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 2012

HIGHLIGHTS

Total Gross Sales Proceeds ("GSP") increased by 4.8% to RMB17,211.2 million.

Same Store Sales ("SSS") [(1)] increased marginally by 0.4%.

Profit Before Tax ("PBT") of the Group declined by 20.7% to RMB1,204.9 million.

Profit attributable to the Group declined by 24.2% to RMB850.8 million.

Earnings per share was approximately RMB0.303.

Proposed final dividend of approximately RMB196.8 million or RMB0.07 per share.

(1) Year on year change in total gross sales proceeds for stores in operation throughout the entire comparative year after adjusting for the impact from the change of contractual relationship with certain suppliers of jewelry products from concessionaire contract to lease agreement and excluding the performance of Shanghai Hongqiao store closed in the month of July 2012 due to expiry of lease agreement and Guizhou JinFengHuang stores which was closed in the month of July 2012 in line with the Group's continuous strategy to rationalize its operation and to better utilize its resources.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 2012 with comparative figures for the year 2011 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**For the year ended 31 December** **2012** *RMB'000*	**2011** *RMB'000*
Revenues		4,547,138	4,364,291
Other operating revenues		593,222	574,018
Total operating revenues	4	5,140,360	4,938,309
Operating expenses			
Purchases of goods and changes in inventories		(1,316,463)	(1,239,707)
Staff costs		(488,472)	(380,344)
Depreciation and amortization		(294,844)	(236,164)
Rental expenses		(905,864)	(671,855)
Other operating expenses		(1,012,671)	(901,310)
Total operating expenses		(4,018,314)	(3,429,380)
Profit from operations	5	1,122,046	1,508,929
Finance income / (cost), net	6	82,691	9,298
Share of profit from an associate		144	346
Profit before income tax		1,204,881	1,518,573
Income tax	7	(325,177)	(365,819)
Net profit for the year		879,704	1,152,754
Attributable to:			
Owners of the parent		850,774	1,122,929
Non-controlling interests		28,930	29,825
		879,704	1,152,754
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.303	RMB0.400
Diluted		RMB0.302	RMB0.400
DIVIDEND			
Interim		196,734	196,734
Proposed final	9	196,750	309,100
		393,484	505,834
DIVIDEND PER SHARE			
Interim		RMB0.07	RMB0.07
Proposed final	9	RMB0.07	RMB0.11
		RMB0.14	RMB0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December 2012 *RMB'000*	2011 *RMB'000*
Profit for the year	879,704	1,152,754
Net (loss)/gain on cash flow hedges	(59,820)	137,278
Available-for-sale investments: Changes in fair value	7,413	(4,998)
Exchange differences on translation of foreign operations	4,263	(22,738)
Other comprehensive (loss)/income for the year, net of tax	(48,144)	109,542
Total comprehensive income for the year, net of tax	831,560	1,262,296
Attributable to:		
Owners of the parent	802,630	1,232,471
Non-controlling interests	28,930	29,825
	831,560	1,262,296

Adjusted Consolidated Income Statement for Comparison

	For the year ended 31 December		
	2011 (Reported)	**2011 (Comparable)**	**2012 (Comparable)**
	RMB'000	*RMB'000*	*RMB'000*
Gross sales proceeds	16,426,172	15,998,062	17,030,907
Total operating revenues	4,938,309	4,783,784	5,077,279
Operating expenses	3,429,380	3,333,706	3,973,463
Profit from operating activities	1,508,929	1,450,078	1,103,816

Notes

The 2011 and 2012 comparable columns are arrived at after excluding the contribution from Shanghai Hongqiao store and Guizhou JinFengHuang store which were closed in the month of July 2012.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,760,526	2,682,993
Investment properties		23,767	50,149
Lease prepayments		474,373	487,683
Intangible assets		2,174,497	2,171,670
Investment in an associate		2,042	2,204
Prepayment for purchase of land and building		620,048	422,760
Other assets		52,845	25,254
Available-for-sale financial assets		32,098	24,685
Derivative financial instruments designated as hedging instruments		-	2,855
Deferred tax assets		139,457	72,173
Total non-current assets		6,279,653	5,942,426
CURRENT ASSETS			
Inventories		311,469	278,346
Trade receivables	10	17,270	13,548
Prepayments, deposits and other receivables		1,025,692	725,081
Investment in principal guaranteed deposits		3,392,033	2,710,857
Time deposits		225,365	702,416
Cash and cash equivalents		1,449,055	1,690,004
Total current assets		6,420,884	6,120,252
CURRENT LIABILITIES			
Trade payables	11	(1,936,935)	(1,982,069)
Customers' deposits, other payables and accruals		(1,960,907)	(1,763,349)
Tax payable		(98,787)	(136,584)
Term loan facilities		(2,491,161)	-
Derivative financial instruments designated as hedging instruments		(69,498)	-
Total current liabilities		(6,557,288)	(3,882,002)
NET CURRENT (LIABILITIES)/ASSETS		(136,404)	2,238,250
TOTAL ASSETS LESS CURRENT LIABILITIES		6,143,249	8,180,676

