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

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

Total Gross Sales Proceeds ("GSP") increased by 16.5% to RMB16,426.2 million. On a like for like basis, GSP increased by 17.0%.

Same Store Sales ("SSS") growth was stable at 11.4%.

Profit Before Tax ("PBT") of the Group increased by 14.4% to RMB1,518.6 million. On a like for like basis PBT of the Group increased by 16.2%.

Profit attributable to the Group increased by 13.2% to RMB1,122.9 million. On a like for like basis profit attributable to the Group increased by 15.1%.

Earnings per share was approximately RMB0.40.

Proposed final dividends of approximately RMB309.1 million or RMB0.11 per share.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The Board of Directors of Parkson Retail Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 with comparative figures for the year 2010 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	For the year ended 31 December 2011 *RMB'000*	2010 *RMB'000*
Revenues	4	4,364,291	3,819,375
Other operating revenues	4	574,018	580,703
Total operating revenues		4,938,309	4,400,078
Operating expenses			
Purchases of goods and changes in inventories		(1,239,707)	(1,098,954)
Staff costs		(380,344)	(359,483)
Depreciation and amortization		(236,164)	(179,962)
Rental expenses		(671,855)	(575,687)
Other operating expenses		(901,310)	(718,065)
Total operating expenses		(3,429,380)	(2,932,151)
Profit from operating activities	5	1,508,929	1,467,927
Finance income / (cost), net	6	9,298	(140,330)
Share of profit of an associate		346	311
Profit before income tax		1,518,573	1,327,908
Income tax expense	7	(365,819)	(304,251)
Net profit for the year		1,152,754	1,023,657
Attributable to:			
Owners of the parent		1,122,929	991,808
Non-controlling interests		29,825	31,849
		1,152,754	1,023,657
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.400	RMB0.353
Diluted		RMB0.400	RMB0.353
DIVIDENDS			
Interim		196,734	170,000
Proposed final	9	309,100	281,038
		505,834	451,038
DIVIDENDS PER SHARE			
Interim		RMB0.070	RMB0.060
Proposed final	9	RMB0.110	RMB0.100
		RMB0.180	RMB0.160

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December 2011 *RMB'000*	2010 *RMB'000*
Profit for the year	1,152,754	1,023,657
Net gain/(losses) on cash flow hedges	137,278	(16,006)
Available-for-sale investments: Changes in fair value	(4,998)	-
Exchange differences on translation of foreign operations	(22,738)	4,562
Other comprehensive income/(losses) for the period, net of tax	109,542	(11,444)
Total comprehensive income for the period, net of tax	1,262,296	1,012,213
Attributable to:		
Owners of the parent	1,232,471	980,364
Non-controlling interests	29,825	31,849
	1,262,296	1,012,213

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December** **2011** *RMB'000*	**2010** *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		2,682,993	2,493,773
Investment properties		50,149	51,357
Lease prepayments		487,683	500,996
Intangible assets		2,171,670	2,172,242
Investment in an associate		2,204	2,110
Prepayment for purchase of land and buildings		422,760	-
Other assets		25,254	39,685
Available-for-sale financial assets		24,685	-
Derivative financial instruments designated as hedging instruments		2,855	8,819
Deferred tax assets		72,173	53,591
Total non-current assets		5,942,426	5,322,573
CURRENT ASSETS			
Inventories		278,346	233,814
Trade receivables	10	13,548	19,986
Prepayments, deposits and other receivables		725,081	452,270
Held-to-maturity investments, unlisted		-	1,324,540
Investment in principal guaranteed deposits		2,710,857	2,810,238
Time deposits		702,416	104,629
Cash and cash equivalents		1,690,004	2,323,259
Total current assets		6,120,252	7,268,736
CURRENT LIABILITIES			
Interest-bearing bank loans		-	(1,302,000)
Trade payables	11	(1,982,069)	(1,721,277)
Customers' deposits		(1,060,921)	(863,191)
Other payables and accruals		(702,428)	(650,172)
Tax payable		(136,584)	(106,246)
Senior guaranteed notes due November 2011		-	(1,318,381)
Derivative financial instruments designated as hedging instruments		-	(25,902)
Total current liabilities		(3,882,002)	(5,987,169)
NET CURRENT ASSETS		2,238,250	1,281,567
TOTAL ASSETS LESS CURRENT LIABILITIES		8,180,676	6,604,140

