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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 2009

HIGHLIGHTS

Total gross sales proceeds (“GSP”) improved to RMB6,103.9 million, an increase of 17.0%.

Same store sales (“SSS”) ⁽¹⁾ growth was 6.9%.

Total operating revenues improved to RMB1,952.7 million, an increase of 11.2%.

Profit from operations improved to RMB677.8 million, an increase of 14.1%.

Net profit attributable to the Group for the period improved to RMB462.1 million, an increase of 12.2%.

Earnings per share was RMB0.166.

Interim dividends of approximately RMB141.0 million or RMB0.050 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 2009

The Board of Directors of Parkson Retail Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 with comparative figures for the corresponding period in the year 2008. 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

	<i>Notes</i>	For the six months ended	
		30 June	
		2009	2008
		<i>Unaudited</i>	<i>Unaudited</i>
		<i>RMB'000</i>	<i>RMB'000</i>
Revenues	4	1,721,874	1,557,162
Other operating revenues	4	230,866	199,541
Total operating revenues		1,952,740	1,756,703
Operating expenses			
Purchases of goods and changes in inventories		(542,717)	(496,305)
Staff costs		(137,359)	(146,164)
Depreciation and amortisation		(81,746)	(74,603)
Rental expenses		(231,333)	(177,171)
Other operating expenses		(281,751)	(268,607)
Total operating expenses		(1,274,906)	(1,162,850)
Profit from operations	5	677,834	593,853
Finance costs, net	6	(52,153)	(35,002)
Share of profit from an associate		441	55
Profit from operations before income tax		626,122	558,906
Income tax	7	(150,267)	(126,707)
Net profit for the period		475,855	432,199
Attributable to:			
Equity holders of the parent		462,145	411,798
Minority interests		13,710	20,401
		475,855	432,199
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.166	RMB0.148
Diluted		RMB0.166	RMB0.147

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six-month period ended 30 June	
	2009	2008
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	475,855	432,199
Net (loss)/gain on cash flow hedges	(122,329)	32,815
Exchange differences on translation of foreign operations	<u>204</u>	<u>(15,371)</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(122,125)</u>	<u>17,444</u>
Total comprehensive income for the period, net of tax	<u>353,730</u>	<u>449,643</u>
Attributable to:		
Equity holders of the parent	340,020	429,242
Minority interests	<u>13,710</u>	<u>20,401</u>
	<u>353,730</u>	<u>449,643</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2009	As at 31 December 2008
		<i>Unaudited</i>	<i>Audited</i>
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,276,086	1,306,004
Investment properties		214,208	216,840
Lease prepayments		403,850	409,390
Intangible assets		2,101,669	2,101,998
Investment in an associate		2,116	2,500
Other assets		769,005	106,137
Held-to-maturity investments, unlisted		1,366,380	1,366,920
Deferred tax assets		42,598	41,902
Total non-current assets		6,175,912	5,551,691
CURRENT ASSETS			
Inventories		174,374	187,890
Trade receivables	10	23,364	20,959
Prepayments, deposits and other receivables		424,883	424,562
Investment in principal guaranteed deposits		272,570	617,540
Cash and short-term deposits		2,695,651	3,031,474
Total current assets		3,590,842	4,282,425
CURRENT LIABILITIES			
Trade payables	11	(1,073,472)	(1,325,758)
Customers' deposits, other payables and accruals		(975,773)	(991,452)
Tax payable		(65,518)	(91,183)
Total current liabilities		(2,114,763)	(2,408,393)
NET CURRENT ASSETS		1,476,079	1,874,032
TOTAL ASSETS LESS CURRENT LIABILITIES		7,651,991	7,425,723

