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 2011

HIGHLIGHTS

Total gross sales proceeds ("GSP") increased by 18.5% to RMB8,158.6 million.

Same store sales ("SSS") [1] growth continued to recover to 13.3%.

Net profit attributable to the Group increased by 15.8% to RMB584.8 million.

Earnings per share was RMB0.21.

Interim dividends of approximately RMB196 million or RMB0.07 per share.

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 with comparative figures for the corresponding period in the year 2010. 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 **2011** *Unaudited* *RMB'000*	**2010** *Unaudited* *RMB'000*
Revenues	4	2,176,790	1,885,129
Other operating revenues	4	277,913	266,116
Total operating revenues		2,454,703	2,151,245
Operating expenses			
Purchases of goods and changes in inventories		(624,665)	(548,698)
Staff costs		(186,955)	(196,236)
Depreciation and amortization		(111,451)	(85,331)
Rental expenses		(309,655)	(265,821)
Other operating expenses		(413,937)	(320,802)
Total operating expenses		(1,646,663)	(1,416,888)
Profit from operations	5	808,040	734,357
Finance costs, net	6	(6,523)	(49,161)
Share of profit from an associate		148	173
Profit from operations before income tax		801,665	685,369
Income tax	7	(200,536)	(163,556)
Net profit for the period		601,129	521,813
Attributable to:			
Equity holders of the parent		584,760	504,897
Minority interests		16,369	16,916
		601,129	521,813
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.210	RMB0.180
Diluted		RMB0.210	RMB0.180

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six-month ended 30 June 2011 *Unaudited* *RMB'000*	2010 *Unaudited* *RMB'000*
Profit for the period	601,129	521,813
Net gain on cash flow hedges	44,452	1,191
Share options granted	-	40,000
Available-for-sale investments: Changes in fair value	195	-
Exchange differences on translation of foreign operations	(14,657)	(2,121)
Other comprehensive income for the period, net of tax	29,990	39,070
Total comprehensive income for the period, net of tax	631,119	560,883
Attributable to:		
Equity holders of the parent	614,750	543,967
Minority interests	16,369	16,916
	631,119	560,883

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2011** *Unaudited* *RMB'000*	**As at 31 December 2010** *Audited* *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		2,544,050	2,493,773
Investment properties		50,754	51,357
Lease prepayments		494,337	500,996
Intangible assets		2,172,242	2,172,242
Investment in an associate		2,006	2,110
Other assets		32,469	39,685
Derivative financial instruments designated as hedging instruments		-	8,819
Available-for-sale investments		30,643	-
Deferred tax assets		54,958	53,591
Total non-current assets		5,381,459	5,322,573
CURRENT ASSETS			
Inventories		226,452	233,814
Trade receivables	10	14,056	19,986
Prepayment, deposits and other receivables		452,694	452,270
Held-to-maturity investments, unlisted		1,294,320	1,324,540
Investment in principal guaranteed deposits with licensed banks		3,292,205	2,810,238
Time deposits with licensed banks		182,422	104,629
Cash and cash equivalents		1,244,882	2,323,259
Total current assets		6,707,031	7,268,736
CURRENT LIABILITIES			
Interest-bearing bank loans		1,239,000	1,302,000
Trade payables	11	1,347,842	1,721,277
Customer deposits, other payables and accruals		1,193,595	1,513,363
Tax payable		93,432	106,246
Senior guaranteed notes due November 2011		1,291,821	1,318,381
Derivative financial instruments designated as hedging instruments		9,672	25,902
Total current liabilities		5,175,362	5,987,169
NET CURRENT ASSETS		1,531,669	1,281,567
TOTAL ASSETS LESS CURRENT LIABILITIES		6,913,128	6,604,140

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2011 *Unaudited* *RMB'000*	As at 31 December 2010 *Audited* *RMB'000*
NON-CURRENT LIABILITIES		
Long-term payables	119,458	117,492
Deferred tax liabilities	231,951	238,730
Term loan facilities	1,582,503	1,615,130
Derivative financial instruments designated as hedging instruments	47,614	43,637
Total non-current liabilities	1,981,526	2,014,989
NET ASSETS	4,931,602	4,589,151
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	58,354	58,352
Reserves	4,788,744	4,172,850
Proposed final dividends	-	281,038
	4,847,098	4,512,240
Minority interests	84,504	76,911
TOTAL EQUITY	4,931,602	4,589,151