	Notes	As at 31 December 2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Long term payables		(133,750)	(117,492)
Deferred tax liabilities		(230,204)	(238,730)
Term loan facilities		(2,467,446)	(1,615,130)
Derivative financial instruments designated as hedging instruments		(8,683)	(43,637)
Total non-current liabilities		(2,840,083)	(2,014,989)
NET ASSETS		5,340,593	4,589,151
EQUITY			
Equity attributable to owners of the parent			
Issued capital		58,354	58,352
Reserves		5,209,731	4,453,888
		5,268,085	4,512,240
Non-controlling interests		72,508	76,911
TOTAL EQUITY		5,340,593	4,589,151

Adjusted Like for Like Comparable Table

	For the year ended 31 December 2011			
	2010 (Reported)		2010 (Comparable)	2011
	RMB'000		*RMB'000*	*RMB'000*
Gross sales proceeds	**14,105,567**	**a)**	**14,035,367**	**16,426,172**
Profit from operating activities	**1,467,927**	**a)**	**1,397,727**	**1,508,929**
Net finance income / (cost)	**(140,330)**	**b)**	**(90,930)**	**9,298**
Profit before income tax	**1,327,908**		**1,307,108**	**1,518,573**
Income tax	**304,251**	**c)**	**299,251**	**365,819**
Profit attributable to owners of the parent	**991,808**		**976,008**	**1,122,929**

The above adjusted like for like comparable table is provided for comparison purpose only, it does not form any part of the Financial Statements to be prepared and presented in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

Notes

a) Adjustment to reduce other operating revenues by RMB70.2 million for (i) exchange gain on the USD125.0 million high yield notes ("HYN2012") after expiry of the cross currency swap on 30 May 2010; and (ii) gross gain on disposal of Yangzhou store.

b) Adjustment to reduce the net finance cost by RMB49.4 million for (i) premium and other expenses in relation to the early redemption of HYN2012 in the month of December 2010; and (ii) additional interest cost in relation to HYN2012 after expiry of the cross currency swap on 30 May 2010.

c) Income tax of RMB5.0 million in relation to gains on disposal of Yangzhou store.

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 its subsidiaries are the operation of department store business in the People's Republic of China ("PRC").

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Company for the year ended 31 December 2011 (the "Financial Statements") have been prepared in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

3. GROSS SALES PROCEEDS

	For the year ended 31 December	
	2011	**2010**
	RMB'000	RMB'000
Sales of goods – direct sales	1,501,766	1,328,177
Concessionaire sales	14,124,582	12,008,169
Total merchandise sales	15,626,348	13,336,346
Others (including consultancy and management service fees, rental income and other operating revenues)	799,824	769,221
Total gross sales proceeds	16,426,172	14,105,567

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the year ended 31 December	
	2011	**2010**
	RMB'000	RMB'000
Sales of goods – direct sales	1,501,766	1,328,177
Commissions from concessionaire sales	2,636,719	2,302,680
Rental income	207,295	168,551
Consultancy and management service fees	18,511	19,967
Other operating revenues	574,018	580,703
Total operating revenues	4,938,309	4,400,078

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 the sales of goods - direct sales, the commissions from concessionaire sales, the consultancy and management service fees, the rental income and the 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	
		2011	**2010**
	Notes	RMB'000	RMB'000
Promotion income		88,115	74,815
Administration and credit card handling fees		273,118	238,276
Government grants	(i)	13,535	16,872
Other incomes		199,250	250,740
		574,018	580,703

Notes:

