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**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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**HIGHLIGHTS**

Total operating revenues for the year of 2022 decrease to RMB3,748.7 million, representing a year-on-year decrease of 20.9%.

Same Store Sales (“SSS”) decreased by 22.8% in 2022.

Total Gross Sales Proceeds (“GSP”) inclusive of value-added tax were RMB9,218.8 million in 2022, representing a year-on-year decrease of 22.6%.

Loss from operations was RMB11.0 million in 2022 as compared to profit from operations of RMB323.6 million in 2021.

Loss attributable to owners of the Company amounted to RMB413.2 million in 2022.

The changes in the above performance indicators of the Group was weaker as compared to last year due to the resurgence of 2019 novel coronavirus (“COVID-19”) pandemic in various cities in the PRC since early 2022 and related prevention and control quarantine measures during the year.

**FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER  
2022**

The board (the “Board”) of directors (the “Directors”) of Parkson Retail Group Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022 with comparative figures for the previous year of 2021 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenues</b>	4	<b>3,300,608</b>	4,187,737
Other operating revenues	4	<u>448,059</u>	<u>550,765</u>
<b>Total operating revenues</b>		<u><b>3,748,667</b></u>	<u>4,738,502</u>
<b>Operating expenses</b>			
Purchases of goods and changes in inventories		<b>(1,850,068)</b>	(2,316,169)
Staff costs		<b>(536,636)</b>	(580,409)
Depreciation and amortisation		<b>(604,263)</b>	(658,908)
Rental expenses		<b>(15,214)</b>	(57,458)
Other operating expenses		<u><b>(753,479)</b></u>	<u>(802,008)</u>
<b>Total operating expenses</b>		<u><b>(3,759,660)</b></u>	<u>(4,414,952)</u>
<b>(Loss)/Profit from operations</b>		<b>(10,993)</b>	323,550
Finance income	6	<b>60,099</b>	73,496
Finance costs	6	<b>(459,009)</b>	(495,718)
Share of (losses)/profits of:			
– A joint venture		<b>(1,723)</b>	(2,971)
– Associates		<u><b>(1,535)</b></u>	<u>8,345</u>
<b>Loss before tax</b>	5	<b>(413,161)</b>	(93,298)
Income tax expense	7	<u><b>(1,842)</b></u>	<u>(77,332)</u>
<b>Loss for the year</b>		<u><b>(415,003)</b></u>	<u>(170,630)</u>
Attributable to:			
– Owners of the Company		<b>(413,179)</b>	(175,979)
– Non-controlling interests		<u><b>(1,824)</b></u>	<u>5,349</u>
		<u><b>(415,003)</b></u>	<u>(170,630)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<u><b>(RMB0.157)</b></u>	<u>(RMB0.067)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Loss for the year</b>	<u>(415,003)</u>	<u>(170,630)</u>
<b>Other comprehensive (expense)/income</b>		
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	(139,291)	23,424
Other comprehensive (expense)/income that will not be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of the Company	<u>(50,730)</u>	<u>13,729</u>
<b>Other comprehensive (expense)/income for the year, net of tax</b>	<u>(190,021)</u>	<u>37,153</u>
<b>Total comprehensive expense for the year</b>	<u><u>(605,024)</u></u>	<u><u>(133,477)</u></u>
Attributable to:		
– Owners of the Company	(603,200)	(138,826)
– Non-controlling interests	<u>(1,824)</u>	<u>5,349</u>
	<u><u>(605,024)</u></u>	<u><u>(133,477)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,905,940</b>	3,233,959
Investment properties		<b>538,758</b>	538,582
Right-of-use assets		<b>2,478,736</b>	3,018,455
Goodwill		<b>1,652,960</b>	1,691,564
Other intangible assets		<b>4,127</b>	9,067
Investment in a joint venture		<b>12,966</b>	14,689
Investments in associates		<b>43,183</b>	51,079
Trade receivables	<i>10</i>	<b>249,585</b>	163,733
Time deposits		<b>25,102</b>	31,166
Other assets		<b>349,700</b>	393,384
Deferred tax assets		<b>331,261</b>	290,958
		<b>8,592,318</b>	9,436,636
<b>CURRENT ASSETS</b>			
Inventories		<b>500,802</b>	489,619
Trade receivables	<i>10</i>	<b>221,074</b>	210,910
Prepayments and other receivables		<b>444,271</b>	460,150
Financial assets at fair value through profit or loss		<b>108,315</b>	90,644
Investments in principal guaranteed deposits		–	500
Time deposits		<b>9,477</b>	704,467
Cash and cash equivalents		<b>1,464,096</b>	925,162
		<b>2,748,035</b>	2,881,452
Assets classified as held for sale		<b>264,088</b>	–
		<b>3,012,123</b>	2,881,452
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	<b>480,425</b>	854,660
Other payables and accruals		<b>767,469</b>	658,376
Contract liabilities		<b>621,313</b>	608,666
Interest-bearing bank loans		<b>280,960</b>	1,895,301
Lease liabilities		<b>645,952</b>	569,571
Tax payable		<b>19,999</b>	41,581
		<b>2,816,118</b>	4,628,155
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>196,005</b>	(1,746,703)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,788,323</b>	7,689,933

