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 2006

HIGHLIGHTS

Total gross sales proceeds, increased to RMB2,671.8 million, an increase of 102.4% and 18.8% over the Reported numbers and Proforma numbers respectively for the corresponding period in 2005.

Comparative store sales growth[1] from the Proforma numbers remains strong at 17.0%.

Total operating revenues for the six months ended 30 June 2006 improved to RMB942.5 million, an increase of 86.7% and 18.6% over the Reported numbers and Proforma numbers respectively for the same period in 2005.

Profit from operations for the six months ended 30 June 2006 increased to RMB304.1 million, an increase of 81.9% and 38.4% over the Reported numbers and Proforma numbers respectively for the same period in 2005.

Net profit attributable to the Group for the six months ended 30 June 2006 increased to RMB196.2 million, an increase of 84.2% and 44.7% over the Reported numbers and Proforma numbers respectively for the same period in 2005.

Earnings per share for the period was RMB0.36.

Interim dividend of RMB0.15 per share.

(1) Year on year percentage change in total gross sales proceeds for stores in operation throughout the first half of the current year and the immediate preceding year.

INTERIM RESULTS

The Board of Directors of Parkson Retail Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company, its subsidiaries, jointly-controlled entities and an associate (the "Group") for the six months ended 30 June 2006 with comparative figures for the corresponding period in the year 2005 (the "Reported numbers").

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For six months ended 30 June 2006 Unaudited *RMB'000*	2005 Reported *RMB'000*
Revenues		853,089	470,969
Other operating revenues		89,448	33,993
Total operating revenues	3	942,537	504,962
Operating expenses			
Purchase of goods and changes in inventories		(284,712)	(154,613)
Staff costs		(86,897)	(45,194)
Depreciation and amortisation		(39,282)	(28,982)
Rental expenses		(98,379)	(35,334)
Other operating expenses		(129,191)	(73,648)
Total operating expenses		(638,461)	(337,771)
Profit from operations		304,076	167,191
Finance income, net	4	21,784	3,867
Share of profit from an associate		259	231
Profit from operations before income tax		326,119	171,289
Income tax	5	(103,150)	(55,818)
Net profit for the period		222,969	115,471
Attributable to:			
Equity holders of the parent		196,207	106,511
Minority interests		26,762	8,960
		222,969	115,471
Earnings per share - Basic	6	0.36	0.24
Proposed interim dividend per share		0.15	—

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2006 Unaudited *RMB'000*	As at 31 December 2005 Reported *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	560,367	581,535
Intangible assets	81,864	82,191
Lease prepayments	47,643	49,066
Investment properties	16,728	17,394
Investment in an associate	1,935	2,120
Investment deposits	210,031	—
Other financial assets	68,589	72,629
Deferred tax assets	34,945	32,789
	1,022,102	837,724
CURRENT ASSETS		
Inventories	71,172	80,938
Trade receivables	18,568	16,737
Investments	—	1,842
Prepayments, deposits and other receivables	211,422	233,250
Cash and cash equivalents	1,718,008	2,080,407
	2,019,170	2,413,174
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	(132,701)	(154,856)
Trade payables	(460,385)	(569,003)
Customers' deposits, other payables and accruals	(282,640)	(355,448)
Tax payable	(62,289)	(94,629)
	(938,015)	(1,173,936)
NET CURRENT ASSETS	1,081,155	1,239,238
TOTAL ASSETS LESS CURRENT LIABILITIES	2,103,257	2,076,962
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	(69,833)	(79,446)
Long term payables	(79,321)	(77,895)
Deferred tax liabilities	(48,280)	(46,295)
	(197,434)	(203,636)
NET ASSETS	1,905,823	1,873,326
Represented by:		
OWNER'S EQUITY	1,823,445	1,780,880
MINORITY INTERESTS	82,378	92,446
TOTAL EQUITY	1,905,823	1,873,326

SUPPLEMENTAL INFORMATION

The Unaudited Proforma Balance for the period ended 30 June 2005 (the "Proforma numbers") have been extracted from the Company's prospectus for Initial Public Offering ("IPO") dated 17 November 2005, which has been prepared by the directors solely for illustrative purpose to provide information on how the acquisitions in the year 2005 which took place before the completion of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") might have affected the performance and financial position of the Group assuming the acquisitions were completed on 1 January 2004.