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

5. PROFIT FROM OPERATIONS

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

	For the year ended 31 December	
	2011	**2010**
	RMB'000	RMB'000
Cost of inventories recognised as expenses	1,239,707	1,098,954
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	252,764	209,847
Pension scheme contributions	37,168	31,410
Social welfare and other costs	86,506	73,356
Equity-settled share option expenses	-	35,192
	376,438	349,805
Depreciation and amortization	236,164	179,962
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	470,362	416,501
Contingent lease payments *	201,493	159,186
	671,855	575,687
Loss on disposal of items of property, plant and equipment	1,752	876
Goodwill written-off for closure of store	5,669	-
Auditors' remuneration	4,388	4,579
Gross rental income in respect of investment properties	(16,973)	(16,790)
Sub-letting of properties:		
Minimum lease payments #	(97,151)	(67,959)
Contingent lease payments *	(93,171)	(83,802)
	(190,322)	(151,761)
Total gross rental income	(207,295)	(168,551)
Direct operating expenses arising on rental-earning investment properties	1,208	1,208
Foreign exchange differences, net	(3,972)	(25,663)

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 COST, NET

	For the year ended 31 December	
	2011	**2010**
	RMB'000	RMB'000
Interest expenses on bank and other loans, wholly repayable within five years	(277,770)	(354,260)
Interest income	287,068	213,930
	9,298	(140,330)

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	
	2011	**2010**
	RMB'000	RMB'000
Current income tax	392,927	326,718
Deferred income tax	(27,108)	(22,467)
	365,819	304,251

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2011 is based on the net profit attributable to owners of the parent for the year of approximately RMB1,122,929,000 and the weighted average number of 2,810,481,550 shares in issue during that year.

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the net profit attributable to owners of the parent for the year of approximately RMB991,808,000 and the weighted average number of 2,808,249,374 shares in issue during the year.

The calculation of diluted earnings per share takes into account on the effects of employee share options granted on 10 January 2007 and 1 March 2010.

9. PROPOSED FINAL DIVIDENDS

The Board of Directors recommended the payment of a final dividend for the year of 2011 of RMB0.110 (2010: RMB0.100) in cash per share. The Company declared and paid an interim dividend of RMB0.070 (2010: RMB0.060) 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 dividends, the Company shall be paying full year dividends of RMB0.180 (2010: RMB0.160) in cash per share for the year 2011, representing approximately 45.0% of the 2011's net profit attributable to the Group. 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 25 May 2012.

Upon the approval to be obtained from the forthcoming annual general meeting, the final dividends will be payable on or about 29 June 2012 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 25 May 2012.

10. TRADE RECEIVABLES

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

An aged analysis of the trade receivables is as follows:

	As at 31 December	
	2011	**2010**
	RMB'000	RMB'000
Within 3 months	11,673	7,422
3 to 12 months	275	7,685
Over 1 year	1,600	4,879
	13,548	19,986

Included in the balance were trade receivables from jointly-controlled entities of RMB288,000 (2010: RMB253,000) and from fellow subsidiaries of RMB2,671,000 (2010: RMB4,063,000) which attributable to the management and consultancy fee income of the Group. Such balances were unsecured and interest-free.

11. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	As at 31 December	
	2011	**2010**
	RMB’000	RMB’000
Within 3 months	1,902,231	1,622,333
3 to 12 months	62,275	68,240
Over 1 year	17,563	30,704
	1,982,069	1,721,277

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the forthcoming annual general meeting of the Company which is scheduled on Thursday, 17 May 2012), the register of members of the Company will be closed from Thursday, 24 May 2012 to Friday, 25 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividends, all transfer 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 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong, for registration not later than 4.30 p.m. on Wednesday, 23 May 2012.

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 15 May 2012 to Thursday, 17 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer 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 Monday, 14 May 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The global economy started the year with return of uncertainties. Debts crisis in major European nations ("EU"), continuous high unemployment rate and weak housing data in the United States of America ("USA"), the economic damages from the devastating tsunami in Japan, the third largest economy in the world and reversal of monetary policy towards macro tightening in major emerging economies such as the PRC and India continued to put pressure on economic recovery.

