

PARKSON
Retail Group Limited

2008 INTERIM REPORT



PARKSON

2008

INTERIM REPORT

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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
Werner Josef STUDER
YAU Ming Kim, Robert

REGISTERED OFFICE

c/o M&C Corporate Services
Limited
P.O. 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
People's Republic of China
("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
FCCA, CA (MIA)

AUTHORISED REPRESENTATIVES

CHENG Yoong Choong
CHEW Fook Seng

AUDIT COMMITTEE

KO Tak Fai, Desmond (Chairman)
Werner Josef STUDER
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 surged to RMB5,217.7 million, an increase of 21.0%;

Same store sales⁽¹⁾ ("SSS") growth remains satisfactory at 14.4%;

Profit from operations increased to RMB593.9 million, an increase of 24.5%;

Net profit for the period increased to RMB432.2 million, an increase of 29.3%;

Net profit attributable to the Group increased to RMB411.8 million, an increase of 35.7%;

Basic earnings per share⁽²⁾ for the period was RMB0.148;

Interim dividend of RMB0.060 per share⁽²⁾.

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

(2) After adjusting for the effect from the Share Subdivision on 4 July 2008

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2008

	Notes	For the six-month period ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Revenues	3	1,557,162	1,313,039
Other operating revenues	3	199,541	168,163
Total operating revenues		1,756,703	1,481,202
Operating expenses			
Purchases of goods and changes in inventories		(496,305)	(426,931)
Staff costs		(146,164)	(141,437)
Depreciation and amortisation		(74,603)	(53,692)
Rental expenses		(177,171)	(153,182)
Other operating expenses		(268,607)	(229,018)
Total operating expenses		(1,162,850)	(1,004,260)
Profit from operating activities	4	593,853	476,942
Finance income	5	130,725	116,037
Finance costs	5	(165,727)	(154,067)
Share of profit of an associate		55	54
Profit before income tax		558,906	438,966
Income tax	6	(126,707)	(104,725)
Profit for the period		432,199	334,241
Attributable to:			
Equity holders of the parent		411,798	303,452
Minority interests		20,401	30,789
		432,199	334,241
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		RMBO.148	RMBO.110
– Diluted		RMBO.147	RMBO.110
Interim dividend	7	167,248	121,582

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,248,800	818,705
Investment properties		219,472	222,104
Lease prepayments		414,930	420,470
Intangible assets	10	1,675,386	1,562,040
Investment in an associate		2,401	2,346
Other assets	11	165,616	248,477
Held-to-maturity investments, unlisted	12	1,371,820	1,460,920
Investment deposits	13	10,000	40,000
Deferred tax assets		39,643	34,971
Total non-current assets		5,148,068	4,810,033
CURRENT ASSETS			
Inventories	14	160,451	143,940
Trade receivables	15	24,665	18,974
Prepayments, deposits and other receivables	16	313,713	374,852
Investment deposits	13	574,650	781,450
Cash and short-term deposits	17	2,440,461	2,860,216
Total current assets		3,513,940	4,179,432
CURRENT LIABILITIES			
Interest-bearing bank loans	18	(10,000)	—
Trade payables	19	(862,124)	(1,144,716)
Customers' deposits, other payables and accruals	20	(624,613)	(735,720)
Tax payable		(95,634)	(123,129)
Total current liabilities		(1,592,371)	(2,003,565)
NET CURRENT ASSETS		1,921,569	2,175,867
TOTAL ASSETS LESS CURRENT LIABILITIES		7,069,637	6,985,900
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	18	(1,333,000)	(1,417,000)
Long-term payables		(96,444)	(95,628)
Deferred tax liabilities		(242,434)	(184,711)
Senior guaranteed notes	21	(1,350,306)	(1,435,118)
Senior notes	21	(844,028)	(897,179)
Derivative financial instruments designated as hedging instruments		(111,062)	(88,189)
Total non-current liabilities		(3,977,274)	(4,117,825)
NET ASSETS		3,092,363	2,868,075
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	22	57,950	57,925
Reserves		2,958,437	2,731,126
Minority interests		3,016,387	2,789,051
		75,976	79,024
TOTAL EQUITY		3,092,363	2,868,075

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2008

	Attributable to equity holders of the parent											Total equity RMB 000
	Issued share capital RMB 000	Share premium RMB 000	Contributed surplus RMB 000	PRC reserve funds RMB 000	Exchange reserve RMB 000	Hedging reserve RMB 000	Share option reserve RMB 000	Asset revaluation reserve RMB 000	Retained earnings RMB 000	Total RMB 000	Minority interests RMB 000	
At 1 January 2008	57,925	724,099	154,442	149,193	(34,211)	(44,634)	14,679	251,412	1,516,146	2,789,051	79,024	2,868,075
Net profit on												
cash flow hedges	—	—	—	—	—	32,815	—	—	—	32,815	—	32,815
Exchange readjustment	—	—	—	—	(15,371)	—	—	—	—	(15,371)	—	(15,371)
Total income and expense for the period recognised directly in equity	—	—	—	—	(15,371)	32,815	—	—	—	17,444	—	17,444
Profit for the period	—	—	—	—	—	—	—	—	411,798	411,798	20,401	432,199
Total income and expense for the period	—	—	—	—	(15,371)	32,815	—	—	411,798	429,242	20,401	449,643
Employees share options exercised (note 23)	25	10,464	—	—	—	—	(1,395)	—	—	9,094	—	9,094
Contribution from minority interests	—	—	—	—	—	—	—	—	—	—	2,800	2,800
Dividends paid	—	(211,000)	—	—	—	—	—	—	(211,000)	—	—	(211,000)
Dividends of subsidiaries	—	—	—	—	—	—	—	—	—	—	(26,249)	(26,249)
At 30 June 2008 (Unaudited)	57,950	523,563*	154,442*	149,193*	(49,582)*	(11,819)*	13,284*	251,412*	1,927,944*	3,016,387	75,976	3,092,363

* These reserve accounts as at 30 June 2008 comprise the consolidated reserves of RMB2,958,437,000 in the interim condensed consolidated balance sheet at 30 June 2008.

	Attributable to equity holders of the parent											Total equity RMB'000
	Issued share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	PFC reserve funds RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000	Asset revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests 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 PFC income tax rate	—	—	—	—	—	—	—	27,167	—	27,167	—	27,167
Exchange re-digment	—	—	—	—	(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 PFC reserve funds	—	—	—	2,965	—	—	—	—	(2,965)	—	—	—
Employee share-based arrangements	—	—	—	—	—	—	12,693	—	—	12,693	—	12,693
Employee share options exercised	64	24,608	—	—	—	—	(1,353)	—	—	23,319	—	23,319
Acquisition of minority interests	—	—	—	—	—	—	—	—	—	—	(7,257)	(7,257)
Dividends paid	—	(149,040)	—	—	—	—	—	—	—	(149,040)	—	(149,040)
Dividends of subsidiaries	—	—	—	—	—	—	—	—	—	—	(41,220)	(41,220)
At 30 June 2007 (Unaudited)	57,500	674,212	154,442	90,285	(431)	—	11,340	251,412	1,202,506	2,441,266	74,208	2,515,474

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Notes	For the six-month period ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		558,906	438,966
Adjustments for:			
Share of profit of an associate		(55)	(54)
Interest income	5	(130,725)	(116,037)
Interest expenses	5	165,727	154,067
Depreciation and amortisation	4	74,603	53,692
Foreign exchange losses/(gains)	4	2,309	(1,055)
Equity-settled share option expenses		—	12,693
(Reversal of allowance)/allowance for doubtful debts	4	(2,770)	638
Loss on disposal of items of property, plant and equipment	4	383	519
		668,378	543,429
Decrease in other assets		7,215	7,215
Increase in inventories		(15,846)	(659)
Increase in trade receivables		(4,283)	(3,882)
Decrease in prepayments, deposits and other receivables		51,979	39,634
Decrease in trade payables		(293,628)	(152,474)
Decrease in customers' deposits, other payables and accruals		(136,267)	(123,491)
Increase in long-term payables		816	842
		278,364	310,614
Cash generated from operating activities		278,364	310,614
Interest paid		—	(7,269)
Income tax paid		(161,411)	(150,751)
		116,953	152,594
Net cash inflow from operating activities		116,953	152,594
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		330	600
Purchases of items of property, plant and equipment		(45,376)	(37,760)
Business combinations		(453,991)	(445,136)
Deposits for acquisition transactions		(69,854)	(9,993)
Acquisition of minority interests		—	(280,000)
Decrease in investment deposits		236,800	—
Decrease/(increase) in entrusted loans		127,421	(245,900)
Interest income received		142,402	108,722
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		140,610	(1,064,828)
		78,342	(1,974,295)
Net cash inflow/(outflow) from investing activities		78,342	(1,974,295)

	For the six-month period ended 30 June		
	Notes	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Net cash inflow/(outflow) from investing activities		78,342	(1,974,295)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		10,000	380,775
Repayment of bank loans		(84,000)	(606,688)
Net proceeds from issue of senior notes		—	928,797
Interest paid		(164,230)	(137,287)
Proceeds from issue of shares		9,094	23,319
Contribution from minority interests		2,800	—
Dividends paid		(211,000)	(149,040)
Dividends of subsidiaries		(26,249)	(24,528)
Net cash inflow/(outflow) from financing activities		(463,585)	415,348
NET DECREASE IN CASH AND CASH EQUIVALENTS		(268,290)	(1,406,353)
Cash and cash equivalents at beginning of period		2,607,850	3,271,366
Exchange differences		(10,855)	(977)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,328,705	1,864,036
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		669,528	1,246,094
Non-pledged time deposits with original maturity of less than three months when acquired		1,659,177	617,942
		2,328,705	1,864,036

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

30 June 2008

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on 3 August 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. In the opinion of the directors, the Company's ultimate holding company is Parkson Holdings Berhad ("PHB"), a company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

The principal activities of the Company and its subsidiaries (the "Group") are the operation and management of a network of department stores in the People's Republic of China (the "PRC").

