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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

Total gross sales proceeds ("GSP") declined by 4.5% to RMB9,964.2 million.

Same store sales ("SSS") (1) declined by 8.9%.

Net profit attributable to the Group declined by 22.1% to RMB252.9 million.

Earnings per share was RMB0.091.

Interim dividend of approximately RMB111.2 million or RMB0.04 per share.

(1) Year on year change in total gross sales proceeds for stores in operation throughout the entire comparative year after:(i) adjusting for the impact from the change of contractual relationship with certain suppliers of jewelry products from concessionaire contract to lease agreement in respect of SSS calculation; (ii) excluding the performance of Shanghai flagship store which was closed temporarily in 2013 due to major renovation; and (iii) excluding the performance of stores closed in the current and previous financial year.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 an associated company (the "Group") for the six months ended 30 June 2014 ("1H2014") with comparative figures for the corresponding period in the year 2013. 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

		For the six months ended 30 June	
	Notes	**2014**	**2013**
		Unaudited	*Unaudited*
		RMB'000	*RMB'000*
Revenue	4	2,313,995	2,313,945
Other operating revenues	4	246,853	304,702
Total operating revenues		2,560,848	2,618,647
Operating expenses			
Purchases of goods and changes in inventories		(709,503)	(683,860)
Staff costs		(296,095)	(291,310)
Depreciation and amortisation		(182,898)	(163,794)
Rental expenses		(542,717)	(528,258)
Other operating expenses		(514,424)	(510,583)
Total operating expenses		(2,245,637)	(2,177,805)
Profit from operations	5	315,211	440,842
Finance income, net	6	18,187	12,424
Share of profits of:			
A joint venture		16,246	18,549
An associate		66	78
Profit from operations before income tax		349,710	471,893
Income tax expense	7	(88,593)	(132,747)
Profit for the period		261,117	339,146
Attributable to:			
Owners of the parent		252,922	324,724
Non-controlling interests		8,195	14,422
		261,117	339,146
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.091	RMB0.116
Diluted		RMB0.091	RMB0.116

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six-month period ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Profit for the period	261,117	339,146
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments on cash flow hedges arising during the period	-	69,498
Gain on disposal included in the consolidated statement of profit or loss	-	(89,736)
	-	(20,238)
Available-for-sale investments:		
Changes in fair value	-	6,976
Gain on disposal included in the consolidated statement of profit or loss		(9,391)
	-	(2,415)
Exchange differences on translation of foreign operations	(28,622)	2,409
Other comprehensive income for the period, net of tax	(28,622)	(20,244)
Total comprehensive income for the period	232,495	318,902
Attributable to:		
Owners of the parent	224,300	304,480
Non-controlling interests	8,195	14,422
	232,495	318,902

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2014** *Unaudited* *RMB'000*	**As at 31 December 2013** *Audited* *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		3,770,536	3,829,717
Investment properties		36,421	36,930
Prepaid land lease payment		454,405	461,061
Intangible assets		2,244,201	2,245,301
Investment in a joint venture		35,449	38,319
Investment in an associate		2,145	2,038
Other assets		426,141	384,933
Deferred tax assets		198,638	185,455
Total non-current assets		7,167,936	7,183,754
CURRENT ASSETS			
Inventories		313,813	341,684
Trade receivables	10	51,723	93,541
Prepayment, deposits and other receivables		1,396,517	1,272,761
Investment in principal guaranteed deposits		2,941,320	3,635,303
Time deposits		244,643	143,167
Cash and cash equivalents		1,051,477	1,035,518
Total current assets		5,999,493	6,521,974
CURRENT LIABILITIES			
Trade payables	11	(1,441,893)	(1,957,867)
Customer deposits, other payables and accruals		(1,627,513)	(2,027,896)
Interest-bearing bank loans		(277,535)	(178,944)
Tax payable		(52,985)	(76,053)
Total current liabilities		(3,399,926)	(4,240,760)
NET CURRENT ASSETS		2,599,567	2,281,214
TOTAL ASSETS LESS CURRENT LIABILITIES		9,767,503	9,464,968

