PARKSON RETAIL GROUP LIMITED
百盛商業集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3368)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

Total gross sales proceeds ("GSP") increased by 4.9% to RMB8,978.6 million.

Same store sales ("SSS") [(1)] declined by 0.7%.

Net profit attributable to the Group declined by 38.0% to RMB324.7 million.

Earnings per share was RMB0.116.

Interim dividends of approximately RMB140 million or RMB0.05 per share.

(1) Year on year change in total gross sales proceeds for stores in operation throughout the entire comparative year after adjusting for: (i) the impact from the change of contractual relationship with certain suppliers of jewelry products from concessionaire contract to lease agreement; and (ii) excluding the performance of Shanghai Hongqiao store and Guizhou JinFengHuang store which were closed in July 2012 as well as Shanghai flagship store which was temporarily closed from May-Aug 2013 for major renovation

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors of Parkson Retail Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company, its subsidiaries and an associated company (the "Group") for the six months ended 30 June 2013 ("1H2013") with comparative figures for the corresponding period in the year 2012. The unaudited consolidated interim results have been reviewed by the auditors, Ernst & Young and the audit committee of the Company (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**For the six months ended 30 June** **2013** *Unaudited* *RMB'000*	**2012** *Unaudited* *RMB'000* *Restated **
Revenues	4	2,313,945	2,269,392
Other operating revenues	4	304,702	298,374
Total operating revenues		2,618,647	2,567,766
Operating expenses			
Purchases of goods and changes in inventories		(683,860)	(660,194)
Staff costs		(291,310)	(226,545)
Depreciation and amortisation		(163,794)	(141,995)
Rental expenses		(528,258)	(391,547)
Other operating expenses		(510,583)	(499,256)
Total operating expenses		(2,177,805)	(1,919,537)
Profit from operations	5	440,842	648,229
Finance incomes, net	6	12,424	47,367
Share of profits of:			
A jointly-controlled entity		18,549	25,470
An associate		78	122
Profit from operations before income tax		471,893	721,188
Income tax expense	7	(132,747)	(182,314)
Profit for the period		339,146	538,874
Attributable to:			
Equity holders of the parent		324,724	523,774
Non-controlling interests		14,422	15,100
		339,146	538,874
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.116	RMB0.186
Diluted		RMB0.116	RMB0.186

* Certain amounts shown here do not correspond to the interim condensed consolidated income statement for the six-month period ended 30 June 2012 and reflect adjustments made as detailed in Note 2.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	*Unaudited*
	RMB'000	*RMB'000*
Profit for the period	339,146	538,874
Effective portion of changes in fair value of hedging instruments on cash flow hedges arising during the period	(20,238)	(29,774)
Available-for-sale investments:		
- Changes in fair value	5,504	1,686
- Transfer to income statement arising from disposal	(7,919)	-
Exchange differences on translation of foreign operations	2,409	5,127
Other comprehensive income for the period, net of tax	(20,244)	(22,961)
Total comprehensive income for the period, net of tax	318,902	515,913
Attributable to:		
Equity holders of the parent	304,480	500,813
Non-controlling interests	14,422	15,100
	318,902	515,913