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

BASIS OF PREPARATION

The unaudited interim condensed financial information for the six months ended 30 June 2008 (the "Interim Financial Information") has 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 Financial Information are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2007.

The Interim Financial Information does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2007.

IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2007, except for the adoption of the new or revised International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as noted below.

IFRIC 11	—	IFRS 2 - Group and Treasury Share Transactions
IFRIC 12	—	Service Concession Arrangements
IFRIC 14	—	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Sales of goods – direct sales	602,170	514,267
Commissions from concessionaire sales (note)	867,762	711,554
Consultancy and management service fees	15,650	17,539
Rental income	71,580	69,679
	1,557,162	1,313,039

Note:

The commissions from concessionaire sales are analysed as follows:

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Gross revenue from concessionaire sales	4,328,770	3,543,922
Commissions from concessionaire sales	867,762	711,554

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

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

OTHER OPERATING REVENUES

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Promotion income	44,959	44,579
Credit card handling fees	62,193	50,907
Equipment leasing income	6,900	5,995
Display space leasing fees	7,829	8,781
Service fees	14,088	12,879
Administration fees	25,599	16,968
Government grants (note)	8,622	4,056
PRC tax compensation	—	3,553
Other income	29,351	20,445
	199,541	168,163

Note:

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.

4. PROFIT FROM OPERATING ACTIVITIES

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

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Cost of inventories recognised as expenses	496,305	426,931
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	107,204	99,213
Pension scheme contributions	13,677	9,796
Social welfare and other costs	23,013	17,521
Equity-settled share option expenses	—	10,391
	143,894	136,921
Directors' remuneration	2,270	4,516
	146,164	141,437
Depreciation and amortisation	74,603	53,692
Operating lease rentals in respect of leased properties:		
Minimum lease payments	127,932	108,663
Contingent lease payments *	49,239	44,519
	177,171	153,182
Loss on disposal of items of property, plant and equipment	383	519
Auditors' remuneration	1,750	2,603
(Reversal of allowance)/allowance for doubtful debts	(2,770)	638
Gross rental income in respect of investment properties	(10,642)	(13,866)
Sub-letting of leased properties:		
Minimum lease payments	(28,768)	(27,442)
Contingent lease payments *	(32,170)	(28,371)
	(60,938)	(55,813)
Total gross rental income	(71,580)	(69,679)
Foreign exchange losses/(gains)	2,309	(1,055)

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

5. FINANCE INCOME/COSTS

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Finance income:		
Interest income from held-to-maturity investments	68,791	75,481
Bank interest income	42,571	33,362
Interest income from loans receivable	3,582	4,089
Interest income from interest rate swap arrangements (note)	15,781	3,105
	130,725	116,037
Finance costs:		
Senior guaranteed notes	(58,056)	(63,404)
Senior notes	(33,824)	(6,237)
Interest expenses on bank loans and other loans, wholly repayable within five years	(73,847)	(84,426)
	(165,727)	(154,067)

Note:

As further disclosed in note 21(ii) to the Interim Financial Information, the Group has entered into interest rate swap agreements. The purpose of the swap agreements is to provide the Group with 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 regulations, except for certain preferential treatment available to certain PRC subsidiaries and jointly-controlled entities of the Group, the PRC companies of the Group are subject to corporate income tax at a rate of 25% on their respective taxable income. During the period, 14 PRC entities of the Group (2007: 15) have obtained approval from the relevant PRC tax authorities and were subject to preferential corporate income tax rates or corporate income tax exemptions.

6. INCOME TAX (continued)

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Current income tax	132,443	118,719
Deferred income tax	(5,736)	(13,994)
	126,707	104,725

7. DIVIDEND

	Note	For the six-month period ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Proposed (not recognised as a liability as at 30 June)			
Interim dividend		167,248	121,582
Adjusted interim 2008: RMB 0.060 per Subdivided Share (Interim 2007: RMBO.220 per ordinary share; adjusted interim 2007: RMBO.044 per share)	(i)	167,248	121,582

Note:

- (i) The adjusted interim dividend per share for the six-month period ended 30 June 2008 is calculated by dividing the proposed 2008 interim dividend of RMB167,248,000 by the 2,787,465,000 Subdivided Shares (note 22(ii)). The dividend per share for the six-month period ended 30 June 2007 is calculated by dividing the 2007 interim dividend of RMB121,582,000 by the 552,644,600 ordinary shares outstanding as at 30 June 2007. For comparative information purpose, the adjusted interim dividend per share for the six-month period ended 30 June 2007 is calculated by dividing the 2007 interim dividend of RMB121,582,000 by the adjusted shares of 2,763,223,000.

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 outstanding during the period, as adjusted to reflect the 1 to 5 subdivision of shares after the balance sheet date (Note 22(ii)).

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 outstanding during the period, as adjusted to reflect the 1 to 5 subdivision of shares after the balance sheet date (Note 22(ii)) 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 share into ordinary shares.

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

	For the six-month period ended 30 June	
	2008	2007
	(Unaudited) RMB'000	(Unaudited) RMB'000

Earnings

Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	411,798	303,452
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	Number of shares for the six-month period ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)

Shares

Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	557,376,063	552,261,048
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation as adjusted for the effect of subdivision of shares (Note 22(ii))	2,786,880,315	2,761,305,240
Effect of dilution: Share options (adjusted for the effect of subdivision of shares (Note 22(ii)))	5,917,670	6,632,530
Weighted average number of ordinary shares adjusted for the effect of dilution and subdivision of shares (Note 22(ii))	2,792,797,985	2,767,937,770

9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2008, the Group acquired items of property, plant and equipment at a total cost of approximately RMB500 million (30 June 2007: RMB37.8 million).

Property, plant and equipment with a net book value of approximately RMB0.7 million (30 June 2007: RMB1.1 million) were disposed of by the Group during the six-month period ended 30 June 2008, resulting in a net loss on disposal of approximately RMB0.4 million (30 June 2007: RMB0.5 million).

10. INTANGIBLE ASSETS

The movements of intangible assets are as follows:

	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
At 31 December 2007, net of accumulated amortisation	1,560,893	1,147	1,562,040
Business combinations	113,675	—	113,675
Amortisation	—	(329)	(329)
At 30 June 2008, net of accumulated amortisation	1,674,568	818	1,675,386
At 31 December 2007:			
Cost	1,560,893	3,277	1,564,170
Accumulated amortisation	—	(2,130)	(2,130)
Net carrying amount	1,560,893	1,147	1,562,040
At 30 June 2008:			
Cost	1,674,568	3,277	1,677,845
Accumulated amortisation	—	(2,459)	(2,459)
Net carrying amount	1,674,568	818	1,675,386

Note:

The amount comprised goodwill arising from the acquisition of the entire interest in Lung Shing International Investment & Development Limited ("Lung Shing International") of RMB59,003,000 (note 27(i)) and the acquisition of the 49% equity interest in Xi'an Chang'an Parkson Department Store Co., Ltd. ("Xi'an Chang'an Parkson") of RMB54,672,000 (note 27(ii)).

11. OTHER ASSETS

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Guarantee deposits	10,000	10,000
Loan receivable	10,000	10,000
Lease prepayments	75,762	82,977
Investment deposits	69,854	25,500
Entrusted loan	—	120,000
	165,616	248,477

Note:

The entrusted loan of RMB 120,000,000 as at 31 December 2007 was secured by a cash deposit with equivalent amount in an escrow bank account, bore interest at 6.5% per annum and was fully settled during the current period.

12. HELD-TO-MATURITY INVESTMENTS, UNLISTED

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Credit linked notes, at amortised cost	1,371,820	1,460,920

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 are denominated in United State Dollar and bear an interest rate of 9.8% per annum. Interest is receivable 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 and operational effective manner. This note should be read in conjunction with note 18(i) and note 21(i) to the Interim Financial Information.

The receipt of interest and principal of the CLN are subject to the Group's payment of interest and repayment of principal of the bank loans as disclosed in note 18(i) to the Interim Financial Information.

13. INVESTMENT DEPOSITS

	Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Non-current			
Investment deposits, in a licensed bank in the PRC, at amortised cost	(i)	10,000	40,000
Current			
Investment deposits, in licensed banks in the PRC, at amortised cost	(ii)/(iii)	574,650	781,450

Notes:

- (i) These investment deposits will mature on 11 December 2009 and bear interest at applicable bank deposit rates.
- (ii) These investment deposits will mature within 12 months and have an expected annual rate of return of up to 7.4%.
- (iii) Investment deposits amounting to RMB15,000,000 as at 30 June 2008 are pledged to secure a bank loan of the Group (note 18(ii)).