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2014	**As at 31 December 2013**
	Unaudited	*Audited*
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Bonds	(3,047,838)	(3,016,833)
Long term payables	(571,048)	(482,144)
Deferred tax liabilities	(288,660)	(283,990)
Total non-current liabilities	(3,907,546)	(3,782,967)
NET ASSETS	5,859,957	5,682,001
EQUITY		
Equity attributable to owners of the parent		
Issued capital	57,862	58,299
Treasury shares	-	(32,323)
Reserves	5,715,269	5,543,310
Proposed final dividend	-	27,901
	5,773,131	5,597,187
Non-controlling interests	86,826	84,814
TOTAL EQUITY	5,859,957	5,682,001

NOTES

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on 3 August 2005. The Company's ultimate holding company is Parkson Holdings Berhad ("PHB"), a company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

The Company acts as an investment holding company. The principal activities of the Group are operation of department store business in the People's Republic of China ("PRC").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2014 (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 2013.

3. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2014	**2013**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	828,812	808,858
Gross revenue from concessionaire sales	7,345,677	7,715,803
Total merchandise sales	8,174,489	8,524,661
Others (including consultancy and management service fees, gross rental income and other operating revenues)	400,041	453,907
Total gross sales proceeds	8,574,530	8,978,568
Total gross sales proceeds (inclusive of value-added tax)	9,964,193	10,427,760

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2014	**2013**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	828,812	808,858
Commissions from concessionaire sales	1,331,995	1,355,882
Gross rental income	145,829	142,441
Consultancy and management service fees	7,359	6,764
Other operating revenues *(Note)*	246,853	304,702
Total operating revenues	2,560,848	2,618,647

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

<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	
		2014	**2013**
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
Promotion income		52,943	56,543
Administration and credit card handling fees		77,015	107,154
Government grants	(i)	4,214	5,357
Other income		112,681	135,648
		246,853	304,702

Note:

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

5. PROFIT FROM OPERATIONS

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

	For the six months ended 30 June	
	2014	**2013**
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories recognised as expenses	709,503	683,860
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	201,984	188,686
Pension scheme contributions	30,101	27,482
Social welfare and other costs	62,142	58,743
Equity-settled share option expenses	-	11,187
	294,227	286,098
Directors' remuneration (including share options expense)	1,868	5,212
	296,095	291,310
Depreciation and amortisation	182,898	163,794
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	413,955	403,486
Contingent lease payments *	128,762	124,772
	542,717	528,258
Loss on disposal of items of property, plant and equipment	915	492
Auditors' remuneration	1,076	1,319
Gross rental income in respect of investment properties	(4,428)	(3,906)
Sub-letting of properties:		
Minimum lease payments #	(88,345)	(82,834)
Contingent lease payments *	(53,056)	(55,701)
	(141,401)	(138,535)
Total gross rental income	(145,829)	(142,441)
Direct operating expenses arising on rental-earning investment properties	509	449
Foreign exchange differences, net	(1)	(12,390)

\# 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 INCOME, NET

	For the six months ended 30 June	
	2014	**2013**
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expenses on bond and other bank loans repayable within five years	(73,616)	(92,800)
Interest income	91,803	105,224
	18,187	12,424

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	
	2014	**2013**
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	97,106	161,081
Deferred income tax	(8,513)	(28,334)
	88,593	132,747

8. EARNINGS PER SHARE

The calculation of basic earnings per share for 1H2014 is based on the net profit attributable to equity shareholders of the Company for that period of approximately RMB252.9 million and the weighted average number of 2,779,929,228 shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2013 ("1H2013") is based on the net profit attributable to equity shareholders of the Company for the period of approximately RMB324.7 million and the weighted average number of 2,810,468,553 shares in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit 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 1H2014 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 approved the payment of interim dividend for 1H2014 of RMB0.04 (2013: RMB0.05) in cash per share. The interim 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 to Hong Kong dollars as at 30 September 2014.

The interim dividend will be payable on or before 31 December 2014 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 30 September 2014.

10. TRADE RECEIVABLES

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

An aged analysis of the trade receivables as at the end of the interim financial reporting period, based on the payment due date, is as follows:

	30 June 2014	31 December 2013
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	51,550	93,375
4 to 12 months	173	149
Over 1 year	-	17
	51,723	93,541

Included in the balance are trade receivables from a joint venture of RMB60,000 (31 December 2013: RMB86,000) 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 2014	31 December 2013
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	1,293,115	1,828,694
4 to 12 months	124,745	96,023
Over 1 year	24,033	33,150
	1,441,893	1,957,867

12. COMPARATIVE AMOUNT

Certain comparative amount has been reclassified to conform with the current period's presentation.

13. CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 29 September 2014 to 30 September 2014 (both dates inclusive). During such period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30pm on 26 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In the first half of 2014 ("1H2014"), the retail market in China remained very challenging amid the continuous macro and micro headwinds. The continuous slowdown of domestic economic growth, rising competition from existing and new retail formats, austerity drive by the government and so forth have continued to affect the consumption sentiment of the Chinese consumers as well as the business operation of many retailers in China. The department store industry in China is in the midst of going through a revolutionary and structural transformation, due to the changing landscape brought by the external and internal challenges.

During the period under review, the Group continued to execute its business transformation program to build a sustainable growth for the future despite that its business performance continued to be affected by the challenges in the short term. In 1H2014, the Group recorded a total gross sales proceeds ("GSP") of RMB9,964.2 million (inclusive of value-added tax) or RMB8,574.5 million (net of value-added tax), which represent a marginal decline by 4.5% from the same period of last year. The marginal decline in GSP was mainly attributable to the decline in same store sales ("SSS") of 8.9% in 1H2014. The SSS decline was partly due to absence of speculative demand on gold and jewelry products which was experienced in the second quarter of 2013. Excluding the impact from gold and jewelry products, the SSS decline was narrowed from 7.3% in the first quarter of 2014 to 5.5% in the second quarter of 2014.

Due to the change in merchandise mix and the Group's continuous effort in monitoring the stores' marketing and promotional activities, the Group's overall merchandise gross margin increased by 0.4% to 17.8% in 1H2014. Total operating expenses increased marginally by 2.8% to RMB1,536.1 million mainly due to the contribution from new stores that were opened in 2013 and 2014. Profit from operations declined by 28.5% to RMB315.2 million in 1H2014. On same store basis, profit from operations declined by 12.9% in 1H2014. Five younger stores that were loss-making last year (Shanghai Tianshan Store, Nanning Third Store, Zhangjiakou Store, Changshu Store and Kunshan Store) have successfully turnaround in 1H2014. Operating loss of new stores (six stores opened in the year 2013 and one store opened in 1H2014) came in at approximately RMB81.8 million in 1H2014.

The Group has been revamping and remodeling its existing flagship stores as part of the continuous effort 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. During the period under review, the major remodeling program of Shanghai flagship store is fully completed with the completion of major renovation last year and followed by the façade upgrading works which were completed in 1H2014. The Group will continue to make necessary upgrade and revamp to other flagship stores going forward in order to enhance the store's competitiveness in the highly competitive and fast changing market.

In 1H2014, the Group opened one new store in Zhongshan with a gross floor area of approximately 22,000 square meters. In line with the Group's efforts to rationalize its store portfolio, the Group closed two underperforming stores, which include Jinan Store and Changzhou Second Store respectively, and the operation of Beijing Metro City Store is temporarily ceased due to an impending restructuring process. As at 30 June 2014, the Group operates and manages 57 stores across 37 major cities in China, with a total gross floor area of approximately 2 million square meters.

In line with the initiative to build a successful brands portfolio that complement with the department store business, the Group launched its first series of brand collaboration with Mango, an established international fashion group, with the opening of its first Mango flagship store in Shanghai in 1H2014, together with the takeover of the Mango outlets in a few cities in China. Going forward, the Group will continue to explore similar collaboration with international renowned brands in order to create a new, long term and profitable revenue stream for the Group and at the same time to enhance the competitiveness of the department store operation.

Prospect

Although the global economic condition remains volatile and unbalanced, with the improvement on global prospects, the world economy is expected to strengthen slowly. China has emerged as a stabilizing force in the global economy, and will continue to be a key driver of the emerging and developing economies' growth. In order to maintain a sustainable growth, the Chinese government is expected to continue its economic rebalancing programs, which involve reforms to its fiscal and taxation system, financial system, political system, social security system, and so forth.

China is currently the second largest retail market of the world. According to a research report, it is expected that China will surpass the United States to become the world's largest retail market by 2016. Given the enormous potential for growth, department stores will continue to play an important role in the Chinese retail sector. Nevertheless, the competition landscape of the maturing retail sector and department store industry in China will be increasingly challenging. In view of the challenges ahead, the Group will continue to make adjustments to its business strategies with an aim to turn these challenges into opportunities.