The economic conditions remained weak in the second half of the year despite concerted efforts from the EU leaders that provided only temporary relief. The marginally improved but weak economic data coming from USA did not reduce the possibility of a double dip recession. Meanwhile the resilient economic growth in export oriented major emerging economies continued to face inflationary pressures and external risks.

The PRC economy avoided a hard landing and achieved a respectable growth of 9.2% for the year 2011 despite enduring complicated external volatility and internal challenges. The resilient economic growth was predominantly driven by a steady growth on fixed asset investment and a robust domestic consumption market, offsetting slower growth in exports. Domestic consumption continued to play an increasingly important role to the PRC economy after achieving a growth rate of 17.1%, driven primarily by the policies and incentives from the government to encourage consumption and the strong income growth of 14.1% and 17.9% respectively for the urban and rural household.

Despite tougher macro headwinds, in particular second half of the year and increased competition in the market place, the Group managed to achieve stronger operating performance and improved on its financial numbers. The Group recorded an overall GSP growth of 16.5% with a SSS growth of 11.4%. In view of the intensifying competition and weaker gross margin performance of the new stores, the merchandise gross margin declined 0.4% year on year.

The Group has been revamping and remodeling its existing flagship stores as part of our continuous efforts to enhance store image and improve productivity. Such strategy has been generally successful with majority of flagship stores showing noticeable improvement in its performance thereafter. For the year under review, the Group completed the revamp for Xinjiang store. The Shanghai flagship store and Beijing flagship store that operate in a highly competitive and fast changing market will undergo further remodeling works in the next 12 months to remain competitive.

The Group opened 6 new stores in the year 2011 with aggregated gross floor area of approximately 267,000 square meters. The Group opened its fourth store in Shanghai at the end of August, its second store in Nanning in the month of October and followed by store in Kunshan in the month of November and stores in Liu Pan Shui, Changzhou and Zhangjiakou in the month of December. The Jinan store which was originally scheduled to open in the month of December has been delayed to April 2012.

In line with the Group's stated strategy of expansion through a combination of opening new stores and acquiring strategic locations, the Group had entered into a sale and purchase agreement in November to acquire an approximately 45,000 square meter of retail property in Tianjin city with an intention to develop the location into one of its flagship stores. As at the end of the year, the Group operates and manages 52 stores across 34 major cities of which 46 are self owned stores and 6 are managed stores.

During the year under review, the Group raised US$150.0 million through the syndicated loan market to refinance the US$200 million 7.875% High Yield Notes 2011 ("HYN2011"). The syndicated loan carries a fixed finance charge (inclusive of the amortization of relevant issuing cost) of approximately 4.42% per annum after the Group entered into relevant interest rate swap to hedge its exposure against the interest rate fluctuation.

Prospect

The current global economic uncertainties are set to continue in the near future. Given the political tension and the structural complication of the financial system within EU, any quick solution to the debt crisis in the Euro zone is unlikely. In addition, the weaker quarterly sequential economic growth and sluggish housing market in USA are constant worries and finally it is obvious that the economic growth in emerging economies has slowed and will not be spared the negative effects of global economic malaise.

On the positive front, the EU leaders remain committed to resolve the debt crisis and the recent strong employment data from the USA seems to indicate that the pace of recovery in the world's largest economy is picking up and finally the inflationary pressures on the emerging economies, in particular, the PRC and India had waned and therefore the pace of macro tightening had generally paused or in some cases reversed.

Against the backdrop of widespread concerns on global economic condition, the Group believes that PRC economy will continue to move ahead despite the headwinds and uncertainties. Clearly a full blown debt crisis in EU and or a double dip in USA will badly affect the export sector and this will have a knock-on effect to domestic investment and domestic consumption. However, PRC has the ability to counter such external shocks with policy responses especially on the fiscal side to boost the social safety nets and increase consumption and domestic investment. On that front, the PRC government could choose to advance or accelerate the implementation of plans and policies already established under the 12th Five-Year Plan. There is no doubt that the policy responses on the monetary side might be limited given that the PRC economy is still working off the monetary stimulus that it extended during the 2008 financial crisis and property bubble is still a major issue. However, given the recent easing of inflationary pressures, selected monetary responses are possible.

