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 & 5936)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

Total operating revenue for the period increased by 1.9% to RMB2,369.4 million.

Same store sales ("SSS") for the second quarter increased by 2.4%, rebounded from a decrease of 2.2% in the first quarter. SSS growth for the period was 0.1%.

Operating profit for the period was RMB70.6 million, a turnaround increase of RMB122.0 million as compared to the operating loss of RMB51.4 million recorded for the same period last year.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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, a joint venture and its associated companies (the "Group") for the six months ended 30 June 2017 ("1H2017") with comparative figures for the corresponding period in the year 2016 ("1H2016"). 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 STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June 2017 *Unaudited RMB'000*	2016 *Unaudited RMB'000*
Revenues	4	2,121,665	2,100,665
Other operating revenues	4	247,711	223,968
Total operating revenues		2,369,376	2,324,633
Operating expenses			
Purchases of goods and changes in inventories		(857,826)	(749,651)
Staff costs		(359,880)	(378,420)
Depreciation and amortization		(156,290)	(179,870)
Rental expenses		(485,609)	(569,798)
Other operating expenses		(439,206)	(498,300)
Total operating expenses		(2,298,811)	(2,376,039)
Profit/（Loss) from operations	5	70,565	(51,406)
Finance expense, net	6	(20,246)	(38,596)
Share of profits/(loss) from:			
A joint venture		8,547	10,776
Associates		(4,379)	(3,738)
Profit/(Loss) from operations before income tax		54,487	(82,964)
Income tax expense	7	(54,251)	(40,832)
Profit/(Loss) for the period		236	(123,796)
Attributable to:			
Owners of the parent		(4,458)	(124,207)
Non-controlling interests		4,694	411
		236	(123,796)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		(RMB0.002)	(RMB0.047)
Diluted		(RMB0.002)	(RMB0.047)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six-month period ended 30 June	
	2017	**2016**
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit/(Loss) for the period	236	(123,796)
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	97,391	(58,385)
Other comprehensive income for the period, net of tax	97,391	(58,385)
Total comprehensive income for the period	97,627	(182,181)
Attributable to:		
Owners of the parent	92,933	(182,592)
Non-controlling interests	4,694	411
	97,627	(182,181)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2017** *Unaudited* *RMB'000*	**As at 31 December 2016** *Audited* *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		3,883,889	3,991,438
Investment properties		34,113	36,253
Prepaid land lease payments		414,467	421,123
Intangible assets		1,802,523	1,806,060
Investment in a joint venture		37,159	28,612
Investment in associates		44,677	49,124
Other assets		276,759	331,839
Deferred tax assets		227,502	223,948
Total non-current assets		6,721,089	6,888,397
CURRENT ASSETS			
Inventories		311,597	368,368
Trade receivables	10	48,911	120,345
Prepayment, deposits and other receivables		594,259	563,503
Dividend receivables		68	-
Investments in principal guaranteed deposits		3,884,410	4,256,500
Financial assets at fair value through profit or loss		381,100	-
Time deposits		84,534	105,880
Cash and cash equivalents		645,008	864,010
Total current assets		5,949,887	6,278,606
CURRENT LIABILITIES			
Trade payables	11	(1,140,582)	(1,483,454)
Customers' deposits, other payables and accruals		(1,507,566)	(1,551,472)
Interest-bearing bank loans		(550,508)	(538,991)
Bonds		(3,274,666)	-
Tax payable		(39,798)	(258,751)
Total current liabilities		(6,513,120)	(3,832,668)
NET CURRENT (LIABILITIES)/ASSETS		(563,233)	2,445,938
TOTAL ASSETS LESS CURRENT LIABILITIES		6,157,856	9,334,335

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2017 *Unaudited* *RMB'000*	**As at 31 December 2016** *Audited* *RMB'000*
NON-CURRENT LIABILITIES		
Bonds	-	(3,349,211)
Interest-bearing bank loans	(173,004)	(75,622)
Long term payables	(709,695)	(675,146)
Deferred tax liabilities	(356,765)	(358,564)
Total non-current liabilities	(1,239,464)	(4,458,543)
NET ASSETS	4,918,392	4,875,792
EQUITY		
Equity attributable to owners of the parent		
Issued capital	55,477	55,739
Treasury shares	-	(10,623)
Reserves	4,805,530	4,775,930
	4,861,007	4,821,046
Non-controlling interests	57,385	54,746
TOTAL EQUITY	4,918,392	4,875,792

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 the operation and management of a network of department stores 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 2017 (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 2016.

3. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2017	**2016**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	998,870	883,539
Gross revenue from concessionaire sales	5,557,085	6,017,279
Total merchandise sales	6,555,955	6,900,818
Others (including consultancy and management service fees, gross rental income and other operating revenues)	457,532	421,240
Total gross sales proceeds	7,013,487	7,322,058
Total gross sales proceeds (inclusive of value-added tax)	8,127,999	8,495,197

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2017	**2016**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	998,870	883,539
Commissions from concessionaire sales	912,974	1,019,854
Gross rental income	204,685	190,490
Consultancy and management service fees	5,136	6,782
Other operating revenues *(Note)*	247,711	223,968
Total operating revenues	2,369,376	2,324,633

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, rental income, consultancy and management service fees and other operating revenues.

<u>Segment information</u>

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	
		2017	**2016**
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
Promotion income		37,921	40,261
Administration and credit card handling fees		72,341	72,505
Government grants	(i)	3,047	4,830
Other income		134,402	106,372
		247,711	223,968

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 /(LOSS) FROM OPERATIONS

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

	For the six months ended 30 June	
	2017	**2016**
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories recognized as expenses	857,826	749,651
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	270,495	285,108
Pension scheme contributions	35,047	37,208
Social welfare and other costs	49,592	52,662
	355,134	374,978
Directors' remuneration (including share options expense)	4,746	3,442
	359,880	378,420
Depreciation and amortization	156,290	179,870
Impairment of inventories	3,740	7,509
Reversal of impairment of other receivables	(1,367)	-
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	417,576	497,994
Contingent lease payments *	68,033	71,804
	485,609	569,798
Loss on disposal of items of property, plant and equipment	18,939	1,538
Auditors' remuneration	588	590
Gross rental income in respect of investment properties	(2,624)	(2,354)
Sub-letting of properties:		
Minimum lease payments #	(142,278)	(141,277)
Contingent lease payments *	(59,783)	(46,859)
	(202,061)	(188,136)
Total gross rental income	(204,685)	(190,490)
Direct operating expenses arising on rental-earning investment properties	535	523

\# 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 EXPENSE, NET

	For the six months ended 30 June	
	2017	**2016**
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expenses on bond and other bank loans repayable within five years	(86,250)	(83,148)
Interest income	66,004	44,552
	(20,246)	(38,596)

7. INCOME TAX EXPENSE

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	
	2017	**2016**
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	59,604	40,473
Deferred income tax	(5,353)	359
	54,251	40,832

8. EARNINGS PER SHARE

The calculation of basic earnings per share for 1H2017 is based on the net loss attributable to equity shareholders of the Company for that period of approximately RMB4.5 million and the weighted average number of 2,634,532,250 shares in issue during the period.

The calculation of basic earnings per share for 1H2016 is based on the net loss attributable to equity shareholders of the Company for that period of approximately RMB124.2 million and the weighted average number of 2,652,776,246 shares in issue during the period.

The calculation of the diluted earnings per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period, 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 1H2017 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for 1H2017 (2016: Nil).

10. TRADE RECEIVABLES

Trade receivables mainly arise from purchases by customers 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 as at the end of the interim financial reporting period, based on the payment due date, is as follows:

	30 June 2017	**31 December 2016**
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	48,685	120,268
4 to 12 months	223	37
Over 1 year	3	40
	48,911	120,345

Included in the balance are trade receivables from a joint venture of RMB404,000 (31 December 2016: RMB1,035,000) 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:

	30 June 2017	**31 December 2016**
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	1,032,323	1,307,154
4 to 12 months	74,952	138,402
Over 1 year	33,307	37,898
	1,140,582	1,483,454

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Board is pleased to report a revitalization of the business during the first six months of 2017, mainly as a result of the considerable progress we have made in executing our transformation plans. Many of our initiatives, in particular diversification of retail formats, operational optimization, and closure of underperforming stores have contributed to improved performance during the period under review. These changes and enhancements have reinforced the Group's position as a leading lifestyle retailer and help us to better position ourselves against ongoing market challenges and changes.

2017 half year financial results

China's economy remained stable during the first half of the year, with Gross Domestic Product ("GDP") growth of 6.9%, which was a slight increase against growth of 6.7% in same period last year. The retail market remained challenging and competitive but posted positive signs of a rebound. The Group recorded total gross sales proceeds ("GSP") of RMB8,128.0 million inclusive of value added tax (1H2016: RMB8,495.2 million) during the first six months of 2017, representing a decline of 4.3% compared to the same period last year. Such GSP decline was mainly attributable to closure of four stores during the period under review. SSS rebounded with an increase of 2.4% for the second quarter from the decrease of 2.2% in the first quarter. The Group's overall gross profit margin increased by 0.1% in 1H2017 to 21.6% compared to 21.5% recorded in 1H2016.

