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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)

**UNAUDITED QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2010**

The board of Directors (the “Board”) of Parkson Retail Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries together with its jointly-controlled entities and an associate (hereinafter collectively referred to as the “Group”) for the quarter ended 31 March 2010.

The unaudited quarterly results of the Group are released in conjunction with the announcement of the quarterly results of Parkson Holdings Berhad, the holding company of the Company in Malaysia pursuant to the Bursa Malaysia Securities Berhad Main Board Listing Requirements. This announcement is made pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

HIGHLIGHTS

Gross sales proceeds for the quarter increased by 11.7% to RMB3,824.8 million.

Same Store Sales ⁽¹⁾ (“SSS”) growth was 10.8%.

Merchandise gross margin improved by 0.7% to 18.8%.

Profit from operations for the quarter increased by 7.4% to RMB392.7 million. Excluding the impact of the RMB40.0 million employee share options expense, on a comparable basis profit from operations increased by 18.4% to RMB432.7 million.

Profit attributable to our shareholders for the quarter increased by 4.4% to RMB270.1 million. Excluding the impact of the RMB40.0 million employee share options expense, on a comparable basis profit attributable to our shareholders increased by 19.9% to RMB310.1 million.

(1) Year on year change in total gross sales proceeds for stores in operation throughout the current year and the immediate preceding year after adjusting for the impacts from the change of contractual relationship with certain suppliers of jewelry products and cigarette products from concessionaire contracts or outright purchases to lease agreements

UNAUDITED CONSOLIDATED INCOME STATEMENT FOR

	Current Quarter to 31 March			Year to Date to 31 March		
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	Var (%)	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	Var (%)
Gross Sales Proceeds	3,824,843	3,424,058	11.7%	3,824,843	3,424,058	11.7%
Revenues	1,038,755	946,484	9.7%	1,038,755	946,484	9.7%
Other operating revenues	122,525	113,557	7.9%	122,525	113,557	7.9%
Total operating revenues	1,161,280	1,060,041	9.6%	1,161,280	1,060,041	9.6%
Operating expenses						
Purchases of goods and changes in inventories	302,938	308,088	(1.7%)	302,938	308,088	(1.7%)
Staff costs	117,681	72,498	62.3%	117,681	72,498	62.3%
Depreciation and amortisation	42,650	40,498	5.3%	42,650	40,498	5.3%
Rental expenses	137,102	121,210	13.1%	137,102	121,210	13.1%
Other operating expenses	168,228	152,200	10.5%	168,228	152,200	10.5%
Total operating expenses	768,599	694,494	10.7%	768,599	694,494	10.7%
Profit / (Loss) from operations	392,681	365,547	7.4%	392,681	365,547	7.4%
Finance income / (costs), net	(21,249)	(22,848)	7.0%	(21,249)	(22,848)	7.0%
Share of profit from an associate	114	289	(60.6%)	114	289	(60.6%)
Profit from operations before income tax	371,546	342,988	8.3%	371,546	342,988	8.3%
Income tax	91,635	76,158	20.3%	91,635	76,158	20.3%
Net profit for the period	279,911	266,830	4.9%	279,911	266,830	4.9%
Attributable to:						
Equity holders of the parent	270,144	258,681	4.4%	270,144	258,681	4.4%
Minority interests	9,767	8,149	19.8%	9,767	8,149	19.8%

UNAUDITED CONSOLIDATED BALANCE SHEET AS AT

	31/03/2010	31/12/2009
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	2,475,955	2,445,354
Investment properties	167,516	168,564
Lease prepayments	395,540	398,310
Intangible assets	2,101,506	2,101,506
Investment in an associate	2,347	2,232
Other assets	54,508	58,516
Held-to-maturity Investment, unlisted	1,365,260	1,365,640
Deferred tax assets	43,343	41,586
TOTAL NON-CURRENT ASSETS	6,605,975	6,581,708
CURRENT ASSETS		
Inventories	210,043	179,911
Trade receivables	29,002	28,655
Prepayment and deposits	220,558	194,173
Other receivables	254,949	233,554
Investment in principal guaranteed deposits	1,843,713	809,170
Cash and short term deposits	2,141,497	3,046,929
TOTAL CURRENT ASSETS	4,699,762	4,492,392
CURRENT LIABILITIES		
Trade payables	(1,514,353)	(1,526,436)
Customer deposits	(784,162)	(688,186)
Other payables and accruals	(572,224)	(778,369)
Tax payable	(113,990)	(80,439)
Senior guaranteed notes due May 2012 , redeemable in 2010	(845,696)	(845,089)
Derivative financial instruments designated as hedging instruments	(93,011)	(93,011)
TOTAL CURRENT LIABILITIES	(3,923,436)	(4,011,530)
NET CURRENT ASSETS	776,327	480,862
TOTAL ASSETS LESS CURRENT LIABILITIES	7,382,302	7,062,570