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<b>2022</b>	2021
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank loans	2,248,972	25,948
Lease liabilities	2,853,702	3,361,801
Deferred tax liabilities	236,080	245,510
	<b>5,338,754</b>	3,633,259
 <b>NET ASSETS</b>	<b>3,449,569</b>	4,056,674
 <b>EQUITY</b>		
Issued capital	55,477	55,477
Reserves	3,325,197	3,928,397
	<b>3,380,674</b>	3,983,874
 <b>Non-controlling interests</b>	<b>68,895</b>	72,800
 <b>TOTAL EQUITY</b>	<b>3,449,569</b>	4,056,674

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Parkson Retail Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 3 August 2005. The Company has established a principal place of business in Hong Kong in Room 1010, 10th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”) are the operation and management of a network of department stores, shopping malls, outlets and supermarkets mainly in the People’s Republic of China (the “PRC”), and the provision of credit services in Malaysia.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Parkson Holdings Berhad (“PHB”), which is incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied for the first time the following amended IFRSs issued by the IASB, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41

The adoption of the amended IFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

### 3. GROSS SALES PROCEEDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Sale of goods from direct sales	2,139,942	2,697,209
Gross revenue from concessionaire sales	<u>5,218,896</u>	<u>6,914,743</u>
Total merchandise sales	7,358,838	9,611,952
Others (including consultancy and management service fees, gross rental income, credit services income and other operating revenues)	<u>903,334</u>	<u>1,055,312</u>
Total gross sales proceeds	<u><u>8,262,172</u></u>	<u><u>10,667,264</u></u>
Total gross sales proceeds (inclusive of value-added tax)	<u><u>9,218,821</u></u>	<u><u>11,916,816</u></u>

### 4. REVENUES, OTHER OPERATING REVENUES AND SEGMENT INFORMATION

#### Revenues

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Sale of goods from direct sales	2,139,942	2,697,209
Commissions from concessionaire sales	705,391	985,981
Consultancy and management service fees	<u>12,063</u>	<u>40,729</u>
	<u>2,857,396</u>	<u>3,723,919</u>
<i>Revenue from other sources</i>		
Gross rental income	372,616	398,357
Credit services	<u>70,596</u>	<u>65,461</u>
	<u>443,212</u>	<u>463,818</u>
	<u><u>3,300,608</u></u>	<u><u>4,187,737</u></u>

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Rental income is recognised on a time proportion basis over the lease terms. Credit services income is recognised when the relevant services are rendered.

### Other operating revenues

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Credit card handling fees	24,528	31,050
Promotion income	44,622	58,838
Electricity and water fees	109,034	109,361
Administration fees	135,969	128,006
Display space and equipment leasing income	55,426	59,222
Service fees	22,870	30,105
Government grants ( <i>Note</i> )	10,285	7,940
Other income arising from the recognition of net investments in subleases	891	3,517
Other income arising from lease modification and termination	23,449	91,774
Other income	<u>20,985</u>	<u>30,952</u>
	<u><b>448,059</b></u>	<u><b>550,765</b></u>

#### *Note:*

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

### Segment information

For management purposes, the Group has one major operating segment, which is “Retail”. The Group operates department stores, shopping malls, outlets and supermarkets mainly in the PRC. Revenues arising from this segment include sales of goods in direct sales, commissions from concessionaire sales, consultancy and management service fees and rental income from tenants. Besides, the Group provides consumer financing business which is carried out by Parkson Credit Sdn. Bhd. (“Parkson Credit”) in Malaysia.