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2009 <i>Unaudited</i> <i>RMB'000</i>	As at 31 December 2008 <i>Audited</i> <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	(1,303,000)	(1,333,000)
Long term payables	(100,705)	(97,236)
Deferred tax liabilities	(245,739)	(246,186)
Senior guaranteed notes due November 2011	(1,350,706)	(1,348,302)
Senior guaranteed notes due May 2012	(843,893)	(842,605)
Derivative financial instruments designated as hedging instruments	(153,756)	(31,089)
Total non-current liabilities	(3,997,799)	(3,898,418)
NET ASSETS	3,654,192	3,527,305
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	58,236	58,133
Reserves	3,528,500	3,388,529
	3,586,736	3,446,662
Minority interests	67,456	80,643
TOTAL EQUITY	3,654,192	3,527,305

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 its subsidiaries 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 2009 (the "Financial Statements") have been prepared in accordance with the International Financial Reporting Standards 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

3. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	651,203	602,170
Concessionaire sales	5,131,008	4,328,770
Total merchandise sales	<u>5,782,211</u>	<u>4,930,940</u>
Others (including consultancy and management service fees, rental income and other operating revenues)	<u>321,721</u>	<u>286,771</u>
Total gross sales proceeds	<u><u>6,103,932</u></u>	<u><u>5,217,711</u></u>

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2009	2008
	Unaudited RMB'000	Unaudited RMB'000
Sales of goods – direct sales	651,203	602,170
Commissions from concessionaire sales	979,816	867,762
Rental income	77,906	71,580
Consultancy and management service fees	12,949	15,650
Other operating revenues	230,866	199,541
Total operating revenues	1,952,740	1,756,703

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 revenue 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

	Note	For the six months ended 30 June	
		2009	2008
		Unaudited RMB'000	Unaudited RMB'000
Promotion income		39,921	44,959
Administration and credit card handling fees		103,840	87,792
Government grants	(i)	18,533	8,622
Other incomes		68,572	58,168
		230,866	199,541

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:	
	2009	2008
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories recognised as expenses	542,717	496,305
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	87,689	107,204
Pension scheme contributions	15,410	13,677
Social welfare and other costs	32,851	23,013
	<u>135,950</u>	<u>143,894</u>
Director's remuneration	1,409	2,270
	<u>137,359</u>	<u>146,164</u>
Depreciation and amortisation	81,746	74,603
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	140,569	127,932
Contingent lease payments *	90,764	49,239
	<u>231,333</u>	<u>177,171</u>
Loss on disposal of items of property, plant and equipment	1,326	383
Auditors' remuneration	1,334	1,750
Allowance for doubtful debts	-	(2,770)
Gross rental income in respect of investment properties	(10,188)	(10,642)
Sub-letting of properties:		
Minimum lease payments	(29,819)	(28,768)
Contingent lease payments *	(37,899)	(32,170)
	<u>(67,718)</u>	<u>(60,938)</u>
Total gross rental income	<u>(77,906)</u>	<u>(71,580)</u>
Foreign exchange differences, net	<u>151</u>	<u>2,309</u>

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	
	2009	2008
	Unaudited RMB'000	Unaudited RMB'000
Interest expenses on bank and other loans, wholly repayable within five years	(159,698)	(165,727)
Interest income	107,545	130,725
	<u>(52,153)</u>	<u>(35,002)</u>

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	
	2009	2008
	Unaudited RMB'000	Unaudited RMB'000
Current income tax	151,410	132,443
Deferred income tax	(1,143)	(5,736)
	<u>150,267</u>	<u>126,707</u>

8. EARNINGS PER SHARE

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 that period of approximately RMB462.1 million and the weighted average number of 2,790,807,955 shares in issue during that period.

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the net profit attributable to equity shareholders of the Company for the period of approximately RMB411.8 million and the weighted average number of 2,786,880,315 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.

9. INTERIM DIVIDENDS

The Board of Directors approved the payment of interim dividends for the six months ended 30 June 2009 of RMB0.050 (2008:RMB0.060 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 October 2009.

The interim dividends will be payable on or about 30 November 2009 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 30 October 2009.

