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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 2015

HIGHLIGHTS

Total gross sales proceeds ("GSP") declined by 3.0% to RMB9,656.9 million.

Same store sales ("SSS") (1) declined by 4.6%.

Total operating revenue decreased marginally by 2.2% to RMB2,505.6 million.

Due to a one-off provision in respect of the arbitral award arising from the disputes in the Beijing Metro City Shopping Plaza's Tenancy Agreement which amounted to RMB140.9 million, the Group recorded a loss attributable to shareholders of RMB23.3 million. Excluding this, the profit attributable to the Group would have amounted to RMB82.5 million.

Loss per share was RMB0.009.

Interim dividend of approximately RMB108.3 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 Shantou store which was closed temporarily since May 2015 due to relocation; and (iii) excluding the performance of stores closed in the current and previous financial year.***

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015 ("1H2015") with comparative figures for the corresponding period in the year 2014. The unaudited consolidated interim results have been reviewed by the auditors, Ernst & Young and the audit committee of the Company (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**For the six months ended 30 June** **2015** *Unaudited* *RMB'000*	**2014** *Unaudited* *RMB'000*
Revenue	4	2,225,877	2,313,995
Other operating revenues	4	279,769	246,853
Total operating revenues		2,505,646	2,560,848
Operating expenses			
Purchases of goods and changes in inventories		(731,494)	(709,503)
Staff costs		(332,823)	(296,095)
Depreciation and amortisation		(204,614)	(182,898)
Rental expenses		(696,494)	(542,717)
Other operating expenses		(544,720)	(514,424)
Total operating expenses		(2,510,145)	(2,245,637)
(Loss)/profit from operations	5	(4,499)	315,211
Finance (expense)/income, net	6	(3,792)	18,187
Share of profits of:			
A joint venture		14,090	16,246
An associate		44	66
Profit from operations before income tax		5,843	349,710
Income tax expense	7	(21,688)	(88,593)
(Loss)/profit for the period		(15,845)	261,117
Attributable to:			
Owners of the parent		(23,258)	252,922
Non-controlling interests		7,413	8,195
		(15,845)	261,117
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		(RMB0.009)	RMB0.091
Diluted		(RMB0.009)	RMB0.091

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
(Loss)/profit for the period	(15,845)	261,117
Exchange differences on translation of foreign operations	3,796	(28,622)
Other comprehensive income for the period, net of tax	3,796	(28,622)
Total comprehensive income for the period	(12,049)	232,495
Attributable to:		
Owners of the parent	(19,462)	224,300
Non-controlling interests	7,413	8,195
	(12,049)	232,495

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2015** *Unaudited* *RMB'000*	**As at 31 December 2014** *Audited* *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		3,744,763	3,750,757
Investment properties		28,714	25,502
Prepaid land lease payment		441,092	447,749
Intangible assets		2,161,155	2,162,617
Investment in a joint venture		40,241	26,151
Investment in an associate		2,067	2,023
Prepayment for purchase of land and buildings		1,196,524	867,840
Other assets		442,707	358,346
Deferred tax assets		223,484	213,707
Total non-current assets		8,280,747	7,854,692
CURRENT ASSETS			
Inventories		317,246	340,564
Trade receivables	10	37,799	85,570
Prepayment, deposits and other receivables		838,813	773,430
Investment in principal guaranteed deposits		2,764,730	3,532,690
Time deposits		179,728	227,626
Cash and cash equivalents		1,011,323	1,124,312
Total current assets		5,149,639	6,084,192
CURRENT LIABILITIES			
Trade payables	11	(1,366,039)	(1,813,994)
Customer deposits, other payables and accruals		(1,676,596)	(1,740,485)
Interest-bearing bank loans		(726,821)	(700,077)
Tax payable		(4,839)	(65,196)
Total current liabilities		(3,774,295)	(4,319,752)
NET CURRENT ASSETS		1,375,344	1,764,440
TOTAL ASSETS LESS CURRENT LIABILITIES		9,656,091	9,619,132

