PARKSON 百盛

PARKSON RETAIL GROUP LIMITED
百盛商業集團有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code : 3368 & 5936)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS

Total Gross Sales Proceeds ("GSP") decreased by 6.9% to RMB18,099.8 million.

Same Store Sales ("SSS") declined by 8.0%.

Merchandise gross margin continued to be under pressure and had decreased by 0.7% to 16.8% in 2015.

The Group incurred a loss from operations of RMB94.5 million for the year. Such loss was mainly attributable to (i) a one-off litigation loss in respect of the arbitral award arising from the disputes on the Beijing Metro City Shopping Plaza's Tenancy Agreement which amounted to RMB140.9 million; (ii) cost incurred by new business ventures and new stores during their ramp up period; and (iii) increasingly competitive landscape of the retail sector which has led to drops in both sales and gross profit. Without taking into account the aforesaid one-off litigation loss, the Group would have recorded a profit from operations of RMB46.4 million.

Proposed final dividend of approximately RMB26.7 million or RMB0.01 per share.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors of Parkson Retail Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company, its subsidiaries, a joint venture and associates for the year ended 31 December 2015 with comparative figures for the year 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 December 2015 RMB'000	2014 RMB'000
Revenues		4,232,621	4,523,729
Other operating revenues		506,058	491,349
Total operating revenues	4	4,738,679	5,015,078
Operating expenses			
Purchases of goods and changes in inventories		(1,409,267)	(1,413,251)
Staff costs		(688,211)	(617,912)
Depreciation and amortisation		(405,638)	(404,021)
Rental expenses		(1,219,632)	(1,071,810)
Other operating expenses		(1,110,403)	(1,183,128)
Total operating expenses		(4,833,151)	(4,690,122)
(Loss)/profit from operations	5	(94,472)	324,956
Finance (costs)/income, net	6	(36,114)	21,137
Share of (loss)/profit of :			
A joint venture		24,027	30,795
Associates		(12,141)	117
(Loss)/profit from operations before income tax		(118,700)	377,005
Income tax expenses	7	(63,935)	(131,232)
(Loss)/profit for the year		(182,635)	245,773
(Loss)/profit attributable to:			
Owners of the parent		(186,154)	235,032
Non-controlling interests		3,519	10,741
		(182,635)	245,773
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		(RMB0.069)	RMB0.085
Diluted		(RMB0.069)	RMB0.085
DIVIDEND PER SHARE	9		
Interim		RMB0.04	RMB0.04
Proposed final		RMB0.01	RMB0.01
		RMB0.05	RMB0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
(Loss)/profit for the year	(182,635)	245,773
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation	(227,354)	(9,582)
Other comprehensive income for the year, net of tax	(227,354)	(9,582)
Total comprehensive income for the year	(409,989)	236,191
(Loss)/profit attributable to:		
Owners of the parent	(413,508)	225,450
Non-controlling interests	3,519	10,741
	(409,989)	236,191

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2015** *RMB'000*	 **2014** *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		5,151,089	3,750,757
Investment properties		23,546	25,502
Prepaid land lease payments		434,436	447,749
Intangible assets		2,224,708	2,162,617
Investment in a joint venture		29,056	26,151
Investment in associates		55,389	2,023
Prepayment for purchase of land and buildings		-	867,840
Other assets		404,146	358,346
Deferred tax assets		281,958	213,707
Total non-current assets		8,604,328	7,854,692
CURRENT ASSETS			
Inventories		390,770	340,564
Trade receivables	10	61,130	85,570
Prepayments, deposits and other receivables		794,828	773,430
Dividend receivable		21,122	-
Investment in principal guaranteed deposits		2,075,120	3,532,690
Time deposits		297,354	227,626
Cash and cash equivalents		980,899	1,124,312
Total current assets		4,621,223	6,084,192
CURRENT LIABILITIES			
Trade payables	11	(1,494,092)	(1,813,994)
Customers' deposits, other payables and accruals		(1,604,341)	(1,740,485)
Tax payable		(45,434)	(65,196)
Interest-bearing bank loans		(644,186)	(700,077)
Total current liabilities		(3,788,053)	(4,319,752)
NET CURRENT ASSETS		833,170	1,764,440
TOTAL ASSETS LESS CURRENT LIABILITIES		9,437,498	9,619,132

