PARKSON 百盛

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 2012

HIGHLIGHTS

Total gross sales proceeds ("GSP") increased by 7.7% to RMB8,783.9 million.

Same store sales ("SSS") (1) growth of 2.9%.

Net profit attributable to the Group declined by 10.4% to RMB523.8 million.

Earnings per share was RMB0.186.

Interim dividends of approximately RMB197 million or RMB0.07 per share.

(1) Year on year change in total gross sales proceeds for stores in operation throughout the entire comparative year after adjusting for the impact from the change of contractual relationship with certain suppliers of jewelry products from concessionaire contract to lease agreement and excluding the performance of Shanghai Hongqiao store closed in the month of July due to expiry of lease agreement and Guizhou JinFengHuang store which was closed in the month of July in line with the Group's continuous strategy to rationalize its operation and to better utilize its resources.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 ("1H2012") with comparative figures for the corresponding period in the year 2011. 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 **2012** *Unaudited* *RMB'000*	**2011** *Unaudited* *RMB'000*
Revenues	4	2,316,751	2,176,790
Other operating revenues	4	301,983	277,913
Total operating revenues		2,618,734	2,454,703
Operating expenses			
Purchases of goods and changes in inventories		(673,789)	(624,665)
Staff costs		(230,159)	(186,955)
Depreciation and amortisation		(142,792)	(111,451)
Rental expenses		(397,861)	(309,655)
Other operating expenses		(504,705)	(413,937)
Total operating expenses		(1,949,306)	(1,646,663)
Profit from operations	5	669,428	808,040
Finance incomes/(costs), net	6	50,248	(6,523)
Share of profit from an associate		122	148
Profit from operations before income tax		719,798	801,665
Income tax expense	7	(180,924)	(200,536)
Profit for the period		538,874	601,129
Attributable to:			
Equity holders of the parent		523,774	584,760
Minority interests		15,100	16,369
		538,874	601,129
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.186	RMB0.210
Diluted		RMB0.186	RMB0.210

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	*Unaudited*
	RMB'000	*RMB'000*
Profit for the period	538,874	601,129
Effective portion of changes in fair value of hedging instruments on cash flow hedges arising during the period	(29,774)	44,452
Available-for-sale investments: Changes in fair value	1,686	195
Exchange differences on translation of foreign operations	5,127	(14,657)
Other comprehensive income for the period, net of tax	(22,961)	29,990
Total comprehensive income for the period, net of tax	515,913	631,119
Attributable to:		
Equity holders of the parent	500,813	614,750
Minority interests	15,100	16,369
	515,913	631,119

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2012** *Unaudited* *RMB'000*	**As at 31 December 2011** *Audited* *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		2,743,302	2,682,993
Investment properties		24,061	50,149
Lease prepayments		481,026	487,683
Intangible assets		2,173,176	2,171,670
Investment in an associate		2,326	2,204
Prepayment for purchase of land and building		422,760	422,760
Other assets		18,039	25,254
Derivative financial instruments designated as hedging instruments		-	2,855
Available-for-sale investments		26,371	24,685
Deferred tax assets		106,335	72,173
Total non-current assets		5,997,396	5,942,426
CURRENT ASSETS			
Inventories		245,814	278,346
Trade receivables	10	12,366	13,548
Prepayment, deposits and other receivables		780,937	725,081
Investment in principal guaranteed deposits with licensed banks		2,889,552	2,710,857
Time deposits with licensed banks		457,165	702,416
Cash and cash equivalents		1,103,897	1,690,004
Total current assets		5,489,731	6,120,252
CURRENT LIABILITIES			
Trade payables	11	(1,462,834)	(1,982,069)
Customer deposits, other payables and accruals		(1,488,365)	(1,763,349)
Tax payable		(83,576)	(136,584)
Total current liabilities		(3,034,775)	(3,882,002)
NET CURRENT ASSETS		2,454,956	2,238,250
TOTAL ASSETS LESS CURRENT LIABILITIES		8,452,352	8,180,676