Profit from operations was RMB70.6 million in 1H2017, a turnaround increase of RMB122.0 million compared to the loss from operations recorded for the same period last year of RMB51.4 million.

Committed to our mission

Over the past few years, the Chinese retail market has seen an unprecedented evolution and in the process of experienced one of its most challenging periods. Retailers have had to contend with cooling economic growth, the rapid rise of e-commerce, and new spending mindsets and behavior from consumers.

As a leading retail operator, the Group's mission is to provide the best possible product portfolio and service to our customers. We came to China with a department store concept 23 years ago serving the Chinese middle class who were looking for quality products. Today, we are still serving the fast-growing Chinese middle class, whose focus has shifted to comfort and healthier lifestyles. In order to ensure we continue to realise our mission, Parkson has made every effort to evolve and adjust in close step with China's economic and social changes. We have launched multiple retail formats, improved our merchandise and service portfolio, and enhanced our operations and portfolio management. All of our efforts are carried out after prudent planning and with a long-term perspective. We are conscious that staying true to our mission is an ongoing journey, and one that requires time for our plans and strategies to realize commercial value. However, we have already seen some real and very pleasing progress.

We have holistically audited our business and the different demographic across China to improve our profitability and risk management. Based on the key findings, we have adjusted our business model to better utilize our resources and to strengthen our core competitive edge.

We have refined specific business unit operations, identifying cosmetic, food and beverage ("F&B") and supermarket as key units to be developed as standalone businesses. These units can operate both within our network of Parkson department stores and outside the existing Parkson ecosystem. A good example is "Parkson Beauty", which we will launch as a specialty standalone concept store in Changsha International Financial Square, Hunan province. This concept was specifically designed to target customers who prefer to shop offline and enjoy lifestyle experiences with fashionable products and personalized services. "Parkson Beauty" would showcase our cosmetics brands resources and would help us to capitalize on the growth of the cosmetic segment. The cosmetic segment remains as one of the most resilient retail segment against market headwind.

Diversifying retail formats to enhance growth

As our transformation takes shape, the Group has successfully diversified its retail formats. The Group launched the Qingdao Lion Mall last year, marking Parkson's move into the shopping mall segment. The spacious mall offers more than 200 brands with Parkson's department store, supermarket, fashion labels and F&B all under one roof. The mall enjoys high occupancy, excellent tenant mix, innovative marketing campaigns and efficient management. With the success of this vibrant, one-stop shopping destination, the Group has demonstrated its capability and potential as a shopping mall operator. The Group had been contacted by a number of commercial property developers and the first managed shopping mall is expected to be opened later this year.

The Group launched its second Parkson Newcore Citymall this May in Nanchang, following the success of the Shanghai Newcore Citymall, extending our partnership with E•Land Group to offer Korean-themed merchandise and lifestyle elements to the Chinese consumers. This off-price retail city mall format is an example of Parkson's efforts to attract young and fashionable consumers. More Citymall concept stores will be launched in future to expand our market shares in this market segment.

The Group' first gourmet supermarket, the "Parkson Supermarket" was launched in the Qingdao Lion Mall in September 2016 and we have continued to develop the popular concept since. This Parkson branded, standalone supermarket offers a broad variety of premium local and imported products, and caters for emerging middle class and family consumers who are looking for quality lifestyle choices. The Group will be opening its third standalone Parkson Supermarket in the second half of this year.

F&B has become an increasingly important element in our offering, as it not only is a new revenue stream for the group, it has also successfully driven visitor traffic and enriched customer experience. Our mission is to present new flavors, both local and from around the world to our value customers. Our strategy is to build a brand, gain recognition for the brand from consumers then to incorporate the F&B brand with our other retail formats to create synergy. The third Hogan Bakery outlet was opened in Shanghai Parkson after gaining popularity and receiving response from customers for our first and second standalone stores. The Group will speed up expansion of this brand, opening more store in Shanghai and is scheduled to expand to other provinces by 2018.

Ensuring operations and technology are optimized

The Group has always kept its operating and marketing strategies abreast of the latest developments in the market. In addition to a wide range of marketing and promotional campaigns, we have launched a number of exclusive collaboration programmes with cosmetics brands, with positive responses received from both customers and brand operators. Our increased marketing efforts have played a key role in attracting customers, and enhanced our relationships with brands, laying the foundation for more exclusive product launches in future.