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Bonds	(3,227,112)	(3,034,500)
Interest-bearing bank loans	(146,077)	-
Long term payables	(744,576)	(655,726)
Deferred tax liabilities	(280,419)	(269,988)
Total non-current liabilities	(4,398,184)	(3,960,214)
NET ASSETS	5,039,314	5,658,918
EQUITY		
Equity attributable to owners of the parent		
Issued capital	56,408	57,862
Treasury shares	(13,308)	(76,148)
Reserves	4,902,445	5,577,897
Proposed final dividends	26,723	27,341
	4,972,268	5,586,952
Non-controlling interests	67,046	71,966
TOTAL EQUITY	5,039,314	5,658,918

NOTES

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 Room 609, 6th floor, Harcourt House, 39 Gloucester Road, Wanchai, 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. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Group for the year ended 31 December 2015 (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

The Group has adopted a number of new and revised IFRSs for the first time in the current year's financial statements. New adoption of these new and revised IFRSs has had no significant financial effect on the Financial Statements.

3. GROSS SALES PROCEEDS

	For the year ended 31 December	
	2015	**2014**
	RMB'000	RMB'000
Sales of goods – direct sales	1,638,052	1,645,004
Concessionaire sales	13,109,347	14,281,837
Total merchandise sales	14,747,399	15,926,841
Others (including consultancy and management service fees, rental income and other operating revenues)	845,329	815,039
Total gross sales proceeds	15,592,728	16,741,880
Total gross sales proceeds (inclusive of value-added tax)	18,099,786	19,449,443

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the year ended 31 December	
	2015	**2014**
	RMB'000	RMB'000
Sales of goods – direct sales	1,638,052	1,645,004
Commissions from concessionaire sales	2,255,298	2,555,035
Rental income	327,273	309,015
Consultancy and management service fees	11,998	14,675
Other operating revenues	506,058	491,349
Total operating revenues	4,738,679	5,015,078

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 sales of goods - direct sales, commissions from concessionaire sales, rental income, consultancy and management service fees and other operating revenues.

Segment information

For management purposes, the Group has a single operating and reportable segment – the operation and management of department stores 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 year ended 31 December	
		2015	**2014**
	Note	RMB'000	RMB'000
Promotion income		92,647	109,870
Administration and credit card handling fees		135,572	146,104
Government grants	(i)	2,996	10,527
Other incomes		274,843	224,848
		506,058	491,349

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. (LOSS)/PROFIT FROM OPERATIONS

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

	For the year ended 31 December	
	2015	**2014**
	RMB'000	RMB'000
Cost of inventories recognised as expenses	1,409,267	1,413,251
Staff costs excluding directors' and chief executive's remuneration:		
Wages, salaries and bonuses	503,986	460,535
Pension scheme contributions	70,599	61,627
Social welfare and other costs	107,445	91,416
	682,030	613,578
Depreciation and amortisation	405,638	404,021
Impairment of goodwill	-	81,168
Impairment of inventories	1,800	-
Impairment of other receivables	11,600	-
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	1,056,073	896,724
Contingent lease payments *	163,559	175,086
	1,219,632	1,071,810
Loss on disposal of items of property, plant and equipment	7,479	5,565
Auditors' remuneration	5,592	5,059
Gross rental income in respect of investment properties	(6,483)	(5,964)
Sub-letting of properties:		
Minimum lease payments #	(224,286)	(181,891)
Contingent lease payments *	(96,504)	(121,160)
	(320,790)	(303,051)
Total gross rental income	(327,273)	(309,015)
Direct operating expenses arising on rental-earning investment properties	698	735

\# 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 rents are calculated based on a percentage of relevant performance of the tenants pursuant to the rental agreements.