Revenue from external customers are mostly generated in the PRC and almost all significant operating assets of the Group are located in the PRC. Since revenue from external customers and non-current assets excluding financial instruments and deferred tax assets of overseas companies outside the PRC are not material to the Group’s consolidated revenue and non-current assets excluding financial instruments and deferred tax assets, management believes there is no need to disclose geographical information.



## 5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Staff costs excluding directors' and chief executive's remuneration:		
– Wages, salaries and bonuses	392,795	441,642
– Pension scheme contributions*	50,725	51,910
– Social welfare and other costs	82,734	80,042
	<u>526,254</u>	<u>573,594</u>
Directors' and chief executive's remuneration	10,382	6,815
Total staff costs	<u><u>536,636</u></u>	<u><u>580,409</u></u>
Rental expenses in respect of leased properties:		
– Lease payments not included in the measurement of lease liabilities	72,419	78,141
– COVID-19 related rent concessions from lessors**	(57,205)	(20,683)
Total rental expenses	<u><u>15,214</u></u>	<u><u>57,458</u></u>
Gross rental income in respect of investment properties	(2,452)	(1,149)
Lease income in respect of sublease of properties under operating lease:		
– Minimum lease payments***	(281,594)	(296,479)
– Contingent lease payments****	(88,570)	(100,729)
Total gross rental income	<u><u>(372,616)</u></u>	<u><u>(398,357)</u></u>
Cost of inventories recognised as expenses, including:	1,850,068	2,316,169
– Reversal of impairment of inventories, net	(4,986)	(3,407)
Depreciation and amortisation	604,263	658,908
Impairment of trade receivables	7,014	7,624
Impairment of prepayments and other receivables	1,928	2,169
Impairment of property, plant and equipment	15,078	13,957
Impairment of investment properties	2,263	–
Impairment of right-of-use assets	38,414	37,661
Impairment of goodwill	38,604	78,974
Foreign exchange differences, net	37,583	(1,641)
Losses on disposal of property, plant and equipment and investment properties, net	2,158	3,457
Gain on disposal of a subsidiary	(1,310)	(300)
Auditor's remuneration	3,270	3,187
Direct operating expenses arising from rental-earning investment properties	<u><u>1,533</u></u>	<u><u>2,094</u></u>

\* As at 31 December 2022 and 2021, the Group had no forfeited contributions available to reduce its existing level of contributions to the retirement benefit schemes in future years.

\*\* The Group has adopted Amendment to IFRS 16 “Covid-19-Related Rent Concessions” and Amendment to IFRS16 “Covid-19-Related Rent Concessions beyond 30 June 2021”, and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain properties.

\*\*\* Minimum lease payments of the Group include pre-determined rental payments and minimum guaranteed rental payments for lease agreements without contingent rental payments.

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

## 6. FINANCE INCOME/(COSTS)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Finance income:		
Bank interest income	30,979	40,417
Gain on redemption of financial assets at fair value through profit or loss	1,450	4,315
Change of fair value of financial assets at fair value through profit or loss	1,151	524
Finance income on the net investments in subleases	<u>26,519</u>	<u>28,240</u>
	<u>60,099</u>	<u>73,496</u>
Finance costs:		
Interest on lease liabilities	(344,084)	(402,777)
Interest on interest-bearing bank loans and other borrowings	<u>(114,925)</u>	<u>(92,941)</u>
	<u>(459,009)</u>	<u>(495,718)</u>
Finance costs, net	<u><u>(398,910)</u></u>	<u><u>(422,222)</u></u>

## 7. INCOME TAX EXPENSE

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

An analysis of income tax expense is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax	51,575	160,067
Deferred tax	<u>(49,733)</u>	<u>(82,735)</u>
	<u><u>1,842</u></u>	<u><u>77,332</u></u>

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of basic and diluted loss per share are based on:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	<u>(413,179)</u>	<u>(175,979)</u>
	2022 <i>'000</i>	2021 <i>'000</i>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>2,634,532</u>	<u>2,634,532</u>