14. INVENTORIES

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Merchandise, at cost	145,688	128,975
Consumables, at cost	14,763	14,965
	160,451	143,940

15. TRADE RECEIVABLES

Trade receivables are mainly consultancy and management service fees receivable from "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.

15. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Within 3 months	10,799	11,822
3 to 12 months	8,206	2,064
Over 1 year	5,869	6,705
	24,874	20,591
Provision for impairment	(209)	(1,617)
	24,665	18,974

Included in the balance as at 30 June 2008 are trade receivables from jointly-controlled entities of RMB549,000 (31 December 2007: RMB852,000) and from fellow subsidiaries of RMB9,726,000 (31 December 2007: RMB9,994,000) which are attributable to the consultancy fee income of the Group as disclosed in note 26(a)(ii) to the Interim Financial Information.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Deposits		39,017	36,833
Lease prepayments		70,644	73,915
Other prepayments		26,692	16,531
Advances to suppliers		38,818	46,810
Receivables from minority equity holders		4,678	1,288
Designated loans	(i)	10,000	17,421
Credit card sales receivables		43,963	108,072
Interest receivables		32,274	43,951
Tax refund receivables		6,927	9,970
Other receivables		41,213	21,936
		314,226	376,727
Less: Allowance for doubtful debts		(513)	(1,875)
		313,713	374,852

Note:

- (i) The designated loans as at 30 June 2008 bear an interest rate of 7.65% (31 December 2007: 7.65%) per annum and will mature within one year. The Group has the right to offset the outstanding designated loan balance against future rental payments to the borrowers.

17. CASH AND SHORT-TERM DEPOSITS

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Cash and bank balances	669,528	1,310,896
Short-term deposits	1,770,933	1,549,320
	2,440,461	2,860,216

The cash, bank balances and short-term deposits of the Group amounting to RMB2,333,573,000 as at 30 June 2008 (31 December 2007: RMB1,953,327,000) 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.

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short-term deposits are made for varying periods of between one day and 12 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 30 June 2008 and 30 June 2007:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Cash and bank balances	669,528	1,246,094
Short-term deposits	1,770,933	1,682,770
	2,440,461	2,928,864
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(111,756)	(1,064,828)
Cash and cash equivalents	2,328,705	1,864,036

18. INTEREST-BEARING BANK LOANS

	Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Bank loans	(i)	1,333,000	1,417,000
Bank loan, secured	(ii)	10,000	—
	(iii)	1,343,000	1,417,000
Bank loans repayable:			
Within one year or on demand		10,000	—
In the third to fifth years		1,333,000	1,417,000
		1,343,000	1,417,000
Less: Portion classified as current liabilities		(10,000)	—
Long term portion		1,333,000	1,417,000

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 manage 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 with an aggregate nominal amount of RMB1,500,000,000. 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 are settled simultaneously. The Group repaid RMB84 million of the bank loans during the six months ended 30 June 2008.
- (ii) The bank loan from China Merchants Bank has a maturity date on 25 August 2008 and bears an interest rate of 6.57% per annum. The loan is secured by investment deposits of RMB15 million (note 13(iii)).
- (iii) As at 30 June 2008 and 31 December 2007, all the Group's interest-bearing bank loans were denominated in Renminbi.

19. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Within 3 months	792,538	1,086,409
3 to 12 months	56,434	46,724
Over 1 year	13,152	11,583
	862,124	1,144,716

20. CUSTOMERS' DEPOSITS, OTHER PAYABLES AND ACCRUALS

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Customers' deposits	226,365	258,621
Payables to joint venture partners	—	92
Provision for coupon liabilities	82,601	75,080
Accrued salaries and bonus	55,367	60,894
Other tax payables	18,443	106,258
Deposits from suppliers	58,093	50,632
Construction fee payables	11,056	20,950
Rental payables	41,088	18,126
Accrued interests	37,645	36,380
Other payables and accruals	93,955	108,687
	624,613	735,720

21. SENIOR GUARANTEED NOTES AND SENIOR NOTES

	Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Senior guaranteed notes, listed	(i)	1,350,306	1,435,118
Senior notes, listed	(ii)	844,028	897,179

21. SENIOR GUARANTEED NOTES AND SENIOR NOTES (continued)

Notes:

- (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 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, direct and indirect, in certain subsidiaries of the Company and (ii) a charge over the CLN as disclosed in note 12 to Interim Financial Information.

- (ii) On 30 May 2007, the Company issued the senior notes (the "Notes") in an aggregate principal amount of US\$125 million. 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 after 30 May 2010 in a manner prescribed by the agreements.

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

Furthermore, the Group has entered into cross currency interest rate swap arrangements with the Bank. The purpose of the swap arrangements is to provide the Group with a RMB equivalent fixed rate debt and an interest rate of 3.45% per annum. At settlement, the Group's obligation under the Notes and attributable derivative financial instruments designated as hedging instruments will equal to a RMB equivalent amount of RMB956,630,000.

22. SHARE CAPITAL

	Notes	Number of	Nominal value	
		ordinary shares '000	HK\$'000	RMB'000
Authorised:				
Ordinary shares of HK\$0.1 each		1,500,000	150,000	156,000
Issued and fully paid:				
At 1 January 2008		557,219	55,722	57,925
Share options exercised	(i)	274	27	25
At 30 June 2008	(ii)	557,493	55,749	57,950

Notes:

- (i) During the six-month period ended 30 June 2008, 273,950 share options were exercised for the same amount of shares at an exercise price of HK\$36.75 per share. This gives rise to net proceeds from issue of shares amounting to approximately HK\$10.1 million (equivalent to approximately RMB9,094,000).
- (ii) Subsequent to the balance sheet date, on 4 July 2008, the shareholders of the Company passed an ordinary resolution to approve the subdivision of each of the existing issued and unissued shares of HK\$0.10 each in the capital of the Company into 5 subdivided shares of HK\$0.02 each (the "Subdivided Shares"). Immediately after the share subdivision, the authorised share capital of the Company comprised 2,787,465,000 issued Subdivided Shares and 4,712,535,000 unissued Subdivided Shares of HK\$0.02 each.

23. EMPLOYEE SHARE-BASED ARRANGEMENT

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 (the "Scheme").

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 273,950 share options exercised during the period resulted in the issue of 273,950 ordinary shares of the Company and new share capital of RMB25,000 and share premium of RMB10,464,000 (before issue expenses).

As at 31 December 2007, the 5,218,900 share options had been exercised, the 98,100 share options had lapsed, and the Company had 2,871,950 share options outstanding under the Scheme. The following share options were outstanding under the Scheme during the current period:

	For the six-month period ended 30 June			
	2008		2007	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	36.75	2,871,950	36.75	—
Granted during the period	36.75	—	36.75	8,188,950
Exercised during the period	36.75	(273,950)	36.75	(644,600)
Expired during the period	36.75	—	36.75	(71,250)
At 30 June		2,598,000		7,473,100
As adjusted for Share Subdivision		12,990,000		N/A

At the balance sheet date, the Company had 12,990,000 share options at an exercise price of HK\$7.35 per share (after adjusted for the Share Subdivision) outstanding under the Scheme. The exercise in full of the remaining subdivided share options would, under the present capital structure of the Company, result in the issue of 12,990,000 additional ordinary shares of the Company and additional share capital of HK\$259,800 (equivalent to approximately RMB228,416) and share premium of HK\$95,216,700 (equivalent to approximately RMB83,714,523) (before issue expenses).

At the date of approval of the Interim Financial Information, the Company had 12,990,000 share options (after adjusted for the Share Subdivision) outstanding under the Scheme, which represented approximately 0.5% of the Company's shares in issue as at that date.

24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2008.

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 up to 30 years and there are no restrictions placed upon the Group by entering into these lease agreements.

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

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Within one year	299,367	271,244
In the second to fifth years, inclusive	1,213,053	1,085,017
After five years	3,086,812	3,110,518
	4,599,232	4,466,779

A lease that is cancellable only upon the occurrence of some remote contingency is a non-cancellable operating lease as defined under IFRSs. 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.

In addition to the above, the annual contingent rental amount is changable in a percentage of the respective stores turnover.

As lessor

The Group leases out certain of its properties under operating leases. These leases have non-cancellable lease terms up to 10 years.

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

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Within one year	55,055	48,845
In the second to fifth years, inclusive	91,947	76,398
After five years	30,961	33,473
	177,963	158,716

In addition to the above, the annual contingent rental amount is chargeable on a percentage of the respective tenants' turnover.

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 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Contracted, but not provided for:		
Leasehold improvements	14,264	16,570

- (iii) Acquisition commitments

As at 30 June 2008, the Group had the following acquisition commitments:

	Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Acquisition of Lung Shing International	27(i)	—	450,000
Acquisition of the minority interest in Xi'an Chang'an Parkson	27(ii)	—	35,500
Acquisition of the minority interest in Xi'an Shidai Parkson Store Co., Ltd. ("Xi'an Shidai Parkson")	(a)	94,000	—
Acquisition of Jet East Investments Limited	(b)	230,146	—
		324,146	485,500

Notes:

- (a) On 27 March 2008, the Group entered into a sale and purchase agreement with an independent third party to acquire its 49% equity interest in Xi'an Shidai Parkson at a consideration of RMB154,000,000. Xi'an Shidai Parkson is a jointly-controlled entity of the Group. The execution of the transaction is subject to the fulfilment of certain conditions precedent and the management expects to complete the transaction in the second half of 2008.

