PARKSON

RETAIL GROUP LIMITED

2007 INTERIM REPORT

STOCK CODE : 3368

PARKSON

2007

INTERIM REPORT

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Financial Highlights

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:
CHENG Yoong Choong
(Managing Director)
CHEW Fook Seng
(Chief Executive Officer)

NON-EXECUTIVE DIRECTOR:
Tan Sri CHENG Heng Jem
(Chairman)

INDEPENDENT NON-EXECUTIVE DIRECTORS:
KO Tak Fai, Desmond
STUDER Werner Josef
YAU Ming Kim, Robert

REGISTERED OFFICE
c/o M&C Corporate Services Limited
PO Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
9th Floor, Parkson Plaza
No.101 Fuxingmennei Avenue
Xicheng District
Beijing 100031
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 1316, Prince's Building
10 Chater Road
Central
Hong Kong

COMPANY SECRETARY
SENG SZE Ka Mee, Natalia
FCIS (PE), FCS, FHKIoD, EMBA

QUALIFIED ACCOUNTANT
WONG Kang Yean Clarence
ACCA, CA (MIA)

AUTHORISED REPRESENTATIVES
CHENG Yoong Choong
CHEW Fook Seng

AUDIT COMMITTEE
KO Tak Fai, Desmond (Chairman)
STUDER Werner Josef
YAU Ming Kim, Robert

REMUNERATION COMMITTEE
CHENG Yoong Choong (Chairman)
KO Tak Fai, Desmond
YAU Ming Kim, Robert

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS IN CHINA
Bank of China
Agricultural Bank of China
Industrial and Commercial Bank of China
China Merchants Bank
JPMorgan Chase Bank N.V., Shanghai Branch

PRINCIPAL BANKERS IN HONG KONG
BNP Paribas Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited
United Commercial Bank

AUDITORS
Ernst & Young
Certified Public Accountants

WEBSITE
www.parkson.com.cn

FINANCIAL HIGHLIGHTS

Total gross sales proceeds increased to RMB4,313.6 million, an increase of 61.5%.

Same store sales[1] (SSS) growth remains strong at 19.6%.

Total operating revenues increased to RMB1,481.2 million, an increase of 57.2%.

Profit from operations increased to RMB476.9 million, an increase of 56.8%.

Net profit for the period increased to RMB334.2 million, an increase of 49.9%.

Net profit attributable to the Group increased to RMB303.5 million, an increase of 54.7%.

Earnings per share for the period was RMB0.55.

Interim dividend of RMB0.22 per share.

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 Unaudited RMB'000	2006 Unaudited RMB'000
Revenues	3	1,313,039	853,089
Other operating revenues	3	168,163	89,448
Total operating revenues		1,481,202	942,537
Operating expenses			
Purchases of goods and changes in inventories		(426,931)	(284,712)
Staff costs		(141,437)	(86,897)
Depreciation and amortisation		(53,692)	(39,282)
Rental expenses		(153,182)	(98,379)
Other operating expenses		(229,018)	(129,191)
Total operating expenses		(1,004,260)	(638,461)
Profit from operations	4	476,942	304,076
Finance income/(cost), net	5	(38,030)	21,784
Share of profit of an associate		54	259
Profit from operations before income tax		438,966	326,119
Income tax	6	(104,725)	(103,150)
Profit for the period		334,241	222,969
Attributable to:			
Equity holders of the parent		303,452	196,207
Minority interests		30,789	26,762
		334,241	222,969
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		RMB0.55	RMB0.36
– Diluted		RMB0.55	N/A
Interim dividend	7	121,582	82,800
Interim dividend per share	7	RMB0.22	RMB0.15

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Notes	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	765,172	749,923
Investment properties		224,736	227,368
Lease prepayments		426,010	431,550
Intangible assets	10	1,470,889	689,565
Investment in an associate		2,268	2,214
Other assets	11	230,186	107,408
Held-to-maturity investments	12	1,523,100	1,561,740
Deferred tax assets		36,270	45,460
Total non-current assets		4,678,631	3,815,228
CURRENT ASSETS			
Inventories	13	121,951	109,904
Trade receivables	14	21,842	18,489
Prepayments, deposits and other receivables	15	376,698	259,492
Cash and bank balances	16	2,928,864	3,271,366
Total current assets		3,449,355	3,659,251
CURRENT LIABILITIES			
Interest-bearing bank loans	17	—	(83,886)
Trade payables	18	(787,729)	(871,618)
Customers' deposits, other payables and accruals	19	(559,177)	(611,097)
Tax payable		(86,604)	(113,518)
Total current liabilities		(1,433,510)	(1,680,119)
NET CURRENT ASSETS		2,015,845	1,979,132
TOTAL ASSETS LESS CURRENT LIABILITIES		6,694,476	5,794,360
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	17	(1,465,000)	(1,607,027)
Long term payables		(94,836)	(93,994)
Notes	20	(2,422,467)	(1,526,806)
Deferred tax liabilities		(196,699)	(247,050)
Total non-current liabilities		(4,179,002)	(3,474,877)
NET ASSETS		2,515,474	2,319,483

	Notes	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	21	57,500	57,436
Reserves		2,383,766	2,170,151
		2,441,266	2,227,587
Minority interests		74,208	91,896
TOTAL EQUITY		2,515,474	2,319,483

Cheng Yoong Choong
Director

Chew Fook Seng
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the parent										
	Issued share capital RMB'000 (note 21)	Share premium RMB'000 (note 21)	Contributed surplus RMB'000	PRC reserve funds RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000 (note 22)	Asset revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	57,436	798,644	154,442	87,320	3,481	—	224,245	902,019	2,227,587	91,896	2,319,483
Effect of change in deferred tax rate	—	—	—	—	—	—	27,167	—	27,167	—	27,167
Exchange realignment	—	—	—	—	(3,912)	—	—	—	(3,912)	—	(3,912)
Total income and expense for the period recognised directly in equity	—	—	—	—	(3,912)	—	27,167	—	23,255	—	23,255
Profit for the period	—	—	—	—	—	—	—	303,452	303,452	30,789	334,241
Total income and expense for the period	—	—	—	—	(3,912)	—	27,167	303,452	326,707	30,789	357,496
Transfer to the PRC reserve funds	—	—	—	2,965	—	—	—	(2,965)	—	—	—
Equity-settled share option arrangements	—	—	—	—	—	12,693	—	—	12,693	—	12,693
Employee share options exercised	64	24,608	—	—	—	(1,353)	—	—	23,319	—	23,319
Acquisition of minority interest	—	—	—	—	—	—	—	—	—	(7,257)	(7,257)
Dividend paid	—	—	—	—	—	—	—	(149,040)	(149,040)	—	(149,040)
Dividends of subsidiaries	—	—	—	—	—	—	—	—	—	(41,220)	(41,220)
At 30 June 2007 Unaudited	57,500	823,252*	154,442*	90,285*	(431)*	11,340*	251,412*	1,053,466*	2,441,266	74,208	2,515,474

* These reserve accounts as at 30 June 2007 comprise the consolidated reserves of RMB2,383,766,000 in the interim condensed consolidated balance sheet as at 30 June 2007.

	Attributable to equity holders of the parent										
	Issued share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	PRC reserve funds RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Asset revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006	57,436	1,024,964	154,442	43,956	15,460	—	—	484,622	1,780,880	92,446	1,873,326
Adjustment to share issue costs	—	(1,637)	—	—	—	—	—	—	(1,637)	—	(1,637)
Exchange realignment	—	(761)	—	—	(7,724)	—	—	—	(8,485)	—	(8,485)
Total income and expense for the period recognised directly in equity	—	(2,398)	—	—	(7,724)	—	—	—	(10,122)	—	(10,122)
Profit for the period	—	—	—	—	—	—	—	196,207	196,207	26,762	222,969
Total income and expense for the period	—	(2,398)	—	—	(7,724)	—	—	196,207	186,085	26,762	212,847
Transfer to the PRC reserve funds	—	—	—	12,427	—	—	—	(12,427)	—	—	—
Dividends paid	—	(143,520)	—	—	—	—	—	—	(143,520)	—	(143,520)
Dividends of subsidiaries	—	—	—	—	—	—	—	—	—	(36,830)	(36,830)
At 30 June 2006 Unaudited	57,436	879,046	154,442	56,383	7,736	—	—	668,402	1,823,445	82,378	1,905,823

INTERIM CONDENSED
CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 Unaudited RMB'000	2006 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operations before income tax		438,966	326,119
Adjustments for:			
Share of profit of an associate		(54)	(259)
Interest income		(116,037)	(27,428)
Interest expenses		154,067	5,544
Depreciation and amortisation	4	53,692	39,282
Foreign exchange (gains)/losses	4	(1,055)	100
Equity-settled share option expenses		12,693	—
Allowance for doubtful debts	4	638	—
Loss on disposal of items of property, plant and equipment	4	519	136
Operating profit before working capital changes		543,429	343,494
Decrease in other assets		7,215	4,040
Decrease/(increase) in inventories		(659)	9,766
Increase in trade receivables		(3,882)	(1,831)
Decrease in prepayments, deposits and other receivables		39,634	23,828
Decrease in trade payables		(152,474)	(108,618)
Decrease in customers' deposits, other payables and accruals		(123,491)	(72,808)
Increase in long term payables		842	1,426
Cash generated from operating activities		310,614	199,297
Interest paid		(7,269)	(5,644)
Income tax paid		(150,751)	(135,661)
Net cash inflow from operating activities		152,594	57,992