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2015 *Unaudited* *RMB'000*	**As at 31 December 2014** *Audited* *RMB'000*
NON-CURRENT LIABILITIES		
Bonds	(3,035,306)	(3,034,500)
Interest-bearing bank loans	(68,778)	-
Long term payables	(715,753)	(655,726)
Deferred tax liabilities	(262,677)	(269,988)
Total non-current liabilities	(4,082,514)	(3,960,214)
NET ASSETS	5,573,577	5,658,918
EQUITY		
Equity attributable to owners of the parent		
Issued capital	57,061	57,862
Treasury shares	(27,661)	(76,148)
Reserves	5,475,111	5,577,897
Proposed final dividend	-	27,341
	5,504,511	5,586,952
Non-controlling interests	69,066	71,966
TOTAL EQUITY	5,573,577	5,658,918

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 2015 (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 2014.

3. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2015	**2014**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	848,797	828,812
Gross revenue from concessionaire sales	7,019,615	7,345,677
Total merchandise sales	7,868,412	8,174,489
Others (including consultancy and management service fees, gross rental income and other operating revenues)	450,864	400,041
Total gross sales proceeds	8,319,276	8,574,530
Total gross sales proceeds (inclusive of value-added tax)	9,656,906	9,964,193

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the six months ended 30 June	
	2015	**2014**
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of goods – direct sales	848,797	828,812
Commissions from concessionaire sales	1,205,985	1,331,995
Gross rental income	164,604	145,829
Consultancy and management service fees	6,491	7,359
Other operating revenues *(Note)*	279,769	246,853
Total operating revenues	2,505,646	2,560,848

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.

Segment information

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	
		2015	**2014**
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
Promotion income		48,366	52,943
Administration and credit card handling fees		71,015	77,015
Government grants	(i)	2,508	4,214
Other income		157,880	112,681
		279,769	246,853

Note:

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

5. (LOSS)/PROFIT FROM OPERATIONS

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

	For the six months ended 30 June	
	2015	**2014**
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories recognised as expenses	731,494	709,503
Staff costs excluding directors' remuneration:		
Wages, salaries and bonuses	248,480	223,442
Pension scheme contributions	33,961	30,101
Social welfare and other costs	48,329	40,684
	330,770	294,227
Directors' remuneration (including share options expense)	2,053	1,868
	332,823	296,095
Depreciation and amortisation	204,614	182,898
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	580,506	413,955
Contingent lease payments *	115,988	128,762
	696,494	542,717
Loss on disposal of items of property, plant and equipment	1,545	915
Auditors' remuneration	935	1,076
Gross rental income in respect of investment properties	(3,849)	(4,428)
Sub-letting of properties:		
Minimum lease payments #	(90,545)	(88,345)
Contingent lease payments *	(70,210)	(53,056)
	(160,755)	(141,401)
Total gross rental income	(164,604)	(145,829)
Direct operating expenses arising on rental-earning investment properties	732	509

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	
	2015	**2014**
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest expenses on bond and other bank loans repayable within five years	(80,736)	(73,616)
Interest income	76,944	91,803
	(3,792)	18,187

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	
	2015	**2014**
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	38,776	97,106
Deferred income tax	(17,088)	(8,513)
	21,688	88,593

8. EARNINGS PER SHARE

The calculation of basic earnings per share for 1H2015 is based on the net loss attributable to equity shareholders of the Company for that period of approximately RMB23.3 million and the weighted average number of 2,716,472,463 shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2014 ("1H2014") is based on the net profit attributable to equity shareholders of the Company for the 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 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 1H2015 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 1H2015 of RMB0.04 (2014: RMB0.04) 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 2015.

The interim dividend will be payable on or before 31 December 2015 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 30 September 2015.

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 2015	**31 December 2014**
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	36,515	85,298
4 to 12 months	1,151	269
Over 1 year	133	3
	37,799	85,570

Included in the balance are trade receivables from a joint venture of RMB291,000 (31 December 2014: RMB1,408,000) which is attributable to consultancy fee income of the Group. Such balances were unsecured and interest-free.

11. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	30 June 2015	**31 December 2014**
	Unaudited	Audited
	RMB'000	RMB'000
Within 3 months	1,219,927	1,670,614
4 to 12 months	108,686	99,808
Over 1 year	37,426	43,572
	1,366,039	1,813,994

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 2015 to 30 September 2015 (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 25 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The board is pleased to report that the Group is on-track in rolling out its strategy of transforming into a lifestyle concept retail business. This transformation is carefully phased to ensure that the Group is able to maximize all opportunities while meeting the challenges of the dynamic retail environment in China.

Resilient core business in tough times

Despite the challenging retail environment in China, the Group's core business remained resilient over the first six months of 2015. Total GSP were RMB9,656.9 million inclusive of value-added tax (1H2014: RMB9,964.2 million) or RMB8,319.3 million net of value-added tax (1H2014: RMB8,574.5 million), which represents a marginal decline of 3.0% from the same period last year.

SSS declined by 4.6% in 1H2015. The decline was mainly caused by weaker consumer sentiment and decrease in sales of gold and jewelry products. The Group's overall merchandise gross margin decreased by 1.0% to 16.8% in 1H2015.

In 1H2015, operating expenses increased by 15.8% to RMB1,778.7 million mainly due to a one-off provision of RMB140.9 million made in respect of the arbitral award resulting from the disputes in the Beijing Metro City Shopping Plaza's tenancy agreement and additional costs from new stores. With regards to the arbitral award, the Group has applied to a PRC court for its revocation and is still waiting the court ruling on the application.

Loss from operations was RMB4.5 million in 1H2015, which was mainly due to the one-off provision for the arbitral award. Excluding the effect of the provision made, the profit from operations would have been RMB136.5 million, a 56.7% decline from the same period last year. On a same store basis, profit from operations decreased by 24.8% compared to the same period last year. The one-off provision also led to the net loss of RMB15.8 million in 1H2015 (net profit in 1H 2014: RMB261.1 million).

Transformation in action

With easy access to information in the internet age, Chinese consumers are becoming increasingly sophisticated. Consumption behaviour also changes as consumers constantly look for novelty, quality products and personalised shopping experiences. New shopping formats continue to emerge in the market, such as e-commerce, group discount shopping (團購), overseas personal shopping (代購), new forms of shopping malls and specialty stores. The retail industry in China is leaping into a whole new world with both challenges and opportunities lying ahead.

To cope with these dynamic changes in consumption habits, the Group has launched its business transformation strategy to both embrace these challenges and capture new opportunities. With 60 stores in China, the transformation will not happen overnight but is taking shape in a considered manner.

In March 2015, the Group signed master franchising agreements with four renowned international food and beverage ("F&B") brands as a step to enhance our stores with more lifestyle elements. These F&B brands offer a wide range of dining options, including French-Japanese casual dining restaurant Franco, American diner Johnny Rockets, café The Library Coffee Bar and sandwich restaurant Quiznos. Confident of the growth potential of the F&B sector that is supported by the strong purchasing power of the emerging middle class, the Group subsequently invested in Franco and became a substantial shareholder of the brand. The Group believes these F&B brands will become future crowd puller that will help to increase customers flow in our stores.

E-commerce which is generally viewed as a challenger to the bricks and mortar business not only brings us challenges, it also brings opportunities. Research conducted by a Big Four accounting firm shows that 60% of Chinese consumers still shop in-store because they can touch, feel and try the merchandise. In addition, 90% of Chinese consumers say interactions with their favorite retailers on social media have driven them to buy more. Through its omni-channel strategy the Group is tactfully positioning itself to capture this market.

In June 2015, the Group announced a strategic collaboration with Dianping.com (大眾點評) ("Dianping"), a leading online marketplace and service review platform provider in China with over 200 million active users. Under the collaboration, Dianping will provide Parkson with online-to-offline ("O2O") solutions that will bring mobile technology into our stores to assist Parkson to better understand in-store consumers' behaviour. These mobile solutions encompass customer flow analysis, target group marketing, group discount shopping, online queuing, online payment, member benefit redemption and big data capturing and analysis. The collaboration will also enhance Dianping users' shopping and dining experience in Parkson through interactive and informative search. Leveraging the online platform to engage its potential customers, the Group aims at boosting consumer flow and repeat purchases.