	As at 31 December	
	2012	**2011**
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Long term payables	(238,487)	(133,750)
Deferred tax liabilities	(243,402)	(230,204)
Term loan facilities	-	(2,467,446)
Derivative financial instruments designated as hedging instruments	-	(8,683)
Total non-current liabilities	(481,889)	(2,840,083)
NET ASSETS	5,661,360	5,340,593
EQUITY		
Equity attributable to owners of the parent		
Issued capital	58,354	58,354
Reserves	5,525,677	5,209,731
	5,584,031	5,268,085
Non-controlling interests	77,329	72,508
TOTAL EQUITY	5,661,360	5,340,593

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 2012 (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	
	2012	**2011**
	RMB'000	RMB'000
Sales of goods – direct sales	1,567,708	1,501,766
Concessionaire sales	14,785,472	14,124,582
Total merchandise sales	16,353,180	15,626,348
Others (including consultancy and management service fees, rental income and other operating revenues)	857,984	799,824
Total gross sales proceeds	17,211,164	16,426,172

4. TOTAL OPERATING REVENUES AND SEGMENT INFORMATION

	For the year ended 31 December	
	2012	**2011**
	RMB'000	RMB'000
Sales of goods – direct sales	1,567,708	1,501,766
Commissions from concessionaire sales	2,714,668	2,636,719
Rental income	246,105	207,295
Consultancy and management service fees	18,657	18,511
Other operating revenues	593,222	574,018
Total operating revenues	5,140,360	4,938,309

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 rental income, the consultancy and management service fees 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	
		2012	**2011**
	Note	RMB'000	RMB'000
Promotion income		102,441	88,115
Administration and credit card handling fees		282,311	273,118
Government grants	(i)	6,687	13,535
Other incomes		201,783	199,250
		593,222	574,018

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 year ended 31 December	
	2012	**2011**
	RMB'000	RMB'000
Cost of inventories recognised as expenses	1,316,463	1,239,707
Staff costs excluding directors' and chief executive's remuneration:		
Wages, salaries and bonuses	315,380	252,764
Pension scheme contributions	46,212	37,168
Social welfare and other costs	103,612	86,506
Equity-settled share option expenses	16,572	-
	481,776	376,438
Depreciation and amortization	294,844	236,164
Operating lease rentals in respect of leased properties:		
Minimum lease payments #	642,098	470,362
Contingent lease payments *	263,766	201,493
	905,864	671,855
Loss on disposal of items of property, plant and equipment	3,055	1,752
Goodwill written-off	-	5,669
Auditors' remuneration	4,246	4,568
Impairment of property, plant and equipment	1,279	-
Gross rental income in respect of investment properties	(11,972)	(16,973)
Sub-letting of properties:		
Minimum lease payments #	(139,713)	(97,151)
Contingent lease payments *	(94,420)	(93,171)
	(234,133)	(190,322)
Total gross rental income	(246,105)	(207,295)
Direct operating expenses arising on rental-earning investment properties	586	1,208
Foreign exchange gains	(1,501)	(3,972)

\# 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 INCOME/(COST), NET

	For the year ended 31 December 2012 RMB'000	For the year ended 31 December 2011 RMB'000
Interest expenses on bank and other loans, wholly repayable within five years	(108,294)	(277,770)
Interest income	190,985	287,068
	82,691	9,298

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 2012 RMB'000	For the year ended 31 December 2011 RMB'000
Current income tax	379,263	392,927
Deferred income tax	(54,086)	(27,108)
	325,177	365,819

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2012 is based on the net profit attributable to equity shareholders of the Company for the year of approximately RMB850,774,000 and the weighted average number of 2,810,490,250 shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 December 2011 is based on the net profit attributable to equity shareholders of the Company 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 diluted earnings per share for the year ended 31 December 2012 takes into account of the effects of employee share options granted on 27 November 2012.