As at 30 June 2008, the Group had paid an investment deposit amounting to RMB60,000,000 in relation to this acquisition.

- (b) On 21 May 2008, the Group entered into a sale and purchase agreement with East Crest International Limited, fellow subsidiary of PHB, to acquire its 100% equity interest in Jet East Investments Limited ("Jet East") at a consideration of RMB240,000,000. The consideration shall be satisfied partly by cash of RMB120,005,983 and partly by the issuance of 1,994,000 new ordinary shares of the Company at an issue price of HK\$67.45 per share. Upon completion of the acquisition, Jet East will be the sole legal and beneficial owner of the 70% equity interest in Nanning Brilliant Parkson Commercial Co., Ltd. and the 100% equity interest in Tianjin Parkson Retail Development Co., Ltd. which are principally engaged in operation of department stores in Nanning and Tianjin, respectively. The execution of the transaction is subject to the fulfilment of certain precedent conditions and the management expects to complete the transaction in the second half of 2008.

As at 30 June 2008, the Group had paid an investment deposit amounting to RMB9,854,000 in relation to this acquisition.

26. RELATED PARTY TRANSACTIONS

In addition to the transaction disclosed in note 25(iii) above, the Group had the following significant transactions with related parties during the period:

(a) Continuing transactions

	Notes	For the six-month period ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Royalty fee expenses	(i)	555	529
Consultancy fee income	(ii)	6,582	7,998
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 RMB862,000 (30 June 2007: RMB1,039,000) and fellow subsidiaries of the Group of RMB5,720,000 (30 June 2007: RMB6,959,000). 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 is charged according to the underlying contract.
- (iv) Details of the Group's outstanding balances with the related parties are disclosed in note 15 to the Interim Financial Information. The balance with related parties are unsecured, interest free and have no fixed terms of repayment.

26. RELATED PARTY TRANSACTIONS (continued)

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

	For the six-month period ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Fees	430	478
Other emoluments:		
Salaries, allowances, bonuses and other benefits	1,788	1,684
Pension scheme contributions	52	52
Equity-settled share option expenses	—	2,302
	2,270	4,516

27. BUSINESS COMBINATIONS

(I) ACQUISITION OF A 100% EQUITY INTEREST IN LUNG SHING INTERNATIONAL

On 20 April 2007, the Group has entered into a sale and purchase agreement with Mr. Li Zhong Yong, a third party individual, to acquire the 100% equity interest in Lung Shing International at a consideration of RMB454,774,000. The principal activities of Lung Shing International are property investments and it owns the land use right and the property in Anshan where the Group operates its department store.

The acquisition of Lung Shing International was accounted for under the purchase method and the excess of the consideration of RMB454,774,000 over the fair value of the net assets acquired by the Group of RMB395,771,000 was recognised as goodwill of RMB59,003,000 (note 10).

The fair values of the identifiable assets and liabilities of Lung Shing International at the date of acquisition on 21 January 2008 were:

	Fair value recognised on acquisition RMB'000	Carrying value RMB'000
Property, plant and equipment	450,000	191,277
Prepayments, deposits and other receivables	2,209	2,209
Cash and cash equivalents	10,889	10,889
	463,098	204,375
Tax payable	(423)	(423)
Dividend payable	(1,401)	(1,401)
Customers' deposits, other payables and accruals	(6,500)	(6,500)
Deferred tax liabilities	(59,003)	—
	(67,327)	(8,324)
Fair value of net assets	395,771	196,051
Goodwill arising on the acquisition (note 10)	59,003	
Consideration by cash	454,774	

27. BUSINESS COMBINATIONS (continued)

(II) ACQUISITION OF ADDITIONAL 49% EQUITY INTEREST IN XI'AN CHANG'AN PARKSON

On 27 September 2007, the Group entered into a sale and purchase agreement with an independent third party to acquire its 49% equity interest in Xi'an Chang'an Parkson at a consideration of RMB61,000,000. Xi'an Chang'an Parkson owns and operates a department store in Xi'an. The transaction was effective from 1 January 2008.

The acquisition transaction was accounted for under the purchase method and the excess of the consideration of RMB61,000,000 over the fair value of the net assets acquired by the Group of RMB6,328,000 was recognised as goodwill of RMB54,672,000 (note 10).

The fair values of the acquired identifiable assets and liabilities of Xi'an Chang'an Parkson at the date of acquisition were:

	Fair value recognised on acquisition RMB'000	Carrying value RMB'000
Property, plant and equipment	1,534	1,534
Inventories	665	665
Prepayments, deposits and other receivables	6,367	6,367
Deferred tax assets	216	216
Cash and cash equivalents	25,394	25,394
	34,176	34,176
Trade payables	(11,036)	(11,036)
Tax payable	(1,050)	(1,050)
Customers' deposits, other payables and accruals	(15,762)	(15,762)
	(27,848)	(27,848)
Fair value of net assets	6,328	6,328
Goodwill arising on the acquisition (note 10)	54,672	
Consideration by cash	61,000	

It was impracticable to disclose the revenue and profit of the combined entities for the current period as though the acquisitions had taken place at the beginning of the period. Because the relevant financial information is not available to the Group.

28. FINANCIAL INSTRUMENTS

HEDGING ACTIVITIES

Cash flow hedges

As at 30 June 2008, the Group had interest rate swap and cross currency interest rate swap arrangements in place. The swap arrangements are designated as cash flow hedges of the foreign currency risk and interest rate risk attributable to the underlying debts. The purpose of the swap arrangements is to provide the Group with RMB equivalent fixed interest rate debts.

The cash flow hedges of the expected future cash flows were assessed to be highly effective as at 30 June 2008 in respect of the interest rate swap arrangements. 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.

29. SUBSEQUENT EVENTS

On 2 July 2008, the Group entered into a sale and purchase agreement with Lawrence Wang, an independent third party individual, to acquire the entire issued share capital of Duo Success Investments Limited ("Duo Success") at a consideration of RMB55,000,000. Duo Success is the owner of the entire issued share capital of Huge Return Investment Limited, which owns the 9% equity interest in Xi'an Lucky King Parkson Plaza Co., Ltd. The acquisition was completed on 20 August 2008.

Save as disclosed above and in note 22(ii), the Group did not have any significant events taken place subsequent to 30 June 2008.

30. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The Interim Financial Information was approved and authorised for issue by the board of directors on 22 August 2008.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
TEL: (852) 2846 9888
FAX: (852) 2868 4432

To the board of 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 32, which comprises the interim condensed consolidated balance sheet of Parkson Retail Group Limited and its subsidiaries as at 30 June 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and the explanatory notes. The Rules Governing the Listing of Securities on 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
22 August 2008

PARKSON



OPERATIONAL REVIEW

The PRC economy achieved a respectable growth of 10.4% for the first six months of this year. The economic growth has been remarkably resilient with growth rate only marginally lower than the 11.5% achieved for the same period of last year despite having to face considerably more challenging economic environments and conditions brought along by both the external factors such as the sub-prime crisis in the United States of America, the high crude oil and commodity prices worldwide and the internal factors such as the austerity measures by the government to cool off certain overheated sectors of the economy, the high inflation driven by persistent increase in food prices and the natural disasters.

Healthy growth of the economy, low unemployment rate and increasing household income have provided the platform for the continuing strong emergence of middle class that supports the growth of the domestic consumption market in the PRC, particularly, the retail industry that grew by a nominal rate of 21.4% in the first six months of the year. After adjusting the price effect, the real growth rate was estimated to be approximately 13.9% which is marginally higher than 13.0% achieved in the previous year.

During the period under review, the Group executed its stated business plans and strategies to capitalize on the growing retail market with satisfactory successes despite having to face a much more challenging trading environment due to the macro headwind and the natural disasters. The unfortunate earthquake that shaken Sichuan Province in the third week of May 2008 has also affected our operation in that area. Our stores in Chengdu were closed for 3 days in the month of May and our store in Mianyang was only reopened on 27 June 2008.

The Group recorded a steady composite SSS growth of 14.4%, through a combination of improved productivity from the more efficient use of the available floor space, the increase of "ticket price" and the improved traffic in our stores. Excluding the SSS growth for the month of May and June in Mianyang Fulin Parkson Plaza Co., Ltd. ("Mianyang Parkson") store and the Sichuan Shishang Parkson Retail Development Co., Ltd. ("Sichuan Shishang Parkson") store (stores affected by the strong Sichuan earthquake), the adjusted composite SSS growth for the Group was slightly higher at 14.8%.

In line with the maturity of its stores profile, the Group continued to reinvent and remodel the stores to further enhance its image and performance. In this respect, certain potential flagship stores such as the Kunming Yun Shun He Retail Development Co., Ltd. ("Kunming Parkson") store, Xi'an Shidai Parkson Store Co., Ltd. ("Xi'an Shidai Parkson") store and Anshan Tianxing Parkson Shopping Centre Co., Ltd. ("Anshan Parkson") store have been and will be undergoing renovation and remodeling to prepare for the introduction of affordable higher end cosmetic and fashion brands. In order to maximise the productivity of the existing floor space, we continuously monitor the use of floor space and relocate the premium and high-traffic floor space to high-value merchandises whenever opportunities arise.