## 9. FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2022 (2021: nil).

## 10. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current		
Third party	224,403	215,663
Joint venture	–	130
<i>Less: Impairment allowance</i>	<u>(3,329)</u>	<u>(4,883)</u>
	<u>221,074</u>	<u>210,910</u>
Non-current		
Third party	254,916	168,011
<i>Less: Impairment allowance</i>	<u>(5,331)</u>	<u>(4,278)</u>
	<u>249,585</u>	<u>163,733</u>
	<u><b>470,659</b></u>	<u><b>374,643</b></u>

Trade receivables mainly arise from purchase by customers with credit card and credit services arise from loan receivables. The credit period of trade receivables is generally one month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances, except for loan receivables which are secured over the motor vehicles of customers. Among the balance, RMB405,428,000 (2021: RMB287,426,000) are with an interest rate ranging from 7.6% to 18.0% per annum (2021: 9.0% to 19.0% per annum), depending on the payment term of loan receivables, while others are interest-free.

Included in the Group's trade receivables as at 31 December 2022 were amounts due from the Group's joint venture of nil (2021: RMB130,000), which are attributable to the consultancy fee income of the Group. These balances are unsecured and interest-free.

As at 31 December 2022, Parkson Credit's trade receivables of RMB268,846,000 (2021: RMB217,148,000) and unrealised receivables of RMB85,461,000 (2021: RMB62,882,000) which will be due within 48 months, were pledge to secure Parkson Credit's bank loans in Riggitt Malaysia.

An ageing analysis of the trade receivables as at 31 December 2022 and 2021, based on the invoice date and net of loss allowance, is as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year	<b>221,074</b>	210,910
1 to 2 years	<b>128,190</b>	98,638
Over 2 years	<b>121,395</b>	65,095
	<b><u>470,659</u></b>	<u>374,643</u>

## 11. TRADE PAYABLES

An ageing analysis of the trade payables, based on the recognition date, is as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>438,147</b>	814,602
4 to 12 months	<b>17,744</b>	15,765
Over 1 year	<b>24,534</b>	24,293
	<b><u>480,425</u></b>	<u>854,660</u>

## 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 Thursday, 18 May 2023 (the “AGM”), the register of members of the Company will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023, 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 registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 pm on Friday, 12 May 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board would like to present the Group's annual results for the year ended 31 December 2022.

During the year under review, the global economic environment continued to be weighed down by a number of uncertainties and pressure. The Group's business has been adversely affected by the resurgence of the 2019 novel coronavirus ("COVID-19") pandemic in various cities in the People's Republic of China ("PRC") since early 2022.

In December 2022, PRC has lifted COVID-19 related prevention and control measures. Even though the business environment will continue to be tough and uncertain in the period ahead, nevertheless, the Group remains optimistic about the overall market prospects. With the ongoing development of PRC's economy, the increasing urbanization rate and improvements in the people's living standard, and consumption trend will remain a leading driver of PRC's economic growth in the future.

According to the latest data released by the National Bureau of Statistics of China, PRC's GDP reached RMB121.0 trillion in 2022, representing an increase of 3% from 2021. In addition, the total retail sales of consumer goods in PRC in 2022 decreased by 0.2% year-on-year.

### **Economic review**

During the year under review, the operating activities of the Group's stores were affected by the new outbreak of the pandemic in Xi'an, Shanghai, Beijing, Shanxi and several other cities. Under these circumstances, Shanghai had adopted a strategy of citywide static management with all residents staying indoors for more than two months, whilst Beijing had also strengthened its pandemic prevention and control measures. In addition, the sporadic outbreaks of COVID-19 in other cities made the prevention and control more difficult and complicated. To prevent its spread, local governments in PRC had implemented a number of measures in public areas, especially in restaurants, shopping centers, department stores and other business premises, such as restricting the flow of people, banning dine-in services, shortening business hours or temporarily closing outlets. Some of the Group's stores were inevitably affected by the prevention and control measures. Coupled with the uncertainty of the development of the pandemic and the weak consumer market, the Group's overall performance was weaker than the previous year.

In the face of the repeated virus outbreaks, the Group has taken several cost control measures, including lowering the rental and operating costs, and stimulating consumers' spending by taking advantage of online platform promotions. At the same time, the Group has been actively applying for the government pandemic prevention allowance, grants and tax incentives to minimise the impact of the pandemic and other uncertainties.