In step with new and emerging retail trends in China, the Group has continued its technological and online development. Apart from working with mobile payment partners across the country, we have put more emphasis on our own mobile shopping application, Parkson Plaza (“百盛商城”). We have enabled cross department stores sales using Parkson Plaza as a platform, through Parkson Plaza local consumers can access to products that are exclusive to designated locations or stores. Staff members are trained to direct consumers to Parkson Plaza when a product sought after by a consumer is not available in store. More cross platforms efforts are currently underway to create a seamless shopping experience for our customers and to expand the revenue base of the group.

During the period under review, the Group continued to roll out measures to optimize the effectiveness and efficiency of its operations. The Group’s rationalization measure had reduced same store’s operating expenses by 4.2%.

After considerable review, we have closed four underperforming stores to optimize our store portfolio in the first half of 2017. Moving forward the Group will continue with its store network and operations optimization exercise to maximize operational efficiencies.

Creating value and cultivating the market

Looking ahead, we remain confident about the long-term prospects of the Chinese retail market, and recognize that the retail industry and consumer trends will continue to change. However, our priority remains to consolidate Parkson’s leading market position as the preferred lifestyle retailer for consumers, as well as the preferred partner for brands.

The Group will open new department stores in Changsha and Chenzhou respectively during the second half of 2017. We will also continue to revamp our portfolio and store management to build further integration and synergy across the business.

As part of our unwavering commitment to the China market over the past 20 years, we have changed with our customers by enriching our lifestyle and service offering. We will continue to analyze national, regional and demographic trends, crafting the strategies to address these trends across all aspects of our business. The Group remains positive about our business operations in China and is excited by many of the opportunities available to us.

The Board and executive management team would like to take this opportunity to thank all employees, customers, shareholders, suppliers and partners for all their continued hard work and support.

Financial Review

Total gross sales proceeds and operating revenues

During the period under review, the Group generated total GSP of RMB8,128.0 million (inclusive of value-added tax) or RMB7,013.5 million (net of value-added tax). Total GSP decline of 4.3% was mainly due to store closures in 2016 and 1H2017. SSS increased by 0.1% in 1H2017.

The Group generated total merchandise sales of approximately RMB6,556.0 million. Concessionaire sales contributed approximately 84.8% to total merchandise sales and direct sales contributed the balance of 15.2%. Cosmetics & Accessories category became the biggest contributor to sales during 1H2017 with approximately 46.3% contribution to total merchandise sales; Fashion & Apparel category, the previous leader contributed approximately 45.1% to sales; remainder of merchandise sales were contributed by Household & Electrical category and Groceries and Perishables category with contribution of approximately 3.2% and 5.4% respectively. The Group's merchandise gross margin (a combination of concessionaire commission rate and the direct sales margin) decreased by 0.6% to 16.1% in 1H2017 compared to the same period last year due to change in merchandise mix and fierce promotional competition.

Total operating revenues of the Group increased by RMB44.7 million or 1.9% to RMB2,369.4 million mainly attributable to i) increase in rental income of RMB14.2 million mainly contributed by the Qingdao Lion Mall and ii) RMB19.3 million tax refunded during the period.

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 in direct sales, the cost of sales rose to RMB857.8 million, an increase of RMB108.2 million or 14.4% from 1H2016.

Staff costs

Staff costs decreased by RMB18.5 million or 4.9% to RMB359.9 million in 1H2017 mainly due to store closures in 2016. The impact of decrease was partially offset by the increase in staff costs contributed by new business ventures like branding, F&B and shopping malls. On a same store basis, staff costs decreased by 1.6%, due to the measures to improve staff productivity and reduce headcount like replacement of cashiers with more mobile payment portals.

As a percentage to GSP, the staff cost ratio decreased marginally to 5.1% from 5.2% recorded in 1H2016.

Depreciation and amortization

Depreciation and amortization decreased by RMB23.6 million or 13.1% to RMB156.3 million. The decrease was primarily attributable to savings from stores closed and renovation from old stores that has been fully depreciated in 2016 and 1H2017. On a same store basis, depreciation expense decreased by 10.8%, mainly due to the fully depreciated assets mentioned above. The group's has been encouraging the use of soft furnishings which are more cost saving and flexible, over capital intensive renovations for recent stores refurbishment.