		For six months ended 30 June	
	Notes	**2006 Unaudited** *RMB'000*	**2005 Unaudited Proforma Balance** *RMB'000*
Revenues		853,089	736,837
Other operating revenues		89,448	58,136
Total operating revenues	3	942,537	794,973
Operating Expenses			
Purchase of goods and changes in inventories		(284,712)	(262,340)
Staff costs		(86,897)	(71,724)
Depreciation and amortisation		(39,282)	(37,874)
Rental expenses		(98,379)	(78,564)
Other operating expenses		(129,191)	(124,726)
Total operating expenses		(638,461)	(575,228)
Profit from operations		304,076	219,745
Finance income net	4	21,784	5,965
Share of profit from an associate		259	231
Profit from operations before income tax		326,119	225,941
Income tax	5	(103,150)	(69,960)
Net profit for the period		222,969	155,981
Attributable to:			
Equity holders of the parent		196,207	135,552
Minority interests		26,762	20,429
		222,969	155,981
Earnings per share - Basic	6	0.36	N/A
Proposed interim dividend per share		0.15	N/A

NOTES

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands with limited liability on 3 August 2005. The Company's ultimate holding company is Lion Diversified Holdings Berhad ("LDHB"), a company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

The Company acts as an investment holding company. The principal activities of its subsidiaries are the operation of department store business in the People's Republic of China ("PRC"). Pursuant to a reorganisation exercise to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group since 9 November 2005. Details of the reorganisation exercise are set out in the prospectus issued by the Company dated 17 November 2005. Dealing of the shares of the Company on the Stock Exchange commenced on 30 November 2005.

Basis of preparation

The interim condensed consolidated financial report for the six months ended 30 June 2006 (the "Interim Financial Report") has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

The Interim Financial Report does 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 2005 and the audited financial information for the six months ended 30 June 2005 which was set out in Appendix I to the Company's prospectus dated 17 November 2005.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except for the adoption of the following amendments mandatory for annual periods beginning on or after 1 January 2006.

IAS 39 Financial Instruments: Recognition and Mcasurement ("IAS 39") Amendment — Financial guarantee contracts — which has amended the scope of IAS 39 to include financial guarantee contracts issued. The amendment addresses the treatment of financial guarantee contracts by the issuer;

IAS 39 Amendment — Hedges of forecast intergroup transactions — which has amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the financial statements; and

IAS 39 Amendment — Fair value option — which restricts the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss.

2. GROSS SALES PROCEEDS

	For six months ended 30 June 2006 Unaudited RMB'000	2005 Reported RMB'000	2005 Unaudited Proforma Balance RMB'000
Direct Sales	340,688	186,609	307,503
Concessionaire Sales	2,171,181	1,039,346	1,819,966
Total merchandise sales	2,511,869	1,225,955	2,127,469
Others (including consultancy and management services, rental income and other operating revenues)	159,897	94,251	122,096
Total gross sales proceeds	2,671,766	1,320,206	2,249,565

3. REVENUES AND SEGMENT INFORMATION

	For six months ended 30 June 2006 Unaudited RMB'000	2005 Reported RMB'000	2005 Unaudited Proforma Balance RMB'000
Sales of goods — direct sales	340,688	186,609	307,503
Commissions from concessionaire sales	441,952	224,102	365,374
Rental income	48,199	30,543	39,446
Consultancy and management service fees	22,250	29,715	24,514
Other operating revenues	89,448	33,993	58,136
	942,537	504,962	794,973

Revenues are recognised to the extent that it is probable that the economic benefits of a transaction will flow to the Group. Revenues are categorised to include the sales of goods - direct sales, the commissions from concessionaire sales, the consultancy and management service fees, the rental income and the other operating revenues.