## **Business review**

For the year under review, the Group recorded gross sales proceeds of RMB9,218.8 million (including value-added tax); representing a decrease of 22.6% over last year, largely due to the decrease in Same-Store Sales (“SSS”). SSS declined by 22.8% mainly caused by the impact from COVID-19. The overall gross profit margin of the Group decreased to 13.5% compared to 14.2% in 2021. The Group's total operating income decreased by RMB989.8 million or 20.9% to RMB3,748.7 million, whilst operating loss was RMB11.0 million as compared to operating profit of RMB323.6 million in 2021.

As at 31 December 2022, the Group operated and managed 42 Parkson stores (including department stores, shopping malls, city outlets, concept store “Parkson Beauty” and supermarkets) and 2 Parkson Newcore City Malls, in 28 cities in PRC and Laos.

## **Focusing on main business**

Facing the continuous challenges of market changes and intense competition, the Group is focusing on its main business and dedicated to be an outstanding commercial space operator. The Group constantly evaluates and adjusts its resources in a timely manner under its diversified business development plan. The Group explores various business models through diversifying its income sources so as to drive its sustainable development.

The Group believes that its strategy of “Multiple Stores in a City” and “Model Innovation” will reach out to more customers at different consumption levels and with different consumption habits. This will enable the Group to gain more market share in the long run.

In April 2022, the Group expanded the operating area of the store located in Datong City, Shanxi Province to enhance its business format, meet different consumer demands and enrich the consumption experience of customers. The Taiyuan Changfeng store and Taiyuan Meiyuan store located in Shanxi Province were closed in May 2022 and July 2022 respectively to improve the Group's resource utilisation efficiency.

In October 2022, the Group's wholly-owned subsidiary, Jiangxi Parkson Shopping Centre Management Co., Ltd. signed a Tenancy Agreement with Nanchang Hui Xin Industrial Co., Ltd. with the intention of opening a new store in Nanchang County, Jiangxi Province expected to be in the fourth quarter of 2023. The store will be the Group's fourth store in Jiangxi Province.

The Group's wholly-owned subsidiary, Mianyang Fulin Parkson Plaza Co., Ltd., has also successfully won a property tenancy bid in Mianyang City, Sichuan Province in October 2022. The tenancy agreement will be entered into with Mianyang New Investment Industrial Co., Ltd. within 5 business days from the date when the construction project planning permit for the properties is obtained.

Meanwhile, the Group constantly monitors the development trend of the beauty market, and promptly launches targeted development strategies for the beauty sector, with the aim to attract the younger generation of consumers by combining with customised service experiences. In January 2022, the Group's beauty store, Parkson Beauty, in Wenzhou City, Zhejiang Province started operation, which is expected to help the Group to further grow its business in this sector.

### **Outlook and future plans**

Looking ahead, the Group is dedicated to be an outstanding commercial space operator, through diversified product categories and enhancing customers' shopping experience, developing an excellent reputation, maintaining its customer base, and attracting new customers, to fully seize market opportunities. Meanwhile, the Group will actively look for business partners with strong reputation to diversify the Group's portfolio and to be more sustainable.

We believe that with the lifting of COVID-19 related prevention and control measures, and the Group's effective business strategies and extensive experience in the retail market over the past two decades, we can achieve stable and sustainable performance despite the challenging environment and create long term value for shareholders.

I would like to take this opportunity to express our gratitude to our employees, customers, shareholders, suppliers and business partners for their unwavering support throughout the year. We look forward to working with them closely in the years to come.



## FINANCIAL REVIEW

### Total GSP and operating revenues

During 2022, total GSP (inclusive of value-added tax) decreased by 22.6% to RMB9,216.8 million, mainly due to the decrease in total merchandise sales resulting from the decrease in SSS. SSS decreased by 22.8% in 2022.