6. FINANCE (COSTS)/ INCOME

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income:		
Bank interest income	130,183	170,371
Finance costs:		
Bonds	(146,006)	(144,409)
Interest-bearing bank loans	(20,291)	(4,825)
	(166,297)	(149,234)
Finance (costs)/income, net	(36,114)	21,137

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 operates.

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

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax	131,860	173,486
Deferred income tax	(67,925)	(42,254)
	63,935	131,232

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2015 is based on the net loss attributable to equity shareholders of the Company for the year of approximately RMB186,154,000 and the weighted average number of 2,705,494,000 shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 December 2014 is based on the net profit attributable to equity shareholders of the Company for the year of approximately RMB235,032,000 and the weighted average number of 2,776,805,000 shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all the dilutive potential ordinary shares into ordinary shares.

No adjustment had been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. PROPOSED FINAL DIVIDEND

	For the year ended 31 December	
	2015	**2014**
	RMB'000	RMB'000
Interim – RMB0.04 (2014: RMB0.04) per ordinary share	108,293	111,181
Proposed final – RMB0.01 (2014: RMB0.01) per ordinary share	26,723	27,341
	135,016	138,522

The Board of Directors recommended the payment of a final dividend for the year of 2015 of RMB0.01 (2014: RMB0.01) in cash per share. The Company declared and paid an interim dividend of RMB0.04 (2014: RMB0.04) in cash per share. On the assumption that the approval is obtained during the forthcoming annual general meeting for the payment of the proposed final dividend, the Company shall be paying full year dividend of RMB0.05 (2014: RMB0.05) in cash per share for the year 2015, dividend payout ratio for 2015 is more than 100.0% (2014: 58.9%). The final 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 ("RMB") to Hong Kong dollars as at 1 June 2016.

Upon the approval to be obtained from the forthcoming annual general meeting, the final dividend will be payable on or about 30 June 2016 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 1 June 2016.

10. TRADE RECEIVABLES

Trade receivables mainly arise from purchases by customer with credit card payments. The Group normally allows a credit period of not more than 30 days to its credit card receivables. A provision for doubtful debts is made when it is considered that the trade receivables may not be recoverable. The Group's trade receivables relate to a number of diversified counterparties and there is no significant concentration of credit risk. The trade receivables are interest-free.

An aged analysis of the trade receivables is as follows:

	As at 31 December	
	2015	**2014**
	RMB'000	RMB'000
Within 3 months	60,943	85,298
4 to 12 months	184	269
Over 1 year	3	3
	61,130	85,570

Included in the balance as at 31 December 2015 are trade receivables from a joint venture of RMB1,445,000 (2014: RMB1,408,000) which is attributable to 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:

	As at 31 December	
	2015	**2014**
	RMB'000	RMB'000
Within 3 months	1,382,122	1,670,614
4 to 12 months	76,193	99,808
Over 1 year	35,777	43,572
	1,494,092	1,813,994

12. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company which is scheduled on Friday, 20 May 2016 ("AGM"), the register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 May 2016.

For determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Friday, 27 May 2016 to Monday, 30 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend as stated, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at the above address, for registration not later than 4:30 p.m. on Thursday, 26 May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

2015 was a significant year for Parkson, as our journey of transforming into a lifestyle concept retail business began to gain momentum. Our vision is to build a healthy retail ecosystem that provides quality lifestyle offerings and experiences to China's discerning middle to middle-upper class consumers. Our core values are innovation, commitment and openness, as well as the relentless pursuit of commercial opportunities and an optimal capital structure.

In this statement, some of the initiatives we have undertaken to deepen the transformation and to create value will be highlighted. We are grateful to our shareholders, partners and employees for supporting us in these initiatives with patience and trust.

STAYING IN THE GAME

2015 was a difficult year for retailers in China, as Gross Domestic Product ("GDP") growth slowed to 6.9%. Against this backdrop, our GSP recorded a decline of 6.9% to RMB18,099.8 million, against an 8.0% reduction in SSS.