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 2009	31 December 2008
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	4,216	12,360
3 to 12 months	11,703	1,722
Over 1 year	7,445	6,877
	<u>23,364</u>	<u>20,959</u>

Included in the balance are trade receivables from jointly-controlled entities of RMB951,000 (31 December 2008: RMB517,000) and fellow subsidiaries of RMB10,874,000 (31 December 2008: RMB9,488,000) 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 2009	31 December 2008
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	983,650	1,259,753
3 to 12 months	64,878	51,806
Over 1 year	24,944	14,199
	<u>1,073,472</u>	<u>1,325,758</u>

12. CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 27 October 2009 to 30 October 2009 (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 October 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The world economy went through a roller costal ride in the past twelve months from the fear of a collapse to the optimism of a recovery. This is evidenced by the surging stock prices, increasing commodity prices, buoyant property markets in selected economies and improving business and consumer sentiment. Such a remarkable turnaround is largely due to the concerted efforts from the government of the leading economies to introduce aggressive monetary policy and fiscal stimulus packages to stabilise the financial market and to stimulate the economies.

Most of the major economies are still reporting Gross Domestic Product (“GDP”) contraction, however, the pace of the contraction appeared to be narrowing and increasing number of economists are predicting improved economic performance going forward. The PRC economy is arguably the best performing economy amongst the major economies, with a reported GDP growth of 7.1% in the first half of the year 2009 fueled by steady growth in the domestic consumption market and sharp increase in the infrastructures spending and fixed asset investments.

The export sector, one of the main pillars of the PRC economy and the key driver to the PRC economic growth in the past three decades has suffered sharp contraction since the financial crisis due to the slow down of demand from the major export markets. In anticipation thereof, the PRC government speeds up its relentless efforts to drive the growth on the other sectors of its economy in order to achieve its targeted 8% GDP growth for the year 2009. In that respect, the PRC government implemented various monetary policies and fiscal stimulus packages to drive domestic consumption and stimulate the economy. Monetary policies such as the reduction of bank reserve ratio, easy credit and interest rate cut were implemented to spur consumption and fixed asset investments. Fiscal stimulus packages such as tax rebate, additional infrastructures spending and government subsidies were introduced to stimulate economic activities and create jobs. The effectiveness of these macro policies is apparent, the fixed asset investments increased by an astonishing 33.5% in the first half of the year 2009 while the domestic consumption expanded steadily by a nominal growth rate of 15% despite slower personal income growth during the same period.

During the period under review, the Group executed its stated business plans and strategies to capitalise on the growing retail market with satisfactory successes. The Group achieved a total GSP growth of 17.0% with a SSS growth of 6.7%. 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 slightly higher at 6.9%

The Group adopted an aggressive sales and promotional strategy in the first quarter of the year which is traditionally a peak season to achieve 21.0% growth of the total GSP and 9.0% SSS growth. However, the merchandise gross margin (combined gross margin for the concessionaire sales and direct sales) suffered a drop of 1.3% as more discounts were offered during the sales and promotional period.

In view on the recovery of the trading environment, the Group adopted a slightly different approach in the second quarter which is traditionally a low season by controlling the sales and promotion activities. In line with this strategy, the total GSP growth in second quarter dropped to 12.3% and the SSS growth dropped to 4.6%. However, the merchandise gross margin for second quarter improved sequentially by 1.7% compared to the first quarter and represented a marginal decline of 0.4% compared to the same period of last year.

The Group continued to reinvent and remodel its stores to further enhance the stores image and to improve productivity from the more efficient use of the available floor space. In this respect, the ground floor of Taiyuan Parkson store was refurbished in preparation for the introduction of higher end cosmetic brands, the second and fourth floor of Beijing Parkson flagship store were closed in the month of May and June respectively for remodeling and were reopened for business since the third week of June. The Nanning Parkson store and Xinjiang Parkson store are the stores targeted for remodeling and reinvention 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 18.5% in the first half of the year and accounted for approximately 88.7% of the total merchandise sales and the direct sales increased by 8.1% in the first half of the year and accounted for approximately 11.3% of the total merchandise sales.