During the six months under review, the Group continued its strategy of strengthening and enriching its merchandise resources. New additions of international brands to the Group's distribution lists includes Bonia, FRNCH, Alma En Pena, Tous Fragrance, Cocomojo, Redeye and Tom Tailor. With the launch of multi-brand shoes and fashion stores under the brand "Bombón", the Group is building a destination for young and trendy consumers that are looking for brands that are new to China. The multi-brand business model will enable the Group to adjust its brands and merchandise swiftly based on consumer response without incurring high renovation cost. In 1H2015, five Bombón shoes stores were opened while the Bombón fashion stores will be launched in the second half of 2015 ("2H2015").

The network expansion plan for standalone brands is on track as well. The Group has opened a total of 12 Mango outlets in 1H2015 and the first TOUS outlet was opened in Beijing Joycity in July 2015.

To enhance its margin profile, the Group has placed equal emphasis on in building its own private labels. During the first half of the year, the Group opened 50 Weekender Messages counters within its networks of stores and will be launching four more new private labels, Zie Zac, Zie Zac Junior, Serena and Style Unlimited in 2H2015.

On customer relationship management, following the launch of the new customer loyalty programme in March 2015, the Group's active VIP card member base had increased from 4.41 million to 4.74 million, recording a growth of 7.5 % in just four months. The Group also expanded its VIP benefits alliances to more than 900 partners around China, with partners including Starbucks and Starwood's hotels to offer privileges to its VIP members.

In August 2015, the Group announced a joint venture partnership with E·Land Group to develop the first Korean city outlet in China. This marks the Group's first venture in to the city outlet market segment which forms part of the Group's store categorisation strategy. E·Land Group is Korea's largest fashion retail group with the most fashion brands in the world. The total project investment will be RMB100.0 million and the mall will be situated at the current Tianshan store in Shanghai which offers 45,687 square meters of retail space. Brands from both Parkson and E·Land Group will be thoughtfully woven into this city outlet mall to create an all-new shopping experience for consumers. Off-price retail area within this lifestyle concept mall will be an attraction that is new and worth looking forward to.

During 1H2015, three new stores were opened in Harbin, Beijing and Qingdao, adding 137,826 square metres of retail space to Parkson's portfolio. The Qingdao store is the first specialty store in the Parkson network, focusing on female fashion, accessories and cosmetics. The Group also made bold decisions to close two under-performing stores, namely the Tianjin Store and Baoding Store in 1H2015.

Strategy Update

Despite the challenges brought by the new retail environment in China, the Group sees ample opportunities for retailers to thrive. With its strong track record, nationwide store network, good relationships with suppliers and brands, and management insights, Parkson is transforming its business to capture these opportunities.

Parkson is laying solid foundations by strengthening its merchandise resources through introduction of international brands and development of private labels. The Group is also bringing in lifestyle elements to its store network through introduction of the F&B brands and broadening its product offerings by the launch of a new gourmet supermarket brand to cater to the needs of the elite group of customers that is looking for high quality imported and local food products.

Parkson will also partner with mobile carriers and online payment service providers to offer more mobile payment options to its customers. This not only enhance customer convenience but also lower payment costs for the Group.

The Group's cautious expansion plan is on track, with the Qingdao Lion Mall to be opened by the end of 2015. The opening of the Qingdao Lion Mall marks another milestone for the Group as it signifies the Group's venture into the Chinese shopping mall market.

Branching out

The Group continues to strive to create value for its shareholders. On 15 July 2015, the Group announced its plan to acquire Parkson Retail Asia Limited (“PRA”) from its parent company PHB. This strategic move will enable the Group to capture huge growth opportunities in the emerging markets of Southeast Asia, including Malaysia, Indonesia, Vietnam and Myanmar. The Group will also be able to enjoy the synergy brought by PRA’s strong network with international and local brands, as well as sharing resources and market intelligence. Combining its nationwide retail business in the PRC, the proposed acquisition, will position the Group as a substantial Asian retail player, differentiating it strongly from its peers.