Although GDP growth is at a 25-year low, the Chinese government is committed to transitioning from an export and sales driven economy to a domestic demand driven service and consumer market. Parkson, as a seasoned retailer that has weathered cyclical ups and downs. Parkson adapted to changes in China over the past 21 years. We are confident in riding through the current challenges. We are also cautious with our investments in these challenging circumstances and are systematically deploying several key transformation strategies in multiple dimensions that strengthen and broadens our business.

The Group continued to foster close business partnerships with leading sector players. With a track record of over 20 years in China, Parkson enjoys the advantages of scale, an extensive network of stores, knowledge of consumer behaviour and financial stability and flexibility. We have carefully selected partners to leverage each other's sector know-how, hence we are able to unlock greater value. In August 2015, Parkson, together with Korea's E·Land Group, invested RMB100 million to form a joint-venture in Shanghai, enabling Parkson to tap into the City Lifestyle Mall market. The Group officially unveiled China's first Korean city lifestyle mall, the Parkson Newcore Citymall (the "Citymall") in January 2016. The Citymall, situated at a prime location in Changning District, Shanghai is designed to bring Korean lifestyle experiences to Chinese consumers through a range of brands, F&B and leisure services with Korean elements. Having learned from this pilot project, the Group aims to introduce the concept to other cities in China.

For food and beverage ("F&B"), in January 2015 we formed a strategic partnership with AUM Hospitality, a company with rich sector experience to develop F&B business in China. During 2015, we signed four master franchise agreements with renowned F&B brand owners to introduce a wide range of dining options to local food lovers. Brands signed include French-Japanese casual dining restaurant Franco, American diner Johnny Rockets, café The Library Coffee Bar and sandwich restaurant Quiznos.

The Group is also forming strategic alliances with landlords across our network of stores to work out the best approach to optimize our store lease arrangements; so as to achieve a better financial position for both parties. The Group is conducting a complete review of the current store portfolio and closed three underperforming stores in 2015. We will continue with this exercise and are prepared for more closure of stores that cannot be revived, to enhance the overall store network profitability and efficiency. Having said that, we remain open-minded to properties at strategic locations that would benefit the Group in the long term.

To broaden the Group's business, we have worked hard to expand our brand and merchandise offerings in 2015. The Group has built a strong team of buyers to hand pick brands worldwide for consumers in China. From only a handful of private labels and agency brands at the beginning of 2015, the Group has expanded to close to 30 brands at the end of the year. New international additions to the Group's agency brands list include Bonia, French Connection, Cocorose London, JAC (a ladies fashion from Canada), and Tom Tailor (a fast fashion brand from Germany). During the year, the Group also launched three new private labels: Zie Zac, a themed fast fashion brand with mens, ladies and kids collections; Serena, a basic womens wear brand; and Style Unlimited, which sells elegant womens wear. Beyond standalone single brand outlets, the Group has also rolled out a number of multi-brand stores including Bombon Fashion, Bombon shoes, XPOXR, Parkson Outlet and SACCHA; to cater to an increasingly fragmented customer groups. As at the end of 2015, the Group had opened more than 100 outlets for these brands within Parkson's network of stores. In F&B, we have also launched two house brands, Zie Zac Café and Ji Hui ("鸡荟") to sit alongside our franchised brands. With the increase in self owned offerings, Parkson is able to leverage these exclusive franchises and private labels to offer unique products at the best prices to customers. The brand enrichment strategy will in the medium to long term give the Group a competitive edge over its competitors and improve profitability.

Echoing China's national initiative for the Internet of Things, the Group is embracing digital integration to enhance our business operations. Most of our marketing and interaction with customers are now done through social media platforms, to foster closer ties and increase customer loyalty. We have launched an E-loyalty card to improve convenience. All of our F&B outlets are equipped with a smart ordering system that allow seamless communication between the dining area and back of kitchen. Our management team is able to access real time sales data from our restaurants through a smart phone application. Alongside this, the Group continues to build its own "big data" database and improve on its business intelligence system.