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 2011 (the "Financial Statements") have been prepared in accordance with the International Accounting Standards 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

3. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2011	**2010**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	758,825	660,250
Concessionaire sales	7,014,394	5,860,473
Total merchandise sales	7,773,219	6,520,723
Others (including consultancy and management service fees, Rental income and other operating revenues)	385,424	362,328
Total gross sales proceeds	8,158,643	6,883,051

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2011	**2010**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	758,825	660,250
Commissions from concessionaire sales	1,310,454	1,128,667
Rental income	99,941	85,617
Consultancy and management service fees	7,570	10,595
Other operating revenues	277,913	266,116
Total operating revenues	2,454,703	2,151,245

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 store 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	
		2011	**2010**
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
Promotion income		44,989	36,372
Administration and credit card handling fees		136,116	116,046
Government grants	(i)	4,863	7,460
Other incomes		91,945	106,238
		277,913	266,116

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	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories recognised as expenses	624,665	548,698
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	125,941	105,044
Pension scheme contributions	17,083	15,503
Social welfare and other costs	42,209	34,190
Share option expense	-	33,419
	185,233	188,156
Director's remuneration (including share options expense)	1,722	8,080
	186,955	196,236
Depreciation and amortization	111,451	85,331
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	205,463	164,476
Contingent lease payments *	104,192	101,345
	309,655	265,821
Loss on disposal of items of property, plant and equipment	1,097	131
Auditors' remuneration	726	827
Gross rental income in respect of investment properties	(11,748)	(8,162)
Sub-letting of properties:		
Minimum lease payments	(40,095)	(33,205)
Contingent lease payments *	(48,098)	(44,250)
	(88,193)	(77,455)
Total gross rental income	(99,941)	(85,617)
Foreign exchange differences, net	-	(4,809)

\# 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 COSTS, NET

	For the six months ended 30 June	
	2011	**2010**
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expenses on bank and other loans, wholly repayable within five years	(154,364)	(157,999)
Interest income	147,841	108,838
	(6,523)	(49,161)

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	
	2011	**2010**
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	208,682	174,359
Deferred income tax	(8,146)	(10,803)
	200,536	163,556

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the net profit attributable to equity shareholders of the Company for that period of approximately RMB584.8 million and the weighted average number of 2,810,472,706 shares in issue during that period.

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 the period of approximately RMB504.9 million and the weighted average number of 2,807,781,311 shares in issue during the period.

The calculation of diluted earnings 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 2011 of RMB0.07 (2010: RMB0.06 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 30 September 2011.

The interim dividends will be payable on or before 31 December 2011 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 30 September 2011.

10. TRADE RECEIVABLES

Trade receivables are mainly consultancy and management service fees receivables from the "Parkson" branded managed stores which are managed by the Group and have an established trading history with the Group. The Group normally allows a credit period of not more than 180 days from the end of each financial year of its 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 2011	**31 December 2010**
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	7,609	7,422
3 to 12 months	3,009	7,685
Over 1 year	3,438	4,879
	14,056	19,986

Included in the balance are trade receivables from jointly-controlled entities of RMB417,000 (31 December 2010: RMB253,000) and fellow subsidiaries of RMB6,034,000 (31 December 2010: RMB4,063,000) which are 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 2011	31 December 2010
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	1,235,480	1,622,333
3 to 12 months	83,596	68,240
Over 1 year	28,766	30,704
	1,347,842	1,721,277

12. CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 26 September 2011 to 30 September 2011 (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 23 September 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

Global economy experienced return of uncertainties in the first half of 2011 ("1H2011"). Despite continuous loose and accommodative monetary policy, the developed economies continued to face downward pressure amid deteriorating economic conditions. On another hand, majority of the developing economies led by the BRICs (Brazil, Russia, India and China) which are becoming increasingly important and influential to the global economy are facing completely different set of pressure, an overheated economy, high inflation and asset price bubble which can be equally damaging. These contrasting pressures have created a perfect recipe for the volatility that the global economy is currently facing.