Both the concessionaire sales and direct sales demonstrated strong and consistent growth of 22.1% and 17.1% respectively. The maturing stores portfolio enables the Group to increase the sales of higher value merchandises through the concessionaire model. As a result, the concessionaire sales outgrew the direct sales and accounted for approximately 87.8% of the total merchandise sales, it has increased by approximately 0.5% from the same period of last year.

The Group continued to open new stores to strengthen our operation and network and to further consolidate our position as one of the leading department store owners and operators in this fast growing market. During the period under discussion, the Group opened the new Guiyang store with a total gross floor area of approximately 15,000 square meters and the Group is targeting to open additional new stores in the second half of this year with combined gross floor area of approximately 115,000 square meters.

On the merger and acquisition (“M&A”) front, the Group continued to execute our stated strategies to buy out the minority shareholders of the self-owned stores and acquiring the controlling interest of the managed stores. In March 2008, we entered into sale and purchase agreement to acquire the remaining 49% interest in the operation of our jointly controlled entity Xi’an Shidai Parkson and the transaction was completed on 16 September 2008.

In May 2008, we entered into sale and purchase agreement with wholly-owned subsidiary of PHB to acquire the 100% interest in the operation of Tianjin Parkson Retail Development Co., Ltd. (“Tianjin Parkson”) managed store and the 70% controlling interest in the operation of the Nanning Brilliant Parkson Commercial Co., Ltd. (“Nanning Parkson”) managed store. The acquisition is expected to complete before the end of October of this year.

Subsequent to the six months ended 30 June 2008, the Group entered into sale and purchase agreement to acquire the remaining 9% interest in the operation of our subsidiary Xi’an Lucky King Parkson Plaza Co., Ltd. (“Xi’an Lifeng”) and the transaction was completed on 20 August 2008. The Group now own 100% interest of all our 4 Parkson branded stores in Xi’an.

In line with our strategy of rationalizing the operation to maximize productivity, we have closed two small stores, one each in Beijing and Changsha (“Discontinued Stores”) in the first half of this year upon expiry of the relevant lease agreements as the size of those stores, each less than 10,000 square meters of operating area is no longer suitable for the current operating environment. We have decided to concentrate our resources to operate stores with larger floor space to maximize productivity.



PROSPECTS

The PRC economy has been one of the most resilient and fastest growing economies in the world over the last two decades. On the back of this rapid and yet consistent economic growth, the total retail sales has also been growing strongly in the past decade with both the nominal growth rate and real growth rate consistently outpacing the economic growth. This is in line with the government's policy of rebalancing growth away from export to domestic consumption.

Looking forward, we think that the slowing demand from the main export markets and the persistently high inflation driven by the surge in food and commodity prices will continue to pose challenges to the healthy growth of the PRC economy. However, we remain cautiously optimistic about the long term prospect of the PRC economy and retail industry. We believe that strong foreign reserve, solid economic foundation and carefully designed macro-economic policies should enable the PRC to promote a sound and yet strong economic growth.

The Group will continue with our stated expansion strategy of adding on an annual basis approximately 15% to 20% of operating area to our existing portfolio through a combination of opening new stores and M&A activities, 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. The Group will also continue to pursue the acquisition of the minority interests of our existing subsidiaries to enhance our shareholders' returns.

The development of customer loyalty and the further enhancement of the Parkson brand equity will continue to be our main focus. We will persist on our operational strategy on improving the productivity and profitability of our existing stores. We strive to continue our proven business model and to reinvent and upgrade our stores when time is right. We target to maintain a healthy SSS growth through the altering of merchandise mix and brand mix and increase the range of products and brands in our stores to provide our customers with more choices, lower prices and greater value merchandises.

Encouraged by our strong performance in the first half of the year, we believe that the year 2008 will be another record breaking year for the Group. We remain confident in our strategies and believe that the Group is well-positioned to consolidate our leadership position and to maximize returns to our shareholders.

FINANCIAL REVIEW

Total gross sales proceeds and operating revenues

The Group generated a total gross sales proceeds received or receivable of RMB5,217.7 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 21.0% or RMB904.1 million from the same period of last year. The growth in total gross sales proceeds was contributed by (i) the satisfactory SSS growth of approximately 14.4%; (ii) the inclusion of full six months sales performance of the new stores opened last year; (iii) the inclusion of full six months sales performance of Jiangxi Parkson Retail Co., Ltd. ("Nanchang Parkson") store which was acquired in April last year and (iv) the inclusion of sales performance for store opened in the first half of this year. The growth was however partially offset by the limited sales contribution from the Discontinued Stores, namely the Beijing Haidian Parkson store and the Changsha Parkson store. Excluding the impact from the Discontinued Stores, the growth of sales proceeds for first half of this year was approximately 23.1%.

The SSS growth of 14.4% for the period under discussion was also affected by the temporary closure of stores located in the earthquake area. Excluding the impact from the temporary closure, the adjusted SSS growth was 14.8%. All stores have been reopened before the end of June 2008.

The gross sales proceeds of our Beijing Parkson flagship store and the Shanghai Nine Sea flagship store during the period contributed approximately 27.8% to our total merchandise sales, a drop of 2.0% compared to the same period of last year, further reducing the Group's concentration risk.

The Group generated total merchandise sales of approximately RMB4,930.9 million. The concessionaire sales contributed approximately 87.8% and the direct sales contributed the balance of 12.2%. The Fashion & Apparel category made up approximately 48.2% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 32.3%. The Household & Electrical category contributed approximately 8.4% and the balance of approximately 11.1% came from the Groceries and Perishables category.

Commission rate from concessionaire sales was flat at 20.0%. Direct sales margin improved marginally by 0.6% to 17.6% as compared to the same period of last year.

Total operating revenues of the Group for the period under review grew by RMB275.5 million or 18.6% from the same period of last year, in line with the growth of the total gross sales proceeds. The growth was partially offset by the reduction of the consultancy and management service fees and the limited revenue contribution from Discontinued Stores. Excluding the impact from the Discontinued Stores, the growth rate was 20.5%.

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 RMB496.3 million, an increase of RMB69.4 million or 16.2% from RMB426.9 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 RMB4.7 million or 3.3% to RMB146.2 million, other than the normal increase in basic salary and incentive payments, the increase was also due to (i) the inclusion of the additional staff compensation costs of RMB4.8 million incurred in relation to the closure of the Discontinued Stores; (ii) the inclusion of full six months staff costs for stores opened and acquired last year; and (iii) the inclusion of staff costs for stores opened this year. The increase was however partially offset by the staff costs saving in relation to the Discontinued Stores.

As a percentage to total operating revenues, the staff cost ratio decreased marginally to 8.3% from 9.5% recorded in the same period last year, as a result of improved productivity per head and zero employee share option cost incurred in the first half of this year compared to RMB12.7 million for the same period of last year.

Depreciation and amortisation

Depreciation and amortisation increased by RMB20.9 million or 38.9% to RMB74.6 million. The increase was primarily contributed by (i) the inclusion of full six months depreciation and amortisation cost for stores opened and acquired last year; (ii) the inclusion of depreciation and amortisation cost for store opened this year; and (iii) the inclusion of depreciation and amortisation cost for the property that we acquired and currently occupied by Anshan Parkson store.

Due to the aforesaid reasons, as a percentage to total operating revenues, depreciation and amortisation cost ratio increased to 4.2% from 3.6% reported for the same period of last year.

Rental expenses

Rental expenses increased by RMB24.0 million or 15.7% to RMB177.2 million, the increase was largely due to (i) the inclusion of full six months rental expenses for stores opened and acquired last year; (ii) the inclusion of rental expenses for stores opened this year; and (iii) the increase of payment of contingent rent for the performance related lease agreement. The increase of rental was however partly offset by the saving of rental expenses in relation to the Discontinued Stores and rental paid by Anshan Parkson store in the previous year.

As a percentage to total operating revenues, the rental expenses ratio dropped marginally to 10.1% from 10.3% recorded in the same period of last year due to the aforesaid reasons.

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 RMB39.6 million or 17.3% to RMB268.6 million due primarily to (i) the inclusion of full six months other operating expenses for stores opened and acquired last year; (ii) the inclusion of other operating expenses for store opened this year; and (iii) inclusion of approximately RMB2.9 million of additional expenses in relation to the closure of Discontinued Stores.

As a percentage to operating revenues, the ratio decreased marginally by 0.2% from the same period of last year to 15.3% mainly due to improved efficiency of the operation.

Profit from operations

Profit from operations increased to RMB593.9 million, an improvement of RMB116.9 million or 24.5% due to the improved sales performance and the increased operating leverage as result of better operating efficiency. The growth was however offset by the lost of profits from the Discontinued Stores and the one-off closure cost in relation to the Discontinued Stores.

Excluding the impact from the Discontinued Stores, the growth of profit from operations for the first six months of the year was approximately 27.3%.

The profit from operations as a percentage to operating revenues improved by 1.6% to 33.8%, excluding the impact from Discontinued Stores, the margin of profit from operations was 34.4%.