SAILING THROUGH THE WAVES

As the Chinese market matures, we expect ever increasing demand for good quality merchandise and lifestyle products from consumers. Whilst market headwinds are likely to remain strong in the coming year, we believe that retail in China remains one of the most promising global business opportunity. The country already has around 300 million middle class consumers and within a decade that figure is projected to reach 500 million. The growing purchasing power of the Chinese middle class will fuel future growth for the retail segment and rapid urbanization will create needs for quality retail businesses in lower tier cities.

In order to strengthen our existing strategies and to shelter against market headwinds whilst being prepared for the future market, we will continue to enhance our three key strategic pillars:

- Retail format and network optimization,
- Product and service offerings enhancement,
- Cross-platform customer engagement.

We will continue to surprise the industry with retail formats that are new and innovative. New sub-brands with different market positioning under the Parkson brand name will be launched in selected stores to strengthen our brand image in each market segment.

Following detailed monitoring of individual store's performance, we will convert a number of stores to the Elite, Parkson and Centro brands based on their respective target customers. Standalone specialty stores will be launched for departments that can crystalize the Group's strength into financial prospects; for example, supermarket stores. In 2016, we will mark a significant milestone for the Group's venture into shopping malls with the launch of the Qingdao Lion Mall scheduled for the first half of the year. Furthermore, the Group will further cultivate product and service offerings in 2016. Having paved the way for our enriched lifestyle portfolio and F&B, we will focus on fine-tuning operational efficiency and increasing sales of new business ventures to drive better financial performance.

In parallel, the Group places utmost importance on customer engagement and continues to build its proprietary customer engagement model to create cross-platform connections across the Parkson business. We are working with experts and partners to research customer tastes and media preferences in different demographics. We will also leverage our wide customer base to develop cutting-edge solutions. Parkson will continue cooperation with mobile carriers and online payment providers to offer more mobile payment options. This will not only enhance customer convenience, but also lower payment costs for the Group.

We believe with patience, focused deployment of our strategies, dedication to getting closer to and better understanding our customers, we will create value for our shareholders over the next few years. Finally and very importantly, we would like to thank all of our employees, customers, shareholders, suppliers and partners for their efforts and contributions over the past year.

Financial Review

GSP and operating revenues

GSP and merchandise gross margin continued to be under pressure with challenging market environment, weak consumer sentiment and intensifying competition. GSP (consists of direct sales, sales proceeds from concessionaire sales, rental incomes, consultancy and management service fees and other operating revenues) decreased by 6.9% to RMB18,099.8 million (inclusive of value-added tax) in the financial year of 2015 ("FY2015") Year On Year ("YOY"). SSS declined by 8.0% .

Total merchandise sales totaled to approximately RMB14,747.4 million (net of value-added tax) in FY2015. Concessionaire sales continued to be the key sales driver and had contributed approximately 88.9% of merchandise sales for FY2015. The balance of 11.1% came from direct sales. Merchandise mix remained stable with the Fashion & Apparel category contributing approximately 47.4% of the total merchandise sales, the Cosmetics & Accessories category contributing approximately 43.4%, the Household & Electrical category contributing approximately 3.9% and the balance of approximately 5.3% contributed by the Groceries and Perishables category.

Group's merchandise gross margin (a combination of concessionaire commission rate and the direct sales margin) decreased by 0.7% to 16.8% in FY2015 due to promotions and discounts offered during the year. 2015 had been a highly promotional year for retailers of different formats due to weak consumer sentiments. To maintain market share, discounts and promotional activities were launched more frequently at higher rates compared to 2014.

Total operating revenues of the Group decreased by RMB276.4 million or 5.5% to RMB4,738.7 million in FY2015 due to the decline in commissions from concessionaire sales of RMB299.7 million. Attributed to performance of the cosmetics department, direct sales of RMB1,638.1 million remained resilience to market pressure and were almost unchanged compared to the sale figures last year. Rental income continued to grow in 2015 and had increased by 5.9% to RMB327.3 million as a result of the Group's transformation programme in allocating more operating area for complementary services.