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 *Unaudited* *RMB'000*	As at 31 December 2012 *Audited* *RMB'000* *Restated* *
NON-CURRENT ASSETS			
Property, plant and equipment		3,820,145	2,753,773
Investment properties		37,439	23,767
Lease prepayments		467,717	474,373
Intangible assets		2,246,580	2,174,497
Investment in a jointly controlled entity		40,513	35,504
Investment in an associate		2,120	2,042
Prepayment for purchase of land and building		-	620,048
Other assets		3,604	52,845
Available-for-sale investments		-	32,098
Deferred tax assets		168,313	137,937
Total non-current assets		6,786,431	6,306,884
CURRENT ASSETS			
Inventories		278,751	306,065
Trade receivables	10	9,307	15,904
Prepayment, deposits and other receivables		1,464,469	1,008,752
Investment in principal guaranteed deposits with licensed banks		3,171,913	3,307,373
Time deposits with licensed banks		208,717	225,365
Cash and cash equivalents		998,875	1,424,477
Total current assets		6,132,032	6,287,936
CURRENT LIABILITIES			
Trade payables	11	(1,609,984)	(1,896,628)
Customer deposits, other payables and accruals		(1,755,373)	(1,894,913)
Tax payable		(69,823)	(100,461)
Term loan facilities		-	(2,491,161)
Derivative financial instruments designated as hedging instruments		-	(69,498)
Total current liabilities		(3,435,180)	(6,452,661)
NET CURRENT ASSETS/(LIABILITIES)		2,696,852	(164,725)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,483,283	6,142,159

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2013 *Unaudited* *RMB'000*	**As at 31 December 2012** *Audited* *RMB'000* *Restated* *
NON-CURRENT LIABILITIES		
Long-term payables	(345,759)	(237,397)
Deferred tax liabilities	(281,623)	(243,402)
Bonds	(3,054,138)	-
Total non-current liabilities	(3,681,520)	(480,799)
NET ASSETS	5,801,763	5,661,360
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	58,354	58,354
Treasury shares	(797)	-
Reserves	5,646,332	5,328,927
Proposed final dividends	-	196,750
	5,703,889	5,584,031
Non-controlling interests	97,874	77,329
TOTAL EQUITY	5,801,763	5,661,360

* Certain amounts shown here do not correspond to the interim condensed consolidated statement of financial position as at 30 June 2012 and reflect adjustments made as detailed in Note 2.

NOTES

1. CORPORATE INFORMATION

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

The Company acts as an investment holding company. The principal activities of the Group are operation of department store business in the People's Republic of China ("PRC").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2013 (the "Interim Financial Statements") have been prepared in accordance with the International Accounting Standards 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012, except for the application of the new International Financial Reporting Standards ("IFRSs") as noted below.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The application of this new standard has caused the Group to replace proportionate consolidation of a jointly controlled entity with the equity method of accounting. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. The comparative amounts as presented in the consolidated income statement and consolidated statement of financial position have been restated due to the application of this new standard. The application of IFRS 11 has had no financial impact on the Group's results of the operations and financial position. The effect of IFRS 11 will be described in more detail in the interim report, which includes quantification of the effect on the financial statements.

3. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	Unaudited
	RMB'000	RMB'000
		Restated
Sales of goods – direct sales	808,858	795,295
Concessionaire sales	7,715,803	7,338,307
Total merchandise sales	8,524,661	8,133,602
Others (including consultancy and management service fees, rental income and other operating revenues)	453,907	424,061
Total gross sales proceeds	8,978,568	8,557,663

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	Unaudited
	RMB'000	RMB'000
		Restated
Sales of goods – direct sales	808,858	795,295
Commissions from concessionaire sales	1,355,882	1,348,410
Rental income	142,441	118,863
Consultancy and management service fees	6,764	6,824
Other operating revenues *(Note)*	304,702	298,374
Total operating revenues	2,618,647	2,567,766

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

Segment information

For management purposes, the Group has a single operating and reportable segment - the operation and management of department store in the PRC. All revenues from external customers are generated in the PRC and all significant operating assets of the Group are located in the PRC.

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION (continued)

Note: Other operating revenues

		For the six months ended 30 June	
		2013	**2012**
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
			Restated
Promotion income		56,543	45,232
Administration and credit card handling fees		107,154	140,772
Government grants	(i)	5,357	2,997
Other incomes		135,648	109,373
		304,702	298,374

Note:

(i) Various local government grants have been granted to reward the Group for its contributions to the local economy. There were no unfulfilled conditions or contingencies attaching to these government grants.