Finance income/(costs), net

For the period under discussion, the Group incurred a net finance cost of approximately RMB35.0 million, a decrease of 8.0% over the same period of last year. The net finance cost is calculated base on the interest expenses paid or payable in relation to the high yield notes that the Group issued in the month of November 2006 and May 2007 and the bank loans after netting off the finance incomes received or receivable from deposits with the banks and the investment in Credit Link Notes.

Share of profit from an associate

Share of profit from the associated company increased to RMB55,000 due to increased management income received by the associated company.

Income tax

The Group's income tax expense increased by RMB22.0 million or 21.0% due to the increase in profit before tax, the increase was however partly offset by the lower effective tax rate of 22.7%, a decline of 1.2% from 23.9% recorded for the same period of last year due to the lower income tax rate chargeable as a result of the tax unification which took effect from the beginning of the year.

Net Profit for the period

The net profit for the period ended 30 June 2008 increased to RMB432.2 million, an improvement of 29.3%. The net profit margin improved to 24.6% from 22.6% for the same period of last year due to better operating leverage, lower net finance cost and lower effective tax rate.

Excluding the impact from the Discontinued Stores, the net profit was RMB439.0 million representing a growth of 33.1% from the same period of last year and the net profit margin was higher at 25.1%.

Profit attributable to the Group

Profit attributable to the Group increased to RMB411.8 million, an increase of RMB108.3 million recorded for the same period of last year, an improvement of 35.7%. Excluding the impact from the Discontinued Stores, the profit attributable to the Group was RMB418.6 million representing a growth of 40.0% from the same period of last year.

Liquidity and financial resources

The cash and cash equivalents (defined as the aggregate of short term investment deposits and cash & short term deposits) balance of the Group stood at RMB3,015.1 million as at the end of June 2008, representing a reduction of 17.2% from the balance of RMB3,641.7 million recorded as at the end of December 2007. The reduction was mainly due to (i) the payment of dividends of approximately RMB211.0 million to the shareholders of the Group; (ii) the payment of dividends of approximately RMB26.2 million to the minority shareholders of the Group's subsidiaries; (iii) the payment of an aggregated RMB485.5 million for the completion of the acquisition of the property occupied by Anshan Parkson and the completion of the acquisition of the remaining 49% minority interest in Xi'an Chang'an Parkson; (iv) the payment of a total of RMB70.0 million deposits for the acquisition of the remaining 49% minority interest in Xi'an Shidai Parkson, the acquisition of 100% interest in Tianjin Parkson managed store and the acquisition

of the 70% controlling interest in the Nanning Parkson managed store; and (v) the repayment of bank loan of RMB84.0 million. The reduction was however partly offset by the positive cash flow of approximately RMB117.0 million generated from the operating activities.

Net current assets and net asset

The Group's net current assets as at 30 June 2008 was approximately RMB1,921.6 million, a decrease of 11.7% or RMB254.3 million from the balance of RMB2,175.9 million recorded as at 31 December 2007. Net asset rose to RMB3,092.4 million, an increase of RMB224.3 million or 7.8% over the balance as at 31 December 2007. The increase was mainly due to the net profit contribution for the six months ended 30 June 2008 after offsetting the dividends paid during the same period.

Pledge of assets

As at 30 June 2008, no asset is pledged to the bank or lender except for investment deposits amounting to RMB15,000,000 are pledged to secure a bank loan of the Group.



CONNECTED TRANSACTIONS

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

1. Discloseable and connected transaction - acquisition of 49% interest in Xi'an Shidai Parkson

The Company owns indirectly 51% equity interest in Xi'an Shidai Parkson through its wholly-owned subsidiary, Xi'an Lifeng¹. The remaining 49% equity interest in Xi'an Shidai Parkson is held by Shaanxi Shuangyi Petroleum and Chemical Company Limited ("Shaanxi Shuangyi").

By a sale and purchase agreement dated 27 March 2008, Shaanxi Shuangyi agreed to sell and the Company agreed to acquire the remaining 49% equity interest in Xi'an Shidai Parkson for a cash consideration of RMB154,000,000.

Shaanxi Shuangyi is a substantial shareholder of Xi'an Shidai Parkson and therefore, the abovementioned acquisition constituted 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). Further, as the applicable percentage ratio of the said acquisition did not exceed 2.5%, the Company's independent shareholders' approval is not required.

The Company had completed the abovementioned acquisition on 16 September 2008 and Xi'an Shidai Parkson is currently a wholly-owned subsidiary of the Company.

Note:

- 1 Previously, Xi'an Lifeng was a 91% subsidiary of the Company and the Company had just completed the acquisition of the remaining 9% equity interest of Xi'an Lifeng on 20 August 2008.

2. Discloseable and connected transaction – acquisition of 70% interest in Nanning Parkson and 100% interest in Tianjin Parkson

By a sale and purchase agreement dated 21 May 2008, the Company, through its wholly-owned subsidiary agreed to acquire from East Crest International Limited ("East Crest"), the 70% equity interest in Nanning Parkson and the 100% interest in Tianjin Parkson for a consideration of RMB240,000,000. The said consideration is payable partly by cash and partly by the Company issuing 1,994,000 ordinary shares of HK\$0.10 each at an issue price of HK\$67.45 each in favour of East Crest. On 4 July 2008, the Company's shareholders approved the subdivision of every one existing issued and unissued share of HK\$0.10 each in the share capital of the Company into 5 subdivided shares of HK\$0.02 each ("Share Subdivision"). In light thereof, the consideration shares to be issued in favour of East Crest upon the completion of the aforesaid acquisition have been adjusted to 9,970,000 new subdivided shares of HK\$0.02 each.

East Crest is a wholly-owned subsidiary of PHB, which is the substantial shareholder of the Company. Hence, East Crest is a connected person to the Company and the abovementioned acquisition constituted a connected transaction of the Company. In addition, as the applicable percentage ratio of the said acquisition exceed 5%, but is less than 25%, the said acquisition is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. In this respect, the independent shareholders of the Company had approved the abovementioned acquisition in the Company's extraordinary general meeting held on 4 July 2008.

3. Continuing Connected Transactions

Continuing connected transactions exempted from independent shareholders' approval requirement:

Name of connected person	Nature of transaction	Six months ended 30 June 2008 RMB' 000
Chongqing Wanyou Economic Development Co., Ltd. ⁽¹⁾	Rental paid	2,603
Shaanxi Chang'an Information Property Investment Co., Ltd. ⁽¹⁾	Rental paid	12,253
Shaanxi Shuangyi ⁽¹⁾	Rental paid	14,895
Guizhou Huawei Real Estate Development Co., Ltd. ⁽¹⁾	Rental paid	7,219
Xinjiang Friendship (Group) Co., Ltd. ⁽¹⁾	Rental paid	12,381
Lucky King (Xi'an) Real Estate Development Co., Ltd. ("Xi'an Real Estate") ⁽²⁾	Rental paid	2,000
Guizhou Shenqi Commercial Development Co., Ltd. ("Guizhou Shenqi Commercial") ⁽³⁾	Rental paid	2,083
Managed Stores owned by the Lion Group ⁽⁴⁾	Management fee received	5,720
Guizhou Shenqi Parkson Shopping Centre Co., Ltd. ("Guizhou Shengqi") ⁽⁵⁾	Management fee received	862

Notes:

- 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".
- Yan Ming, a director of the Company's subsidiary, Xi'an Lifeng, holds indirectly more than 30% of the equity interest in Xi'an Real Estate. Hence, Xi'an Real Estate is an associate (as defined in the Listing Rules) of Yan Ming and a connected person to the Company. Yan Ming ceased to be a director of Xi'an Lifeng on 20 August 2008, the date on which the Company completed the acquisition of the remaining 9% equity interest in Xi'an Lifeng.
- 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 Enterprise and Guizhou Baiqiang Investment Co., Ltd. ("Guizhou Baiqiang") both own 49% and 51% of the equity interest in Guizhou Shenqi Commercial. 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 of Guizhou Shengqi Enterprise and connected persons to the Company pursuant to the Listing Rules.

4. Shanghai Lion Parkson Investment Consultant Co., Ltd. ("Shanghai Lion Investment"), a wholly-owned subsidiary of the Company, currently provides and will continue to provide, management consultancy services to certain members of the Lion Group, namely Qingdao No. 1 Parkson Co., Ltd. ("Qingdao No. 1"), Laoshan branch of Qingdao No. 1, Yantai branch of Qingdao No. 1, Dalian Parkson Retail Development Co., Ltd., Nanning Parkson, Tianjin Parkson, Shenyang Parkson Shopping Plaza Co., Ltd. ("Shenyang Plaza"), Shantou Parkson Commercial Co., Ltd. ("Shantou Commercial"), Changchun Parkson Retail Development Co., Ltd., pursuant to management consultancy agreements between Shanghai Lion Investment and each of the stores under the Lion Group. Save for Shenyang Plaza and Shantou Commercial, of which Lion Diversified Holdings Berhad ("LDHB") is in the process of acquiring the same, the above-mentioned members of the Lion Group are the subsidiaries of PHB, a substantial shareholder of the Company and thus, a connected person of the Company. Both PHB and LDHB are members of the Lion Group which is ultimately controlled by Tan Sri Cheng Heng Jem and hence, Lion Group is a connected person of the Company.
5. Zhang Zhi Jun, a director of Guizhou Parkson, is a connected person of the Company. Zhang Zhi Jun has a 50% interest in Guizhou Shenqi and therefore, Guizhou Shenqi is an associate of Zhang Zhi Jun and a connected person of the Company.