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2012 *Unaudited* *RMB'000*	As at 31 December 2011 *Audited* *RMB'000*
NON-CURRENT LIABILITIES		
Long-term payables	(158,758)	(133,750)
Deferred tax liabilities	(228,457)	(230,204)
Term loan facilities	(2,491,962)	(2,467,446)
Derivative financial instruments designated as hedging instruments	(29,602)	(8,683)
Total non-current liabilities	(2,908,779)	(2,840,083)
NET ASSETS	5,543,573	5,340,593
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	58,354	58,354
Reserves	5,401,444	4,900,631
Proposed final dividends	-	309,100
	5,459,798	5,268,085
Minority interests	83,775	72,508
TOTAL EQUITY	5,543,573	5,340,593

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 2012 (the "Financial Statements") have been prepared in accordance with the International Accounting Standards 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

3. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	810,182	758,825
Concessionaire sales	7,545,526	7,014,394
Total merchandise sales	8,355,708	7,773,219
Others (including consultancy and management service fees, rental income and other operating revenues)	428,206	385,424
Total gross sales proceeds	8,783,914	8,158,643

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	810,182	758,825
Commissions from concessionaire sales	1,380,346	1,310,454
Rental income	120,064	99,941
Consultancy and management service fees	6,159	7,570
Other operating revenues	301,983	277,913
Total operating revenues	2,618,734	2,454,703

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

Segment information

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

Note: Other operating revenues

		For the six months ended 30 June	
		2012	**2011**
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
Promotion income		45,366	44,989
Administration and credit card handling fees		143,320	136,116
Government grants	(i)	2,997	4,863
Other incomes		110,300	91,945
		301,983	277,913

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	
	2012	**2011**
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories recognised as expenses	673,789	624,665
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	149,615	125,941
Pension scheme contributions	22,606	17,083
Social welfare and other costs	55,996	42,209
	228,217	185,233
Directors' remuneration (including share options expense)	1,942	1,722
	230,159	186,955
Depreciation and amortization	142,792	111,451
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	282,835	205,463
Contingent lease payments *	115,026	104,192
	397,861	309,655
Loss on disposal of items of property, plant and equipment	349	1,097
Auditors' remuneration	1,037	726
Gross rental income in respect of investment properties	(7,413)	(11,748)
Sub-letting of properties:		
Minimum lease payments #	(68,159)	(40,095)
Contingent lease payments *	(44,492)	(48,098)
	(112,651)	(88,193)
Total gross rental income	(120,064)	(99,941)
Direct operating expenses arising on rental-earning investment properties	448	604
Foreign exchange losses	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	
	2012	**2011**
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expenses on bank and other loans, wholly repayable within five years	(54,674)	(154,364)
Interest income	104,922	147,841
	50,248	(6,523)

7. INCOME TAX

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

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

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	216,833	208,682
Deferred income tax	(35,909)	(8,146)
	180,924	200,536

8. EARNINGS PER SHARE

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

The calculation of basic earnings per share for the six months ended 30 June 2011 ("1H2011") is based on the net profit attributable to equity shareholders of the Company for the period of approximately RMB584.8 million and the weighted average number of 2,810,472,706 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 1 March 2010.

9. INTERIM DIVIDENDS

The Board of Directors approved the payment of interim dividends for 1H2012 of RMB0.07 (2011: 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 28 September 2012.

The interim dividends will be payable on or before 31 December 2012 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 28 September 2012.

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 2012	**31 December 2011**
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	11,823	11,673
3 to 12 months	143	275
Over 1 year	400	1,600
	12,366	13,548

Included in the balance are trade receivables from jointly-controlled entities of RMB193,000 (31 December 2011: RMB288,000) and fellow subsidiaries of RMB2,280,000 (31 December 2011: RMB2,671,000) 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 2012	31 December 2011
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	1,323,262	1,902,231
3 to 12 months	106,715	62,275
Over 1 year	32,857	17,563
	1,462,834	1,982,069

12. CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 27 September 2012 to 28 September 2012 (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 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The return of uncertainties to global economy experienced in the year 2011 continued throughout 1H2012. Economic headwinds persisted, the ongoing euro debt crisis, high unemployment rate in the developed economies, escalating energy cost, structural imbalance of the developing economies and the political tension in the Middle East continued to pose challenges and cause volatility to the fragile recovery of global economy.