It is undeniable that the PRC economy going forward will play an increasingly important and influential role to the development of the world economy and given its increasingly open economy, the sustainability of its own growth will also become more vulnerable to the external factors. The challenge to PRC now is to continue or in fact accelerating its efforts to move away from its reliance on external demand so that its economic growth will be powered by its consumers in order to at least partially insulate itself from the external shocks.

Looking forward, the Group believes that the PRC economy will continue to lead and contribute to the global economic growth in the foreseeable future. In line with the shift of its economic growth model, the Group expects the household incomes to continue to outgrow the economic expansion which will lead to the stronger emergence of middle class which will in turn support growing consumption.

Given the Group's middle to middle upper market positioning, the Group is strategically positioned to capitalize on the stronger emergence of middle class. On the back of such expectation, the Group is excited about the opportunity and prospect of its business operation and will continue to adopt a timely and well calculated expansionary strategy. In this respect, the Group will emphasize on expansion in existing cities or nearby cities to better utilize the Group's many advantageous positions.

The Group is wary about the competition and challenges from an ever changing and maturing retail market. To remain competitive, the Group will continue to reinvent and remodel its existing stores and make necessary adjustments to the merchandise mix and brand mix to stay ahead of the fast changing markets. The Group will also focus on improving both the merchandise gross margin and operating profit margin through better merchandise offering, introducing more innovative and more targeted sales promotions and continuing our efforts on cost rationalization.

Leveraging on the Group's strong balance sheet, favourable business model, strong brand equity and large customer base from the existing Parkson Loyalty Card program, the management believes that the Group is well-positioned to consolidate and maintain its leadership position.

Financial Review

GSP and operating revenues

The Group recorded GSP received or receivable of RMB16,426.2 million (comprises of direct sales, sales proceeds from concessionaire sales, rental incomes, consultancy and management service fees and other operating revenues) during the year under review representing a growth of 16.5% or RMB2,320.6 million Year On Year ("YOY"). The key contributors to the growth include (i) SSS growth of approximately 11.4%, (ii) inclusion of the full year sales performance of the new stores opened in the year 2010 and (iii) inclusion of the sales performances for the new stores opened in the year 2011. On a like for like comparable basis after adjusting the financial statement for the year 2010 for exchange gains, additional interest cost and redemption premium in relation to HYN2012 as well as the disposal gain and its related income tax in relation to the disposal of Yangzhou store (collectively "2010 Adjustments"), GSP increased by 17.0% YOY.

SSS growth remains stable at 11.4% for the year 2011. The Group generated total merchandise sales of approximately RMB15,626.3 million. The concessionaire sales contributed approximately 90.4% and the direct sales contributed the balance of 9.6%. The Fashion & Apparel category made up approximately 47.8% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 41.5%, the Household & Electrical category contributed approximately 4.1% and the balance of approximately 6.6% came from the Groceries and Perishables category.

The merchandise gross margin (a combination of the concessionaire commission and the direct sales margin) declined marginally by 0.4% YOY to 18.6% primarily due to lower merchandise gross margin for new stores opened under the accelerated expansion program and stronger sales growth for merchandise that carry lower gross margin.

Total operating revenues for the year grew by RMB538.2 million or 12.2% to RMB4,938.3 million. The growth rate of operating revenues was lower than the growth rate of the GSP due to (i) lower growth rate of direct sales; (ii) negative growth of management and consultancy fees in line with the reduction on the number of managed stores; (iii) lower concessionaire rate; and (iv) higher base for other operating revenues in the year 2010 due to the inclusion of exchange gain in relation to HYN2012 and disposal gains in relation to disposal of the Yangzhou store.