No adjustment had been made to the basic earnings per share amounts presented for the year ended 31 December 2011 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. PROPOSED FINAL DIVIDEND

The Board of Directors recommended the payment of a final dividend for the year of 2012 of RMB0.070 (2011: RMB0.110) in cash per share. The Company declared and paid an interim dividend of RMB0.070 (2011: RMB0.070) 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 dividend, the Company shall be paying full year dividend of RMB0.140 (2011: RMB0.180) in cash per share for the year 2012, representing approximately 46.2% of the 2012'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 24 May 2013.

Upon the approval to be obtained from the forthcoming annual general meeting, the final dividend will be payable on or about 28 June 2013 to the shareholders whose name appears on the Register of Members of the Company at the close of business on 24 May 2013.

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	
	2012	**2011**
	RMB'000	RMB'000
Within 3 months	16,912	11,673
3 to 12 months	358	275
Over 1 year	-	1,600
	17,270	13,548

Included in the balance were trade receivables from a jointly-controlled entity of RMB34,000 (2011: RMB288,000) and from fellow subsidiaries of RMB3,012,000 (2011: RMB2,671,000) which are attributable to the 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	
	2012	**2011**
	RMB'000	RMB'000
Within 3 months	1,806,153	1,902,231
3 to 12 months	104,884	62,275
Over 1 year	25,898	17,563
	1,936,935	1,982,069

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 ("AGM") of the Company which is scheduled on Thursday, 16 May 2013), the register of members of the Company will be closed from Thursday, 23 May 2013 to Friday, 24 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend as stated, all transfers 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, 22 May 2013.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 May 2013 to Thursday, 16 May 2013, 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 transfers 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, 13 May 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

Global economy in the year 2012 started with the return of uncertainties, the economic recovery in the United States was losing steam, worry of economic collapse in the European Union ("EU") region resurfaced, the Japanese economic growth was essentially stalled, the economic growth in PRC slowed considerably and geopolitical risk in selected corners of the world have all added pressures to the already weak and fragile recovery of the world economy from the 2008 financial crisis and threaten a relapse that will again put the world economy right back into recession.

Quick actions and decisive policies by the central bankers and the policy makers around the world were instrumental in avoiding a double dip. Actions such as the further quantitative easing or better known as QE3 was announced by the Federal Reserve, the EU nations rallying behind its troubled member nations and the reversal of PRC's monetary policy have provided the much needed stabilization to the world economy which has shown stronger growth in the last quarter of the year.

PRC economic growth declined substantially in the year 2012 with a reported growth rate of 7.8%. Sequentially, the slowdown of growth appears to have bottomed out in the third quarter of the year with growth rate rebounded marginally in the last quarter of the year. The economic growth has been slowing largely due to its own macro tightening policy ever since the second half of the year 2010 to unwind the aggressive monetary stimulus introduced right after the 2008 financial crisis. This managed slowdown, however, ran into stronger than anticipated external headwinds and to avoid the risk that growth might slow down too much and too quick, policy action has been rebalanced and replaced by measures to support growth. The easing of inflationary pressures allowed the PRC government to relax its monetary policy and to introduce additional fiscal measures to speed up the transformation of its economic growth model.

Supported by strong investment growth, new fiscal measures introduced to facilitate PRC's economic transformation to a consumer-based economy and strong real income growth of 9.6% and 10.7% for urban household and rural household respectively, domestic demand recorded a respectable growth rate of 12.1% in the year 2012.

Given the relatively tougher operating environment and the increasing competitive market place, the Group had done reasonably well with improved turnover and good progress made in various parts of the business to build sustainable growth in the future. The Group recorded total GSP of RMB17,211.2 million, an increase of 4.8% from the same period of last year. In line with the generally weaker sentiment on discretionary spending, the SSS growth grew marginally by 0.4%.