5. PROFIT FROM OPERATIONS

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

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	Unaudited
	RMB'000	RMB'000
		Restated
Cost of inventories recognised as expenses	683,860	660,194
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	188,686	147,235
Pension scheme contributions	27,482	22,164
Social welfare and other costs	58,743	55,204
Equity-settled share option expenses	11,187	-
	286,098	224,603
Directors' remuneration (including share options expense)	5,212	1,942
	291,310	226,545
Depreciation and amortization	163,794	141,995
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	403,486	276,521
Contingent lease payments *	124,772	115,026
	528,258	391,547

Loss on disposal of items of property, plant and equipment	492	349
Auditors' remuneration	1,319	1,040
Gross rental income in respect of investment properties	(3,906)	(7,413)
Sub-letting of properties:		
Minimum lease payments #	(82,834)	(67,450)
Contingent lease payments *	(55,701)	(44,001)
	(138,535)	(111,451)
Total gross rental income	(142,441)	(118,864)
Direct operating expenses arising on rental-earning investment properties	449	448
Foreign exchange (gain)/losses	(12,390)	4,155

Minimum lease payments of the Group include rental payments for the lease agreement with pre-determined rental payments and minimum guaranteed rental payments for lease agreements with contingent rental payments.

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

6. FINANCE INCOMES/(COSTS), NET

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	Unaudited
	RMB'000	RMB'000
		Restated
Interest expenses on bank and other loans, wholly repayable within five years	(92,800)	(54,674)
Interest income	105,224	102,041
	12,424	47,367

7. INCOME TAX

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

An analysis of the provision for tax in the Interim Financial Statements is as follows:

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	Unaudited
	RMB'000	RMB'000
		Restated
Current income tax	161,081	217,653
Deferred income tax	(28,334)	(35,339)
	132,747	182,314

8. EARNINGS PER SHARE

The calculation of basic earnings per share for 1H2013 is based on the net profit attributable to equity shareholders of the Company for that period of approximately RMB324.7 million and the weighted average number of 2,810,500,250 shares in issue during that period.

The calculation of basic earnings per share for the six months ended 30 June 2012 ("1H2012") is based on the net profit attributable to equity shareholders of the Company for the period of approximately RMB523.8 million and the weighted average number of 2,810,490,250 shares in issue during the period.

The calculation of diluted earnings per share takes into account on the effects of employee share options granted on 27 November 2012.

9. INTERIM DIVIDENDS

The Board of Directors approved the payment of interim dividends for 1H2013 of RMB0.05 (2012: RMB0.07) in cash per share. The interim dividends will be paid in Hong Kong dollars, such amount is to be calculated by reference to the middle rate published by People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 30 September 2013.

The interim dividends will be payable on or before 31 December 2013 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 30 September 2013.

10. TRADE RECEIVABLES

Trade receivables are mainly consultancy and management service fees receivables from the "Parkson" branded managed stores which are managed by the Group and have an established trading history with the Group. The Group normally allows a credit period of not more than 180 days from the end of each financial year of its managed stores. A provision for doubtful debts is made when it is considered that the trade receivables may not be recoverable.

An aged analysis of the trade receivables is as follows:

	30 June 2013	**31 December 2012**
	Unaudited	Audited
	RMB'000	RMB'000
		Restated
Within 3 months	8,620	15,546
3 to 12 months	577	358
Over 1 year	110	-
	9,307	15,904

Included in the balance are trade receivables from jointly-controlled entities of RMB17,000 (31 December 2012: RMB69,000) and fellow subsidiaries of nil (31 December 2012: RMB3,012,000) which are attributable to the management and consultancy fee income of the Group. Such balances were unsecured and interest-free.

11. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	30 June 2013	**31 December 2012**
	Unaudited	Audited
	RMB'000	RMB'000
		Restated
Within 3 months	1,454,447	1,769,049
3 to 12 months	131,847	102,501
Over 1 year	23,690	25,078
	1,609,984	1,896,628

12. CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 27 September 2013 to 30 September 2013 (both dates inclusive). During such period no transfer of shares will be registered. In order to qualify for the interim dividends, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30pm on 26 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The global economic conditions remained volatile and complicated in the first half of 2013 ("1H2013"). While there were some improvements in the US economy, the Eurozone debt crisis remains unsettled and the economic growth of developing countries has decelerated.

Amid continued weak and uncertain global conditions, China's economic growth moderated with a reported gross domestic product ("GDP") growth of 7.6% in 1H2013. Sequentially, the GDP growth in the second quarter declined to 7.5% from 7.7% recorded in the first quarter. The continuous slowdown of economic growth in China is in fact in line with the Chinese authorities' plan to transform their economy from an investment-driven economy to a consumption-driven economy for long-term sustainable growth.

Nevertheless, supported by proactive fiscal policy by the government to facilitate its economic transformation, the income of urban and rural households of the PRC continued to increase. As a result, retail sales of consumer goods in the PRC continued to record a respectable growth rate of 12.7% in 1H2013.

During the period under review, the Group had done its best to reassess and adjust its operating strategies and made good progress in various parts of the business to build sustainable growth for the future. The Group recorded a total GSP of RMB8,978.6 million in 1H2013, which represent an increase of 4.9% from the same period of last year. In line with the general weaker sentiment on discretionary spending, the SSS dropped marginally by 0.7%.

Due to intensifying competition and increasing number of younger and new stores with lower margin performance, the Group's overall merchandise gross margin declined by 0.8% in 1H2013. In line with the weaker SSS growth, weaker merchandise gross margin and the incremental operating loss of new stores, the Group recorded an operating profit decline of 32.0% to RMB440.8 million in 1H2013. The operating loss of new stores for 1H2013 (4 stores opened last year and 2 stores opened in 1H2013) came in at approximately RMB59 million.

The decline of operating profit has also been impacted by the inclusion of some non-comparable items such as (i) additional rental and property management expenses of RMB40.2 million in relation to the early extension of lease agreements of selected flagship stores in the second half of 2012; and (ii) share option expense of RMB12.9 million in relation to the share options granted to the eligible employees and directors in the second half of 2012.

Concessionaire sales recorded a growth of 5.1% in 1H2013, which continued to outgrow direct sales and accounted for approximately 90.5% of the total merchandise sales and the direct sales increased marginally by 1.7% and accounted for approximately 9.5% of the total merchandise sales.

The Group has been revamping and remodeling its existing flagship stores as part of the continuous efforts to enhance store image and improve productivity. Such strategy has been generally successful with majority of flagship stores showing noticeable improvement in its performance thereafter. The flagship stores in Shanghai and Beijing had completed first phase of their remodeling in 2012. The second phase of their remodeling has started in the second quarter of 2013 and is expected to be completed before the end of third quarter of 2013. Management is confident that the remodeling will enhance the competitiveness and productivity of the stores.

The Group continued its expansion program with 2 new stores opened in 1H2013 and is expected to open another 5 new stores before the end of the year. The Group has also completed the acquisition of 4 managed stores from its parent company in February 2013 and terminated the management agreement of a managed store in Guizhou in March 2013.

Prospect

The complicated global economic condition is set to continue in the near future. Although imminent tail risks in advanced economies have diminished, additional measures will be needed to keep them at bay, including timely increases in the United States debt ceiling and continued "do what it takes" action by the euro area authorities to avoid a sharp deterioration in financial conditions. In contrast, risks of a longer growth slowdown in emerging market economies have now increased, due to protracted effects of domestic capacity constraints, weak external conditions, slowing credit growth, and possibly tighter financial conditions if the anticipated unwinding of monetary policy stimulus in the United States leads to sustained capital flow reversals.

As for China, we believe the government now has a greater tolerance for slower growth, and reforms that concentrate on structural issues should ensure emphasis is placed on quality instead of quantity of growth. We also believe reforms will reduce tail risks and better support medium to long-term growth.

