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**PARKSON 百盛**  
**PARKSON RETAIL GROUP LIMITED**  
**百盛商業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 3368)**

**INTERIM RESULTS FOR THE SIX MONTHS  
ENDED 30 JUNE 2021**

**HIGHLIGHTS**

Total operating revenues for the period amounted to RMB2,486.0 million, representing an increase of 26.6% as compared to RMB1,963.9 million for the corresponding period of last year.

Same store sales (“SSS”) for the period increased by 25.9%.

Total gross sales proceeds (“GSP”) inclusive of value-added tax for the period were RMB6,253.7 million, representing a year-on-year increase of 27.7%.

Profit from operations for the period was RMB247.4 million, representing an increase of RMB150.2 million or 154.5% as compared to RMB97.2 million for the corresponding period of last year.

Profit attributable to owners of the parent for the period was RMB7.0 million, as compared to a loss of RMB189.4 million recorded for the corresponding period of last year.

The changes in the above performance indicators of the Group has shown an improvement due to reduced impact from COVID-19 as compared to the corresponding period of last year. In addition, the Group has also taken several effective measures to counter the pandemic and macro-economy instability.

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “Board”) of directors (the “Directors”) of Parkson Retail Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 (“1H2021”) with comparative figures for the corresponding period in the year 2020 (“1H2020”). The unaudited consolidated interim results have been reviewed by the auditor, Grant Thornton Hong Kong Limited and the audit committee of the Company (the “Audit Committee”).

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the six months ended 30 June	
		2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
<b>Revenues</b>	4	<b>2,256,158</b>	1,788,087
Other operating revenues	4	<b>229,847</b>	175,766
<b>Total operating revenues</b>		<b>2,486,005</b>	1,963,853
<b>Operating expenses</b>			
Purchases of goods and changes in inventories		<b>(1,263,613)</b>	(1,006,319)
Staff costs		<b>(288,008)</b>	(261,731)
Depreciation and amortisation		<b>(338,913)</b>	(343,958)
Rental expenses		<b>(46,305)</b>	19,990
Other operating expenses		<b>(301,742)</b>	(274,618)
<b>Total operating expenses</b>		<b>(2,238,581)</b>	(1,866,636)
<b>Profit from operations</b>		<b>247,424</b>	97,217
Finance income	6	<b>40,543</b>	55,963
Finance costs	6	<b>(259,459)</b>	(300,539)
Share of profits/(losses) of:			
Joint ventures		<b>4,186</b>	2,473
Associates		<b>5,075</b>	(1,756)
<b>Profit/(loss) before tax</b>	5	<b>37,769</b>	(146,642)
Income tax expense	7	<b>(26,943)</b>	(37,020)
<b>Profit/(loss) for the period</b>		<b>10,826</b>	(183,662)
Attributable to:			
Owners of the parent		<b>6,987</b>	(189,449)
Non-controlling interests		<b>3,839</b>	5,787
		<b>10,826</b>	(183,662)
<b>EARNINGS/(LOSS) PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY</b>			
<b>HOLDERS OF THE PARENT</b>	8		
Basic and diluted		<b>RMB0.003</b>	(RMB0.072)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
<b>Profit/(loss) for the period</b>	<b>10,826</b>	<b>(183,662)</b>
<b>Other comprehensive income</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	16,807	(55,203)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the parent	(1,357)	(14,742)
<b>Other comprehensive income for the period, net of tax</b>	<b>15,450</b>	<b>(69,945)</b>
<b>Total comprehensive income for the period</b>	<b>26,276</b>	<b>(253,607)</b>
Attributable to:		
Owners of the parent	22,437	(259,394)
Non-controlling interests	3,839	5,787
	<b>26,276</b>	<b>(253,607)</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at <b>30 June 2021</b> <i>RMB'000</i> Unaudited	As at 31 December 2020 <i>RMB'000</i> Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,236,081	3,287,490
Investment properties		440,041	420,428
Right-of-use assets		3,224,176	3,815,672
Goodwill		1,770,538	1,770,538
Other intangible assets		11,923	14,450
Investment in joint ventures		23,934	19,748
Investment in associates		48,013	42,938
Trade receivables	10	183,657	97,184
Time deposits		731,480	729,880
Other assets		435,052	648,027
Deferred tax assets		292,455	265,764
		<b>10,397,350</b>	11,112,119
<b>CURRENT ASSETS</b>			
Inventories		427,645	425,055
Trade receivables	10	188,223	263,475
Prepayments and other receivables		838,184	766,340
Financial assets at fair value through profit or loss		204,276	242,472
Investments in principal guaranteed deposits		9,600	15,600
Time deposits		103,604	104,846
Cash and cash equivalents		915,542	1,499,324
		<b>2,687,074</b>	3,317,112
<b>CURRENT LIABILITIES</b>			
Trade payables	11	746,969	979,721
Other payables and accruals		568,880	598,919
Contract liabilities		595,985	629,237
Interest-bearing bank loans		680,167	1,134,253
Lease liabilities		572,655	556,092
Tax payable		42,430	58,940
		<b>3,207,086</b>	3,957,162
<b>NET CURRENT LIABILITIES</b>		<b>(520,012)</b>	(640,050)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>9,877,338</b>	10,472,069

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> Unaudited	As at 31 December 2020 <i>RMB'000</i> Audited
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank loans	1,792,242	1,816,306
Lease liabilities	3,593,466	4,151,702
Deferred tax liabilities	266,870	303,051
	<b>5,652,578</b>	6,271,059
<b>NET ASSETS</b>	<b>4,224,760</b>	4,201,010
<b>EQUITY</b>		
Issued capital	55,477	55,477
Reserves	4,089,660	4,067,223
	<b>4,145,137</b>	4,122,700
<b>Non-controlling interests</b>	<b>79,623</b>	78,310
<b>TOTAL EQUITY</b>	<b>4,224,760</b>	4,201,010

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

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

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

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

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

### **Basis of preparation**

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

### **Going concern basis**

The Group reported net current liabilities of RMB520,012,000 as at 30 June 2021. The unrestricted cash and cash equivalents amounted to RMB915,542,000 as at 30 June 2021. As at 30 June 2021, the Group’s capital commitment in respect of the capital expenditure for its construction in progress to be incurred in the coming twelve months was RMB86,779,000. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern.