### Total merchandise sales

	2022		2021		Year-on-year change (%)
	RMB'000	% of total	RMB'000	% of total	
Concessionaire sales	5,218,896	70.9%	6,914,743	71.9%	(24.5%)
Direct sales	2,139,942	29.1%	2,697,209	28.1%	(20.7%)
	<u>7,358,838</u>	<u>100.0%</u>	<u>9,611,952</u>	<u>100.0%</u>	(23.4%)

Total merchandise sales (net of value-added tax) decreased by RMB2,253.1 million or 23.4% to RMB7,358.8 million in 2022. Concessionaire sales which constituted 70.9% of the Group's total merchandise sales in 2022 decreased by 24.5% as compared to 2021 while direct sales decreased by 20.7% as compared to 2021. The Group's sales in 2022 decreased across both concessionaire sales and direct sales as compared to 2021 mainly due to the resurgence of COVID-19 pandemic in various cities in PRC since early 2022 and related prevention and control quarantine measures during the year which has seriously affected the customer traffic.

### Merchandise gross margin

The Group's merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) decreased from 14.2% in 2021 to 13.5% in 2022.

### ***Total operating revenues***

Total operating revenues of the Group decreased by RMB989.8 million or 20.9% to RMB3,748.7 million in 2022, mainly due to the decrease in the revenue from contracts with customers. Revenue from contracts with customers consists of sales of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees and constituted 76.2% of the total operating revenues in 2022. Revenue from contracts with customers decreased by RMB866.5 million or 23.3% compared to 2021.

### **Operating expenses**

#### ***Purchase of goods and changes in inventories***

Purchase of goods and changes in inventories represent the cost of sales for direct sales, which decreased by RMB466.1 million or 20.1% from RMB2,316.2 million in 2021 to RMB1,850.1 million in 2022. The decrease was primarily due to decrease in procurement of goods from third party vendors, resulting from the decreased direct sales.

#### ***Staff costs***

Staff costs decreased by RMB43.8 million or 7.5% to RMB536.6 million in 2022 from RMB580.4 million in 2021, mainly due to closure of unprofitable business. On a same store basis, staff costs decreased by 6.3%.

Staff costs as a percentage of GSP was 6.5% in 2022, as compared to 5.4% in 2021.

#### ***Depreciation and amortisation***

Depreciation and amortisation decreased by 8.3% from RMB658.9 million in 2021 to RMB604.3 million in 2022. The decrease was primarily due to decrease in depreciation expense for the right-of-use assets of the properties as a result of closure of stores. In 2022, depreciation expense on the right-of-use assets of RMB402.9 million was recognised as compared to RMB451.8 million in 2021. On a same store basis, depreciation charges decreased by 5.7%.

Depreciation and amortisation as a percentage of GSP was 7.3% in 2022, as compared to 6.2% in 2021.

### ***Rental expenses***

Rental expenses decreased by RMB42.3 million or 73.5% to RMB15.2 million in 2022 from RMB57.5 million in 2021. In 2022, RMB57.2 million (2021: RMB20.7 million) was deducted in rental expenses to reflect changes in lease payments that arise from rent concessions to which the practical expedient under IFRS 16 is applied. On a same store basis, rental expenses decreased by 68.7%.

Rental expenses as a percentage of GSP decrease from 0.5% in 2021 to 0.2% in 2022.

### ***Other operating expenses***

Other operating expenses, which consist primarily 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 6.1% to RMB753.5 million in 2022 from RMB802.0 million in 2021. Assets impairment of RMB103.3 million was provided in 2022 due to COVID-19 pandemic while RMB140.4 million was provided in 2021. On a same store basis, other operating expenses decreased by 3.2%.

Other operating expenses as a percentage of GSP was 9.1% in 2022, as compared to 7.5% in 2021.

### ***(Loss)/Profit from operations***

The Group recorded a loss from operations of RMB11.0 million for 2022 while recorded a profit from operations of RMB323.6 million in 2021.

Loss from operations as a percentage of GSP was (0.1%) in 2022 and profit from operations as a percentage of GSP was 3.0% in 2021.

### ***Finance income/costs***

The Group incurred net finance costs of RMB398.9 million in 2022 which represented a decrease of RMB23.3 million or 5.5% compared to RMB422.2 million in 2021. In 2022, interest on lease liabilities of RMB344.1 million was recognised as compared to RMB402.8 million in 2021 and finance income on the net investments in sublease of RMB26.5 million was recognised as compared to RMB28.2 million in 2021.