Under its economic transformation program, it is expected that the China central government will push forward comprehensive income distribution reform from many aspects, such as the primary distribution, redistribution, the growth of farmers' incomes and distribution order. As this crucial reform is gradually carried out, China's domestic consumption will gain more forward momentum.

In line with the macroeconomic direction and the expectation that the household incomes will continue to outgrow the economic expansion to improve the structural imbalance of the economy, the Group strongly believe that the emergence of middle class should accelerate in the next decade. Given the Group's middle to middle upper market position, the Group is strategically positioned to capitalize on this anticipated improvement in the economic structure of China.

The Group will continue its refined expansionary strategy with lesser but bigger new stores to be opened in existing markets or nearby cities to better utilize the Group's advantageous positions. Nevertheless, increasing competition is inevitable in this ever changing and maturing retail market. To maintain its competitive edge, average size of new stores will increase gradually as the Group seeks to increase its offering of value merchandise and quality services to better serve its customers. The Group will also continue to invest in merchandise assortment with an aim to introduce new and distinctive brands to its customers with latest range of products in the market ahead of its competitors.

Financial Review

Total gross sales proceeds and operating revenues

During the period under review, the Group generated total gross sales proceeds received or receivable of RMB8,978.6 million (comprises of direct sales, sales proceeds from concessionaire sales, rental incomes, consultancy and management service fees and other operating revenues). Total gross sales proceeds for the period represent a growth of 4.9% or RMB420.9 million from RMB8,557.7 million reported in 1H2012 attributable to (i) the inclusion of sales performance of the 4 new stores opened in 2012 and 2 new stores opened in 1H2013; and (ii) the inclusion of sales performance of 4 managed stores that were acquired from the parent company in February 2013. The growth was however partially offset by (i) the marginal decline in SSS by 0.7% due to general weaker sentiment on discretionary spending; (ii) the closure of Shanghai Hongqiao store and Guizhou JinFengHuang store in July 2012, and (iii) the temporary closure of Shanghai flagship store from May to August 2012 due to major renovation.

The Group generated total merchandise sales of approximately RMB8,524.7 million. The concessionaire sales contributed approximately 90.5% and the direct sales contributed the balance of 9.5%. The Fashion & Apparel category made up approximately 45.3% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 44.7%, the Household & Electrical category contributed approximately 4.2% and the balance of approximately 5.8% came from the Groceries and Perishables category.

Due to intensifying competition and increasing number of younger and new stores with lower margin performance, the Group's merchandise gross margin (a combination of concessionaire commission rate and the direct sales margin) declined by 0.8% to 17.4%. Specifically, the decline in merchandise gross margin in 1H2013 was primarily attributable to: (i) higher sales contribution from the younger stores and new stores with lower merchandise gross margin; (ii) lower sales contribution from stores with higher merchandise gross margin in particular the Beijing and Shanghai flagship stores due to the ongoing remodeling; and (iii) higher sales contribution from merchandise with lower merchandise gross margin such as gold and jewelry.

Total operating revenues of the Group for the period under review grew by RMB50.9 million to RMB2,618.6 million or 2.0% from 1H2012. The growth rate for operating revenues was lower than the growth rate of the GSP due to the decline in management and consultancy fees, lower growth for direct sales and other operating revenue and the decline in merchandise gross margin.

Operating Expenses

Purchase of goods and change in inventories

The purchase of goods and change in inventories refer to the cost of sales for the direct sales. In line with the increase of direct sales, the cost of sales rose to RMB683.9 million, an increase of RMB23.7 million or 3.6% from 1H2012.