The proposed acquisition is a connected party transaction which requires independent shareholders’ approval. A circular containing the details of the acquisition, as well as the reports of the Independent Financial Advisor and the Independent Board Committee, is expected to be despatched to shareholders on or before 31 August 2015. An extraordinary general meeting is expected to be held in September 2015 for independent shareholders to consider, and if thought fit, approve the acquisition.

Vision

Parkson strongly believes that its transformation strategy will lead the Group to a brighter future. Leveraging its adaptability to market changes, omni channel strategy, market intelligence, nationwide network, solid management expertise and strong relationships with business partners and suppliers, the Group is poised be the market leader in offering new lifestyle shopping experiences to consumers and to capture all opportunities ahead.

Financial Review

Total gross sales proceeds and operating revenues

During the period under review, the Group generated total gross sales proceeds of RMB9,656.9 million (inclusive of value-added tax) or RMB8,319.3 million (net of value-added tax). Total GSP decline of 3.0% for the period was mainly caused by general weaker consumer sentiment and decrease in sales of gold and jewelry products.

The Group generated total merchandise sales of approximately RMB7,868.4 million. The concessionaire sales contributed approximately 89.2% and the direct sales contributed the balance of 10.8%. The Fashion & Apparel category made up approximately 47.2% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 43.7%, the Household & Electrical category contributed approximately 3.8% and the balance of approximately 5.3% came from the Groceries and Perishables category.

Due to intensifying competition, the Group’s merchandise gross margin (a combination of concessionaire commission rate and the direct sales margin) decreased by 1.0% to 16.8%. The decrease in merchandise gross margin in 1H2015 was primarily attributable to intense competition and lower margin contribution from new stores during their ramp up period.

Total operating revenues of the Group for the period under review declined marginally by RMB55.2 million or 2.2% to RMB2,505.6 million. The decline in operating revenue was mainly due to the decline in GSP. However, the decline for operating revenues was lower than the decline of the GSP due to increase in rental income that is in line with the Group's strategy of increase complementary services in our stores and the increase in other operating income due to RMB40.0 million relocation compensation received from the Shantou store's landlord for early termination of the lease contract. The Shantou store will be relocated to a new location and is planned to be reopened for business in 2016.

Operating Expenses

Purchase of goods and change in inventories

The purchase of goods and change in inventories refer to the cost of sales for the direct sales. In line with the increase in direct sales, the cost of sales rose to RMB731.5 million, an increase of RMB22.0 million or 3.1% from 1H2014.

Staff costs

Staff costs increased by RMB36.7 million or 12.4% to RMB332.8 million in 1H2015 due to contributions from new stores opened in 2014 and 1H2015 and salary adjustments in July 2014 to retain and attract the right talent to support our business transition. On a same store basis, staff costs increased by 9.1%, due to salary adjustments as mentioned above.

As a percentage to GSP, the staff cost ratio increased to 4.0% from 3.5% recorded in 1H2014.

Depreciation and amortisation

Depreciation and amortisation increased by RMB21.7 million or 11.9% to RMB204.6 million. The increase was primarily attributable to (i) the inclusion of depreciation cost of new stores opened in 2014 and 1H2015 and (ii) accelerated depreciation from stores closed during the period. On a same store basis, depreciation cost increased marginally by 1.3%.

As a percentage to GSP, the depreciation and amortisation cost ratio increased marginally to 2.5% from 2.1% recorded in 1H2014.

Rental expenses

Rental expenses of RMB696.5 million posted an increase of RMB153.8 million or 28.3% compared to rental expenses recorded in 1H2014. The increase in rental expenses is mainly due to the one-off provision made in respect of the arbitral award arising from the disputes in the Beijing Metro City Shopping Plaza's Tenancy Agreement of RMB138.3 million and inclusion of rental cost of new stores opened in 2014 and 1H2015. On a same store basis, rental expenses decreased by 1.4% which is in line with the decline in SSS.

As a percentage to GSP, rental cost ratio increased to 8.4% from 6.3% recorded in 1H2014.

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 by RMB30.3 million or 5.9% to RMB544.7 million. Increase in other operating expenses is mainly attributable to opening of new stores. On a same store basis, other operating expenses decreased by 3.2% due to efforts by management to control cost.