The above transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules and a waiver from strict compliance with the disclosure and/or shareholders' approval requirements under Rule 14A of the Listing Rules has been granted by the Stock Exchange.

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.

The auditors of the Company have confirmed that the above transactions have been approved by the Board of Directors and did not exceed the respective caps stated in the Company's annual report dated 31 December 2007 and in the Company's announcement dated 25 February 2008.

INTERIM DIVIDEND

The Board of Directors has declared the payment of interim dividend for the six months ended 30 June 2008 of RMBO.060 (2007 : RMBO.044 per share after adjusting for the effect from the Share Subdivision) 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 31 October 2008.

The dividends will be payable on or about 30 November 2008 to shareholders whose names appear on the Register of Members of the Company at close of business on 31 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 27 October 2008 to 31 October 2008 (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 24 October 2008.

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

As at 30 June 2008, the interests and short positions 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 set out below. For the avoidance of doubt, as mentioned earlier, the Share Subdivision had taken effect on 4 July 2008, nevertheless, for the purpose of disclosure, the number of shares reflected in this section shall refer to ordinary shares of HK\$0.10 each ("Shares") in the capital of the Company prior the Share Subdivision:

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

Nature of Interest	Name of Registered Owner	Name of Beneficial Owner	Number and Class of Securities	Approximate Percentage of Shareholding
Corporate interest	PRG Corporation	PRG Corporation	300,354,000 ordinary shares ¹	53.87%

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 PHB. Since PHB 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 298,360,000 Shares held by PRG Corporation in the Company. The remaining 1,994,000 Shares are the consideration shares to be issued to East Crest pursuant to the acquisition of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson, which have yet to be completed. The aforesaid consideration shares were included in the calculation of Tan Sri Cheng Heng Jem's long position in the share capital of the Company pursuant to the disclosure requirement for a director's interest in shares of a listed issuer under Part XV of the SFO.

(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 Associated Corporation	Nature of Interest	Name of Registered Owner	Name of Beneficial Owner	Number and Class of Securities	Approximate Percentage of Shareholding
PHB	Beneficial interest and corporate interest	Tan Sri Cheng Heng Jem and a series of controlled corporations	Tan Sri Cheng Heng Jem and a series of controlled corporations	650,100,076 ordinary shares	63.1%
PRG Corporation	Corporate interest	East Crest	East Crest	1 ordinary share	100%
East Crest	Corporate interest	PHB	PHB	1 ordinary share	100%
Parkson Vietnam Investment Holdings Co., Ltd.	Corporate interest	PHB	PHB	2 ordinary shares	100%
Parkson Properties Holdings Co., Ltd.	Corporate interest	PHB	PHB	2 ordinary shares	100%
Prime Yield Holdings Limited	Corporate interest	PHB	PHB	1 ordinary share	100%
Parkson Venture Pie Ltd	Corporate interest	East Crest	East Crest	14,800,000 ordinary shares	100%
Serbadagang Holdings Sdn. Bhd.	Corporate interest	East Crest	East Crest	2 ordinary shares	100%
Sea Coral Limited	Corporate interest	East Crest	East Crest	1 ordinary share	100%
Parkson Corporation Sdn. Bhd.	Corporate interest	East Crest	East Crest	50,000,002 ordinary shares	100%
Parkson HCMC Holdings Co., Ltd.	Corporate interest	Parkson Vietnam Investment Holdings Co., Ltd.	Parkson Vietnam Investment Holdings Co., Ltd.	2 ordinary shares	100%

Name of Associated Corporation	Nature of Interest	Name of Registered Owner	Name of Beneficial Owner	Number and Class of Securities	Approximate Percentage of Shareholding
Parkson HaiPhong Holdings Co., Ltd.	Corporate interest	Parkson Vietnam Investment Holdings Co., Ltd.	Parkson Vietnam Investment Holdings Co., Ltd.	2 ordinary shares	100%
Parkson TSN Holdings Co., Ltd.	Corporate interest	Parkson Vietnam Investment Holdings Co., Ltd.	Parkson Vietnam Investment Holdings Co., Ltd.	2 ordinary shares	100%
Parkson Properties NDT (Emperor) Co., Ltd.	Corporate interest	Parkson Properties Holdings Co., Ltd.	Parkson Properties Holdings Co., Ltd.	2 ordinary shares	100%
Dyna Puncak Sdn. Bhd.	Corporate Interest	Prime Yield Holdings Limited	Prime Yield Holdings Limited	2 ordinary shares	100%
Qingdao No. 1	Corporate interest	Parkson Venture Pte Ltd	Parkson Venture Pte Ltd	124,501,580 registered capital (RMB)	52.95%
Dalian Tianhe Parkson Shopping Centre Co., Ltd.	Corporate interest	Serbadagang Holdings Sdn. Bhd.	Serbadagang Holdings Sdn. Bhd.	60,000,000 registered capital (RMB)	60%
Nanning Parkson	Corporate interest	Sea Coral Limited	Sea Coral Limited	14,000,000 registered capital (RMB)	70%
Dalian Parkson Retail Development Co., Ltd.	Corporate interest	Sea Coral Limited	Sea Coral Limited	60,000,000 registered capital (RMB)	100%
Tianjin Parkson	Corporate interest	Victory Hope Limited	Victory Hope Limited	10,000,000 registered capital (RMB)	100%
Changchun Parkson Retail Development Co., Ltd.	Corporate interest	Sea Coral Limited	Sea Coral Limited	10,000,000 registered capital (RMB)	100%

Name of Associated Corporation	Nature of Interest	Name of Registered Owner	Name of Beneficial Owner	Number and Class of Securities	Approximate Percentage of Shareholding
Jet East Investments Limited ("Jet East")	Corporate interest	East Crest	East Crest	1 ordinary share	100%
Victory Hope Limited	Corporate Interest	Jet East	Jet East	1 ordinary share	100%
Parkson Haiphong Co., Ltd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	3,650,975.96 capital (USD)	100%
Parkson Vietnam Co., Ltd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	7,840,000 capital (USD)	100%
Park Avenue Fashion Sdn. Bhd.	Corporate interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	250,002 ordinary shares	100%
Kiara Innovasi Sdn. Bhd.	Corporate Interest	Parkson Corporation Sdn. Bhd.	Parkson Corporation Sdn. Bhd.	2 ordinary shares	100%
Idaman Erajuta Sdn. Bhd.	Corporate Interest	Dyna Puncak Sdn. Bhd.	Dyna Puncak Sdn. Bhd.	2 ordinary shares	100%
Parkson Vietnam Management Services Co., Ltd.	Corporate Interest	Parkson Vietnam Co., Ltd.	Parkson Vietnam Co., Ltd.	0 capital (USD)	100%
Spring Active Sdn. Bhd.	Corporate interest	Idaman Erajuta Sdn. Bhd.	Idaman Erajuta Sdn. Bhd.	2 ordinary shares	100%

- (c) Short positions of Tan Sri Cheng Heng Jem 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
PHB	Corporate interest	Tan Sri Cheng Heng Jem and a series of controlled corporations	Tan Sri Cheng Heng Jem and a series of controlled corporations	40,000,142 ordinary shares	3.88%

- (d) Long positions of Tan Sri Cheng Heng Jem in the debentures of the Company's associated corporations (as defined in the SFO) :

Corporate interest through Excel Step Investments Limited, Tan Sri Cheng Heng Jem is deemed to be interested in 100% of RM228.8 million nominal value 3.5% redeemable convertible secured loan stocks 2007/2010 issued by PHB as Tan Sri Cheng Heng Jem is entitled to exercise or control the exercise of more than one third of the voting power at the general meetings of Excel Step Investments Limited.

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

Nature of Interest	Name of Beneficiary	Subject Matter	Number and Class of Securities	Approximate Percentage of Shareholding ²
Beneficial interest	Cheng Yoong Choong	Option to subscribe for Shares ¹	455,000 ordinary shares	0.08%

Notes:

- Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
- Based on the issued and paid up share capital of the Company as at 30 June 2008.

(f) 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
PHB	Beneficial interest	Cheng Yoong Choong	Cheng Yoong Choong	5,935,299 ordinary shares	0.57%

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

Nature of Interest	Name of Beneficiary	Subject Matter	Number and Class of Securities	Approximate Percentage of Shareholding ²
Beneficial interest	Chew Fook Seng	Option to subscribe for Shares ¹	150,000 ordinary shares	0.02%

Notes:

- Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
- Based on the issued and paid up share capital of the Company as at 30 June 2008.

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

Nature of Interest	Name of Beneficiary/Registered Owner	Subject Matter/Name of Beneficial Owner	Number and Class of Securities	Approximate Percentage of Shareholding ²
Beneficial interest	Werner Josef Studer	Option to subscribe for Shares ¹	15,000 ordinary shares	Less than 0.01%
Beneficial interest	Werner Josef Studer	Werner Josef Studer	12,000 ordinary shares	Less than 0.01%

Notes:

- Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
- Based on the issued and paid up share capital of the Company as at 30 June 2008.