The proactive and speedy responses taken by the PRC government at the height of the financial crisis in 2008 have been instrumental in limiting the damages. However, the crisis responses have also created undesirable consequences to the economy where equally daunting efforts are needed to rectify the situation. PRC government decisively started to unwind many of its crisis responses with austerity measures since the beginning of last year. Despite such measures, the inflationary pressures remain severe with no definite sign of slowing down. The key positive is that the economic growth seems to hold up well so far and achieved an above consensus growth rate of 9.6% in 1H2011, which should provide room for more measures should the policy makers deemed necessary.

Domestic consumption continued to play an increasingly important role to the PRC economy by achieving respectable growth rate of 16.8% for the first six months of the year driven primarily by the continuous policies and incentives from government to encourage consumption and strong real income growth of 7.6% and 13.7% respectively for the urban and rural households.

The Group had a good start in the first half of the year with stronger financial performance and good progress made in various parts of the business to build further sustainable growth in the future. The Group recorded total GSP growth of 18.5% with our reported SSS growth recovering further to 13.3%. In view of the intensifying competition and weaker margin performance from new stores, the merchandise gross margin in 1H2011 contracted by 44bps year on year which is marginally more than the expected contraction of 20-30bps. However, amid a weak margin performance in first quarter of 2011 ("1Q2011"), the merchandise gross margin rebounded strongly in second quarter of the year ("2Q2011") after the relevant improved marketing and selling strategies were introduced. Sequentially merchandise gross margin for 2Q2011 increased by 145bps compared to 1Q2011 and improved by 10bps year on year.

The Group has been revamping and remodeling its existing flagship stores as part of our continuous efforts to enhance store image and improve productivity. Such strategy has been generally successful with majority of flagship stores showing noticeable improvement in its performance thereafter. However, selected flagship stores such as the Shanghai flagship store and Beijing flagship store that operate in highly competitive and fast changing markets will undergo further remodeling works in the next 18 months to remain competitive.

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 19.7% in 1H2011 and accounted for approximately 90.2% of the total merchandise sales and the direct sales increased by 14.9% and accounted for approximately 9.8% of the total merchandise sales.

When we reported our full year results for the year 2010, the Group had stated that we will accelerate our expansion plan over the next 3 years to capitalize on the surging discretionary spending in PRC. In this respect, the Group achieved considerable progresses in 1H2011 with a firm schedule to open at least 7 stores before the end of the current financial year and 8 to 10 stores each for the year 2012 and 2013.

Prospect

The complexity and complication of economic problems face by major economies compounded by the debt default pressures on selected European countries, the accelerating budget deficit of the United States, the high inflation in major emerging markets and the aftermath impact of the devastating tsunami in Japan are set to pressure the global economy for the rest of the year and possibly the foreseeable future.

Amongst the major economies, we believe that PRC is best-equipped to overcome the pressures and the volatility. The economic policy makers in PRC are currently facing 2 major challenges, the needs to contain the inflationary pressure on one hand and the needs to maintain certain pace of economic growth on another hand. Even though navigating such challenging policies maneuvering can be tricky, given its more flexible economic structure, relatively low government debts, healthier and well capitalized banking system, productive population and most importantly strong execution record, the Group is confident that PRC will overcome such challenging task. In essence, the Group believes that PRC economy will see a soft landing with the policy priority to contain inflationary pressure follow by the needs to maintain its economic growth.

In line with the shift of its economic growth model under the 11th economic development plan and reinforced under the 12th economic development plan, the Group expect the household incomes for both the urban and rural population continue to outgrow the economic expansion in the next decade and thus the emergence of middle class should accelerate which will support growing consumption.

Given the Group middle to middle upper market position, the Group is strategically positioned to capitalize on the acceleration in the emergence of middle class and their increasing disposable incomes. Expansion plan in the coming 3 years will emphasize on existing markets or nearby cities to better utilize the Group many advantageous positions. Average size of the new stores will increase gradually as the Group seeks to increase its offering of value merchandise and quality services to better service its customers in this increasingly competitive market environment.