	Notes	For the six months ended 30 June 2007 Unaudited RMB'000	2006 Unaudited RMB'000
Net cash inflow from operating activities		152,594	57,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		600	633
Purchases of items of property, plant and equipment		(37,760)	(16,467)
Business combination		(445,136)	—
Deposits for a business combination transaction		—	(210,031)
Deposit for acquisition of minority interest		(9,993)	—
Net decrease in investments		—	1,842
Acquisition of minority interest	10(ii)	(280,000)	—
Increase in entrusted loans		(245,900)	—
Increase in non-trade related other receivables		—	(2,000)
Dividends received		—	444
Interest received		108,722	27,428
Increase in non-pledged time deposit with original maturity of more than three months when acquired	16	(1,064,828)	—
Net cash outflow from investing activities		(1,974,295)	(198,151)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		380,775	—
Repayment of bank loans		(606,688)	(31,768)
Net proceeds from issue of senior notes		928,797	—
Adjustment to share issue costs		—	(1,637)
Interest paid		(137,287)	—
Proceeds from issue of shares		23,319	—
Dividends paid		(149,040)	(143,520)
Dividends of subsidiaries		(24,528)	(36,830)
Net cash inflow/(outflow) from financing activities		415,348	(213,755)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,406,353)	(353,914)
Cash and cash equivalents at beginning of period		3,271,366	2,080,407
Exchange differences		(977)	(8,485)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,864,036	1,718,008
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
Cash and bank balances		1,246,094	713,194
Non-pledged time deposits with original maturity of less than three months when acquired		617,942	1,004,814
	16	1,864,036	1,718,008
ANALYSIS OF BALANCES OF CASH AND BANK BALANCES:			
Cash and cash equivalents	16	1,864,036	1,718,008
Non-pledged time deposits with original maturity of more than three months when acquired	16	1,064,828	—
		2,928,864	1,718,008

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

As at 30 June 2007

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 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 and management of department store business in the People's Republic of China (the "PRC"). Pursuant to a reorganisation exercise (the "Group Reorganisation") to rationalize the structure of the Group in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group since 9 November 2005. Details of the Group Reorganisation are set out in the initial public offering prospectus issued by the Company dated 17 November 2005. Dealings of the shares of the Company on the Stock Exchange commenced on 30 November 2005. The Company has established a principal place of business in Hong Kong at Suite 1316, Prince's Building, 10 Chater Road, Central, Hong Kong.

2. BASIS OF PREPARATION AND IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

BASIS OF PREPARATION

The interim condensed consolidated income statement for the six months ended 30 June 2007 and the interim condensed consolidated balance sheet as at 30 June 2007 (collectively the "Interim Condensed Consolidated Financial Statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

The accounting policies used in the Interim Condensed Financial Statements are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31 December 2006.

The Interim Condensed Consolidated Financial Statements do 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 2006 and the interim financial statements for the six months ended 30 June 2006 which was set out in the Company's annual report for the year 2006 and interim report for the six months ended 30 June 2006.

2. BASIS OF PREPARATION AND IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 financial statements for the year ended 31 December 2006, except for the adoption of new or revised International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as noted below.

IAS 1 Amendment	–	Capital Disclosures
IFRS 7	–	Financial Instruments: Disclosures
IFRIC 7	–	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	–	Scope of IFRS 2
IFRIC 9	–	Reassessment of Embedded Derivatives
IFRIC 10	–	Interim Financial Reporting and Impairment

The adoption of these standards and interpretations did not have any effect on the financial position or the performance of the Group.

IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Interim Condensed Consolidated Financial Report:

IAS 23 (Revised)	–	Borrowing Costs
IFRS 8	–	Operating Segments
IFRIC 11	–	IFRS 2 - Group and Treasury Share Transactions
IFRIC 12	–	Service Concession Arrangements
IFRIC 13	–	Customer Loyalty Programmes
IFRIC 14	–	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 11, IFRIC 12, IFRIC 13, IFRIC 14, IAS 23 (Revised) and IFRS 8 shall be applied for annual period beginning on or after 1 March 2007, 1 January 2008, 1 July 2008, 1 January 2008, 1 January 2009 and 1 January 2009, respectively.

3. REVENUES, OTHER OPERATING REVENUES AND SEGMENT INFORMATION

REVENUES

Revenues, which are also the Group's turnover, represent the net amount received and receivable for the goods sold by the Group to outside customers, less returns and allowances, commissions from concessionaire sales, consultancy and management service fees, and rental income. An analysis of revenues is presented below:

	For the six months ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Sales of goods – direct sales (note b)	514,267	340,688
Commissions from concessionaire sales (note a)	711,554	441,952
Consultancy and management service fees	17,539	22,250
Rental income	69,679	48,199
	1,313,039	853,089

Notes:

(a) The commissions from concessionaire sales are analysed as follows:

	For the six months ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Gross revenue from concessionaire sales (note b)	3,543,922	2,171,181
Commissions from concessionaire sales	711,554	441,952

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

3. REVENUES, OTHER OPERATING REVENUES AND SEGMENT INFORMATION (continued)

REVENUES (continued)

(b) Gross sales proceeds are analysed as follows:

	For the six months ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Direct sales	514,267	340,688
Concessionaire sales	3,543,922	2,171,181
Total merchandise sales	4,058,189	2,511,869
Others (including consultancy and management services, rental income and other operating revenues)	255,381	159,897
Total gross sales proceeds	4,313,570	2,671,766

OTHER OPERATING REVENUES

		For the six months ended 30 June	
	Notes	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Promotion income		44,579	20,328
Credit card handling fees		50,907	19,163
Equipment leasing income		5,995	3,457
Display space leasing fees		8,781	6,545
Service fees		12,879	6,218
Administration fees		16,968	14,268
Government grants	(i)	4,056	10,136
PRC tax compensation	(ii)	3,553	—
Other income		20,445	9,333
		168,163	89,448

Notes:

(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.

(ii) The PRC tax compensation was granted to the Group for its reinvestment of dividend income from certain PRC group companies to establish new foreign investment enterprises in the PRC. There were no unfulfilled conditions or contingencies attaching to these tax compensations.

4. PROFIT FROM OPERATIONS

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

	For the six months ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Cost of inventories recognised as expenses	426,931	284,712
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	99,213	66,238
Pension scheme contributions	9,796	6,910
Social welfare and other costs	17,521	12,066
Equity-settled share option expenses	10,391	—
	136,921	85,214
Directors' remuneration	4,516	1,683
	141,437	86,897
Depreciation and amortisation	53,692	39,282
Operating lease rentals in respect of leased properties:		
Minimum lease payments	108,663	77,339
Contingent lease payments *	44,519	21,040
	153,182	98,379
Loss on disposal of items of property, plant and equipment	519	136
Auditors' remuneration	2,603	2,675
Allowance for doubtful debts	638	—
Gross rental income in respect of investment properties	(13,866)	(8,939)
Sub-letting of leased properties:		
Minimum lease payments	(27,442)	(16,344)
Contingent lease payments *	(28,371)	(22,916)
	(55,813)	(39,260)
Total gross rental income	(69,679)	(48,199)
Foreign exchange (gains)/losses	(1,055)	100

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

5. FINANCE INCOME/(COST), NET

	Notes	For the six months ended 30 June 2007 Unaudited RMB'000	2006 Unaudited RMB'000
Finance income:			
Interest income from held-to-maturity investments		75,481	—
Bank interest income		33,362	24,747
Interest income from loans receivable		4,089	2,681
Interest income from cross currency interest rate swaps	(i)	3,105	—
		116,037	27,428
Finance costs:			
Interest expenses on senior guaranteed notes		63,404	—
Interest expenses on senior notes	(i)	6,237	—
Interest expenses on bank loans and other loans, wholly repayable within five years		84,426	5,544
Exchange losses		—	100
		154,067	5,644
Finance income/(cost), net		(38,030)	21,784

Note:

(i) As further disclosed in note 20(ii) to the Interim Condensed Consolidated Financial Report, the Group has entered into cross currency interest rate swap agreements. The purpose of the swap agreements is to provide the Company a Renminbi ("RMB") equivalent fixed rate debt of 3.45% per annum.

6. 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.

Under the relevant PRC income tax law, except for certain preferential treatment available to certain 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 the six months ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Current income tax	118,719	103,321
Deferred income tax	(13,994)	(171)
	104,725	103,150

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will be effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to the domestic companies from 1 January 2008 will be decreased from 33% to 25% or progressively increased from 15% to 25% within five years. This unification in enterprise income tax rate will directly reduce or increase the Group's effective tax rate prospectively from 2008. According to IAS 12, the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the Company estimates that the change in the corporate income tax rate has had the following impact on the results and financial position of the Group for the six months ended 30 June 2007:

	RMB'000
Decrease in income tax expenses	(10,124)
Decrease in deferred tax assets	(11,606)
Decrease in deferred tax liabilities	48,897
Increase in asset revaluation reserve	(27,167)

At the date of approval of the Interim Condensed Consolidated Financial Report, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

7. DIVIDEND

	For the six months ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Proposed (not recognised as a liability as at 30 June) Interim 2007: RMB 0.22 per ordinary share (Interim 2006: RMB 0.15 per ordinary share)	121,582	82,800

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share amount is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share amount is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period plus the weighted average number of ordinary shares that would be issued at no consideration on the deemed conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the six months period ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	303,452	196,207

	For the six months period ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	552,261	552,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	1,327	—
Weighted average number of ordinary shares adjusted for the effect of dilution	553,588	552,000

No diluted earnings per share amount is presented for the six months period ended 30 June 2006 because no diluting events existed during the period ended 30 June 2006.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group acquired items of property, plant and equipment at a total cost of approximately RMB37.8 million (30 June 2006: RMB16.5 million).

Property, plant and equipment with a net book value of approximately RMB1.1 million (30 June 2006: RMB0.8 million) were disposed of by the Group during the six months ended 30 June 2007, resulting in a net loss on disposal of about RMB0.5 million (30 June 2006: RMB0.1 million).