The Group continued to source for good locations in preparation of new store opening. The Group entered into a sales and purchase agreement in January this year to acquire the Suntrans shopping complex in Chaoyang District of Beijing with an intention to open a full-fledged shopping destination that include merchandise offering, entertainment and amenities services. The property is scheduled for hand over to the Group in the third quarter of this year and the Group is targeting to open the store in the first quarter of next year. During the period under review, the Group signed additional new lease agreements in preparation for the new stores opening in the year 2010. The Group will open 3 new stores in the second half of this year with Lanzhou Parkson store and Changshu Parkson store to be opened in third quarter of the year and Shijiazhuang Parkson store to be opened in the last quarter of the year.

Prospect

Most economists agreed that the worst of the economic crisis is over, however in light of the mixed economic and financial market indicators, most of them are divided as to the pace, timing and scale of recovery going forward. It is undeniable that the government spending, easy credit and increasing monetary supplies around the world have been instrumental in arresting the deepening of the crisis and avoided repeat of the great depression experienced in 1930's. While the fiscal stimulus works its way through the economic system and the financial system continue to repair itself, one should be wary that continuing loose monetary policies and heavy fiscal spending beyond the needs will create undesirable results including the excess capacity, liquidity driven asset bubble and eventually uncontrollable inflation which might force the policy makers back to the drawing board and hinder the continuing recovery of the economy. The sustainability of the economic recovery going forward will very much depend on the recovery of private consumption, private investment, reduction in unemployment rate and the continuous real income growth.

In this age of globalization, no single economic system can be isolated from the current crisis. Different economies face different level of difficulties depending on its economic structure, the productivity of its people and soundness of its financial system. Supported by its strong foreign exchange reserves, healthy financial system and productive workers, the PRC government has been able to use aggressive monetary policies and fiscal stimulus packages to avoid falling into recession and continue to achieve respectable growth. Comparatively, the PRC economy has been far more resilient than any other major economies in this world. The sustainability of its economic growth in the short term will however depend on the recovery of its export sector and the continuous growth of its domestic consumption market, while the sustainability of its economic growth on a medium to longer term will depend on the success of transforming the economy to be more domestic consumption driven and a clear and clean "exit strategy" from the loose monetary policies that have been in place since the start of the crisis.

Looking forward, the Group believes that PRC economy is in the right path of a sustainable growth. However the recovery on its growth at this stage is still relatively fragile and vulnerable to major external shocks. The road of further recovery is expected to be bumpy as the loose monetary policy and easy credit is expected to be tightened alongside the increase pace of economic recovery. In line with the improving macro outlook, the Group believes that its business growth will be stronger going forward. However the improvement on its growth will continue to be slow and gradual and the momentum will pick up on a basis of a sustainable real economic growth and in particular the real income growth.

The Group will continue to improve its existing operation and implement its expansion strategy to prepare the Group for the next growth cycle with priority on its long term growth strategy while maintaining its short term performance. The Group will maintain a balance approach on the needs to introduce innovative and timely sales and promotion to maintain its market share and the needs to control its merchandise gross margin. In line with the improving macro outlook and the increase momentum on the real economic recovery, the Group will scale down the discount activities and focus on improving the operation through better merchandise offering and continuously remodel the stores to offer improving shopping environment to its loyal customers. Cost rationalization to improve operating efficiency and achieve positive operating leverage will remain the key focus going forward as the Group strives to continue delivering positive operating margin expansion.

The Group is targeting to add on an annual basis an average of approximately 15% operating area to its portfolio through opening new stores and merger and acquisition activities. The Group will focus on cities or existing markets which it has established a presence with strong brand equity but attention will also be given to relatively affluent cities or new markets in order to further expand its network and brand image. The acquisition of the minority interests of existing subsidiaries and controlling interest of managed stores as well as opportunities for third party acquisition that meet the Group's strategic initiatives and return on capital requirements will continue to be pursued to enhance shareholders' returns. This would include the acquisition of competitor stores and the properties currently occupied by the Group's flagship stores or properties which have the potential to be developed into a flagship store.