Over 90% of the Group's revenues and contribution to operating profit is attributable to the operation and management of department stores in the PRC. Accordingly, no analysis of segment information is presented.

Note: Other operating revenues

	For six months ended 30 June	
	2006	**2005**
	Unaudited	**Reported**
	RMB'000	*RMB'000*
Promotion income	20,328	7,516
Administration & credit card handling fees	33,431	11,466
Government grant	10,136	1,977
Others	25,553	13,034
	89,448	33,993

4. FINANCE INCOME, NET

	For six months ended 30 June	
	2006	**2005**
	Unaudited	**Reported**
	RMB'000	*RMB'000*
Interest expenses	(5,544)	(2,346)
Interest income	27,428	6,259
Exchange losses	(100)	(46)
	21,784	3,867

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.

Under the relevant PRC income tax law, except for certain preferential treatment available to certain PRC subsidiaries and jointly-controlled entities of the Group, the PRC companies of the Group are subject to corporate income tax at a rate of 33% on their respective taxable income.

An analysis of the provision for tax is as follows:

	For six months ended 30 June	
	2006	**2005**
	Unaudited	**Reported**
	RMB'000	*RMB'000*
Current income tax	103,321	56,167
Deferred income tax	(171)	(349)
	103,150	55,818

6. EARNINGS PER SHARE

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

The calculation of basic earnings per share for the six months ended 30 June 2005 is based on the net profit attributable to equity holders of the parent for the period of approximately RMB106,511,000 and the assumption that the 441,600,000 shares issued to the parent company pursuant to the group reorganisation in preparation for the Company's public offering had been in issue throughout the six months ended 30 June 2005.

Diluted earnings per share amounts for the six months ended 30 June 2006 and 2005 have not been disclosed because no diluting events existed during the two periods.

INTERIM DIVIDEND

The Board of Directors has declared the payment of interim dividend for the six months ended 30 June 2006 of RMB0.15 (2005:Nil) 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 the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 5 September 2006.

The dividends will be payable on or about 18 September 2006 to shareholders whose names appear on the Register of Members of the Company at close of business on 5 September 2006.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 30 August 2006 to 5 September 2006 (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 no later than 4:30 p.m. on 29 August 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

The PRC economy continued to record impressive growth. The gross domestic product ("GDP") expanded by approximately 9.9% for the year 2005 and 10.9% for the first half of the year 2006. In line with the strong economy growth, the retail industry grew solidly for the corresponding periods on the back of the rising personal disposable incomes. Urbanisation continued to improve, middle class has reached a critical mass demographic changes and consumers becoming increasingly affluent are the key factors contributing to the unleash of the spending power of the middle class PRC consumers and supporting the retail industry growth. Parkson is a brand name synonymous to lifestyle and fashion in the PRC market and with such strong brand equity, the Group is well positioned to capitalise on the booming middle to middle-upper end consumer market.

During the period under review, the Group achieved a strong double digit comparative store sales growth of 17.0% through attractive promotional campaigns to improve traffic flow and consistently varying the merchandise mix and upgrading the brand mix to more accurately target the intended customers in this diverse and fast growing market.

Both the concessionaire sales and direct sales showed strong consistent growth of 108.9% and 82.6% respectively. In particular, the concessionaire sales, which accounted for approximately 86.4% of the total sales proceeds (comprises direct sales and concessionaire sales only) as the maturing younger stores enable the Group to increase the sales of higher value merchandises on a concessionaire basis.

The Group further consolidated its position as one of the leading department store operators in the PRC by signing three new lease agreements to add a total of approximately 60,000 square meter of retailing space to our existing portfolio. The Group has also entered into an agreement to acquire the 44.0% minority stake of Parkson Retail Development Co., Ltd. ("Beijing Parkson"), a jointly controlled entity that owns and operates six Parkson brand department stores in five different cities in the PRC. This acquisition was successfully completed in the month of July 2006 and it will immediately enhance the Group's performance. The Group can account for 100% performance of Beijing Parkson starting from 1 July 2006.