Operating Expenses

Purchase of goods and change in inventories

The purchase of goods and change in inventories refer to the cost of sales for the direct sales. In line with the increase of direct sales, the cost of sales rose to RMB1,239.7 million, an increase of 12.8% or RMB140.8 million YOY.

Staff costs

Staff costs increased marginally by 5.8% YOY to RMB380.3 million. The increase was primarily attributable to (i) inclusion of the full year staff cost for stores opened in the year 2010; (ii) inclusion of the staff cost for stores opened in the year 2011; and (iii) general wage rise. The increase was however partially offset by the absence of employee share options expense compared to RMB41.8 million charged off in the year 2010.

As a percentage to GSP, the staff cost ratio declined marginally by 23pips YOY to 2.32%.

Depreciation and Amortization

Depreciation and amortisation increased substantially by RMB56.2 million or 31.2% YOY to RMB236.2 million. The increase was primarily attributable to (i) the inclusion of depreciation and amortisation cost for the new stores opened in the year 2010 and the year 2011; (ii) Full year depreciation cost in relation to the Beijing Suntran building; and (iii) additional depreciation cost in relation to the remodeled stores.

As a percentage to GSP, depreciation and amortisation cost ratio increased by 16pips YOY to 1.44%.

Rental Expenses

Rental expenses rose by RMB96.2 million or 16.7% YOY to RMB671.9 million, the increase was largely due to (i) the inclusion of rental cost for the new stores opened in the year 2010 and the year 2011; (ii) straight line accounting treatment for rental cost in relation to leases for those new stores opened; and (iii) the increased payment of contingent rent for the performance related lease agreements.

As a percentage to GSP, the rental expenses ratio was flat at 4.09%.

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 increased substantially by RMB183.2 million or 25.5% YOY to RMB901.3 million due to (i) the inclusion of other operating expenses for the new stores opened in the year 2010 and the year 2011; (ii) the inclusion of pre-opening expenses for the new stores opened in the year 2011; and (iii) the inclusion of city development and educational surcharge.

Due to the aforesaid reasons, as a percentage to GSP, other operating expenses ratio increased 40pips YOY to 5.49%.

Profit from Operating Activities

Profit from operating activities rose to RMB1,508.9 million, an increase of RMB41.0 million or 2.8%. On an adjusted like for like comparable basis, after adjusting for 2010 Adjustments, profit from operating activities increased by 8.0% YOY.

As a percentage to GSP, the profit margin from operating activities declined to 9.19%.

Finance Cost, net

The Group incurred total interest expenses of RMB277.8 million for the year, a decreased of 21.6% YOY due to lower level of debts and lower effective interest rate after refinancing HYN2011 and HYN2012 with syndicated loans. Total interest incomes increased to RMB287.1 million for the year due to higher returns from the principal protected structured investments and the higher deposit rate.

Due to the aforesaid reasons, the Group recorded net finance income of RMB9.3 million for the year compared to net finance cost of RMB140.3 million recorded last year.

Share of Profit of an Associate

This is the share of profit from Shanghai Nine Sea Lion Properties Management Co. Ltd, an associate of the Company, the share of profit increased marginally by 11.3% to RMB346,000 due to increase in property management incomes received.

PBT

Due to the aforesaid reasons, PBT increased by 14.4% YOY to RMB1,518.6 million. As a percentage to GSP, PBT ratio decreased marginally by 17pips to 9.24%.

On a like for like comparable basis, after adjusting for 2010 Adjustments, PBT improved by 16.2% and PBT ratio declined marginally by 7pips.

Income Tax Expense

The Group’s income tax expense increased to RMB365.8 million due to the increase of PBT and expiry of preferential tax rate for selected stores. The effective tax rate for the year was 24.1%, which is 118pips higher YOY.

Net Profit for the year

In line with the increase in PBT, the net profit for the year increased to RMB1,152.8 million. As a percentage to GSP, the net profit margin declined marginally by 24pips to 7.02%

Profit Attributable to the Group

Profit attributable to the Group increased to RMB1,122.9 million, an increase of RMB131.1 million or 13.2%. On a like for like comparable basis, after adjusting for 2010 Adjustments, profit attributable to the

Group increased by 15.1% YOY.