10. INTANGIBLE ASSETS

The movements of intangible assets are as follows:

	Notes	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
At 31 December 2006, net of accumulated amortisation		687,763	1,802	689,565
Business combination	(i)	508,909	—	508,909
Acquisition of minority interest	(ii)	272,743	—	272,743
Amortisation		—	(328)	(328)
At 30 June 2007, net of accumulated amortisation		1,469,415	1,474	1,470,889
At 31 December 2006:				
Cost		687,763	3,277	691,040
Accumulated amortisation		—	(1,475)	(1,475)
Net carrying amount		687,763	1,802	689,565
At 30 June 2007:				
Cost		1,469,415	3,277	1,472,692
Accumulated amortisation		—	(1,803)	(1,803)
Net carrying amount		1,469,415	1,474	1,470,889

10. INTANGIBLE ASSETS (continued)

Notes:

(i) This represented the goodwill recognised on the acquisition of the entire interest in Golden Village Group Limited ("Golden Village") (note 27).

(ii) This represented the goodwill arising from the acquisition of a minority interest of Anshan Tianxing Parkson Shopping Centre Co., Ltd. ("Anshan Parkson").

On 20 April 2007, the Group has entered into a sale and purchase agreement with Mr Li Zhong Yong, a third party individual (the "Vendor") to acquire (a) the 49% equity interest in Anshan Parkson at a consideration of RMB280 million; and (b) the 100% interest in the land use right and the properties occupied by Anshan Parkson for its department store business ("Anshan Properties") at a consideration of RMB450 million. The transaction contemplated in item (b) has yet to be completed as at 30 June 2007. Refer to note 25 (iii) for details of the commitment. The completion of the equity transfer transaction is not dependent on the completion of the Anshan Properties acquisition transaction.

The acquisition of the 49% equity interest in Anshan Parkson was completed on 22 June 2007, and Anshan Parkson became a wholly-owned subsidiary of the Group thereafter. The Group had fully settled the consideration thereof before 30 June 2007. Included in the aforesaid RMB280 million consideration was a cash deposit of RMB125.9 million kept in an escrow account. The escrow account served as security for the Group's entrusted loan of equivalent amount receivable from a company which is controlled by the Vendor. The said sum was released to the Vendor upon the full settlement of the said entrusted loan on 4 July 2007 (note 15(ii)).

The completion of the Anshan Properties acquisition and the payment of the relevant purchase consideration are subject to certain conditions precedent. Pursuant to the agreement, if any or all of the conditions precedent cannot be fulfilled prior to 17 August 2007, the Company is entitled to either (a) waive any or all of the aforesaid conditions and proceed to complete the intended transaction, or (b) extend the condition period, or (c) to terminate the intended transaction. Thereafter, either party shall have no further obligations or claims against the other with regard to the acquisition of the Anshan Properties.

Pursuant to the Company's announcement dated 20 August 2007, the Vendor informed the Company through a letter dated 17 August 2007 that he is unable to fulfill the conditions precedent to the acquisition of the Anshan Properties on time due to the administrative and procedural requirements set out by the relevant authorities. Accordingly, the Vendor has requested for an extension of the due date for a period of 90 days to enable him to fully comply with the relevant conditions. After due consideration, the Company has agreed to grant the requisite extension to the Vendor.

11. OTHER ASSETS

	Notes	2007 Unaudited RMB'000	2006 Audited RMB'000
Guarantee deposits		10,000	10,000
Deferred rental expenses		90,193	97,408
Investment deposit	25(iii)	9,993	—
Entrusted loan	27	120,000	—
		230,186	107,408

Note: The entrusted loan of RMB120,000,000 is secured by a cash deposit of an equivalent amount in an escrow bank account, bears interest at 6.5% per annum and is repayable on or before 27 December 2009.

12. HELD-TO-MATURITY INVESTMENTS

	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Credit linked notes, at amortised cost, unlisted	1,523,100	1,561,740

The credit linked notes (the "CLN") were issued by JPMorgan Chase Bank, N.A., London Branch, and have a tenor from 14 November 2006 to 13 November 2011. The CLN bear an interest at 9.8% per annum. Interest is payable semi-annually on 13 May and 13 November of each year, commencing on 13 May 2007.

Management considers the subscription of the CLN is part of a financing arrangement enabling the Group to obtain RMB funding for its operating entities in the PRC at a cost effective manner and the CLN should be read in conjunction to note 17 and note 20 to the Interim Condensed Consolidated Financial Report.

The payment of interest and repayment of principal of the CLN are subject to the Group's payment of interest and repayment of principal of a series of bank loans as disclosed in note 17(i) to the Interim Condensed Consolidated Financial Report.

13. INVENTORIES

	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Merchandise, at cost	110,422	98,141
Consumables, at cost	11,529	11,763
	121,951	109,904

14. TRADE RECEIVABLES

Trade receivables are mainly consultancy and management service fees receivable from the managed "Parkson" department stores which have an established trading history with the Group. The Group normally allows a credit period of not more than 90 days to its customers. A provision for doubtful debts is made when there is objective evidence that an impairment loss has been incurred. The Group's trade receivables relate to a number of diversified customers and there is no significant concentration of credit risk. The trade receivables are unsecured and interest-free.

An aged analysis of the trade receivables is as follows:

	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Within 3 months	11,471	7,785
3 to 12 months	4,759	4,566
Over 1 year	7,676	7,782
	23,906	20,133
Less: Allowance for doubtful debts	(2,064)	(1,644)
	21,842	18,489

Included in the balance as at 30 June 2007 are trade receivables from jointly-controlled entities of RMB733,000 (31 December 2006: RMB1,250,000) and from fellow subsidiaries of RMB12,719,000 (31 December 2006: RMB12,416,000) which are attributable to the consultancy fee income of the Group as disclosed in note 26(a)(ii) to the Interim Condensed Consolidated Financial Report. Such balances are unsecured and interest-free.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Deposits		36,935	31,190
Prepayments		74,160	26,995
Advances to suppliers		13,252	26,600
Entrusted loans to a minority equity holder	(i)	—	71,087
Entrusted loan to Anshan Tianxing International Properties Development Co., Ltd ("Anshan Tianxing")	(ii)	125,900	—
Receivables from minority equity holders		5,470	1,289
Designated loans	(iii)	14,671	19,400
Other receivables		108,238	84,773
		378,626	261,334
Less: Allowance for doubtful debts		(1,928)	(1,842)
		376,698	259,492

Notes:

(i) The balance at 31 December 2006 represented entrusted loans to the minority equity holder of Anshan Parkson. The principal outstanding was RMB70 million and the accrued interest as at 31 December 2006 was approximately RMB1.1 million.

(ii) As part of the arrangements to acquire the remaining 49% equity interest in Anshan Parkson in April 2007, the Group agreed to grant an entrusted loan of RMB125.9 million to Anshan Tianxing (note 10(ii)) for the purpose of the repayment of the overdue entrusted loans of approximately RMB72 million to the Group and the repayment of the bank loans of approximately RMB60 million in order to discharge the mortgage over the 5th and 6th floors of the Anshan Properties. The entrusted loan of RMB125.9 million was interest-free and was subsequently settled on 4 July 2007.

(iii) These designated loans bear interest at rates from 6.12% to 7.344% (31 December 2006: 6.12% to 6.91%) per annum and have a term of one year. The Group has the right to offset the outstanding designated loan against future rental payments to the borrowers.

16. CASH AND BANK BALANCES

	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Cash and bank balances	1,246,094	1,371,983
Time deposits	1,682,770	1,899,383
	2,928,864	3,271,366
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(1,064,828)	—
Cash and cash equivalents	1,864,036	3,271,366

Cash and bank balances of the Group amounting to RMB2,291,745,000 as at 30 June 2007 (31 December 2006: RMB3,055,349,000) were denominated in Renminbi, which is not freely convertible in the international market. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

The bank balances earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

17. INTEREST-BEARING BANK LOANS

	Notes	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Bank loans	(i)	1,465,000	1,500,000
Bank loans, secured		—	190,913
	(ii)	1,465,000	1,690,913
Bank loans repayable:			
Within one year or on demand		—	83,886
In the second year		—	36,936
In the third to fifth years		1,465,000	1,570,091
		1,465,000	1,690,913
Less: Portion classified as current liabilities		—	(83,886)
Long term portion		1,465,000	1,607,027

Notes:

(i) The bank loans from JPMorgan Chase Bank, N.A., Shanghai Branch (the "Bank"), have a maturity date on 13 November 2011 and an interest rate equal to the five-year bank loan rate as pronounced by the People's Bank of China plus a spread of 2.35% per annum. To hedge the Group's interest rate exposure attributable to the bank loans, on 15 November 2006, the Group and JPMorgan Chase Bank, N.A. entered into a series of interest rate swap contracts. The purpose of these interest rate swap contracts is to convert the Group's interest expenses from variable to a fixed rate of 10.3%. On each settlement date, the bank loan interest and interest rate swap contracts will be settled simultaneously and on a net basis.

In addition, pursuant to the agreement, the Bank is entitled to reduce the aggregate amount of the bank loans to reflect the devaluation of US$ against RMB. Due to the appreciation of RMB during the current period, the Group repaid RMB35 million of the bank loans.

It is the Company's financial risk management policy to closely monitor the hedging effectiveness of the hedging instruments and to update the notional amount of the interest rate swap agreements to maintain the hedging effectiveness.

(ii) As at 30 June 2007 and 31 December 2006, all the Group's interest-bearing bank loans were denominated in Renminbi.

18. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Within 3 months	707,836	838,190
3 to 12 months	63,170	26,611
Over 1 year	16,723	6,817
	787,729	871,618

Note:

Included in the balances as at 30 June 2007 are payables to a fellow subsidiary of RMB1,620,000 (31 December 2006: RMB1,080,000) which are attributable to the royalty fee expenses of the Group as disclosed in note 26(a)(i) to the Interim Condensed Consolidated Financial Report. The balances were unsecured and interest-free.