### **Share of losses of joint venture**

This is the share of losses from Xinjiang Youhao Parkson Development Co., Ltd., a joint venture of the Group. The share of loss was RMB1.7 million in 2022 as compared to RMB3.0 million in 2021.

### **Share of (losses)/profits of associates**

The share of loss from associates was RMB1.5 million in 2022 and share of profits from associates was RMB8.3 million in 2021. This was mainly due to the resurgence of COVID-19 pandemic since early 2022 which resulted in business disruptions.

### **Loss before tax**

Loss before tax was RMB413.2 million in 2022 and RMB93.3 million in 2021. This increase in loss before tax was primarily due to decrease total operating revenues as a result of the resurgence of COVID-19 pandemic in various cities in PRC since early 2022.

Loss before tax as a percentage of GSP was 5.0% in 2022 as compared to 0.9% in 2021.

### **Income tax expense**

The Group's income tax expense of RMB1.8 million in 2022 as compared to RMB77.3 million in 2021, primarily due to decrease in earnings in 2022.

### **Loss for the year**

The Group's loss for the year was RMB415.0 million in 2022 and RMB170.6 million in 2021.

### **Loss attributable to owners of the Company**

Loss attributable to the owners of the Company was RMB413.2 million in 2022 and RMB176.0 million in 2021.

## **Liquidity and financial resources**

As at 31 December 2022, the Group had cash and cash equivalents of RMB1,464.1 million (2021: RMB925.2 million), time deposits of RMB34.6 million (2021: RMB735.6 million), financial assets at fair value through profit or loss of RMB108.3 million (2021: RMB90.6 million) and investments in principal guaranteed deposits of nil (2021: RMB0.5 million).

The Group's cash and cash equivalents are mainly denominated in Renminbi with the remaining denominated in United States dollars, Hong Kong dollars and others.

Total debt to total assets ratio of the Group was 21.8% (2021: 15.6%) as at 31 December 2022.

## **Current assets and net assets**

The Group's current assets as at 31 December 2022 was RMB3,012.1 million. Net assets of the Group as at 31 December 2022 was RMB3,449.6 million.

## **Information on the financial products**

The Group's financial assets at fair value through profit or loss consisted of non-principal-preservation type wealth management products managed by licensed financial institutions in the PRC. As at 31 December 2022, the fair value of these products was RMB108.3 million.

## **Pledge of Assets**

As at 31 December 2022, the Group has pledged trade receivables of RMB269.0 million, pledged buildings, investment properties and leasehold land with a net carrying amount of approximately RMB1,415.0 million, RMB534.9 million and RMB331.3 million respectively to secure general bank loans. The Group has pledged unrealised receivables of RMB85.5 million which will be due within 48 months to secure the general interest-bearing bank loans. In addition, the Group has pledged deposits of RMB32.0 million held in designated bank accounts for performance guarantee.

Other than the aforesaid, no other assets are pledged to any bank or lender.

## **EMPLOYEES**

As at 31 December 2022, total number of employees for the Group was 4,055. 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.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

During the year ended 31 December 2022, the Company has fully complied with the Corporate Governance Code (the "CG Code") (to the extent that such provisions are applicable) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (collectively, the "Listing Rules").

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding the Directors' securities transaction. Specific enquiry has been made to all the Directors and all Directors have confirmed that they have complied with the standards as set out in the Model Code throughout the year ended 31 December 2022.

## **AUDIT COMMITTEE**

The Audit Committee has been established by the Company to review the financial reporting matters, internal control and maintain an appropriate relationship with the Company's external auditor. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2022, including the accounting principles and policies adopted by the Group. The Audit Committee comprises the non-executive director and three independent non-executive directors of the Company, one of whom who has appropriate professional qualification and experience in financial matters as required by the Listing Rules.

## **SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the preliminary announcement.

## **PUBLICATION OF FINAL RESULTS**

This announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company. The 2022 annual report will be dispatched to shareholders of the Company and available on the above websites 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*

20 February 2023

*As at the date of this announcement, the Executive Directors of the Company are Tan Sri Cheng Heng Jem and Ms. Juliana Cheng San San, the Non-executive Director is Dato' Sri Dr. Hou Kok Chung and the Independent Non-executive Directors are Dato' Fu Ah Kiow, Mr. Yau Ming Kim, Robert and Datuk Koong Lin Loong.*