As a percentage to GSP, the other operating expense ratio increased to 6.5% from 6.0% recorded in 1H2014.

Loss from operations

In light of the decline in SSS, the one-off provision made in respect of the arbitral award and higher operating costs contributed by the increasing new stores, the Group incurred a loss of RMB4.5 million in 1H2015, a decrease of 101.4%.

Finance expense, net

The Group incurred net finance expense of RMB3.8 million in 1H2015 as opposed to a net finance income of RMB18.2 million in 1H 2014. The decrease in net finance income was due to the combined effect of decreased finance income and increased finance cost. Finance income decreased by RMB14.9 million or 16.2% in 1H2015 mainly due to decrease in interest rates and cash balances. Increased finance cost was in line with the increase in off-shore bank loans drawn down for distribution of dividend.

Share of profit from a joint venture

This is the share of profit from Xinjiang Youhao Parkson Development Co., Ltd., a joint venture of the Company. The share of profit decreased to RMB14.1 million from RMB16.2 million recorded in 1H2014 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 RMB44,000 from the RMB66,000 recorded in 1H2014 due to the reduction of management income received.

Profit before tax

Due to the aforesaid reasons, profit before tax declined by 98.3% to RMB5.8 million.

Income tax expenses

In line with the decline of profit before tax, the Group's income tax expenses reduced by 75.5% to RMB21.7 million. The effective tax rate increased significantly to 371.3% compared to 25.3% recorded in 1H2014 mainly due to a one-off provision of RMB140.9 million. Excluding the effect the effective tax rate would have been 38.8% due to increase in new store losses.

Net loss for the period

The Group incurred a net loss of RMB15.8 million for 1H2015, a reduction of RMB277.0 million or 106.1% as compared to 1H2014.

Loss attributable to the Group

Loss attributable to the Group was RMB23.3 million in 1H2015, a decline of RMB276.2 million or 109.2% from 1H2014. Excluding the effect of the one-off provision arising from the arbitral award, the profit attributable to the Group would have amounted to RMB82.5 million, representing a decline of 67.4% as compared to the same period last year.

Liquidity and financial resources

As at 30 June 2015, 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 RMB3,955.8 million, representing a reduction of 19.0% from the balance of RMB4,884.6 million recorded as at the end of December 2014. The decrease was mainly due to: (i) net cash outflow from operating activities amounting to RMB413.9 million; (ii) net cash outflow from investing activities amounting to RMB462.9 million; and (iii) net cash outflow from financing activities amounting to RMB52.0 million.

Total debt to total asset ratio of the Group was 28.5% as at 30 June 2015.

Current assets and net assets

The Group's current assets as at 30 June 2015 were approximately RMB5,149.6 million. Net assets of the Group as at 30 June 2015 declined to RMB5,573.6 million, a decrease of RMB85.3 million or 1.5% over the balance as at 31 December 2014.

Pledge of assets

As at 30 June 2015, the Group has an onshore pledged deposit of RMB854.3 million. Save for the above, no other assets are pledged to any bank or lender.

Events after the reporting period

On 15 July 2015, the Group announced its intention to acquire 67.6% of the share capital of PRA for the consideration in the amount of S$228,508,717 from the Company's holding company, PHB. The proposed acquisition is a connected party transaction which requires independent shareholders' approval. A circular containing the details of the acquisition, as well as the reports of the Independent Financial Advisor and the Independent Board Committee, is expected to be despatched to shareholders on or before 31 August 2015. An extraordinary general meeting is expected to be held in September 2015 for independent shareholders to consider, and if thought fit, approve the acquisition.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the six months ended 30 June 2015, the Company repurchased 26,732,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of HK$ 44,746,862. 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 2015.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Directors have complied with the standard set out in the Model Code for the six months ended 30 June 2015.

AUDIT COMMITTEE

An Audit Committee (the "Committee") has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Committee has reviewed the Group's interim results of the six months ended 30 June 2015. The Committee comprises the two non-executive directors and 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 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and of the Company in due course.

ACKNOWLEDGEMENT

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

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

21 August 2015

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