19. CUSTOMERS' DEPOSITS, OTHER PAYABLES AND ACCRUALS

	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Customers' deposits	159,955	161,644
Payables to joint venture partners	—	421
Provision for coupon liabilities	81,838	73,132
Accrued wages and salaries	82,406	79,772
Other payables and accruals	234,978	296,128
	559,177	611,097

20. NOTES

	Notes	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Senior guaranteed notes, listed	(i)	1,493,307	1,526,806
Senior notes, listed	(ii)	929,160	—
		2,422,467	1,526,806

(i) On 14 November 2006, the Company issued the senior guaranteed notes in an aggregate principal amount of US$200 million. The senior guaranteed notes were admitted to the Official List of the Singapore Exchange Securities Trading Limited. The senior guaranteed notes are due on 14 November 2011 and bear interest at a rate of 7.875% per annum. Interest is payable semi-annually in arrears on 14 May and 14 November of each year, commencing on 14 May 2007.

The obligations of the Company under the senior guaranteed notes are secured by (i) first priority pledges and share charges of all the ownership interests of the Company, direct and indirect, in certain subsidiaries of the Company and (ii) a charge over the CLN as disclosed in note 12 to the Interim Condensed Consolidated Financial Report.

(ii) On 30 May 2007, the Company issued the senior notes (the "Notes") in an aggregate principal amount of US$125 million. The Notes were admitted to the Official List of the Singapore Exchange Securities Trading Limited. The Notes are due on 30 May 2012 and bear interest at a rate of 7.125% per annum. Interest is payable semi-annually in arrears on 30 May and 30 November of each year, commencing on 30 November 2007. The Company has the option to redeem 35% of the Notes through proceeds from equity offerings before 30 May 2010 and the option to redeem all or part of the Notes in a manner prescribed by the agreements. Details of the Notes are set out in the Company's announcement dated 21 May 2007.

The obligations of the Company under the Notes are guaranteed by certain of the Company's existing subsidiaries.

Furthermore, the Group has entered into cross currency interest rate swap agreements with the Bank. The purpose of the swaps is to provide the Company with a RMB equivalent fixed rate debt of 3.45% per annum.

21. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares issued	Issued share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2007	552,000,000	57,436	798,644	856,080
Share option exercised by employees	644,600	64	23,255	23,319
Transfer from share option reserve (note 22)	—	—	1,353	1,353
At 30 June 2007	552,644,600	57,500	823,252	880,752

During the six months ended 30 June 2007, 644,600 share options were exercised at HK$36.75 per share. These share options were granted under an employee share option scheme as disclosed in note 23 to the Interim Condensed Consolidated Financial Report.

22. SHARE OPTION RESERVE

	RMB'000
At 1 January 2007	—
Employee share-based payment charge to consolidated income statement	12,693
Transfer to share premium upon exercise of employee share options (note 21)	(1,353)
At 30 June 2007	11,340

23. EMPLOYEE SHARE-BASED PAYMENT

On 10 January 2007, a total of 8,188,950 share options were granted to 482 eligible employees of the Company at nil consideration and with an exercise price of HK$36.75 per share pursuant to an employee share option scheme. Further details of the share options granted are set out below:

The share options	Exercise period	Number of share options granted	Number of share options exercised (note 21)	Number of share options lapsed	Number of share options outstanding at 30 June 2007
Lot 1*	24 January 2007 to 23 January 2010	5,955,600	644,600	—	5,311,000
Lot 2*	2 January 2008 to 1 January 2011	2,233,350	—	71,250	2,162,100
		8,188,950	644,600	71,250	7,473,100

* Grant date: 10 January 2007

The fair value of the options granted is estimated at the date of grant using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The 5,955,600 share options granted under Lot 1 are exercisable from 24 January 2007 to 23 January 2010 and have no other vesting conditions. The 2,233,350 share options granted under Lot 2 are exercisable from 2 January 2008 to 1 January 2011 and required an employee service period until 2 January 2008.

The fair value of options granted during the six months ended 30 June 2007 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0.77 – 1.56
Expected volatility (%)	25.79 – 35.94
Risk-free interest rate (%)	3.638 – 3.648
Expected life (year)	0.5 – 1.5
Share price (HK$)	44.24

24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2007.

25. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

(i) OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its properties under operating lease arrangements. These leases have non-cancellable lease terms ranging from 5 to 20 years and there are no restrictions placed upon the Group by entering into these lease agreements. The annual contingent rental amount is calculated on a percentage of the respective stores' turnover.

At the balance sheet dates, the Group had the following future minimum rentals payable under non-cancellable operating leases:

	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Within one year	242,490	174,759
In the second to fifth years, inclusive	972,149	662,496
After five years	2,498,670	1,529,386
	3,713,309	2,366,641

Pursuant to the relevant lease agreements, the Group is entitled to terminate the underlying lease agreement if the attributable department store business has incurred losses in excess of a prescribed amount or such department store will not be in a position to continue its business because of the losses.

As lessor

The Group leases out certain of its properties under operating leases. These leases have remaining non-cancellable lease terms ranging from 1 to 10 years. The annual contingent rental amount is calculated on a percentage of the respective stores' turnover.

At the balance sheet dates, the Group had the following future minimum rentals receivable under non-cancellable operating leases:

	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Within one year	45,892	36,855
In the second to fifth years, inclusive	79,595	61,739
After five years	38,732	19,486
	164,219	118,080

25. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

(continued)

(ii) In addition to the operating lease arrangements above, the Group had the following capital commitments at the balance sheet dates:

	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Contracted, but not provided for:		
Leasehold improvements	9,961	7,714

(iii) Acquisition commitments

As at 30 June 2007, the Group had the following acquisition commitments:

	Notes	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
Acquisition of the minority interest of Mianyang Fulin Parkson Plaza Co., Ltd ("Mianyang Parkson")	(a)	89,935	—
Acquisition of Anshan Properties (note 10(ii))	(b)	450,000	—
		539,935	—

Notes:

(a) On 21 May 2007, the Group entered into a sale and purchase agreement with Sichuan Fulin Industrial Group Co., Ltd. ("Sichuan Fulin") to acquire its entire 40% equity interest in Mianyang Parkson at a consideration of RMB99,928,800. The execution of the transaction is subject to the approval from the relevant PRC authorities. Mianyang Parkson is a 60% owned subsidiary of the Group.

As at 30 June 2007, the Group paid an investment deposit amounting to RMB9,992,880 (note 11). Management anticipated that the acquisition transaction will be completed before the end of September 2007.

(b) Up to the date of this Interim Condensed Consolidated Financial Report, the Anshan Properties acquisition as stated in note 10(ii) to the Interim Condensed Consolidated Financial Report has not been completed because the procedures for the approval and transfer of legal titles of the relevant properties are still undergoing.

26. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties during the period:

(a) Continuing transactions:

	Notes	For the six months ended 30 June 2007 Unaudited RMB'000	2006 Unaudited RMB'000
Royalty fee expenses	(i)	529	525
Consultancy fee income	(ii)	7,998	2,750
Property management fee expenses	(iii)	4,647	4,647

Notes:

(i) The royalty fee expenses are payable to Parkson Corporation Sdn. Bhd., a fellow subsidiary of the Company, for the Group's entitlement to use the "Parkson" trademark in the PRC. The royalty fee was charged based on RMB30,000 per annum for each department store owned or managed by the Group.

(ii) The consultancy fee income is received or receivable from the jointly-controlled entities of the Group of RMB1,039,000 (30 June 2006: RMB1,206,000) and fellow subsidiaries of the Group of RMB6,959,000 (30 June 2006: RMB1,544,000). The consultancy fee income is determined according to the underlying contracts.

(iii) The property management fee expenses are payable to Shanghai Nine Sea Lion Properties Management Co., Ltd., an associate of the Company. The property management fee was charged according to the underlying contract.

(iv) Details of the Group's outstanding balances with the related parties are disclosed in notes 14 and 18 to the Interim Condensed Consolidated Financial Report.

(b) Compensation of key management personnel (as defined under IAS 24, "Related Party Disclosures") of the Company:

	For the six months ended 30 June 2007 Unaudited RMB'000	2006 Unaudited RMB'000
Fees	478	412
Other emoluments:		
Salaries, allowances, bonuses and other benefits	1,684	1,219
Pension scheme contributions	52	52
Equity-settled share option expenses	2,302	—
	4,516	1,683

27. BUSINESS COMBINATION

On 21 March 2007, the Group has entered into a sale and purchase agreement with an independent third party, Millionlink Pacific Limited (the "Vendor"), to acquire the latter's entire interest in Golden Village at a total cash consideration of RMB510,000,000. Golden Village was the owner of the entire equity interest in a PRC company, Jiangxi Kaimei Retail Co., Ltd. ("Jiangxi Kaimei"). Jiangxi Kaimei owns and operates a department store in Nanchang City in Jiangxi Province of the PRC ("Jiangxi Kaimei store").

The acquisition transaction was accounted for under the purchase method and the excess of the consideration of RMB510,000,000 over the fair value of the net assets acquired by the Group of RMB1,091,000 was recognised as goodwill of RMB508,909,000 (note 10(i)).

In addition, pursuant to the sale and purchase agreement, the Group granted an entrusted loan of RMB120,000,000 (note 11) to a related company of the Vendor through a PRC bank. The sole purpose of the entrusted loan is to release the relevant mortgage in respect of the buildings in which the Jiangxi Kaimei store operates. Refer to note 11 for details of the entrusted loan.