Financial Review

Total gross sales proceeds and operating revenues

During the period under review, the Group generated total gross sales proceeds received or receivable of RMB8,158.6 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 18.5% or RMB1,275.6 million from RMB6,883.1 million reported in the same period of last year attributable to (i) the SSS growth of approximately 13.3%, and (ii) the inclusion of sales performance of the 5 new stores opened in the second half of the year 2010. The growth was however partially offset by (i) lower growth of other operating revenues due to the absence of exchange gains and reduced government grants; 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 RMB7,773.2 million. The concessionaire sales contributed approximately 90.2% and the direct sales contributed the balance of 9.8%. The Fashion & Apparel category made up approximately 46.9% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 42.2%, the Household & Electrical category contributed approximately 4.0% and the balance of approximately 6.9% came from the Groceries and Perishables category.

Gross margin from the merchandise sales (a combination of concessionaire commission rate and the direct sales margin) declined marginally by 0.4% to 18.6% primarily due to the lower merchandise gross margin from the new stores opened under the accelerated expansion plan and the stronger sales growth for category of merchandise that carry lower margin. The merchandise gross margin in 1Q2011 contracted by 0.8% to 18.0% but sequentially the merchandise gross margin in 2Q2011 improved by 1.4% and increased by 0.1% year on year to 19.4% after introduction of improved marketing and selling strategies.

Total operating revenues of the Group for the period under review grew by RMB303.4 million to RMB2,454.7 million or 14.1% from 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, rental incomes and other operating revenues.

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 RMB624.7 million, an increase of RMB76.0 million or 13.8% from the same period of last year.

Staff costs

Staff costs decreased marginally by RMB9.3 million or 4.7% to RMB187.0 million. The decrease was primarily attributable to the higher base for the same period of last year due to the inclusion of RMB40.0 million of employee share options expense. The decrease was partially offset by the increase of head count for 5 new stores opened in the second half of last year and general wage rise.

Excluding the impact of the employee share options expense accrued in the same period of last year, the staff cost on a same store basis increased by 9.7% against 13.3% of SSS growth indicating continuous operating leverage.

As a percentage to GSP, the staff cost ratio decreased to 2.3% from 2.9% recorded in the same period of last year.

Depreciation and Amortisation

Depreciation and amortisation increased substantially by RMB26.1 million or 30.6% to RMB111.5 million. The increase was primarily attributable to, (i) the inclusion of depreciation cost for Suntran Shopping Mall; (ii) the inclusion of depreciation and amortisation cost for the 5 new stores opened in the second half of the year 2010; and (iii) additional depreciation cost in relation to the remodeled stores.

On a same store basis depreciation cost increased marginally by 2.4% against 13.3% of SSS growth indicating substantial operating leverage.

As a percentage to GSP, depreciation and amortisation cost ratio increased marginally to 1.4% from 1.2% recorded in the same period of last year.

Rental Expenses

Rental expenses rose by RMB43.8 million or 16.5% to RMB309.7 million, the increase was largely due to (i) the inclusion of rental cost for the 5 new stores opened in the second half of the year 2010; (ii) the inclusion of turnover rent for Xian Shidai and Taiyuan stores of approximately RMB11.9 million. Both stores have lease structure with minimum guaranteed rent and turnover rent if the full year turnover exceeded certain threshold. Such turnover rent was accounted for in previous year only when the sales exceeded the threshold which happened in second half of the year. On a prudence basis, the Group decided to include the turnover rent on a monthly basis as the turnover of the stores are again fully expected to exceed the threshold this year; and (iii) the increased payment of turnover rent for the performance related lease agreements.

On a same store basis rental cost increased by 9.4% against 13.3% of SSS growth indicating continuous operating leverage.

As a percentage to GSP, rental cost ratio decreased marginally to 3.8% from 3.9% 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; (d) general administrative expenses; and (e) city development and educational surcharge increased substantially by RMB93.1 million or 29.0% to RMB413.9 million due to (i) the inclusion of other operating expenses for the 5 new stores opened in the second half of the year 2010; (ii) increase of utilities cost in selected cities due to the tariff hike; and (iii) the inclusion of the non comparable educational and city development surcharge and the property tax for Suntran shopping mall.