Prospect

The PRC has been one of the world's fastest growing economies over the past decade. According to the China statistical yearbook 2005, the GDP grew at a compounded growth rate of more than 11.3% per annum over the past decade to reach RMB18.3 trillion in the year 2005. The economy expanded by another 10.9% for the first half of this year, in line with the strong GDP growth, the retail industry was up 13.3% for the same period in 2006. Encouraged by the robust growth and the Group's own strong performances in the first half of this year, we are confident that the year 2006 will be another great year for the Group.

The Group will remain firmly focused in the department store business in the PRC, the Group will continue to maintain a strong growth and further consolidate our position as one of the leading department store operators through multiple strategies including i) leveraging on our proven business model to maintain a double-digit comparative stores sales growth ii) finding new sites to open new stores ii) pursuing the acquisition of the minority interests of the existing stores and controlling stakes of the existing managed stores and iv) exploring the opportunity for other acquisition that meet our strategic initiatives and return on capital requirements.

Going forwards, the Group is committed to further strengthen and reinforce our management and to up hold the best corporate governance practice to maximise returns to our shareholders.

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 worth RMB2,671.8 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 102.4% or RMB1,351.6 million from the Reported numbers of RMB1,320.2 million recorded in the same period of last year as a result of the strong comparative store sales growth and sales contribution from the stores opened and acquired in the second half of the year 2005. Commission rate of concessionaire sales declined marginally to 20.4% due to the lower commission rate from the new stores opened and stores acquired in the second half of the year 2005.

Total gross sales proceeds increased by RMB422.2 million or 18.8% from the Proforma numbers for the same period of last year due to the strong comparative store sales growth of approximately 17.0% and full 6 months contribution from new stores opened last year. Commission rate of concessionaire sales improved by 0.3% from the Proforma numbers due to the maturing younger stores acquired in the second half of the year 2005.

The Group generated total merchandise sales of approximately RMB2,511.9 million during the period under discussion. The concessionaire sales contributed approximately 86.4% of the merchandise sales and the direct sales contributed the balance of 13.6%.

The Fashion & Apparel category made up approximately 49.7% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 28.7%. The Household & Electrical category and the Groceries & Perishables category contributed 9.1% and 12.5% respectively.

Total operating revenues of the Group for the period under review grew by RMB437.6 million to RMB942.5 million or 86.7% from the Reported numbers in the same period of last year. The impressive growth rate was contributed by the strong comparative store sales growth offsetting the of marginal decline of commission rate of concessionaire sales and the decline of the consultancy and management service fees from lesser managed stores after the acquisitions of the managed stores in the second half of the year 2005.

Total operating revenues increased by RMB147.6 million or 18.6% from the Proforma numbers for the same period last year due to the strong comparative store sales growth and a higher commission rate of concessionaire sales, despite partly offset by the slower rate of increase for direct sales and marginal decline of consultancy and management service fees.

Operating Expenses

Purchase of goods and changes in inventories

The purchase of goods and changes in inventories refer to mainly the cost of sales for the direct sales and a marginal portion of RMB170,000 computer software purchase cost in relation to the information technology services provided to our department stores. In line with the increase of direct sales, the cost of sales increased to RMB284.7 million, an increase of RMB130.1 million or 84.1% from the Reported numbers in the same period of last year. The direct sales gross profit margin of 16.5% decreased marginally by 1.8% from the reported numbers due to the lower gross profit margin from the new stores opened and stores acquired in the second half of the year 2005. The gross profit margin for the period under discussion increased by 1.2% from the Proforma numbers of 15.3% recorded in the same period of last year.

Staff costs

Staff costs increased by RMB41.7 million or 92.3% to RMB86.9 million, the increase was contributed by i) the inclusion of staff costs for new stores opened and stores acquired in the second half of the year 2005, ii) the increase in staff force for the store design department and business development department in line with the business expansion plans and iii) the additional provision for the incentives in line with the increase of revenues and net profit for the period under discussion.

As a percentage to total operating revenues, the staff cost increased marginally from the Reported numbers of 8.9% and from the Proforma numbers of 9.0% for the same period of last year to 9.2% for the period under discussion due to additional staff force for the store design department and business development department and additional provision for incentive payments in line with the increase of revenues and net profit for the period under disucssion.