The PRC economy appears to be undergoing a soft landing with growth moderating and inflationary pressures easing. The economic growth has been slowing largely due to its own macro tightening policy ever since the second half of the year 2010 to unwind the aggressive fiscal and monetary stimulus introduced right after the 2008 financial crisis. This managed slowdown, however, ran into stronger than anticipated external headwinds which caused the economic growth to slow down faster than desired in 1H2012. The PRC Gross Domestic Product ("GDP") growth was 7.8% in 1H2012, being the slowest pace for the past decade. Sequentially, the GDP growth in the second quarter weakened to 7.6% compared to 8.2% recorded in the first quarter indicating increasing downward pressures. To avoid the risk that growth might slow down too much and too quick, policy action has been rebalanced and now with the exception of selected sectors within the economy, the macro tightening had generally paused and in some cases replaced by measures to support growth.

Supported by new fiscal measures introduced to facilitate PRC's economic transformation to a consumer-based economy and strong real income growth of 9.7% and 12.4% for urban household and rural household respectively, domestic demand recorded a respectable growth rate of 14.4% in 1H2012.

Given the relatively tougher operating environment and unusual weather pattern in 1H2012, the Group had done reasonably well with improved turnover and good progress made in various parts of the business to build sustainable growth in the future. The Group recorded total GSP of RMB8,783.9 million, an increase of 7.7% from the same period of last year. In line with the generally weaker sentiment on discretionary spending, the SSS growth dropped to 2.9%.

The Group's overall merchandise gross margin declined by 0.4% in 1H2012 due to a combination of weaker merchandise gross margin performance of selected flagship stores and higher contribution from the new stores that recorded lower merchandise gross margin. 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 17.2% to RMB669.4 million. The operating loss of new stores for 1H2012 (6 stores opened in the second half of last year and 2 stores opened in 1H2012) came in at approximately RMB79.6 million.

The Group has been revamping and remodeling its existing flagship stores as part of our 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. Our flagship stores in Shanghai and Beijing have started first phase of their remodeling which is expected to be completed before the end of the third quarter this year. The second phase of their remodeling is expected to begin in the second quarter of 2013 and completed before the end of third quarter of 2013. Management is confident that the remodeling will enhance the competitiveness and productivity of the stores.

Concessionaire sales recorded a growth of 7.6% in 1H2012, marginally outgrew the direct sales and accounted for approximately 90.3% of the total merchandise sales and the direct sales increased by 6.8% and accounted for approximately 9.7% of the total merchandise sales.

The Group continued its expansion program with 2 new stores opening in 1H2012 and is expected to open at least 5 more new stores before the end of the year.

Prospect

The complicated global economic condition is set to continue in the near future. On one hand the inflationary pressures and asset bubble pressures in emerging economies had either waned or are under control thus allowing for more aggressive fiscal and monetary responses. The other hand the economic conditions in the developed economies will remain weak as they continue to face, in varying combinations, two main obstacles to growth, namely fiscal consolidation and bank deleveraging. While the American economy is finally showing stronger signs of sustainable moderate recovery, the Euro region might fall back into recession as it continues to deal with its deficit and debts. The possibility of a full blown Euro debt crisis and its knock on effects are set to pressure the global economy in the near future.

The PRC's economic growth is expected to bottom out in the second quarter and to accelerate in the second half of the year. Against a backdrop of continued weak external conditions, supporting measures were introduced in 1H2012. In this respect, measures such as accelerating the implementation of plans and projects under the 12th Five-Year Economic Development Plan, selected credit loosening and interest rate cut will provide support to economic growth in the near future.

