating expenses ratio increased marginally by 0.5% to 14.9% due to the aforesaid reasons.

As a percentage to GSP, other operating expenses ratio increased marginally to 4.7% from 4.6% recorded in the same period of last year.

Profit from Operations

Profit from operations rose to RMB734.4 million, an increase of RMB56.5 million or 8.3%. Excluding the employee share options expense, profit from operation increased by RMB96.5 million or 14.2%.

As a percentage to total operating revenues, the profit from operations margin declined marginally to 34.1% from 34.7% recorded in the same period of last year. Excluding the employee share options expense, the profit from operations margin improved to 36.0%.

As a percentage to GSP, the profit from operations margin declined marginally to 10.7% from 11.1% recorded in the same period of last year. Excluding the employee share options expense, the profit from operations margin improved marginally to 11.3%.

Finance Income /(Costs), net

For the first six months of the year, the Group incurred total interest expenses of RMB158.0 million, a reduction of 1.1% compared to the same period of last year due to additional repayment of borrowings. Interest incomes increased to RMB108.8 million for the first six months of the year due to higher interest earned from the investment deposits. In line with the aforesaid, the net finance costs decreased by 5.7 % to RMB49.2 million.

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 decreased to RMB173,000 from RMB441,000 recorded in the same period of last year due to reduction of management income received.

Income Tax

The Group’s income tax expense increased by RMB13.3 million or 8.8% to RMB163.6 million due to the increase of profit before income tax and RMB9.9 million withholding tax provided in relation to the estimated dividend distribution from the Company’s PRC subsidiaries. The effective tax rate was 23.9%, approximately 0.1% lower than the same period of last year.

As at the end of 30 June 2010, the accrued but unutilized withholding tax stood at approximately RMB12.0 million.

Net Profit for the period

The net profit for the six months ended 30 June 2010 increased to RMB521.8 million, an increase of RMB46.0 million or 9.7%. Excluding the employee share options expense, the net profit increased by RMB86.0 million or 18.1%

As a percentage to total operating revenues, the net profit margin declined marginally to 24.3% from 24.4% recorded in the same period of last year. Excluding the employee share options expense, the net profit margin improved to 26.1%.

As a percentage to GSP, the net profit margin declined marginally to 7.6% from 7.8% recorded in the same period of last year. Excluding the employee share options expense, the net profit margin improved marginally to 8.2%.

Profit Attributable to the Group

Profit attributable to the Group increased to RMB504.9 million, an increase of RMB42.8 million or 9.3%. Excluding the employee share option expense, profit attributable to the Group increased by RMB82.8 million or 17.9%.

Liquidity and Financial Resources

The cash and short-term deposits balance of the Group stood at RMB2,286.9 million as at the end of June 2010, representing a reduction of 24.9% from the balance of RMB3,046.9 million recorded as at the end of December 2009. The decrease was mainly due to the (i) final payment of RMB150.0 million for the acquisition of the Suntrans shopping complex; (ii) increase in investment in principal guaranteed deposits of RMB406.2 million; (iii) pledged deposits of RMB208.0 million; and (iv) payment of dividends of approximately RMB141.6 million to the shareholders of the Company and payment of dividends of approximately RMB4.5 million to the minority shareholders of the Group's subsidiaries. The reduction was however partly offset by the cash inflow of RMB212.5 million from the operating activities.

Cash and cash equivalent (combination of cash and short-term deposits, pledged deposits and the investment in short term principal guaranteed deposits) balance as at the end of the period was RMB3,710.2 million, a marginal decline of 3.8% compared to the end of December 2009.
After deducting the long term held to maturity investment against the correspondence back to back long term debts, total debt to total asset ratio of the Group expressed as a percentage of the aggregate of interest bearing bank loans, the senior guaranteed notes due May 2012 over the total assets was 24.4% as at 30 June 2010.

Current Assets and Net Assets

The Group's current assets as at 30 June 2010 were approximately RMB4,323.1 million. Net asset of the Group as at 30 June 2010 rose to RMB4,273.1 million, an increase of RMB281.0 million or 7.0% over the balance as at 31 December 2009.

Pledge of Assets

As at 30 June 2010, a deposit of approximately RMB208.0 million is pledged with the Group's lender.

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 for the six months ended 30 June 2010.

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 six months ended 30 June 2010.

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 2010.

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 interim results of the six months ended 30 June 2010. The Committee comprises the three independent non executive directors of the Company.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

This announcement will be published on the websites of the Stock Exchange and of the Company. The interim report for the six months ended 30 June 2010 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published in 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 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 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.

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

20 August 2010