The fair values of the identifiable assets and liabilities of Golden Village at the date of acquisition were:

	Fair value recognised on acquisition RMB'000	Carrying value RMB'000
Property, plant and equipment	23,800	23,800
Inventories	11,388	11,388
Prepayments, deposits and other receivables	27,333	27,333
Cash and cash equivalents	64,864	64,864
	127,385	127,385
Trade payables	(68,585)	(68,585)
Tax payable	(5,118)	(5,118)
Dividend payable	(13,383)	(13,383)
Customers' deposits, other payables and accruals	(39,208)	(39,208)
	(126,294)	(126,294)
Fair value of net assets	1,091	1,091
Goodwill arising on the acquisition (note 10 (i))	508,909	
Consideration by cash	510,000	

Since its acquisition, the Jiangxi Kaimei Store contributed RMB6,541,000 to the net profit of the Group. Had the combinations taken place at the beginning of 2007, the total operating revenue and the profit of the Group for the period would have been RMB1,531,454,000 and RMB348,754,000, respectively.

28. SUBSEQUENT EVENTS

Save as disclosed in note 25(iii) and note 10(ii), the Group did not have any significant subsequent events taken place subsequent to 30 June 2007.

29. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

The Interim Condensed Consolidated Financial Report was approved and authorised for issue by the board of directors on 24 August 2007.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

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To the directors of Parkson Retail Group Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 34, which comprises the interim condensed consolidated balance sheet of Parkson Retail Group Limited and its subsidiaries as of 30 June 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards, or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
24 August 2007

BEST
BORROWERS
2007

OPERATIONAL REVIEW

The PRC economy expanded by 10.7% for the year 2006 and continued its robust growth for the first six months of this year. The gross domestic product ("GDP") grew by approximately 11.5%, to reach RMB10.7 trillion for the first six months of this year. The continuing robust economy growth has resulted in the strong emergence of middle class, the accelerating household income and improved purchasing power of the PRC consumers. On the back of these positive factors, the retail industry grew solidly by 13.9% to reach RMB7.6 trillion for the year 2006 and registered a stronger growth of 15.4% to reach RMB4.2 trillion for the first six months of this year.

During the period under discussion, the Group achieved an impressive SSS growth of 19.6% through the combination of improve productivity from the more efficient use of the available floor space, the increase of "ticket price" and the improved traffic in our stores.

The Group carried out various marketing and promotional campaigns during the period under discussion, including the promotion with the Malaysia Tourism Board in conjunction with the 50th Anniversary of the Malaysia's Independence Day, joint promotion with the Vogue magazine and the Beauty & Scents Rendezvous cosmetic promotion, to reward our loyal customers as well as to attract new customers. On the merchandising front, we remain confident with the strategy of upgrading the brand mix and changing the merchandise mix in line with the maturity of the stores. In this respect, distinctive and affordable luxury brands such as Hermes, Tumi and Mont Blanc were added to our flagship stores in Beijing and Shanghai. In order to maximise the productivity of the existing floor space, we continue to monitor the use of floor space and relocate the high-value merchandises to premium and high-traffic floor space whenever the opportunities arise.

Both the concessionaire sales and direct sales demonstrated strong consistent growth of 63.2% and 50.9% respectively. The maturing stores portfolio enable the Group to increase the sales of higher value merchandises through our concessionaire model. As a result, the concessionaire sales outgrew the direct sales and accounted for approximately 87.3% of the total merchandise sales. It was up by approximately 0.9% from the same period of last year.

The Group continues to look for new location for the expansion of its operation and network and to further consolidate its position as the leading department store owner and operator in this fast growing market. During the period under discussion, the Group executed additional lease agreements that will add a total of approximately 40,000 square meters of retailing space to its existing portfolio.

In March 2007, we entered into an agreement to acquire the entire share capital of Golden Village, the ultimate sole owner and operator of the Jiangxi Kaimei store in Nanchang, the capital city of Jiangxi Province. This acquisition was successfully completed in the second half of April 2007 and had immediately contributed to the performance of the Group.

In April 2007, we opened our third Beijing store in the east side of the city of Beijing, the performance of the said store has been very encouraging and we are confident that it will contribute to the bottom line of the Group starting from the year 2007.

In April 2007, we entered into sale and purchase agreement to acquire the remaining 49% equity interest in the operation of our subsidiary Anshan Parkson and also 100% interest of the land use right of and the Anshan Properties. The acquisition of the 49% interest in Anshan Parkson was successfully completed in the month of June 2007.

In May 2007, we entered into an agreement to acquire the remaining 40% equity interest in the operation of our subsidiary Mianyang Parkson. Completion is expected before the end of September this year.

As at 30 June 2007, we operate and manage total of 39 stores across 26 cities in the PRC. Out of the 39 stores, 27 are self owned stores that we have at least majority equity stake in the operations of those stores. The remaining 12 stores are managed stores where we are providing management services. During the period under discussion, the Changchun Parkson Managed Store was closed down by the owner. We terminated the management service agreement pertaining to the same and no longer manage the said store.

PROSPECTS

The PRC economy has been one of the world's fastest growing economies over the last two decades. On the back of this rapid economy growth, the total retail sales has achieved a compounded aggregate annual growth rate of 12.5% from RMB1.9 trillion in the year 1994 to RMB7.6 trillion in the year 2006. For the year 2006, the retail industry registered a growth of 13.9%, approximately 3.2% higher than the economy expansion of 10.7% and for the period under discussion, the retail industry growth rate of 15.4% continue to outgrow the GDP by approximately 3.9%, it reflects the continuous efforts from the PRC government to rebalance the economy growth away from export and fixed asset investment to domestic consumption. We remain bullish on the retail industry in the PRC and stay cautiously optimistic about the growing economy in the PRC despite the current uncertainties underlying the world economy.

The Group will open more new stores in the second half of this year and in the coming years to increase the number of our stores especially in cities or existing markets which we already have a presence with strong brand equity and also in relatively affluent cities or new markets to further expand our network and enhance our brand image. Other than expanding through the opening of new stores or "organic growth", the Group will also focus on three prongs acquisition strategies by continuously pursuing the acquisition of the minority interests of our existing subsidiaries, the controlling interest of the existing managed stores and also continue to explore and assess opportunities for third party acquisitions that meet our strategic initiatives and return on capital requirement.

The Group will continue to improve customer loyalty by further developing the Parkson brand and improving the profitability of our existing stores. We strive to continue our proven business model, to upgrade our stores, continue to revise the merchandise mix and brand mix of each of our stores to be in line with the constant development of each individual market where we operate in order to maintain a healthy SSS growth.

Changing demographics with the strong emergence of younger generation of middle class with higher spending power makes PRC retail market one the largest and strongest growing in the world. The market provides significant opportunities to the retailer, particularly the department stores operators. Encouraged by our strong performance in the first half of the year, we are confident that the year 2007 will be another record breaking year for the Group. We remain confident in our strategies and believe that the Group is well-positioned to capitalize on the booming retail market and to maximize returns to our shareholders.

FINANCIAL REVIEW

Total gross sales proceeds and operating revenues

For the first half of year 2007, the Group generated a total gross sales proceeds received or receivable of RMB4,313.6 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 61.5% or RMB1,641.8 million from the same period of last year. The strong improvement in total gross sales proceeds are mainly due to the strong SSS growth of approximately 19.6%, the inclusion of the full six months sales performance of the acquisitions completed in the second half of year 2006 and the inclusion of approximately two months of sales performance of Jiangxi Kaimei store of which the acquisition of the same was completed in the second half of April 2007. The growth was also partly contributed by the change in the manner in which we recognised certain other operating revenues received or receivables from our concessionaires. Prior to July 2006, we recognised such revenues on a net basis by deducting the corresponding expenses incurred in relation to the revenues. We now recognise these other operating revenues on a gross basis at their full amount and we also recognise the corresponding expenses in full as other operating expenses. The increase in gross sales proceeds was however partially offset by the drop of consultancy and management service fees received or receivable as a result of a reduction of the number of managed stores.

The combined merchandise sales of our Beijing Parkson flagship store and the Shanghai Ninesea flagship store during the period contributed approximately 30.5% to our total merchandise sales, a drop of 3.7% compared to 34.2% for the full of last year despite recognising in full the merchandise sales of Beijing Parkson after our successful acquisition of the remaining 44% minority interest in July 2006.

The Group generated total merchandise sales of approximately RMB4,058.2 million. The concessionaire sales contributed approximately 87.3% and the direct sales contributed the balance of 12.7%. The Fashion & Apparel category made up approximately 48.5% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 31.0%. The Household & Electrical category contributed approximately 9.0% and the balance of approximately 11.5% came from the Groceries and Perishables category.

Commission rate from concessionaire sales was within management's expectation at 20.1%. Direct sales margin improved marginally by 0.6% to 17.0% compared to the same period last year.

Total operating revenues of the Group for the period under discussion grew by RMB538.7 million or 57.2% from the same period last year. The growth was in line with the growth of the total gross sales proceeds.

Operating Expenses

Purchase of goods and changes in inventories

The purchase of goods and changes in inventories refer to the cost of sales for the direct sales. In line with the increase of direct sales, the cost of sales increased to RMB426.9 million, an increase of RMB142.2 million or 50.0% from RMB284.7 million recorded for the same period of last year. The increase was however partially offset by the improved gross margin of direct sales.

Staff costs

Staff costs increased by RMB54.5 million or 62.8% to RMB141.4 million, the increase was mainly due to (i) the inclusion of the employee share option cost of RMB12.7 million for the share options granted and vested during the period; (ii) the full six months staff cost from the acquisitions completed in the second half of the year 2006 and approximately two months staff costs from the Jiangxi Kaimei acquisition which was completed in the second half of April 2007.

As a percentage to total operating revenues, the staff cost increased marginally to 9.5% from 9.2% recorded in the same period of last year. However, excluding the employee share options cost the ratio stood at 8.7% representing a marginal improvement of 0.5%.

Depreciation and amortisation

Depreciation and amortisation increased by RMB14.4 million or 36.7% to RMB53.7 million. The increase was primarily contributed by the depreciation and amortisation cost of the acquisitions completed in the second half of year 2006 and the Jiangxi Kaimei acquisition which was completed in the second half of April 2007. In particular, the additional depreciation and amortisation cost from the Beijing Parkson flagship store that owned part of the buildings that it currently occupied.