The Group will continue its refined expansionary strategy with lesser but bigger new stores to be opened in the existing markets or nearby cities to better utilize the Group's advantageous positions. To maintain its competitive edge and to diversify its income stream, the Group will invest into shopping mall development and operation to provide a fully integrated shopping and entertainment experience to its customers. Average size of new stores will be increased gradually to enhance its offering of value merchandise and complementary services to better serve its customers.

Leveraging on its widespread network across China, the Group will continue to explore potential collaborations with international renowned brands on exclusive basis with an aim to introduce new and distinctive brands to its customers with latest range of products in the market ahead of its competitors. These collaborations with brands will enable the Group to build a successful brands portfolio to further strengthen its core competencies, and to shield its vulnerability to the structural challenges that the department store operators are facing.

The Group will also further strengthen its customer loyalty card program by seeking differentiation and customization to further widen its customer base, and to realign the floor space allocation in order to improve productivity and increase rental income. Continuous cost rationalization exercise will be an on-going effort, mobile POS system will be launched in all stores throughout the country to improve operating efficiency and enhance customers' shopping experience. The Group will also exploit the digital marketing platform to achieve better marketing results. The Group will continue to take immediate and necessary actions against the underperforming stores to avoid further losses. Given the continuing weak consumption sentiment, the Group will continue to monitor closely changes to the merchandise gross margin and make necessary adjustments to its marketing and promotional strategies to protect its margin performance.

Financial Review

Total gross sales proceeds and operating revenues

During the period under review, the Group generated total gross sales proceeds of RMB9,964.2 million (inclusive of value-added tax) or RMB8,574.5 million (net of value-added tax). Total gross sales proceeds decline of 4.5% for the period was attributable to decline in SSS by 8.9% due to general weaker sentiment on discretionary spending and the absence of speculative demand on gold and jewelry products which was experienced in the second quarter of 2013. Excluding the impact from gold and jewelry products, SSS decline in 1H2014 was 6.5%.

The Group generated total merchandise sales of approximately RMB8,174.5 million. The concessionaire sales contributed approximately 89.9% and the direct sales contributed the balance of 10.1%. The Fashion & Apparel category made up approximately 46.8% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 44.1%, the Household & Electrical category contributed approximately 3.7% and the balance of approximately 5.4% came from the Groceries and Perishables category.

Despite intensifying competition, the Group's merchandise gross margin (a combination of concessionaire commission rate and the direct sales margin) improved by 0.4% to 17.8%. The increase in merchandise gross margin in 1H2014 was primarily attributable to lower sales contribution from merchandise with lower merchandise gross margin such as gold and jewelry and improvement in younger stores and new stores merchandise gross margin as the stores mature.

Total operating revenues of the Group for the period under review declined marginally by RMB57.8 million or 2.2% to RMB2,560.8 million. The decline in operating revenue was mainly due to the decline in GSP. However, the decline rate for operating revenues was lower than the decline rate of the GSP due to improvement in concessionaire rate from 17.6% to 18.1% and increase in rental income contributed by younger stores and new stores.

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 RMB709.5 million, an increase of RMB25.6 million or 3.7% from 1H2013.

Staff costs

Staff costs increased marginally by RMB4.8 million or 1.6% to RMB296.1 million in 1H2014 due to contributions from new stores opened in 2013 and 1H2014. On a same store basis, staff costs decreased by 4.6%, due to absence of share option expenses which were recognized in 2013.

As a percentage to GSP, the staff cost ratio increased to 3.5% from 3.2% recorded in 1H2013.

Depreciation and amortisation

Depreciation and amortisation increased by RMB19.1 million or 11.7% to RMB182.9 million. The increase was primarily attributable to (i) the inclusion of depreciation cost of new stores opened in 2013 and 1H2014 and (ii) additional depreciation cost in relation to the remodeled stores. On a same store basis, depreciation cost decreased by 10.5%.

As a percentage to GSP, depreciation and amortisation cost ratio increased marginally to 2.1% from 1.8% recorded in 1H2013.

Rental expenses

Rental expenses of RMB542.7 million posted an increase of RMB14.5 million or 2.7% compared to rental expense recorded in 1H2013. The increase was due to the inclusion of rental cost of new stores opened in 2013 and 1H2014. On a same store basis, rental expenses decreased by 5.4% due to reduction in payment of turnover rent for performance related lease agreement.