Depreciation and amortisation

Depreciation and amortisation for the period ended 30 June 2006 increased by RMB10.3 million or 35.5% to RMB39.3 million from the Reported numbers of RMB29.0 million for the same period of last year. The increase was contributed by the inclusion of depreciation cost for the new stores opened and the stores acquired in the second half of the year 2005.

As a percentage to total operating revenues, depreciation and amortisation cost dropped to 4.2% from the Reported numbers of 5.7% and from the Proforma numbers of 4.8% in the same period of last year. The drop is in line with the increase in comparative store operating revenues growth and operating revenues contribution from new stores opened and stores acquired in the year 2005 which are all on long leases and have no building cost and land use rights subject to depreciation and amortisation.

Rental expenses

Rental expenses for the period ended 30 June 2006 increased by 178% to RMB98.4 million from the Reported numbers for the same period of last year. The increase was mainly due to the inclusion of the rental cost for the new stores opened and the stores acquired in the second half of the year 2005.

The rental cost increased by 25.2% to RMB98.4 million from the Proforma numbers of RMB78.6 million in the same period of last year. The increase was due to the inclusion of full 6 months rental expenses for Haerbin store opened in May 2005 and also inclusion of full 6 months rental expenses for Sichuan store opened in November 2005. The increase was also partly due to the payment of contingent rent for stores that have exceeded the target sales or profit stipulated in the lease agreements.

As a percentage to total operating revenues, the rental expenses rose to 10.4%, moved up 3.4% from the Reported numbers in the same period of last year due to i) there are now more stores on operating leases, 19 out of 23 self-owned stores compared to 6 out of 10 self-owned stores that contributed to the Group's performance for the same period of last year and ii) the payment of contingent rent for stores that have exceeded the target sales or profit stipulated in the lease agreements.

The ratio increased marginally by 0.5% from 9.9% Proforma numbers in the same period of last year. The increase was mainly due to the additional payment of contingent rents for stores that have exceeded the target sales or profit stipulated in the lease agreements.

Other operating expenses

Other operating expenses, which consist of mainly the utilities cost, marketing and promotional cost, property management cost, general administrative cost and others, increased to RMB129.2 million, moved up 75.4% from the Reported numbers and 3.6% from the Proforma numbers for the same period of last year. This is generally in line with the increase in operating revenues.

As a percentage to total operating revenues, other operating expenses ratio was 13.7%, reduced by 0.9% from 14.6% Reported numbers in the same period of last year and reduced by 2.0% from the Proforma numbers due to benefits from the economies of scale and the slower pace of increase of the expenses compared to the increase of operating revenues.

Profit from operations

Profit from operations for the period ended 30 June 2006 increased to RMB304.1 million, an improvement of 81.9% from the Reported numbers and 38.4% from the Proforma numbers for the same period of last year in line with the growth of operating revenues.

Profit from operations as a percentage to total operating revenues for the period ended 30 June 2006 was 32.3%, came down marginally by 0.8% from Reported numbers in the same period of last year due to the inclusion of performances from new stores opened and stores acquired in the second half of the year 2005. In comparison to the Proforma numbers, profit from operations as a percentage to operating revenues improved by 4.7% due to the growth of operating revenues and the improved operating efficiency of the maturing younger stores.

Finance income

Finance income, which comprises of interest income, foreign currency exchange gain/(losses) and net of interest expenses increased to RMB21.8 million, an increase of 463.4% from the Reported numbers for the same period of last year due to the increased interest incomes from the placement of deposit with licensed banks in Hong Kong and the PRC.

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 grew from RMB231,000 reported last year to RMB259,000 for the period under discussion, an increase of 12.1%.

Income tax

The Group's income tax expense for the period ended 30 June 2006 increased by RMB47.3 million or 84.8% in line with the increase in profit from operations. The increase of income tax expense was however partly offset by the lower effective tax rate of 31.6%, a decline of

1.0% from 32.6% reported in the same period of last year due to the inclusion of higher portion of non taxable interest income and the inclusion of profit from the stores with preferential tax rate such as the Chonqing Wanzhou store, the Chongqing Nanping store, the Hefei store and the Guizhou store.