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 fluctuation in direct sales, cost of sales in 2015 of RMB1,409.3 million remained almost unchanged compared to 2014.

Staff costs

Staff costs increased by 11.4% YOY to RMB688.2 million. The increase was primarily attributable to contribution from new stores, additional headcount from new ventures and salary adjustment in July 2014 to retain talents during the current challenging time. On a same store basis, staff cost increased by 7.9%. To cope with the increase in cost, programs and training had been rolled out to increase staff productivity.

As a percentage to GSP, the staff cost ratio increased from 3.7% to 4.4%.

Depreciation and Amortization

Depreciation and amortization increased marginally by 0.4% YOY to RMB405.6 million. On a same store basis, the depreciation and amortization cost decreased by 3.8%. The decrease was primarily attributable to the increase in number for stores with assets that has been fully depreciated.

As a percentage to GSP, depreciation and amortization cost ratio increased to 2.6% from 2.4%.

Rental Expenses

Rental expenses increased by 13.8% to RMB1,219.6 million, mainly due to a one-off litigation loss in respect of the arbitral award arising from the disputes on the Beijing Metro City Shopping Plaza's Tenancy Agreement of RMB138.3 million and inclusion of rental cost of new stores opened in second half of 2014 and during 2015. On a same store basis, rental expenses declined by 4.0%. The decrease is due to the management's success in lease contract renegotiation of a few stores within the Group.

Due to the aforesaid reasons, as a percentage to GSP, the rental expenses ratio increase from 6.4% to 7.8%.

Other Operating Expenses

Other operating expenses which consist of (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; and (d) general administrative expenses decreased to RMB1,110.4 million, a decrease of 6.1% or RMB72.7 million due to management's effort to rationalize cost within the Group. On a same store basis, other operating expenses decreased by 10.1%.

As a percentage to GSP, other operating expenses ratio remained unchanged as the financial year of 2014 ("FY2014") at 7.1%.

(Loss)/Profit from Operations

The Group incurred a loss from operations of RMB94.5 million for FY2015. Such loss was mainly attributable to (i) a one-off litigation loss in respect of the arbitral award arising from the disputes on the Beijing Metro City Shopping Plaza's Tenancy Agreement which amounted to RMB140.9 million; (ii) cost incurred by new business ventures and new stores during their ramp up period; and (iii) increasingly competitive landscape of the retail sector which has led to drops in both sales and gross profit. Without taking into account the aforesaid one-off litigation loss, the Group would have recorded a profit from operations of RMB 46.4 million.

As a percentage to GSP, the profit from operations margin declined from 1.9% last year to (0.6%) in FY2015. On a same store basis, profit from operations declined by 38.2%.

Finance (cost)/income, net

The Group incurred net finance expense of RMB36.1 million in FY2015 as opposed to a net finance income of RMB21.1 million in 2014. The decrease in net finance income was due to the combined effect of decreased in finance income of RMB40.2 million and increased finance cost of RMB17.0 million. Decrease in finance income of 23.6% in FY2015 was mainly due to decrease in interest rates and cash balances. Increased finance cost was in line with the increase in off-shore bank loans drawn down for distribution of dividend.

Share of Profit from a Joint Venture

This is the share of profit from Xinjiang Youhao Parkson Development Co., Ltd., a joint venture of the Company. The share of profit decreased to RMB24.0 million from RMB30.8 million recorded in FY2014 due to softening of merchandise sales attributable to subdued consumer sentiment around that region and remodeling work carried out in the store during the year.

Share of (Loss)/Profit from Associates

This is the share of results from i) Shanghai Nine Sea Lion Properties Management Co. Ltd, ii) Parkson Newcore Retail Shanghai Ltd and iii) Rite BOS Sdn. Bhd. The share of loss is mainly attributable to pre-operating costs incurred by Parkson Newcore Retail Shanghai Ltd during its revamp period.

(Loss)/Profit from operations before income tax (“PBT”)

Due to the aforesaid reasons, the Group incurred a loss before tax of RMB118.7 million. As a percentage to GSP, PBT ratio decreased from 2.3% to (0.8%).