In the event of worsening external conditions that might further soften its own economic activities, there are rooms to further adjust its macroeconomic policies especially on the fiscal side with emphasis on measures to support PRC's medium term economic reform objective of transforming the economic growth driver away from the traditional export and fixed asset investment. In this respect, fiscal measures introduced in the past one year such as raising the minimum taxable personal income, increased of minimum wages, increased social security payment, higher natural resource taxation and the replacement of business tax with the more efficient value added tax are consistent with its medium term economic reform objectives and will continue to support the expansion of domestic demand, in particular the domestic consumption market in the near future.

In line with the macroeconomic direction and the expectation that the household incomes will continue to outgrow the economic expansion in the next decade, the Group strongly believe that the emergence of a middle class should accelerate. Given the Group's middle to middle upper market position, the Group is strategically positioned to capitalize on the acceleration in the emergence of middle class and their increasing disposable incomes.

The Group will continue its existing well defined expansionary strategy with an emphasis on existing markets or nearby cities to better utilize the Group many 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 service its customers. The Group will continue to invest in the merchandise assortment with an aim to introduce new brands and latest range of products in the market place 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 RMB8,783.9 million (comprises of direct sales, sales proceeds from concessionaire sales, rental incomes, consultancy and management service fees and other operating revenues). Total gross sales proceeds for the period represent a growth of 7.7% or RMB625.3 million from RMB8,158.6 million reported in 1H2011 attributable to (i) the SSS growth of approximately 2.9%, and (ii) the inclusion of sales performance of the 6 new stores opened in the second half of the year 2011 ("2H2011") and 2 new stores opened in 1H2012. The growth was however partially offset by lower growth of management and consultancy fees due to the termination of the management contract of the Parkson Moer managed store in the 1H2011.

The Group generated total merchandise sales of approximately RMB8,355.7 million. The concessionaire sales contributed approximately 90.3% and the direct sales contributed the balance of 9.7%. The Fashion & Apparel category made up approximately 46.4% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 42.8%, the Household & Electrical category contributed approximately 4.4% and the balance of approximately 6.4% came from the Groceries and Perishables category.

Gross margin from the merchandise sales (a combination of concessionaire commission rate and the direct sales margin) declined marginally by 0.4% to 18.2% primarily due to the lower merchandise gross margin from the new stores opened under the accelerated expansion plan, the lower sales contribution from stores with higher merchandise gross margin in particular the Beijing and Shanghai flagship stores due to the ongoing remodeling and the lower merchandise gross margin from selected flagship stores, such as the Wuxi flagship store and the Anshan flagship store.

Total operating revenues of the Group for the period under review grew by RMB164.0 million to RMB2,618.7 million or 6.7% from 1H2011. The growth rate for operating revenues was lower than the growth rate of the GSP due to the negative growth rate of management and consultancy fees, lower growth rate for direct sales 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 RMB673.8 million, an increase of RMB49.1 million or 7.9% from 1H2011.

Staff costs

Staff costs increased by RMB43.2 million or 23.1% to RMB230.2 million. The increase was primarily attributable to the staff costs of new stores opened in 2H2011 and 1H2012. On a same store basis, the staff costs increased by 7.5% due to general wage rise.

As a percentage to GSP, the staff cost ratio increased to 2.6% from 2.3% recorded in 1H2011.

Depreciation and amortisation

Depreciation and amortisation increased by RMB31.3 million or 28.1% to RMB142.8 million. The increase was primarily attributable to the inclusion of depreciation cost of new stores opened in 2H2011 and 1H2012 and additional depreciation cost in relation to the remodeled stores. On a same store basis, depreciation cost increased by 11.1%.

As a percentage to GSP, depreciation and amortisation cost ratio increased marginally to 1.6% from 1.4% recorded in 1H2011.

Rental expenses

Rental expenses rose by RMB88.2 million or 28.5% to RMB397.9 million, the increase was largely due to (i) the inclusion of rental cost for the 8 new stores opened in 2H2011 and 1H2012; (ii) straight line rental effect of approximately RMB18.1 million on the new stores; and (iii) the increased payment of turnover rent for the performance related lease agreements, on a same store basis rental cost increased by 5.6%.