The Group's overall merchandise gross margin declined by 0.4% in the year 2012 due to a combination of lower sales contribution from flagship stores that enjoy higher merchandise gross margin, weaker gross margin performance from selected flagship stores and higher sales contribution from the younger stores and new stores with lower merchandise gross margin. In line with the weak SSS growth, weaker merchandise gross margin and the incremental operating loss of new stores, the Group recorded an operating profit decline of 25.6% to RMB1,122.0 million. Operating loss for new stores in the year 2012 (6 stores opened in the second half of last year and 4 stores opened in the year 2012) came in at approximately RMB162.0 million.

The decline of operating profit has also been impacted by the inclusion of (i) additional rental and property management expenses of RMB86.5 million in relation to the early extension of lease agreement of selected flagship stores; (ii) expenses of RMB19.1 million in relation to the share options granted to 642 eligible employees; and (iii) RMB16.5 million of withholding tax provided in relation to the planned distribution of dividends from the onshore subsidiaries.

Concessionaire sales recorded a growth of 4.7%, marginally outgrew the direct sales and accounted for approximately 90.4% of the total merchandise sales and the direct sales increased by 4.4% and accounted for approximately 9.6% of the total merchandise sales.

In line with the Group's efforts to rationalize its store portfolio, enhance the stores' image and to improve the operating efficiency, the Group closed 2 stores during the year and carried out and completed phase 1 of the major remodeling for our flagship stores in Shanghai and Beijing. Phase 2 of the remodeling program for these stores will start in the second quarter of the year 2013 and complete before the end of third quarter of the same year. Management is confident that this remodeling will enhance the competitiveness and productivity of the stores.

In view of the softening market sentiment and increasingly competitive market place, the Group scaled down its expansion program. The Group opened only 4 new stores in the year 2012 and delayed the opening of another 3 stores to the year 2013. During the year, the Group introduced its e-commerce platform which forms part of the broader multi channel marketing program to enable the Group to better serve its customers.

Prospect

Global economic condition will remain challenging in the near future even though acute risks such as the possibility of double dip in United States, hard landing in PRC and economic collapse in EU region have subsided. The global economic growth will remain weak and will continue to witness increasing divergence between the fast growing Asia and Latin America economies, the gradual but increasingly stronger growth in United States, the continuous recession in Japan and continuing uncertainties in the EU region. The developed economies, most notably, the United States, EU region and Japan will continue to face, in varying combinations, two main obstacles to growth, namely fiscal consolidation and bank deleveraging.

PRC's economic growth appears to have bottomed out in the third quarter of the year 2012 and the stronger economic growth in the final quarter of the year supports the cautiously optimistic view of a stronger PRC economic growth for the year 2013 as the positive impact of the pro-growth monetary policy start to kick in. Against the backdrop of weakening external demands amid the weak external economic growth and the increased cost of production as well as the appreciation of RMB against other major currencies eroding the competitiveness of made in China products, the economic growth in PRC will have to increasingly rely on the other two main pillars of the economy for growth, namely, the fixed asset investment and domestic consumption.

The medium to long term economic reform objective of transforming the economic growth driver away from the traditional export and fixed asset investment to domestic consumption will continue to be pursued. In this respect, fiscal measures introduced in the past one year such as increased minimum wages, increased social security payment and the replacement of business tax with the more efficient value added tax are consistent with such objective and more fiscal measures are expected in the near future to further support the expansion of domestic consumption market.

In line with the macroeconomic direction and the expectation that the household incomes will continue to outgrow the economic expansion to improve the structural imbalance of the economy, the Group strongly believe that emergence of middle class should accelerate in the next decade. Given the Group middle to middle upper market position, the Group is strategically positioned to capitalize on this anticipated improvement in the economic structure of the PRC.

The Group will continue its refined expansionary strategy with lesser but bigger new stores to be opened in existing markets or nearby cities to better utilize the Group many advantageous positions. Nevertheless, increasing competition is inevitable in this ever changing and maturing retail market. To maintain its competitive edge, average size of new stores will increase gradually as the Group seeks to increase its offering of value merchandise and quality services to better service its customers, the Group will continue to invest in the merchandise assortment with an aim to introduce new and distinctive brands with latest range of products in the market place ahead of its competitors.