Staff costs

Staff costs increased by RMB64.8 million or 28.6% to RMB291.3 million. The substantial increase was primarily attributable to (i) the inclusion of the staff costs of new stores opened in 2012 and 1H2013; (ii) the inclusion of the staff costs of 4 managed stores acquired from the parent company in February 2013; (iii) general wage rise; and (iv) the inclusion of RMB12.9 million of employee share option expense in relation to the share options granted to the eligible employees and directors in November 2012. On a same store basis, excluding the impact of the employee share option expenses, staff costs increased by 8.5% due to general wage rise.

As a percentage to GSP, the staff cost ratio increased to 3.2% from 2.6% recorded in 1H2012.

Depreciation and amortisation

Depreciation and amortisation increased by RMB21.8 million or 15.4% to RMB163.8 million. The increase was primarily attributable to (i) the inclusion of depreciation cost of new stores opened in 2012 and 1H2013; (ii) the inclusion of depreciation cost of 4 managed stores acquired from the parent company in February 2013; and (iii) additional depreciation cost in relation to the remodeled stores. On a same store basis, depreciation cost increased marginally by 1.0%.

As a percentage to GSP, depreciation and amortisation cost ratio increased marginally to 1.8% from 1.7% recorded in 1H2012.

Rental expenses

Rental expenses rose to RMB528.3 million, a substantial increase of RMB136.7 million or 34.9%. The substantial increase was largely due to (i) the inclusion of rental cost of new stores opened in 2012 and 1H2013; (ii) the inclusion of rental cost of 4 managed stores acquired from the parent company in February 2013; (iii) the inclusion of RMB32.4 million contingent rental and straight line rental in relation to the early extension of lease agreements of selected flagship stores in the second half of 2012 (“2H2012”) and (iv) the increased payment of turnover rent for the performance related lease agreements. On a same store basis, excluding the impact of the early extension in 2H2012, rental expenses increased by 3.9%.

As a percentage to GSP, rental cost ratio increased to 5.9% from 4.6% recorded in 1H2012.

Other operating expenses

Other operating expenses which consist of the (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; (d) general administrative expenses and (e) city development and educational surcharge, increased marginally by RMB11.3 million or 2.3% to RMB510.6 million due to (i) the inclusion of other operating expenses of the new stores opened in 2012 and 1H2013; (ii) the inclusion of other operating expenses of 4 managed stores acquired from the parent company in February 2013; and (iii) the inclusion of RMB7.8 million of increased property management expenses pertaining to early extension of lease agreements in 2H2012. Such increases were however partly offset by (i) the decline in selling expenses due to reduction in credit card handling charges imposed by banks under the instructions from regulatory bodies; (ii) the decline in city development and educational surcharge in line with decline in SSS; and (iii) lower preopening expenses of new stores opened in 1H2013 as compared to the same period of last year. On a same store basis, excluding the impact of the early extension in 2H2012, other operating expenses decreased by 7.2%.

As a percentage to GSP, other operating expense ratio declined marginally to 5.7% from 5.8% recorded in 1H2012.

Profit from operations

In light of the decline in SSS and contraction of merchandise gross margins due to the tougher operating environment, temporary closure of Shanghai flagship store due to major renovation, higher operating costs contributed by the increasing new stores and the lease extension, profit from operations declined to RMB440.8 million, a decrease of RMB207.4 million or 32.0%. As a percentage to GSP, the profit from operations margin declined to 4.9% from 7.6% recorded in 1H2012.

Finance incomes, net

Net finance incomes dropped to RMB12.4 million in 1H2013, a substantial decrease of RMB34.9 million or 73.8%. The substantial decline in net finance incomes was primarily attributable to (i) the increase in finance costs due to the refinancing of short-term borrowings with longer-term borrowing that carries higher interest rate; (ii) acceleration of issuance cost amortization due to the early repayment of syndicated loan in June 2013; and (iii) increase in short-term borrowings during the period under review.

Share of profit from a jointly controlled entity

This is the share of profit from Xinjiang Youhao Parkson Development Co., Ltd., a jointly controlled entity of the Company. The share of profit decreased to RMB18.5 million from RMB25.5 million recorded in 1H2012 due to decline in merchandise gross margin and increase in operating expenses.