As a percentage to GSP, rental cost ratio increased to 4.5% from 3.8% recorded in 1H2011.

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; (e) city development and educational surcharge; and (f) preopening expenses, increased substantially by RMB90.8 million or 21.9% to RMB504.7 million due to (i) the inclusion of other operating expenses for the 8 new stores opened in 2H2011 and 1H2012; (ii) increase of utilities cost in selected cities due to the tariff hike; and (iii) the inclusion of preopening expenses of approximately RMB16.3 million for Jinan store and Taiyuan store, on a same store basis other operating expenses increased by 1.7%.

As a percentage to GSP, other operating expense ratio increased marginally to 5.7% from 5.1% recorded in 1H2011.

Profit from operations

In light of lower SSS growth and merchandise gross margins due to the tougher operating environment and higher operating expenses contributed by the increasing new stores, profit from operations declined to RMB669.4 million, a decrease of RMB138.6 million or 17.2%. As a percentage to GSP, the profit from operations margin declined marginally to 7.6% from 9.9% recorded in 1H2011.

Finance incomes/(costs), net

The Group recorded net finance incomes of RMB50.2 million in 1H2012 compared to net finance costs of RMB6.5 million in 1H2011. The turn around and substantial net finance incomes recorded is due to a combination of lower finance cost after the refinancing completed in November 2011 and strong finance incomes generated from the investment in principal guaranteed deposits.

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 RMB122,000 from RMB148,000 recorded in 1H2011 due to reduction of management income received.

Profit before tax

Due to the aforesaid reasons, profit before tax declined by 10.2% to RMB719.8 million. As a percentage to GSP, profit before tax ratio for 1H2012 decreased marginally to 8.2% compared to 9.8% recorded in 1H2011.

Income tax

In line with the decline of profit before tax, the Group's income tax expense reduced by RMB19.6 million or 9.8% to RMB180.9 million. The effective tax rate increased marginally to 25.1% compared to 25.0%, recorded in 1H2011.

Profit for the period

The net profit for 1H2012 declined to RMB538.9 million, a reduction of RMB62.3 million or 10.4%. As a percentage to GSP, the net profit margin declined to 6.1% from 7.4% recorded in 1H2011.

Profit attributable to the Group

Profit attributable to the Group reduced to RMB523.8 million, a decline of RMB61.0 million or 10.4%.

Liquidity and financial resources

The cash and cash equivalents balance of the Group stood at RMB1,103.9 million as at the end of June 2012, representing a reduction of 34.7% from the balance of RMB1,690.0 million recorded as at the end of December 2011. The decrease was mainly due to the (i) increase in investment in short term principal guaranteed deposits of RMB178.7 million; (ii) payment of dividends of approximately RMB309.1 million to the shareholders of the Company and payment of dividends of approximately RMB3.8 million to the minority shareholders of the Group's subsidiaries; and (iii) capital expenditure of approximately RMB153.0 million.

Cash and cash equivalents and deposits with licensed banks (combination of cash and cash equivalents, time deposits and the investment in short term principal guaranteed deposits) balance as at the end of the period was RMB4,450.6 million, a decline of 12.8% compared to the end of December 2011.

Total debt (syndicated loans and its related derivative financial instruments designated as hedging instruments) to total asset ratio of the Group was 22.0% as at 30 June 2012.

Current assets and net assets

The Group's current assets as at 30 June 2012 were approximately RMB5,489.7 million. Net asset of the Group as at 30 June 2012 rose to RMB5,543.6 million, an increase of RMB203.0 million or 3.8% over the balance as at 31 December 2011.

Pledge of assets

As at 30 June 2012, no asset is pledged with the Group's lender.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares for the six months ended 30 June 2012.

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 2012.

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 2012.

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 2012. 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 2012 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 Yoong Choong
Managing Director

24 August 2012

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