Net profit for the period

In line with the increase in revenues, the net profit for the period ended 30 June 2006 increased to RMB223.0 million, an improvement of 93.1%. The net profit margin improved to 23.7% from 22.9% Reported numbers for the same period of last year due to the lower effective tax rate, growth in operating revenues and improved operating efficiency.

The net profit improved by 4.1% from the Proforma numbers in the same period of last year. The net profit margin improved to 23.7% from the Proforma numbers of 19.6% for the corresponding period in the year 2005 due to the improved operating efficiency and the increase of operating revenues, in particular the new stores opened in the year 2005 and the maturing younger stores.

Profit attributable to the Company

Profit attributable to the Company for the period ended 30 June 2006 increased to RMB196.2 million, an increase of 84.2% from the Reported numbers for the same period of last year. This is in line with the increase in operating revenues and the profit from operations.

Profit attributable to the Company rose by 44.7% from Proforma numbers of RMB135.6 million for the same period of last year, this is in line with the increase in operating revenues and profit from operations.

Profit attributable to minority interests

Profit attributable to minority interests increased by RMB17.8 million or 198.7% from the Reported numbers for the same period last year due to the increase of net profit for the year and the inclusion of profits from stores with higher percentage of minority interest acquired in the year 2005.

Liquidity and financial resources

The cash and cash equivalents balance of the Group stood at RMB1,718.0 million as at the end of June 2006, representing a reduction of 17.4% from the balance of RMB2,080.4 million recorded as at the end of December 2005. The reduction was mainly due to the payment of dividends of approximately RMB143.5 million to the shareholders of the Company and payment of approximately RMB210.0 million deposits for the acquisition of Beijing Parkson, offsetting the positive cash flow of approximately RMB58.0 million generated from the operating activities. The Group was at net cash position of RMB1,515.5 million after netting off the interest bearing loans and borrowings of approximately RMB202.5 million. Total debt to equity ratio of the Group expressed as a percentage of interest bearing loans and bank borrowings over the total equity of RMB1,905.8 million were 10.6% as at 30 June 2006.

Net current assets and net asset

The Group's net current assets as at 30 June 2006 was approximately RMB1,081.2 million, a decrease of 12.8% or RMB158.0 million from the balance of RMB1,239.2 million recorded as at 31 December 2005 . Net asset rose to RMB1,905.8 million, an increase of RMB32.5 million or 1.7% over the balance as at 31 December 2005. The increase was due to the net profit contribution for the six months ended 30 June 2006 after offsetting the dividends paid during the same period.

Pledge of assets

As at 30 June 2006, certain of the Group's property, plant and equipment with an aggregated carrying value of RMB57.2 million, lease prepayments with an aggregated carrying value of RMB9.5 million and certain of the Group's investment properties with an aggregate carrying value of RMB4.1 million were pledged to the banks to secure general banking facilities of the Group.

Employees

As at the end of June 2006, total number of employees for the Group was approximately 5,000. 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.

No option has been granted since the date of adoption of of the employee share option scheme by the Company on 9 November 2005.

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 shares during the six months ended 30 June 2006.

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 2006

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 2006.

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 has reviewed the Group's results for the six months ended 30 June 2006. The Committee comprises the three independent non-executive directors of the Company.

Publication of Interim Results on the Website of the Stock Exchange

This announcement will be published on the website of the Stock Exchange. The interim report for the six months ended 30 June 2006 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

Acknowledgement

I would like to thank the Board, management and all our staff for their hard works and dedication. I would also like to thank the shareholders and our 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 directors is Tan Sri Cheng Heng Jem and the independent non executive directors are Mr. Fong Ching, Eddy, Mr. Studer Werner Josef and Mr. Ko Tak Fai, Desmond.

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

Hong Kong, 14 August 2006

Please also refer to the published version of this announcement in South China Morning Post.