The Group will leverage on its huge customer base from the existing Parkson Loyalty Card program for further development of customer loyalty and further enhancement of the Parkson brand equity. The Group will continue to improve its proven business model, reinvent and upgrade the stores and make necessary changes to the merchandise mix and brand mix in line with the development in each individual market where the Group operates.

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 RMB6,103.9 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 17.0% or RMB886.2 million from RMB5,217.7 million reported in the same period of last year due to (i) the SSS growth of approximately 6.7%, and (ii) the inclusion of sales performance of the new stores opened and acquisitions completed in the year 2008. The growth was however partly 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 RMB5,782.2 million. The concessionaire sales contributed approximately 88.7% and the direct sales contributed the balance of 11.3%. The Fashion & Apparel category made up approximately 47.4% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 35.5%, the Household & Electrical category contributed approximately 7.8% and the balance of approximately 9.3% came from the Groceries and Perishables category.

Both the commission rate from concessionaire sales and direct sales margin dropped by 0.9% compared to the same period of last year to 19.1% and 16.7% respectively due to the heavy sales and discount in the first quarter of the year to drive sales. Gross margin from the merchandise sales (a combination of concessionaire commission rate and the direct sales margin) also dropped marginally by 0.9% to 18.8%.

Total operating revenues of the Group for the period under review grew by RMB196.0 million to RMB1,952.7 million or 11.2% from the numbers reported in the same period of last year. The rate was lower than the growth of the total gross sales proceeds due to the lower concessionaire rate, negative growth rate for management and consultancy fees and lower growth rate for direct sales, rental incomes and the 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 RMB542.7 million, an increase of RMB46.4 million or 9.4% from RMB496.3 million recorded in the same period of last year.

Staff costs

Staff costs declined by RMB8.8 million or 6.0% to RMB137.4 million. The drop was primarily contributed by (i) the reduction of incentive payment across all level of staffs; (ii) the reduction of head count by approximately 900 compared to the same period of last year; and (iii) the reduction of bonus provision. The reduction was partly offset by the inclusion of staff costs for the new stores opened and acquisitions completed in the year 2008.

As a percentage to total operating revenues, the staff cost decreased to 7.0% from 8.3% recorded in the same period of last year.

Depreciation and Amortisation

Depreciation and amortisation increased by RMB7.1 million or 9.6% to RMB81.7 million. The increase was primarily contributed by, (i) the inclusion of depreciation and amortisation cost for the new stores opened and acquisitions completed in year 2008; and (ii) additional depreciation cost in relation to the remodeled stores.

As a percentage to total operating revenues, depreciation and amortisation cost dropped marginally to 4.2% from 4.3% recorded in the same period of last year.

Rental Expenses

Rental expenses rose by RMB54.2 million or 30.6% to RMB231.3 million, the increase was largely due to (i) the inclusion of rental cost for the new stores opened and acquisitions completed in the year 2008; (ii) straight line accounting treatment for rental cost in relation to leases for certain new stores opened and managed stores acquired last year; and (iii) the increased payment of contingent rent for the performance related lease agreements.

As a percentage to total operating revenues, the rental expenses increased to 11.9% from 10.1% recorded in the same period of last year.

Other Operating Expenses

Other operating expenses which consist of the (i) utilities cost; (ii) marketing, promotional and selling expenses; (iii) property management expenses; and (iv) general administrative expenses increased marginally by RMB13.1 million or 4.9% to RMB281.8 million due to the inclusion of other operating expenses for the new stores opened and acquisitions completed in the year 2008. The increase was however partly offset by the continuous efforts from the management to control the operating expenses.