Financial Review

GSP and operating revenues

The Group recorded GSP received or receivable of RMB17,211.2 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 4.8% or RMB785.0 million Year On Year ("YOY"). The key contributors to the growth include (i) SSS growth of approximately 0.4%; (ii) inclusion of the full year sales performance of the new stores opened in the year 2011; and (iii) inclusion of the sales performances for the new stores opened in the year 2012. The growth was partly offset by the closure of Shanghai Hongqiao store and Guizhou JinFengHuang store which were closed in the month of July 2012. On a comparable basis after adjusting the impact from such closure, GSP increased by 6.5% YOY.

Given the weaker economic growth and relatively tougher operating environment due to the increasingly competitive market place, the Group SSS growth declined to only 0.4% for the year 2012. The Group generated total merchandise sales of approximately RMB16,353.2 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 47.5% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 41.9%, the Household & Electrical category contributed approximately 4.4% and the balance of approximately 6.2% 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 18.1% primarily due to combination of lower sales contribution from flagship stores that enjoy higher merchandise gross margin, weaker gross margin performance from selected flagship stores, higher sales contribution from the younger stores and new stores with lower merchandise gross margin.

Total operating revenues for the year grew by RMB202.1 million or 4.1% to RMB5,140.4 million. The growth rate of operating revenues was lower than the growth rate of the GSP due to (i) lower growth rate of management and consultancy fees; (ii) lower growth rate of other operating revenues; and (iii) lower concessionaire rate. On a comparable basis after adjusting the impact for the closure of Shanghai Hongqiao store and Guizhou JinFengHuang store, operating revenues increased by 6.1% YOY.

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 RMB1,316.5 million, an increase of 6.2% or RMB76.8 million YOY.

Staff costs

Staff costs increased by 28.4% YOY to RMB488.5 million. The substantial increase was primarily attributable to (i) inclusion of the full year staff cost for stores opened in the year 2011; (ii) inclusion of the staff cost for stores opened in the year 2012; (iii) general wage rise; and (iv) the inclusion of RMB19.1 million of employee share option expense in relation to share option granted in the month of November 2012.

On a same store basis, excluding the impact of the employee share option expenses, the staff cost increased by 9.8% due to general wage rise and additional hiring for brand department to prepare the Group for its future merchandising strategy.

As a percentage to GSP, the staff cost ratio increased 52 pips YOY to 2.84%.

Depreciation and Amortization

Depreciation and amortisation increased by RMB58.7 million or 24.8% YOY to RMB294.8 million. The increase was primarily attributable to, (i) the inclusion of full year depreciation and amortisation cost for the new stores opened in the year 2011; (ii) the inclusion of depreciation and amortization cost for the stores opened in the year 2012; and (iii) additional depreciation cost in relation to the remodeled stores. On a same store basis, the depreciation and amortization cost increased marginally by 6.4% due to the remodeled stores.

As a percentage to GSP, depreciation and amortisation cost ratio increased 28 pips YOY to 1.71%.

Rental Expenses

Rental expenses rose to RMB905.9 million, a substantial increase of 34.8% or RMB234.0 million YOY, the increase was largely due to (i) the inclusion of full year rental cost for the new stores opened in the year 2011; (ii) the inclusion of rental cost for new stores opened in the year 2012; (iii) the inclusion of RMB72.7 million contingent rental and straight line rental for leases extended during the year and (iv) the increased payment of contingent rent for the performance related lease agreements. On a same store basis, excluding the impact of the leases extended during the year, the rental expenses increased by 5.0% due to increase payment of contingent rents.

As a percentage to GSP, the rental expenses ratio increased 117 pips to 5.26%.

Other Operating Expenses

Other operating expenses which consist of the (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; and (d) general administrative expenses rose to RMB1,012.7 million, an increase of 12.4% or RMB111.4 million due to (i) the inclusion of full year other operating expenses for the new stores opened in the year 2011; (ii) the inclusion of RMB13.8 million of increase property management expenses for leases extended during the year; and (iii) the inclusion of pre-opening expenses and other operating expenses for the new stores opened in the year 2012. On a same store basis, excluding the impact of the leases extended during the year, the other operating expenses decreased by 2.9% in line with the Group's strategy to control its operating cost.

Due to the aforesaid reasons, as a percentage to GSP, other operating expenses ratio increased 40 pips YOY to 5.88%.