As a percentage to GSP, rental cost ratio increased to 6.3% from 5.9% recorded in 1H2013.

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, increased marginally by RMB3.8 million or 0.8% to RMB514.4 million. On a same store basis, other operating expenses decreased by 8.5% due to efforts by management to contain cost.

As a percentage to GSP, other operating expense ratio increased marginally to 6.0% from 5.7% recorded in 1H2013.

Profit from operations

In light of the decline in SSS and higher operating costs contributed by the increasing new stores, profit from operations declined to RMB315.2 million, a decrease of 28.5%. As a percentage to GSP, the profit from operations margin declined to 3.7% from 4.9% recorded in 1H2013.

Finance income, net

Net finance income increased to RMB18.2 million in 1H2014, an increase of RMB5.8 million or 46.4%. The increase in net finance income was primarily attributable to the decrease in finance costs. Finance costs decreased by RMB19.2 million or 20.7% in 1H2014 mainly due to absence of accelerated amortization of issuance cost triggered by early repayment of syndicated loan in June 2013.

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 RMB16.2 million from RMB18.5 million recorded in 1H2013 due to softening of merchandise sales attributable to subdued consumer sentiment around that region.

Share of profit from an associate

This is the share of profit from Shanghai Nine Sea Lion Properties Management Co., Ltd, an associate of the Company. The share of profit decreased to RMB66,000 from RMB78,000 recorded in 1H2013 due to reduction of management income received.

Profit before tax

Due to the aforesaid reasons, profit before tax declined by 25.9% to RMB349.7 million. As a percentage to GSP, profit before tax ratio for 1H2014 decreased to 4.1% compared to 5.3% recorded in 1H2013.

Income tax expenses

In line with the decline of profit before tax, the Group's income tax expenses reduced by 33.3% to RMB88.6 million. The effective tax rate decreased to 25.3% compared to 28.1%, recorded in 1H2013 mainly due to certain subsidiaries having obtained a preferential tax rate exemption during the period under review.

Net profit for the period

The net profit for 1H2014 declined to RMB261.1 million, a reduction of RMB78.0 million or 23.0%. As a percentage to GSP, the net profit margin declined to 3.0% from 3.8% recorded in 1H2013.

Profit attributable to the Group

Profit attributable to the Group reduced to RMB252.9 million, a decline of RMB71.8 million or 22.1%.

Liquidity and financial resources

As at 30 June 2014, the cash and cash equivalents and deposits with licensed banks of the Group (aggregate of principal guaranteed investment deposit, time deposit and cash and bank balances deposited with licensed banks) stood at RMB4,237.4 million, representing a reduction of 12.0% from the balance of RMB4,814.0 million recorded as at the end of December 2013. The decrease was mainly due to: (i) net cash outflow from operating activities amounted to RMB451.1 million; (ii) net cash outflow from investing activities amounted to RMB97.9 million; and (iii) net cash outflow from financing activities amounted to RMB27.6 million.

Total debt to total asset ratio of the Group was 25.3% as at 30 June 2014.

Current assets and net assets

The Group's current assets as at 30 June 2014 were approximately RMB5,999.5 million. Net asset of the Group as at 30 June 2014 rose to RMB5,860.0 million, an increase of RMB178.0 million or 3.1% over the balance as at 31 December 2013.

Pledge of assets

As at 30 June 2014, the Group has an onshore pledged deposit of RMB228.4million. Save for the above, no other assets is pledged to any bank or lender.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the six months ended 30 June 2014, the Company repurchased 10,517,500 shares of its own ordinary shares through the Stock Exchange at a total consideration of HK$25,862,265. Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares for the six months ended 30 June 2014.

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 2014.

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 2014.

AUDIT COMMITTEE

An Audit Committee ("Committee") has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Committee has reviewed the Group's interim results of the six months ended 30 June 2014. The Committee comprises the three independent non-executive directors of the Company.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

This announcement will be published on the websites of the Stock Exchange and of the Company. The interim report for the six months ended 30 June 2014 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published in the websites of the Stock Exchange and of the Company in due course.

ACKNOWLEDGEMENT

I would like to thank the Board, management and all our staff for their hard work and dedication. I would also like to thank the shareholders and business associates for their strong support to the Group.

On behalf of the Board
Parkson Retail Group Limited
Cheng Heng Jem
Executive Director & Chairman

14 August 2014

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