As a percentage to total operating revenues, depreciation and amortisation cost dropped to 3.6% from 4.2% reported for the same period of last year. The drop is in line with the strong increase in comparative store operating revenues growth.

Rental expenses

Rental expenses increased by RMB54.8 million or 55.7% to RMB153.2 million. The increase was largely due to the inclusion of additional rental cost from the acquisitions completed in the second half of the year 2006 and the Jiangxi Kaimei acquisition which was completed in the second half of April 2007. The increase was also partly due to the increase payment of contingent rent for the performance related lease agreements.

As a percentage to total operating revenues, the rental expenses dropped marginally to 10.3% from 10.4% recorded in the same period of last year in line with the management's expectation.

Other operating expenses

Other operating expenses which consist of mainly the utilities cost, marketing and promotional cost, credit card handling expenses, property management cost and general administrative cost rose by RMB99.9 million or 77.3% to RMB229.0 million due primarily to (i) the manner in which we recognised certain other operating revenues received or receivables and the corresponding expenses as previously discussed (ii) the acquisitions completed in the second half of the year 2006 and the Jiangxi Kaimei acquisition which was completed in the second half of April 2007 and (iii) the pre opening expenses for Beijing Metro City branch of approximately RMB3.0 million charged off.

As a percentage to operating revenues, the ratio increased marginally by 1.8% from the same period of last year to 15.5% mainly due to the aforesaid reasons.

Profit from operations

Profit from operations increased to RMB476.9 million, an improvement of RMB172.9 million or 56.8%, this is generally in line with the growth of operating revenues. Profit from operations as a percentage to operating revenues remains flat at 32.2%.

Finance cost, net

In November 2006, we entered into a financing arrangement which includes issuance of high yield notes, a subscription of a credit link note with the proceeds of the high yield notes and drawdown of on shore commercial loans (collectively "Structure Financing") to obtain funding of approximately RMB1.5 billion for our operating entities in the PRC for business expansion. The effect from the Structure Financing and the interest expense from the additional high yield notes of USD125.0 million issued in the month of May this year ("HYN07") has resulted in a net interest expense of RMB38.0 million to the Group for the period under discussion compared to net interest income of RMB21.8 million for the same period of last year.

Share of profit from an associate

Share of profit from the associated company dropped to RMB54,000 due to reduction of management income received by the associated company.

Income tax

The Group's income tax expense increased by RMB1.6 million or 1.5% due to the increase in profit from operations. The increase was however partly offset by the lower effective tax rate of 23.9%, a decline of 7.7% from 31.6% recorded for the same period of last year due to the inclusion of higher amount of non taxable interest income, increase number of stores with preferential tax rate, adjustment to deferred tax assets and liabilities and refund of paid income tax to certain stores that were granted preferential tax rate during the period under discussion.

Net Profit for the period

The net profit for the period ended 30 June 2007 increased to RMB334.2 million, an improvement of 49.9%. The net profit margin dropped to 22.6% from 23.7% for the same period of last year due to the net interest expense incurred on the Structure Financing and the interest expense from the HYN07.

Profit attributable to the Group

Profit attributable to the Group increased to RMB303.5 million, an increase of RMB107.3 million recorded for the same period of last year, an improvement of 54.7%

Liquidity and financial resources

The cash and bank balances of the Group stood at RMB2,928.9 million as at 30 June 2007, representing a reduction of 10.5% from the balance of RMB3,271.4 million recorded as at the end of December 2006. The reduction was mainly due to the (i) payment of dividends of approximately RMB149.0 million to the shareholders of the Group (ii) payment of dividends of approximately RMB24.5 million to the minority shareholders of the Group's subsidiaries (iii) payment of an aggregated RMB790.0 million for the acquisition of the remaining 49% minority interest in Anshan Parkson and the acquisition of 100% in Jiangxi Kaimei (iv) payment of approximately RMB10.0 million deposits for the acquisition of the remaining 40% minority interest in Mianyang Parkson (v) entrusted loan arrangement of approximately RMB245.9 million in relation to the Jiangxi Kaimei acquisition and the Anshan Parkson 49% minority interest acquisition and (vi) net repayment of bank loan of RMB225.9 million. The reduction was however offset by the positive cash flow of approximately RMB152.6 million generated from the operating activities and the net proceeds of RMB928.8 million from the issuance of HYN07. The Group was at net cash position of RMB564.5 million after netting off the effect from the Structure Financing and the HYN07. Total debt to total assets ratio of the Group expressed as a percentage of interest bearing loans and bank borrowings over the total assets was 47.8% as at 30 June 2007.

Net current assets and net asset

The Group's net current assets as at 30 June 2007 was approximately RMB2,015.8 million, an increase of 1.9% or RMB36.7 million from the balance of RMB1,979.1 million recorded as at 31 December 2006. Net asset rose to RMB2,515.5 million, an increase of RMB196.0 million or 8.4% over the balance as at 31 December 2006. The increase was mainly due to the net profit contribution for the six months ended 30 June 2007 after offsetting the dividends paid during the same period.

Pledge of assets

As at 30 June 2007, no asset is pledged to the bank or lender.

CONNECTED TRANSACTIONS

The following sets out details of certain connected transactions of the Group.

1. Financial assistance from the Group to connected persons

Anshan Parkson entered into two interest-bearing entrusted loan agreements on 22 September 2005 with Anshan Tianxing, pursuant to which loan facilities of an aggregate amount of RMB70 million ("Loan") were made to Anshan Tianxing through CITIC Industrial Bank, Dalian branch. Both loans are due in September 2006. The Loan was fully settled on 4 July 2007 as part of the composite settlement under the sale and purchase agreement dated 20 April 2007 ("Anshan Agreement") for the acquisition of the remaining 49% equity interests in Anshan Parkson and the Anshan Properties, the details of which are set out in note 10(ii) to the Interim Condensed Consolidated Financial Report and paragraph 2 below.

2. Discloseable and connected transaction – acquisition of 49% in Anshan Parkson and Anshan Properties

The Company originally owns 51% of the equity interest in Anshan Parkson through its wholly-owned subsidiaries. The remaining 49% interest was ultimately owned by the Vendor through the company under his control, i.e. Creation International Investment & Development Limited ("Creation International") and Creation (Hong Kong) Investment & Development Limited ("Creation Hong Kong").

By the Anshan Agreement, the Vendor agreed to sell and the Company agreed to acquire (through its wholly owned subdiary, Grand Parkson Retail Group Limited) the remaining 49% equity interest in Anshan Parkson not already owned by itself and the Anshan Property for a total consideration of RMB730,000,000. The acquisition of the remaining 49% equity interest in Anshan Parkson was duly completed on 22 June 2007 which makes Anshan Parkson a wholly owned subsidiary of the Company. As at 30 June 2007, the proposed acquisition of the Anshan Properties is still pending the fulfillment of the conditions precedent.

As the Vendor is a substantial shareholder of Anshan Parkson and therefore according to the Listing Rules, the abovementioned sale and purchase transaction constitutes (a) connected transaction as the applicable percentage ratio under Rule 14.07 calculated in respect of the aggregate value of the said transaction exceed the threshold for exemption under Rule 14A.32, the said transaction is subject to the reporting, announcement and independent shareholders' approval requirement under the Listing Rules. In this respect, the Company had applied to and obtained from the Stock Exchange for a waiver pursuant to R14A.43 under which a written independent shareholder's approval may be accepted in lieu of holding a general meeting. (b) In addition, the said transaction also constitute a discloseable transaction of the Company which is subject to the notification and publication requirements as set out in Rules 14.34 to 14.36 and 14.38 to 14.39 of the Listing Rules.

3. Discloseable and connected transaction – acquisition of 40% of Mianyang Parkson

The Company originally owns 60% of the equity interest in Mianyang Parkson through its wholly-owned subsidiaries. The remaining 40% interest is jointly held by An Zhi Fu, An Dong and Nie Dan through their controlled company, Sichuan Fulin.

By a sale and purchase agreement dated 21 May 2007, Sichuan Fulin has agreed to sell and the Company has agreed to acquire the remaining 40% equity interest in Mianyang Parkson not already owned by the Company for a cash consideration of RMB99,928,800.

Sichuan Fulin is a substantial shareholder of Mianyang Parkson and therefore according to the Listing Rules, the abovementioned proposed acquisition constitutes a connected transaction of the Company which is subject to the announcement and reporting requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules. As the percentage ratio of the said proposed acquisition does not exceed the 2.5% threshold, the Company's independent shareholders' approval is not required.

4. Continuing Connected Transactions

Continuing connected transactions exempt from independent shareholders' approval requirement

Name of connected person	Nature of transaction	Six months ended 30 June 2007 RMB' 000
Sichuan Fulin[1]	Rental paid	3,409
Chongqing Wanyou Economic Development Co., Ltd.[1]	Rental paid	2,513
Shaanxi Chang'an Information Property Investment Co., Ltd.[1]	Rental paid	8,870
Shaanxi Shuang Yi Petroleum and Chemcial Co., Ltd.[1]	Rental paid	10,322
Guizhou Huawei Real Estate Development Co., Ltd.[1]	Rental paid	7,003
Anshan Lung Shing Property Services Limited[2]	Rental paid	8,292
Xinjiang Friendship (Group) Co., Ltd.[1]	Rental paid	12,381
Lucky King (Xi'an) Real Estate Development Co. Ltd[3]	Rental paid	Nil
Guizhou Shenqi Commercial Development Co. Ltd[4]	Rental paid	Nil
Shanghai Lion Parkson Investment Consultant Co., Ltd[5]	Management fee received	5,093
Guizhou Shenqi Parkson Shopping Centre Co., Ltd.[6]	Management fee received	1,867

Notes:

1. Persons directly or indirectly interested in 10% or more of the voting power at any general meetings of the non wholly-owned subsidiaries within the Group, therefore as defined in the Listing Rules, a connected person of the Company. Details of connected parties are set out under the section "Substantial shareholders of the Group".