Liquidity and Financial Resources

The cash and cash equivalent of the Group (aggregate of principal guaranteed investment deposit, time deposits and cash and bank balances deposited with licensed banks) stood at RMB5,103.3 million as at the end of December 2011, representing a marginal decline of 2.6%. The decrease was primarily due to (i) dividends payment of approximately RMB477.8 million to the shareholders of the Company and dividends payment of approximately RMB34.2 million to the minority shareholders of the Group's subsidiaries; (ii) deposit payment of RMB422.8 million for the acquisition of a retail property in Tianjin city; (iii) repayment of HYN2011; and (iv) maintenance capital expenditures and new store opening capital expenditures of RMB389.4 million offset by the cash inflow of RMB1,600.6 million generated from the operating activities and proceeds from the US$150.0 million syndicated loan.

Total debt to total assets ratio of the Group expressed as a percentage of the syndicated loans and its related derivative financial instruments designated as hedging instruments over the total assets was 20.5% as at 31 December 2011.

Current Assets and Net Assets

The Group's current assets as at 31 December 2011 was approximately RMB6,120.3 million, a decrease of 15.8% or RMB1,148.5 million YOY. Net asset of the Group as at 31 December 2011 rose to RMB5,340.6 million, an increase of RMB751.4 million or 16.4% YOY.

Pledge of Assets

As at 31 December 2011, other than the issued share capital of selected subsidiaries of the Company, no other asset is pledged to any bank or lender.

EMPLOYEES

As at 31 December 2011, total number of employees for the Group was approximately 8,029. 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 10 January 2007, a total of 8,188,950 share options were granted to 482 eligible employees at nil consideration and with an exercise price of Hong Kong ("HK") $36.75 per share pursuant to an employee share option scheme adopted on the 9 November 2005 (the "Scheme"). The Company's shareholders had on 4 July 2008 approved the subdivision of every existing share of HK$0.10 in the Company into 5 new subdivided shares of HK$0.02 each, which subsequently took effect on 7 July 2008 ("Share Subdivision"). In conjunction therewith, on 7 July 2008, each outstanding share option of the Company had been adjusted to 5 share options and the exercise price had been adjusted to HK$7.35 per share.

The 5,955,600 share options (29,778,000 share options after taking effect of the Share Subdivision) granted under Lot 1 are exercisable from 24 January 2007 to 23 January 2010 and have no other vesting conditions.

The 2,233,350 share options (11,166,750 share options after taking effect of the Share Subdivision) granted under Lot 2 are exercisable from 2 January 2008 to 1 January 2011 and required an employee service period until 2 January 2008.

On 1 March 2010 ("the grant date"), a total of 15,821,000 share options were granted to 544 eligible Directors and employees at nil consideration and with an exercise price of HK$12.44 per share ("Lot 3"). Total share options were vested at the Grant Date, the expiration dates for the share options are three years from 1 April 2010.

Movement of the options granted under the Scheme for the year ended 31 December 2011 is as follows:

	As at 1 January 2011	Share options granted	Share options exercised	Share options lapsed	Share options expired	As at 31 December 2011
Lot 2	106,500	-	-	-	106,500	-
Lot 3	15,231,500	-	109,000	554,500	-	14,568,000
	15,338,000	-	109,000	554,500	106,500	14,568,000

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practice, 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 2011.

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 2011.

AUDIT COMMITTEE

An Audit Committee ("Committee") has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Committee has reviewed the Group's results of the year 2011. The Committee comprises the three independent non-executive directors of the Company.

PUBLICATION OF FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the websites of the 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 works and dedication. I would also like to thank the shareholders and business associates for their strong support to the Group.

On behalf of the Board
Parkson Retail Group Limited
Cheng Yoong Choong
Managing Director

Hong Kong, 24 February 2012

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