	31/03/2010	31/12/2009
	RMB'000	RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	(1,303,000)	(1,303,000)
Long term payables	(107,685)	(105,891)
Deferred tax liabilities	(248,319)	(249,192)
Senior guaranteed notes November 2011	(1,354,124)	(1,353,033)
Derivative financial instrument designated as hedging instrument	(59,309)	(59,309)
TOTAL NON-CURRENT LIABILITIES	(3,072,437)	(3,070,425)
NET ASSETS	4,309,865	3,992,145
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	58,307	58,297
Reserves	3,893,538	3,581,059
Proposed final dividends for the year 2009	280,722	280,722
Equity attributable to equity holders of the parent	4,232,567	3,920,078
Minority interests	77,298	72,067
Total Equity	4,309,865	3,992,145

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

For the quarter
ended 31/03/2010
RMB'000

Operating activities

Profit before taxation	371,546
Adjustment for non cash items	
Share of profit of an associate	(114)
Interest income	(57,035)
Interest expenses	78,284
Depreciation and amortisation	42,650
Equity-settled share option expenses	40,000
Loss on disposal of items of property, plant and equipment	75

Operating profit before changes in working capital 475,406

Changes in working capital

Increase in inventories	(30,132)
Increase in trade receivables	(347)
Decrease in prepayment, deposits and other receivables	809
Decrease in trade payables	(12,082)
Decrease in customer's deposits, other payable and accruals	(35,631)
Increase in long term payable	1,795

Cash generated from operating activities 399,818

Income tax paid (60,715)

Net cash inflow / (outflow) from operating activities 339,103

Investing activities

Proceeds from disposal of items of property, plant and equipment	321
Purchases of items of property, plant and equipment	(69,829)
Increase investment in principal guaranteed deposits	(1,034,543)
Settlement for acquisition of a property	(150,000)
Interest received	12,454

Net cash inflow / (outflow) from investing activities (1,241,597)

	For the quarter ended 31/03/2010 RMB'000
Financing activities	
Proceeds from issue of shares	3,736
Dividends of subsidiaries	<u>(6,595)</u>
Net cash inflow / (outflow) from financing activities	<u>(2,859)</u>
Net changes in cash & bank balance	(905,353)
Cash and bank balance at the beginning of the period	3,046,929
Effects of exchange rate changes	(79)
Cash and short term deposits as at the end of the period	<u>2,141,497</u>
Investment in principal guaranteed deposits	<u>1,843,713</u>
Cash and cash equivalent as at the end of the period	<u>3,985,210</u>

Market and Operation Review

The operating environment continued to improve gradually in the first quarter of the year 2010. The Group achieved stronger SSS growth of 10.8% despite less aggressive sales and discount activities and total gross sales proceeds for the period increased to RMB3,824.8 million.

The Group generated total merchandise sales of RMB3,653.7 million. In line with the maturing store profile, the Group continued to increase the sales of fashion and fashion related merchandise through the concessionaire model. As a result, concessionaire sales share of total merchandise sales increased to approximately 90.0% with the balance of 10.0% came from the direct sales. The Fashion and Apparel category made up 49.5% of the total merchandise sales, the Cosmetics and Accessories category contributed 34.9%, the Household and Electrical product category contributed 7.2% and the balance of 8.4% came from the Groceries and Perishables category.

With the improving operating environment and consumer sentiment, the Group was able to scale down the sales and discount activities and this contributed to the improved merchandise gross margin (combination of concessionaire rate and direct sales gross margin) of 18.8%, representing an improvement of 0.7% compared to the same period of last year. Commission rate from concessionaire sales for the quarter under review came in at 19.0% and direct sales margin came in at 16.9%.

The Company has on 1 March 2010 granted 16,009,250 share options to 544 eligible Directors and employees, the total expense in relation to these employee share options are estimated to be approximately RMB40.0 million which has been expensed off in the current quarter.

Profit from operations for the quarter increased by 7.4% to RMB392.7 million, excluding the impact of the employee share options expense, on a comparable basis; profit from operations increased by 18.4% to RMB432.7 million. The Group continued to focus on cost control to improve operating efficiency, excluding the impact of the employee share options expense, on a comparable basis, the operating profit margin (profit from operation as a percentage to operating revenues) improved to 37.3%.

Profit attributable to our shareholders for the quarter increased by 4.4% to RMB270.1 million. Excluding the impact of the RMB40.0 million employee share options expense, on a comparable basis, profit attributable to our shareholders increased by 19.9% to RMB310.1 million.

Outlook and strategies

The operating environment is expected to show continuous improvement. However, lingering problems such as the credit weakness of selected European countries, high unemployment rate in developed economies and the tightening of monetary policies in the People's Republic of China ("PRC") will continue to pose challenges and uncertainties to the operating environment. While we are confident on the continuous gradual recovery of our business growth in the short term, we are positive that on the back of a steady macro economic environment, the momentum of our business growth should pick up in the later half of the year.

The Group will continue to focus on its strategy to improve market share and merchandise gross margin. The Group will continue to reinvent the stores with better merchandise assortments and brand mix to better serve our target middle to middle upper end customers in every city that we operate. Cost rationalisation will continue to improve our operating efficiency and profitability.

Acknowledgement

Finally, I would like to take this opportunity to thank the Board, management and all our staff for their hard work and dedication. I would also like to thank the shareholders and our loyal customers for their continued strong supports to the Group.

By Order of the Board
PARKSON RETAIL GROUP LIMITED
Cheng Yoong Choong
Managing Director

Hong Kong, 16 May 2010

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