2. Li Zhong Yong, the ultimate and beneficial owner of Anshan Lung Sing Property Services Limited, was the sole and ultimate beneficial owner of Creation International Investment & Development Limited ("Creation International"), which is the sole beneficial owner of Creation (Hong Kong) Investment & Development Limited, which in turn is the sole beneficial owner of 49% equity interest in Anshan Parkson. The Company, through its wholly owned subsidiary successfully acquired the 100% interest in Creation International from Li Zhong Yong on 22 June 2007. Creation International has since become a wholly owned subsidiary of the Group and Li Zhong Yong is no longer a connected party pursuant to the defection under Chapter 14A of the Listing Rules.

3. Mr Yan Ming, who is one of the directors of Xi'an Lucky Parkson, holds indirectly more than 30% of the equity interest in Xi'an Lifeng. As Xi'an Lifeng is an associate (as defined in the Listing Rules) of Mr Yan Ming, it is a connected person of the Company.

4. Guizhou Shenqi Enterprise Co. Ltd. ("Guizhou Shenqi Enterprise") is the substantial shareholder of Guizhou Parkson Retail Development Co. Ltd. ("Guizhou Parkson"), an indirect subsidiary of the Company. Guizhou Shenqi Commercial is jointly owned by Guizhou Shenqi Enterprise and Guizhou Baiqiang Investment Co. Ltd. ("Guizhou Baiqiang") as to 49% : 51%. Guizhou Shenqi Enterprise is jointly owned by Zhang Pei, Zhang Zhi Jun and Zhang Bei while Guizhou Baiqiang is jointly owned by Zhang Bei and Zhang Ya. Accordingly, both Guizhou Baiqiang and Guizhou Shenqi Commercial are associates to Guizhou Shengi Enterprise and connected persons to the Company pursuant to the Listing Rules.

5. Shanghai Lion Parkson Investment Consultant Co., Ltd. currently provides, and will continue to provide, management consultancy services to certain members of the Lion Group, pursuant to management consultancy agreements between Shanghai Lion Investment and each of the stores under the Lion Group which are, or will be, subsidiaries of LDHB. Since LDHB is a substantial shareholder of the Company, being an associate of LDHB, each of the above-mentioned members of the Lion Group is a connected person of the Company.

6. Mr Zhang Zhi Jun as a director of Guizhou Parkson, a subsidiary of the Company, is a connected person of the Company. Mr Zhang Zhi Jun has a 50% interest in Guizhou Shenqi Parkson Shopping Centre Co., Ltd therefore an associate of Mr Zhang Zhi Jun. Guizhou Shenqi is therefore a connected person of the Company.

The Directors (including the independent non-executive Directors) have reviewed and confirmed that the above continuing connected transactions were:

(i) carried out in the ordinary and usual course of business of the Company;

(ii) carried out on normal commercial terms or on terms no less favourable than those available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INTERIM DIVIDEND

The Board of Director has declared the payment of interim dividend for the six months ended 30 June 2007 of RMB0.22 (2006: RMB0.15) 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 People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 14 September 2007.

The dividends will be payable on or about 28 September 2007 to shareholders whose names appear on the Register of Members of the Company at close of business on 14 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 10 September 2007 to 14 September 2007 (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 not later than 4:30 p.m. on 7 September 2007.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, the interests of the Directors and Chief Executives of the Company in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or Chief Executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules ("Model Code"), were as follows:

(a) Long positions of Tan Sri Cheng Heng Jem in the share capital of the Company:

Name of corporation	Name of Interest	Nature of registered owner	Name of beneficial owner	Number and class of securities	Approximate percentage of shareholding
Company	Corporate interest	PRG Corporation	PRG Corporation	306,360,000 ordinary shares	55.44%

Note:

1. Tan Sri Cheng Heng Jem, together with his wife, Puan Sri Chan Chau Ha alias Chan Chow Har, through their interest and a series of companies in which they have a substantial interest, are entitled to exercise or control the exercise of more than one third of the voting power at general meetings of Lion Diversified Holdings Berhad ("LDHB"). Since LDHB is entitled to exercise or control the exercise of 100% of the voting power at general meeting of PRG Corporation Limited ("PRG Corporation"), pursuant to the SFO, he is deemed to be interested in the Shares held by PRG Corporation in the Company.

(b) Long positions of Tan Sri Cheng Heng Jem in the share capital of the Company's associated corporations (as defined in the SFO)

Name of associatedcorporation	Name of Interest	Nature of registered owner	Name of beneficial owner	Number and class of securities	Approximate percentage of shareholding
PRG Corporation	Corporate interest	LDHB	LDHB	1 ordinary share	100%
Lion Mahkota Parade Sdn. Bhd.	Corporate interest	LDH Management Sdn. Bhd.	LDH Management Sdn. Bhd.	400,000 preference shares	100%
LDHB	Beneficial interest and corporate interest	Tan Sri ChengHeng Jem and a series of controlled corporations	Tan Sri Cheng Heng Jem and a series of controlled corporations	442,451,395 ordinary shares	60.02%

The following are the associated corporations (as defined in the SFO) of the Company in which Tan Sri Cheng Heng Jem is deemed interested as a result of his controlling interest in LDHB (the figures in brackets represent LDHB's interests in these corporations): Qingdao No. 1 Parkson Co., Ltd. (52.60%), Hamba Research & Development Co., Ltd. (98%), Nanning Brilliant Parkson Commercial Co., Ltd. (70%), Dalian Tianhe Parkson Shopping Centre Co., Ltd. (60%) and Aktif-Sunway Sdn. Bhd. (80%).

In relation to the following associated corporations (as defined in the SFO) of the Company which are non wholly-owned subsidiaries of LDHB, Tan Sri Cheng Heng Jem is also deemed interested in the remaining minority interest in those corporations as follows:

Name Of Associated Corporation	LDHB's Interest	Additional Deemed Interest
Lion Mahkota Parade Sdn. Bhd.[D]	99.99%	0.01%[A]
Likom CMS Sdn. Bhd.	99.98%	0.02%[B]
LDH Investment Pte. Ltd.	60%	40%[C]

Notes:

A. Corporate interest through Ayer Keroh Resort Sdn. Bhd. Tan Sri Cheng Heng Jem, through a series of companies in which he has a substantial interest, is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, he is deemed to be interested in the shares held by Ayer Keroh Resort Sdn. Bhd. in Lion Mahkota Parade Sdn. Bhd.

B. Corporate interest through Likom Computer System Sdn. Bhd. Tan Sri Cheng Heng Jem is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, he is deemed to be interested in the shares held by Likom Computer Systems Sdn. Bhd. in Likom CMS Sdn. Bhd.

C. Corporate interest through Lion Asia Investment Pte. Ltd. Tan Sri Cheng Heng Jem, through a series of companies in which he has a substantial interest, is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, he is deemed to be interested in the shares held by Lion Asia Investment Pte. Ltd. in LDH Investment Pte. Ltd.

D. Interest refers to the class of ordinary shares of Lion Mahkota Parade Sdn. Bhd. Interest in the class of preference shares is disclosed in preceding table under sub-paragraph (b) above.

(c) Long positions of Cheng Yoong Choong in the share capital of the Company:

Name of corporation	Nature of interest	Name of beneficiary	Subject matter	Number and class of securities	Approximate percentage of shareholding[2]
Company	Beneficial interest	Cheng Yoong Choong	Option to subscribe for shares[1]	825,000 ordinary shares	0.15%

Notes:

1. Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.

2. Based on the issued and paid up share capital of the Company as at 30 June 2007.

(d) Long positions of Cheng Yoong Choong in the share capital of the Company's associated corporations (as defined in the SFO):

Name of Associated Corporation	Nature of Interest	Name of Registered owner	Name of Beneficial owner	Number and Class of Securities	Approximate Percentage of Shareholding
LDHB	Beneficial interest	Cheng Yoong Choong	Cheng Yoong Choong	998,846 ordinary shares	0.14%

(e) Long positions of Chew Fook Seng in the share capital of the Company:

Name of corporation	Nature of interest	Name of beneficiary	Subject matter	Number and class of securities	Approximate percentage of shareholding[2]
Company	Beneficial interest	Chew Fook Seng	Option to subscribe for shares[1]	550,000 ordinary shares	0.10%

Notes:

1. Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.

2. Based on the issued and paid up share capital of the Company as at 30 June 2007.

(f) Long positions of Werner Josef Studer in the share capital of the Company:

Name of corporation	Nature of interest	Name of beneficiary	Subject matter	Number and class of securities	Approximate percentage of shareholding[2]
Company	Beneficial interest	Werner Josef Studer	Option to subscribe for shares[1]	55,000 ordinary shares	0.01%

Notes:

1. Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.

2. Based on the issued and paid up share capital of the Company as at 30 June 2007.

(g) Long positions of Ko Tak Fai, Desmond in the share capital of the Company:

Name of corporation	Nature of interest	Name of beneficiary	Subject matter	Number and class of securities	Approximate percentage of shareholding[2]
Company	Beneficial interest	Ko Tak Fai, Desmond	Option to subscribe for shares[1]	55,000 ordinary shares	0.01%

Notes:

1. Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.