As a percentage to operating revenues, the other operating expenses ratio decreased by 0.9% to 14.4%. Amongst the major categories of other operating expenses, the ratio for marketing, promotional and selling expenses dropped from 4.9% to 4.6% and the general administrative expenses dropped from 6.1% to 5.3%

Profit from Operations

Profit from operations rose to RMB677.8 million, an improvement of RMB84.0 million or 14.1%, which is higher than the growth of operating revenues reflecting continuous positive operating leverage. Despite a lower same store sales growth and merchandise gross margin contraction, the Group continued to enjoy operating margin expansion due to the tight operating cost control. Profit from operations as a percentage to operating revenues improved by 0.9% to 34.7%.

Finance Costs, net

For the first six months of the year, the Group incurred total interest expenses of RMB159.7 million, a reduction of 3.6% compared to the same period of last year due to additional repayment of borrowings. Interest incomes reduced to RMB107.5 million for the first six months of the year, a reduction of 17.7% due to the lower deposit rate and the reduction in cash deposit after the RMB690.0 million payment of deposit for the Suntrans shopping complex. In line with the aforesaid, the net finance costs increased by 49.0% to RMB52.2 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 increased to RMB441,000 from RMB55,000 recorded in the same period of last year due to increase of management income received.

Income Tax

The Group's income tax expense increased by RMB23.6 million or 18.6% to RMB150.3 million due to the increase of profit before income tax and the RMB5.5 million withholding tax provided in the second quarter of the year in relation to the estimated dividend distribution to the Company by the PRC subsidiaries to fund the interim dividends to be distributed to the shareholders of the Company. The effective tax rate was 24.0%, approximately 1.3% higher than the same period of last year.

Net Profit for the period

In line with the increase in operating revenues, the net profit for the six months ended 30 June 2009 increased to RMB475.9 million, an increase of RMB43.7 million or 10.1%. The net profit margin as a percentage to operating revenues declined marginally by 0.2% to 24.4% due to the higher net finance cost and higher effective tax rate.

Profit Attributable to the Group

Profit attributable to the Group increased to RMB462.1 million, an increase of RMB50.3 million or 12.2%. This is in line with the increase in operating revenues and the profit from operations.

Liquidity and Financial Resources

The cash and short-term deposits balance of the Group stood at RMB2,695.7 million as at the end of June 2009, representing a reduction of 11.1% from the balance of RMB3,031.5 million recorded as at the end of December 2008. The decrease was mainly due to the (i) deposit payment of RMB690.0 million for the acquisition of the Suntrans shopping complex; (ii) repayment of RMB30.0 million on the borrowings; and (iii) payment of dividends of approximately RMB237.8 million to the shareholders of the Company and payment of dividends of approximately RMB26.9 million to the minority shareholders of the Group's subsidiaries. The reduction was however partly offset by the cash inflow of RMB348.7 million from the operating activities.

Cash and cash equivalent (combination of cash and short-term deposits with the investment in principal guaranteed deposits) balance as at the end of the period was RMB2,968.2 million, a reduction of 18.7% compared to the end of December 2008.

After deducting the long term held to maturity investment against the correspondence back to back long term debts, total debt to shareholders equity ratio of the Group was 61.8% as at 30 June 2009.

Current Assets and Net Assets

The Group's current assets as at 30 June 2009 was approximately RMB3,590.8 million. Net asset of the Group as at 30 June 2009 rose to RMB3,654.2 million, an increase of RMB126.9 million or 3.6% over the balance as at 31 December 2008.

Pledge of Assets

As at 30 June 2009, no asset is pledged with any bank or 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 2009.

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 2009.

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 2009.

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 2009. The Committee comprises the three independent non executive directors of the Company.

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

This announcement will be published on the websites of Stock Exchange and the Company. The interim report for the six months ended 30 June 2009 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. Werner Josef Studer, Mr. Ko Tak Fai, Desmond and Mr. Yau Ming Kim, Robert.

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

Hong Kong, 22 August 2009