- (i) Long positions of Werner Josef Studer 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
PHB	Beneficial interest	Werner Josef Studer	Werner Josef Studer	101,250 ordinary shares	Less than 0.01%

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

Nature of Interest	Name of Beneficiary	Subject Matter	Number and Class of Securities	Approximate Percentage of Shareholding ²
Beneficial interest	Ko Tak Fai, Desmond	Option to subscribe for Shares ¹	55,000 ordinary shares	Less than 0.01%

Notes:

- Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
- Based on the issued and paid up share capital of the Company as at 30 June 2008.

Save as disclosed above, as at 30 June 2008, 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 OF THE GROUP

As at 30 June 2008, 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 and short positions 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	Long/Short Positions	Nature of Interest	Number of Shares	Percentage of shareholding (direct or indirect)
PHB	Long	Corporate interest	298,360,000 <i>(Note 1)</i>	53.51%
PRG Corporation	Long	Beneficial interest	298,360,000 <i>(Note 1)</i>	53.51%
Puan Sri Chan Chau Ha alias Chan Chow Har	Long	Interest of spouse	298,360,000 <i>(Note 2)</i>	53.51%
JPMorgan Chase & Co	Long	Beneficial interest, Investment manager and Custodian	67,294,837 <i>(Note 3)</i>	12.07%
	Short	Beneficial interest	2,740,500	0.49%
Deutsche Bank Aktiengesellschaft	Long	Beneficial interest, Investment manager and Person having a security interest in shares	44,436,982 <i>(Note 4)</i>	7.97%
	Short	Beneficial interest and Person having a security interest in shares	24,396,081 <i>(Note 4)</i>	4.37%

Name of Shareholder	Long/Short Positions	Nature of Interest	Number of Shares	Percentage of shareholding (direct or indirect)
UBS AG	Long	Beneficial interest and Corporate interest	28,237,449 (Note 5)	5.06%
	Short	Beneficial interest, Person having a security interest in shares and Corporate interest	25,081,406 (Note 5)	4.49%
Mirae Asset Global Investments (Hong Kong) Limited	Long	Investment manager	28,039,500	5.02%

Notes:

- PRG Corporation is a wholly-owned subsidiary of PHB. By virtue of the SFO, PHB is deemed to be interested in the Shares held by PRG Corporation in the Company. The 1,994,000 Shares being the consideration shares to be issued to East Crest, a wholly-owned subsidiary of PHB pending the completion of the acquisition of the 70% equity interest in Nanning Parkson and the 100% equity interest in Tianjin Parkson were excluded from the calculation of PHB's long positions in the share capital of the Company. This is in line with the disclosure requirements for a substantial shareholder's interest in the shares of a listed issuer under Part XV of the SFO.
- 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 298,360,000 Shares which Tan Sri Cheng Heng Jem is deemed to be interested in for the purposes of the SFO. Likewise, the 1,994,000 Shares referred to in Note 1 above were excluded from the calculation of the deemed interest of Puan Sri Chan Chau Ha alias Chan Chow Har in the share capital of the Company pursuant to the disclosure requirements for a substantial shareholder's interest in the shares of a listed issuer under Part XV of the SFO.
- The capacities of JPMorgan Chase & Co. in holding the 67,294,837 Shares (Long position) were as to 3,068,621 Shares as beneficial owner, 53,081,362 Shares as investment manager and as to 11,144,854 Shares in the lending pool as custodian corporation/ approved lending agent. The interest of JPMorgan Chase & Co. was attributable on account through a number of its wholly-owned subsidiaries.
- The capacities of Deutsche Bank Aktiengesellschaft in holding the 44,436,982 Shares (Long position) and 24,396,081 Shares (Short position) were as to 10,964,510 Shares (Long position) and 3,422,028 Shares (Short position) as beneficial owner, 567,350 Shares (Long position) as investment manager, 32,905,122 Shares (Long position) and 20,974,053 Shares (Short position) as a person having a security interest in shares. The interest of Deutsche Bank Aktiengesellschaft was attributable on account through a number of its wholly-owned subsidiaries.
- The capacities of UBS AG in holding the 28,237,449 Shares (Long position) and 25,081,406 Shares (Short position) were as to 22,837,916 Shares (Long position) and 16,076,635 Shares (Short position) as beneficial owner, 4,337,238 Shares (Short position) as a person having a security interest in shares, 5,399,533 Shares (Long position) and 4,667,533 Shares (Short position) as corporate interest in shares. The interest of UBS AG was attributable on account through a number of its wholly-owned subsidiaries.

As at 30 June 2008, 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 Sunan ²	Wuxi Parkson	40%
Yangzhou Commercial ³	Yangzhou Parkson	45%
Shaanxi Shuangyi ⁴	Xi'an Shidai Parkson	49%
Chongqing Wanyou ⁵	Chongqing Parkson	30%
Guizhou Shengqi Enterprise ⁶	Guizhou Parkson	40%
Shanghai Nine Sea Industry ⁷	Shanghai Lion Property	71%
Shanghai Nine Sea Industry ⁸	Shanghai Nine Sea Parkson	29%

Notes:

- Xinjiang Friendship (Group) Co., Ltd., owns 49% of the equity interest of Xinjiang Youhao Parkson Development Co., Ltd. ("Xinjiang Parkson").
- Wuxi Sunan Investment Guarantee Co., Ltd., owns 40% of the equity interest of Wuxi Sanyang Parkson Plaza Co., Ltd. ("Wuxi Parkson").
- Yangzhou Commercial Plaza, owns 45% of the equity interest of Yangzhou Parkson Plaza Co., Ltd. ("Yangzhou Parkson").
- Shaanxi Shuangyi, owns 49% of the equity interest in Xi'an Shidai Parkson. The Company has completed the acquisition of the remaining 49% equity interest in Xi'an Shidai Parkson on 16 September 2008 and Xi'an Shidai Parkson is currently a wholly subsidiary of the Company.
- Chongqing Wanyou Economic Development Co., Ltd., owns 30% of the equity interest of Chongqing Wanyou Parkson Plaza Co., Ltd. ("Chongqing Parkson").
- Guizhou Shenqi Enterprise, owns 40% of the equity interest of Guizhou Parkson.
 - Zhang Pei, Zhang Zhi Jun and 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.
- Shanghai Nine Sea Lion Properties Management Co., Ltd. ("Shanghai Lion Property") is a cooperative joint venture enterprise established under the laws of the PRC between Shanghai Nine Sea Industry Co., Ltd. ("Shanghai Nine Sea Industry") and Exonbury Limited ("Exonbury"), a wholly-owned subsidiary of the Company. Shanghai Nine Sea Industry is entitled to 71% of the voting rights in the board of Shanghai Lion Property and 65% of its distributable profits. The Group is entitled to 29% of the voting rights in the board of Shanghai Lion Property and 35% of its distributable profits.
- Shanghai Nine Sea Parkson Plaza Co., Ltd. ("Shanghai Nine Sea Parkson") is a cooperative joint venture enterprise established under the laws of the PRC between Shanghai Nine Sea Industry and Exonbury. Shanghai Nine Sea Industry is entitled to 29% of the voting rights in the board of Shanghai Nine Sea Parkson and a pre-determined distribution of income from Shanghai Nine Sea Parkson. The Group is entitled to 71% of the voting rights in the board of Shanghai Nine Sea Parkson and 100% of its distributed profit after deducting the aforesaid pre-determined distribution of income attributable to Shanghai Nine Sea Industry.

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 2008, 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 2008, 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 Lion Group which owns 9 department stores in the PRC. These 9 excluded department stores are managed by the Group and the Company has been granted a first right of refusal and a call option to acquire Lion Group's interests in those 9 excluded department stores.

NO MATERIAL ADVERSE CHANGE

As at 30 June 2008, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2007 (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 2008.

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 2008, total number of employees for the Group was approximately 6,600. 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 Option Scheme

On 10 January 2007, a total of 8,188,950 share options were granted to 482 eligible employees at nil consideration and with an exercise price of HK\$36.75 per share pursuant to an employee share option scheme adopted on 9 November 2005. Further information of the share options granted are set out below:

The share options	Exercise Period	No. of options granted	As at 30 June 2008	
			No. of options exercised or lapsed	No. of outstanding options
Lot 1*	24 January 2007 to 23 January 2010	5,955,600	5,256,300	699,300
Lot 2*	2 January 2008 to 1 January 2011	2,233,350	334,650	1,898,700
		8,188,950	5,590,950	2,598,000

* 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. 5,955,600 share options granted under Lot 1 are exercisable from 24 January 2007 to 23 January 2010 and 2,233,350 share options granted under Lot 2 are exercisable from 2 January 2008 to 1 January 2011. Both Lot 1 and Lot 2 have no further vesting conditions.

As mentioned earlier, the Company's shareholders had on 4 July 2008 approved the Share Subdivision, which subsequently took effect on 7 July 2008. Accordingly, the number of outstanding share options as at 30 June 2008 had been adjusted to 12,990,000 and the exercise price had been adjusted to HK\$7.35 per share.

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 2008. 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 2008 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 2008.

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 2008.

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 Listing Rules for the six months ended 30 June 2008.

Model Code for Securities Transactions

The Company has adopted the Model Code, which the Directors have complied with the standard set out therein for the six months ended 30 June 2008.

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 2008. 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

22 August 2008