2. Based on the issued and paid up share capital of the Company as at 30 June 2007.

Save as disclosed above, as at 30 June 2007, none of the Directors or Chief Executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, so far as the Directors are aware, each of the following persons, not being a Director or Chief Executive of the Company, had an interest in the Company's shares which falls to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares	Percentage of shareholding (direct or indirect)
PRG Corporation	Beneficial interest	306,360,000	55.44%
LDHB	Corporate interest	306,360,000 *(Note 2)*	55.44%
Puan Sri Chan Chau Ha alias Chan Chow Har *(Note 3)*	Interest of spouse	306,360,000	55.44%
Lion Development (Penang) Sdn. Bhd.	Corporate interest	306,360,000 *(Note 4)*	55.44%
Pangkor Investments (Cayman Islands) Limited	Beneficial interest	54,648,000	9.89%
Khazanah Nasional Berhad	Corporate interest	54,648,000 *(Note 5)*	9.89%
JPMorgan Chase & Co	Investment manager and Custodian	49,842,560 *(Note 6)*	9.02%

Notes:

1. All of the above are long positions.

2. PRG Corporation is a wholly-owned subsidiary of LDHB. By virtue of the SFO, LDHB is deemed to be interested in the Shares held by PRG Corporation in the Company.

3. Puan Sri Chan Chau Ha alias Chan Chow Har is the wife of Tan Sri Cheng Heng Jem and is deemed to be interested in 306,360,000 Shares which Tan Sri Cheng Heng Jem is deemed to be interested in for the purposes of the SFO.

4. Lion Development (Penang) Sdn. Bhd., directly and through a series of controlled companies, is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of LDHB. Since LDHB is entitled to exercise or control the exercise of 100% of the voting power at general meetings of PRG Corporation, by virtue of the SFO, Lion Development (Penang) Sdn. Bhd. is deemed to be interested in the Shares held by PRG Corporation in the Company.

5. Pangkor Investments (Cayman Islands) Limited is a wholly-owned subsidiary of Khazanah Nasional Berhad. As such Khazanah Nasional Berhad is deemed to be interested in the 54,648,000 Shares held by Pangkor Investments (Cayman Islands) Limited for the purposes of the SFO.

6. The capacities of JPMorgan Chase & Co. in holding the 49,842,560 shares were as to 43,594,000 shares as investment manager and as to 6,248,560 shares in the lending pool as custodian corporation/approved lending agent. The corporate interest of JPMorgan Chase & Co. was attributable on account through a number of its wholly owned subsidiaries.

As at 30 June 2007, as far as the Directors are aware, each of the following persons, not being a Director or Chief Executive of the Company, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of a member of the Group other than the Company:

Substantial Shareholder	Member of the Group	Percentage of equity interest held
Xinjiang Youhao[1]	Xinjiang Parkson	49%
Wuxi Distribution[2]	Wuxi Parkson	40%
Yangzhou Commercial[3]	Yangzhou Parkson	45%
Shaanxi Chang'an Information[4]	Xi'an Chang'an parkson	49%
Shaanxi Shuang Yi[5]	Xi'an Shidai Parkson	49%
Sichuan Fulin[6]	Mianyang Parkson	40%
Chongqing Wanyou[7]	Chongqing Parkson	30%
Guizhou Shengqi Enterprise[8]	Guizhou Parkson	40%
Shanghai Nine Sea Industry[9]	Shanghai Lion Property	71%[10]
Shanghai Nine Sea Industry	Shanghai Nine Sea Parkson	29%[10]

Notes:

1. 新疆友好(集團)有限公司 (Xinjiang Friendship (Group) Co., Ltd.), owns 49% of the equity interest of Xinjiang Youhao Parkson Devlopment Co., Ltd. ("Xinjiang Parkson").

2. 無錫市供銷合作總社 (Wuxi Distribution Corporation), owns 40% of the equity interest of Wuxi Sanyang Parkson Plaza Co., Ltd. ("Wuxi Parkson").

3. 揚州商業大廈 (Yangzhou Commercial Plaza), owns 45% of the equity interest of Yangzhou Parkson Plaza Co., Ltd. ("Yangzhou Parkson").

4. (i) 陝西長安信息置業投資有限公司 (Shaanxi Chang'an Information Property Investment Co., Ltd.), owns 49% of Xi'an Chang'an Parkson Store Co., Ltd. ("Xi'an Chang'an Parkson").

   (ii) 長安信息（產業）集團有限公司 (Chang'an Information (Property) Group Holding Company Limited), a PRC joint stock company, the shares of which are being listed on the Shanghai Stock Exchange owns 65.45% of the equity interest of Shaanxi Chang'an Information, representing a 32.07% indirect equity interest in Xi'an Chang'an Parkson.

5. 陝西雙翼石油化工有限責任公司 (Shaanxi Shuangyi Petroleum and Chemical Company Limited), acquired from Xi'an Xinrun Property Co., Ltd. ("Xian Xinrun") 西安新潤置業有限公司 49% of the equity interest in Xi'an Shidai Parkson Store Co., Ltd. ("Xi'an Shidai Parkson") on 4 September 2006.

6. (i) 四川富臨實業集團有限公司 (Sichuan Fulin Industrial Group Co., Ltd.), owns 40% of the equity interest of Mianyang Fulin Parkson Plaza Co., Ltd. ("Mianyang Parkson").

   (ii) 安治富 (An Zhifu), owns 51% of the equity interest in Sichuan Fulin, representing a 20.40% indirect equity interest in Mianyang Parkson.

7. 重慶萬友經濟發展有限責任公司 (Chongqing Wanyou Economic Development Co., Ltd.), owns 30% of the equity interest of Chongqing Wanyou Parkson Plaza Co., Ltd. ("Chongqing Parkson").

8. (i) 貴州神奇實業有限公司 (Guizhou Shenqi Enterprise Co., Ltd.), owns 40% of the equity interest of Guizhou Shenqi Parkson Retail Development Co., Ltd. ("Guizhou Parkson").

   (ii) 張沛 (Zhang Pei), 張之君 (Zhang Zhi Jun) and 張婭 (Zhang Ya), own 30%, 40% and 30% of the equity interest in Guizhou Shenqi Enterprise, respectively, representing a 12%, 16% and 12% indirect equity interest in Guizhou Parkson.

9. 上海九海實業有限公司 (Shanghai Nine Sea Industry Co., Ltd.), where they distribute 65% of Shanghai Lion Property's profits.

10. Shanghai Lion Property and Shanghai Nine Sea Parkson are cooperative joint venture enterprises established under the laws of the PRC. The percentages are calculated based on the voting rights attributable to Shanghai Nine Sea Industry pursuant to the respective co-operative joint venture contracts. The percentages to distributable profits are different.

Mr Cheng Yoong Choong and Mr Chew Fook Seng are directors of PRG Corporation, which is a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save as disclosed above and so far as the Directors are aware, as at 30 June 2007, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was otherwise directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 30 June 2007, none of the Directors and Directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules, except for the interests held by Tan Sri Cheng Heng Jem in LDHB which owns 9 department stores in the PRC. These 9 excluded department stores are managed by the Group.

NO MATERIAL ADVERSE CHANGE

As at 30 June 2007, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2006 (being the date to which the latest published audited financial statements of the Group were made up).

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Shares of the Companies

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 2007.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws of the Cayman Islands.

Employees

As at the end of June 2007, the total number of employees for the Group was approximately 6,200. 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.

Share Options Scheme

Pursuant to a shareholders' resolution dated 9 November 2005, the Company's share option scheme (the "Scheme") was adopted to attract and retain the best available personnel, to provide additional incentive to the eligible persons and to promote the success of the business of the Group. Details of the Scheme were provided in the Company's prospectus dated 17 November 2005.

On 10 January 2007, the Company offered an aggregate number of 8,188,950 options to 482 of its eligible employees (including directors) to subscribe for 8,188,950 ordinary shares in the Company at the exercise price of HK$36.75 each. As at 30 June 2007, an aggregate number of 644,600 ordinary shares of the Company had been issued pursuant to the Scheme.

	Exercise Period	No. of Options Granted on 10/1/2007	Exercised during the period	Lapsed during the Period	Outstanding at 30/6/2007
Directors					
Cheng Yoong Choong	24/1/2007 – 23/1/2010	600,000	—	—	600,000
	2/1/2008 – 1/1/2011	225,000	—	—	225,000
Chew Fook Seng	24/1/2007 – 23/1/2010	400,000	—	—	400,000
	2/1/2008 – 1/1/2011	150,000	—	—	150,000
Ko Tak Fai	24/1/2007 – 23/1/2010	40,000	—	—	40,000
	2/1/2008 – 1/1/2011	15,000	—	—	15,000
Studer Werner Josef	24/1/2007 – 23/1/2010	40,000	—	—	40,000
	2/1/2008 – 1/1/2011	15,000	—	—	15,000
Sub -total		1,485,000	—	—	1,485,000
Eligible employees	24/1/2007 – 23/1/2010	4,875,600	644,600	—	4,231,000
	2/1/2008 – 1/1/2011	1,828,350	—	71,250	1,757,100
Sub-total		6,703,950	644,600	71,250	5,988,100
Grand Total		8,188,950	644,600	71,250	7,473,100

Notes:

1. The closing price of the share immediately before the date of grant of the options was HK$35.40.

2. In respect of the options which were exercised during the period between 24 January 2007 and 23 January 2010, the weighted average closing price of the share immediately before the date which the option were exercised was HK$41.81.

3. During the period, no share options were cancelled under the Scheme.

Major customers and suppliers

As the Group is principally engaged in retail sales, none of its customers and suppliers accounted for more than 5% of its turnover during the six months ended 30 June 2007. None of the Directors or shareholders who owned 5% or more of the issued shares capital of the Company during the six months ended 30 June 2007 or any of their respective associates held any interest in any of the five largest customers and suppliers of the company during the six months ended 30 June 2007.

Sufficiency of public float

The Company has maintained a sufficient public float throughout the period from the date of listing of shares to 30 June 2007.

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 2007

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 2007.

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 have reviewed the Group's results for the six months ended 30 June 2007. The Committee comprises the three independent non-executive directors of the Company.

APPRECIATION

The Board would like to thank the management and all our staffs for their hard works and dedication. The Board would also take this opportunity to thank the shareholders and our business associates for their strong support to the Group.

On behalf of the Board
Cheng Yoong Choong
Managing Director

24 August 2007