On a same store basis other operating expenses increased by 15.5% against 13.3% of SSS growth primarily due to the non comparable city development and educational surcharge, excluding which other operating expenses only increase by 4.7% indicating continuous operating leverage.

As a percentage to GSP, other operating expenses ratio increased marginally to 5.1% from 4.7% recorded in the same period of last year.

Profit from Operations

Profit from operations rose to RMB808.0 million, an increase of RMB73.7 million or 10.0%. As a percentage to GSP, the profit from operations margin declined marginally to 9.9% from 10.7% recorded in the same period of last year.

Finance Costs, net

For 1H2011, the Group incurred total interest expenses of RMB154.4 million, a reduction of 2.3% compared to the same period of last year despite higher debts outstanding due to lower effective borrowing interest rate after the refinancing completed in December 2010. Interest incomes increased substantially to RMB147.8 million or 35.8% for 1H2011 due to higher interest earned from fixed deposits and investment deposits. In line with the aforesaid, the net finance costs decreased substantially by 86.7% to RMB6.5 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 RMB148,000 from RMB173,000 recorded in the same period of last year due to reduction of management income received.

Profit Before Tax

Due to the aforesaid reasons, profit before tax increased by 17.0% to RMB801.7 million. As a percentage to GSP, profit before tax ratio for 1H2011 decreased marginally to 9.8% compared to 10.0% recorded in the same period of last year.

Income Tax

The Group’s income tax expense increased by RMB37.0 million or 22.6% to RMB200.5 million due to (i) the increase of profit before tax; (ii) the expiry of preferential tax rate for selected stores; and (iii) the increased losses of new stores.

Due to the aforesaid reasons, the effective tax rate increased to 25.0% compared to 23.9%, recorded in the same period of last year.

Net Profit for the period

The net profit for 1H2011 surged to RMB601.1 million, an increase of RMB79.3 million or 15.2%.

As a percentage to GSP, the net profit margin declined marginally to 7.4% from 7.6% recorded in the same period of last year.

Profit Attributable to the Group

Profit attributable to the Group increased to RMB584.8 million, an increase of RMB79.8 million or 15.8%.

Liquidity and Financial Resources

The cash and cash equivalents balance of the Group stood at RMB1,244.9 million as at the end of June 2011, representing a reduction of 46.4% from the balance of RMB2,323.3 million recorded as at the end of December 2010. The decrease was mainly due to the (i) increase in investment in short term principal guaranteed deposits of RMB482.0 million; (ii) increase in time deposits of RMB77.8 million; (iii) payment of dividends of approximately RMB279.5 million to the shareholders of the Company and payment of dividends of approximately RMB8.8 million to the minority shareholders of the Group's subsidiaries; (iv) an investment of RMB30.4 million in available for sales listed securities; and (v) repayment of RMB63.0 million on interest bearing bank loans. The reduction was however partly offset by the cash inflow of RMB38.9 million from the operating activities.

Cash and cash equivalents and deposits with licensed banks (combination of cash and cash equivalents, time deposits and the investment in short term principal guaranteed deposits) balance as at the end of the period was RMB4,719.5 million, a decline of 9.9% compared to the end of December 2010.

After deducting the held to maturity investment against the correspondence back to back senior guaranteed notes due in November 2011, total debt (interest bearing bank loans and borrowings) to total asset ratio of the Group was 26.6% as at 30 June 2011.

Current Assets and Net Assets

The Group's current assets as at 30 June 2011 were approximately RMB6,707.0 million. Net asset of the Group as at 30 June 2011 rose to RMB4,931.6 million, an increase of RMB342.5 million or 7.5% over the balance as at 31 December 2010.

Pledge of Assets

As at 30 June 2011, an onshore deposit of approximately RMB1,302.0 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 2011.

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 2011.

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 2011.

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 2011. 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 2011 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 staff for their hard work and dedication. I would also like to thank the shareholders and business associates for their strong support to the Group.

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

19 August 2011

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