Profit from Operations

In light of substantially lower SSS growth and contraction of merchandise gross margins due to the tougher operating environment and higher operating expenses contributed by the increasing new stores and the leases extension, profit from operations declined to RMB1,122.0 million, a decrease of RMB386.9 million or 25.6%. As a percentage to GSP, the profit from operations margin declined to 6.5% from 9.2% recorded in the year 2011. Excluding the impact from the closure of Shanghai Hongqiao store and Guizhou JinFengHuang store, on a comparable basis, the profit from operating activities declined 23.9%.

Finance Incomes, net

The Group achieved net finance incomes of RMB82.7 million for the year 2012, an increased of 7.9x YOY due to combination of (i) lower finance cost in light of the lower level of debts and lower effective interest rate after refinancing the high yield notes with syndicated loans; and (ii) higher finance incomes due to the higher rate of return from the treasury management activities.

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 RMB144,000 due to increase of operating cost.

PBT

In line with the declined of profit from operating activities, PBT dropped 20.7% YOY to RMB1,204.9 million. As a percentage to GSP, PBT ratio decreased 221pips to 7.0%.

Income Tax Expenses

The Group's income tax expenses decreased by RMB40.6 million or 11.1% YOY to RMB325.2 million due to the decline of PBT. However, the effective tax rate for the year increased to 27.0% due to the provision of withholding tax on planned distribution of dividends from onshore entities to offshore entities, the increase operating loss of new stores and the inclusion of employee share option expense which is not tax deductible.

Net Profit for the year

Due to the aforesaid reasons net profit for the year declined 23.7% to RMB879.7 million. As a percentage to GSP, the net profit margin declined 191pips to 5.11%.

Profit Attributable to the Group

Profit attributable to the Group dropped to RMB850.8 million, a decline of RMB272.2 million or 24.2%.

Liquidity and Financial Resources

The cash and cash equivalents of the Group (aggregate of principal guaranteed investment deposit, time deposits and cash and bank balances deposited with licensed banks) stood at RMB5,066.5 million as at the end of December 2012, representing a marginal decline of 0.7%. The decrease was primarily due to (i) dividends payment of approximately RMB505.8 million to the shareholders of the Company and dividends payment of approximately RMB24.1 million to the minority shareholders of the Group's subsidiaries; (ii) balance payment of RMB197.3 million for the acquisition of a retail property in Tianjin city; (iii) fully secured and fully refundable deposit payment of RMB100 million for a potential joint venture project; and

(iv) maintenance capital expenditures and new store opening capital expenditures of RMB336.4 million partly offset by the cash inflow from operating activities of approximately RMB907.5 million.

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 20.2% as at 31 December 2012.

Current Assets and Net Assets

The Group's current assets as at 31 December 2012 was approximately RMB6,420.9 million, an increase of 4.9% or RMB300.6 million YOY. Net assets of the Group as at 31 December 2012 rose to RMB5,661.4 million, an increase of RMB320.8 million or 6.0% YOY.

Pledge of Assets

As at 31 December 2012, 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 2012, total number of employees for the Group was 8,432. 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 (the "2007 Share Options") representing Lot 1 and Lot 2 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 had been adjusted to 5 share options and the exercise price had been adjusted to HK$7.35 per share. All outstanding share options not exercised pursuant to 2007 Share Options had lapsed in the year 2011.

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

On 27 November 2012, a total of 34,171,500 share options (the "2012 Share Options") representing Lot 4 and Lot 5 were granted to 642 eligible Directors and employees at nil consideration and with an exercise price of HK$6.24 per share. 17,085,750 of the share options under Lot 4 were vested on the grant date and will be exercisable from 1 January 2013 to 31 December 2015. The balance of 17,085,750 share options under Lot 5 will be exercisable from 1 January 2014 to 31 December 2016 and require an employee service period until 1 October 2013.

Movement of the outstanding share options granted under the Scheme for the year ended 31 December 2012 is as follows:

	As at 1 January 2012	Share options granted	Share options exercised	Share options lapsed	Share options expired	As at 31 December 2012
Lot 3	14,568,000	-	-	415,500	-	14,152,500
Lot 4	-	17,085,750	-		-	17,085,750
Lot 5	-	17,085,750	-	-	-	17,085,750
	14,568,000	34,171,500	-	415,500	-	48,324,000

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 2012.

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 2012.

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 2012. The Committee comprises the three independent non-executive directors of the Company.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the websites of 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 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 Yoong Choong
Managing Director

22 February 2013

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.