Income Tax Expenses

In line with the decline of results before tax, the Group’s income tax expenses reduced by 51.3% to RMB63.9 million. The Group continued to incur tax expenses even though it has a loss before tax as the Group is subjected to income tax on an entity basis. Offshore finance expenses which are not tax deductible and tax losses from new stores are the main reasons for the higher effective tax rates.

Net (Loss)/Profit for the year

The Group incurred a net loss of RMB182.6 million for FY2015, a reduction of RMB428.4 million or 174.3% as compared to 2014. As a percentage to GSP, the net profit margin declined from 1.5% to (1.2%).

(Loss)/Profit Attributable to the Group

Loss attributable to the Group was RMB186.2 million in FY2015, a decline of RMB421.2 million or 179.2% from 2014.

Liquidity and Financial Resources

As at 31 December 2015, the cash and cash equivalents of the Group (aggregate of principal guaranteed investment deposit, time deposits and cash and bank balances deposited with licensed banks) stood at RMB3,353.4 million, representing a decrease of 31.3% from balance as at 31 December 2014 of RMB4,884.6 million. The decrease was primarily due to (i) net cash outflow from operating activities amounted to RMB372.3 million; (ii) net cash outflow from investing activities amounted to RMB819.2 million; and (iii) net cash outflow from financing activities amounted to RMB339.7 million.

Total debt to total assets ratio of the Group was 30.4% as at 31 December 2015.

Current Assets and Net Assets

The Group's current assets as at 31 December 2015 was approximately RMB4,621.2 million, a decrease of 24.0% or RMB1,463.0 million YOY. Net assets of the Group as at 31 December 2015 decreased by 11.0% to RMB5,039.3 million.

Pledge of Assets

As at 31 December 2015, the Group has onshore pledged deposits of RMB816.0 million to secure short-term bank loans. Other than the aforesaid, no other asset is pledged to any bank or lender.

EMPLOYEES

As at 31 December 2015, total number of employees for the Group was 9,071. 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.

On 27 November 2012, a total of 34,171,500 share options (the "2012 Share Options") representing Lot 4 and Lot 5 were granted to 642 eligible Directors and employees at nil consideration and with an exercise price of HK$6.24 per share. 17,085,750 of the share options under Lot 4 were vested on the grant date and are exercisable from 1 January 2013 to 31 December 2015. The balance of 17,085,750 share options under Lot 5 are exercisable from 1 January 2014 to 31 December 2016 and require an employee service period until 1 October 2013.

Movement of the outstanding share options granted under the Scheme for the year ended 31 December 2015 is as follows:

	As at 1 January 2015	Share options granted	Share options exercised	Share options lapsed	Share options expired	As at 31 December 2015
Lot 4	14,378,750	-	-	(4,378,500)	(10,000,250)	-
Lot 5	14,388,750	-	-	(4,378,500)	-	10,010,250
	28,767,500	-	-	(8,757,000)	(10,000,250)	10,010,250

The fair value of the options granted is estimated at the date of grant using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the year ended 31 December 2015, the Company repurchased 61,785,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of RMB65,542,000 (approximately HK$81,175,000). 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 year ended 31 December 2015.

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 year ended 31 December 2015.

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 year ended 31 December 2015.

AUDIT COMMITTEE

An Audit Committee (the "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 results of the year 2015. The Committee comprises the two non-executive directors and the three independent non-executive directors of the Company.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the websites of Stock Exchange and the Company. The annual report for the year 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

23 February 2016

As at the date of this announcement, the Executive Directors of the Company are Tan Sri Cheng Heng Jem, Mr. Chong Sui Hiong and Ms. Juliana Cheng San San, the Non-executive Directors are Datuk Lee Kok Leong and Dato' Dr. Hou Kok Chung and the Independent Non-executive Directors are Mr. Ko Tak Fai, Desmond, Mr. Yau Ming Kim, Robert and Dato' Fu Ah Kiow.