As a percentage to GSP, depreciation and amortization cost ratio decreased to 2.2% from 2.5% recorded in 1H2016.

Rental expenses

Rental expenses of RMB485.6 million posted a decrease of RMB84.2 million or 14.8% compared to rental expenses recorded in 1H2016. The decrease was mainly due to i) savings from store closures in 2016 and ii) reversal of straight-line adjustments triggered by lease area adjustment of RMB32.9 million. On a same store basis, rental expenses decreased by 1.0%.

As a percentage to GSP, rental expenses ratio decreased to 6.9% from 7.8% recorded in 1H2016.

Other operating expenses

Other operating expenses which consist of (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; (d) general administrative expenses; and (e) city development and educational surcharge, decreased by RMB59.1 million or 11.9% to RMB439.2 million as a result of management's cost rationalization efforts. On a same store basis, other operating expense decreased by 7.9% during the period.

As a percentage to GSP, the other operating expenses ratio decreased to 6.3% from 6.8% recorded in 1H2016.

Profit from operations

The Group posted profit from operation of RMB70.6 million in 1H2017, a turnaround increase of RMB122.0 million compared to the loss from operations of RMB51.4 million recorded in 1H2016.

As a percentage to GSP, the profit from operations margin turnaround from (0.7%) last year to 1.0% in 1H2017.

Finance expense, net

The Group incurred net finance expense of RMB20.2 million in 1H2017 which represented a decrease of RMB18.4 million compared to 1H2016. Decrease in net finance expense was mainly due to the increase in finance income of RMB21.5 million or 48.2% in 1H2017. Increase in interest rates and average cash and bank balances during the period had contributed to the increase in interest income.

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 RMB8.5 million from RMB10.8 million recorded in 1H2016 due to softening of merchandise sales attributable to subdued consumer sentiment around that region.

Share of loss from associates

This is the share of results from the Group's associated companies. The share of loss was mainly due to the loss incurred by Nanchang Parkson Newcore which opened in May 2017.

Profit before tax ("PBT")

Due to the aforesaid reasons, the Group has recorded a PBT of RMB54.5 million compared to a loss before tax of RMB83.0 million in 1H2016.

As a percentage to GSP, PBT ratio turnaround from (1.1%) to 0.8%.

Income tax expenses

The Group's income tax expenses increased by RMB13.4 million to RMB54.3 million mainly due to the increase of profit from operations.

Profit for the period

The Group recorded a net profit of RMB0.2 million for 1H2017, a turnaround increase of RMB124.0 million compared to 1H2016.

Loss attributable to the Group

Loss attributable to the Group reduced by RMB119.7 million or 96.4% from RMB124.2 million 1H2016 to RMB4.5 million in 1H2017.

Liquidity and financial resources

As at 30 June 2017, the cash and cash equivalents and deposits with licensed banks of the Group (aggregate of financial assets at fair value, principal guaranteed investment deposit, time deposit and cash and bank balances deposited with licensed banks) stood at RMB4,995.0 million, representing a reduction of RMB231.4 or 4.4% from the balance of RMB5,226.4 million recorded as at the end of December 2016. The decrease was mainly due to a one-off income tax of RMB232.2 million paid on gain recognized from the disposal of the entire equity interest in Beijing Huadesheng Property Management Co., Ltd, a wholly-owned PRC subsidiary of the Group which was disposed in December 2016.

During the period under review, the group has generated (i) net cash inflow from operating activities amounting to RMB11.6 million; (ii) net cash outflow from investing activities amounting to RMB229.0 million; and (iii) net cash outflow from financing activities amounting to RMB14.0 million.

Total debt to total asset ratio of the Group was 31.6% as at 30 June 2017.

Current assets and net assets

The Group's current assets as at 30 June 2017 were approximately RMB5,949.9 million. Net assets of the Group increased by RMB42.6 million or 0.9% over the balance as at 31 December 2016 to RMB4,918.4 million as at 30 June 2017.

Pledge of assets

As at 30 June 2017, the Group has an onshore pledged deposit of RMB839.9 million. Save for the above, no other assets are pledged to any bank or lender.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares.

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 2017.

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 2017.

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 interim results of the six months ended 30 June 2017. The Committee comprises the non-executive director and 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 2017 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on 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
Tan Sri Cheng Heng Jem
Executive Director & Chairman

17 August 2017

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 Director is Dato' Dr. Hou Kok Chung and the Independent Non-executive Directors are Dato' Fu Ah Kiow, Mr. Ko Tak Fai, Desmond and Mr. Yau Ming Kim, Robert.