Share of profit from an associate

This is the share of profit from Shanghai Nine Sea Lion Properties Management Co., Ltd, an associate of the Company, the share of profit decreased to RMB78,000 from RMB122,000 recorded in 1H2012 due to reduction of management income received.

Profit before tax

Due to the aforesaid reasons, profit before tax declined by 34.6% to RMB471.9 million. As a percentage to GSP, profit before tax ratio for 1H2013 decreased to 5.3% compared to 8.4% recorded in 1H2012.

Income tax

In line with the decline of profit before tax, the Group's income tax expense reduced by RMB27.2% to RMB132.7 million. The effective tax rate increased to 28.1% compared to 25.3%, recorded in 1H2012 mainly due to increase in non-deductible expenses such as share option expense and offshore financing costs.

Profit for the period

The net profit for 1H2013 declined to RMB339.1 million, a reduction of RMB199.7 million or 37.1%. As a percentage to GSP, the net profit margin declined to 3.8% from 6.3% recorded in 1H2012.

Profit attributable to the Group

Profit attributable to the Group reduced to RMB324.7 million, a decline of RMB199.1 million or 38.0%.

Liquidity and financial resources

On 3 May 2013, the Company has successfully issued a 5-year US$500 million bond which carries a coupon of 4.5% per annum. The proceeds of the bond were primarily used to refinance the short-term borrowings which consisted of the US$400 million syndicated loan and the US$50 million bridge loan.

As at 30 June 2013, the cash and cash equivalents of the Group (aggregate of principal guaranteed investment deposit, time deposit and cash and bank balances deposited with licensed banks) stood at RMB4,379.5 million, representing a reduction of 11.7% from the balance of RMB4,957.2 million recorded as at the end of December 2012. The decrease was mainly due to the (i) payment of dividends of approximately RMB196.8 million to the shareholders of the Company; (ii) balance payment of RMB378 million for the acquisition of 4 managed stores from the parent company; and (iii) capital expenditure of approximately RMB178.3 million; and (iv) deposit payment of RMB400 million for the acquisition of a shopping mall in Qingdao.

Total debt to total asset ratio of the Group was 23.6% as at 30 June 2013.

Current assets and net assets

The Group's current assets as at 30 June 2013 were approximately RMB6,132.0 million. Net asset of the Group as at 30 June 2013 rose to RMB5,801.8 million, an increase of RMB140.4 million or 2.5% over the balance as at 31 December 2012.

Pledge of assets

As at 30 June 2013, no asset is pledged with the Group's lenders.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the six months ended 30 June 2013, the Company repurchased 300,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of HK$999,635. Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares for the six months ended 30 June 2013.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Directors have complied with the standard set out in the Model Code for the six months ended 30 June 2013.

AUDIT COMMITTEE

An Audit Committee ("Committee") has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Committee has reviewed the Group's interim results of the six months ended 30 June 2013. The Committee comprises the three independent non-executive directors of the Company.

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

This announcement will be published on the websites of the Stock Exchange and of the Company. The interim report for the six months ended 30 June 2013 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published in the websites of the Stock Exchange and of the Company in due course.

ACKNOWLEDGEMENT

I would like to thank the Board, management and all our staff for their hard work and dedication. I would also like to thank the shareholders and business associates for their strong support to the Group.

On behalf of the Board
Parkson Retail Group Limited
Cheng Heng Jem
Executive Director & Chairman

16 August 2013

As at the date of this announcement, the Executive Directors of the Company are Tan Sri Cheng Heng Jem and Mr. Tan Hun Meng, the Non-executive Director is Datuk Cheng Yoong Choong and the Independent Non-executive Directors are Mr. Ko Tak Fai, Desmond, Mr. Werner Josef Studer and Mr. Yau Ming Kim, Robert.