Management has prepared a cash flow forecast of the Group for the next twelve months based on the existing situation, the future events and commitments of the Group. Management considered that the Group will have adequate working capital to meet its obligations, and therefore the financial statements of the Group have been prepared on a going concern basis. Measures and estimations have been taken into consideration by management, including and not limited to:

- (a) The Group's syndicated loans of RMB2,236,685,000 are secured by mortgages over the Group's properties with a total carrying amount of RMB2,956,269,000 and pledged deposits with a carrying amount of RMB700,314,000. After considered the fair values of these pledged assets, management believes that the pledged assets are sufficient to cover the outstanding balance of the loans in full.
- (b) The Group has been actively negotiating with banks and financial institutions to obtain additional loans to replace the existing RMB2,236,685,000 secured syndicated bank loans and to supplement its operating cash flows. Based on the communication between the Group and the banks, among others, up to the date of approval of the interim condensed consolidated financial information, the Group expects to obtain additional loans amounting to approximately RMB2,300,000,000. Nevertheless, the confirmation of the loans is subject to the final contract between the Group and the banks.
- (c) The Group has been actively negotiating long-term leases with potential lessees for one of its investment properties located in Beijing Financial Street, which has been in the process of asset enhancement since the end of 2019. This enhancement is expected to finish, and the property will be ready for rental in the second half of 2021. In the opinion of management, the potential rental income would contribute to the Group's operating cash flows in the coming twelve months.
- (d) The Group continues to focus on the improvement of its retail business operation, including opening new department stores with competitive advantages, closing those non-performance department stores, placing more focus on the fashion and beauty segment and improving its "online + offline" sales model. In addition, considering the expected recovery of economy of the PRC from COVID-19, the business operation of the Group is expected to be recovered.

Should the Group fail to realise its plans to improve its financial position, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the interim condensed consolidated statement of financial position as at 30 June 2021. In addition, the Group may have to provide for further liabilities that might arise. The effects of these adjustments have not been reflected in these interim condensed consolidated financial information.

### 3. GROSS SALES PROCEEDS

	For the six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
Sale of goods from direct sales	1,474,991	1,181,711
Gross revenue from concessionaire sales	<u>3,627,459</u>	<u>2,844,726</u>
Total merchandise sales	5,102,450	4,026,437
Others (including consultancy and management service fees, gross rental income, credit services income and other operating revenues)	<u>487,898</u>	<u>346,435</u>
Total gross sales proceeds	<u><u>5,590,348</u></u>	<u><u>4,372,872</u></u>
Total gross sales proceeds (inclusive of value-added tax)	<u><u>6,253,666</u></u>	<u><u>4,896,309</u></u>

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

#### Revenues

	For the six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
<i>Revenue from contracts with customers</i>		
Sale of goods from direct sales	1,474,991	1,181,711
Commissions from concessionaire sales	523,116	435,707
Consultancy and management service fees	<u>35,707</u>	<u>6,278</u>
	<u>2,033,814</u>	<u>1,623,696</u>
<i>Revenue from other sources</i>		
Gross rental income	188,485	136,786
Credit services	<u>33,859</u>	<u>27,605</u>
	<u>222,344</u>	<u>164,391</u>
	<u><u>2,256,158</u></u>	<u><u>1,788,087</u></u>



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

### Other operating revenues

	For the six months ended 30 June	
	2021 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited
Credit card handling fees	15,660	13,001
Promotion income	26,545	25,608
Administration fees	59,823	41,535
Display space and equipment leasing income	30,005	20,892
Service fees	13,790	8,425
Government grants ( <i>Note</i> )	5,144	11,562
Other income	78,880	54,743
	<b>229,847</b>	<b>175,766</b>

#### *Note:*

Various local government grants have been granted to reward the Group for its contributions to the local economy and relieve the Group's burdens of its operational challenges related to COVID-19. There were no unfulfilled conditions or contingencies attaching to these government grants.

### Segment information

For management purposes, except for the consumer financing business carried out under Parkson Credit Sdn. Bhd. ("Parkson Credit") in Malaysia, the Group has a single operating and reportable segment which is the operation and management of department stores mainly in the PRC. Except for credit services, revenues from external customers are generated mainly in the PRC and all significant operating assets of the Group are mainly in the PRC.

As the consumer financing business in Malaysia and other companies out of the PRC do not have a material impact on the Group's results based on a measure of revenues, profit and total assets, for management purpose, there is no need to disclose a separate operating and reportable segment.

## 5. PROFIT/(LOSS) BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Staff costs excluding directors' remuneration:		
– Wages, salaries and bonuses	221,745	212,557
– Pension scheme contributions	24,032	7,802
– Social welfare and other costs	38,835	38,018
	<u>284,612</u>	<u>258,377</u>
Directors' remuneration	3,396	3,354
	<u>288,008</u>	<u>261,731</u>
Total staff costs		
Rental expenses in respect of leased properties:		
– Lease payments not included in the measurement of lease liabilities	46,427	30,570
– COVID-19 related rent concessions from lessors	(122)	(50,560)
	<u>46,305</u>	<u>(19,990)</u>
Total rental expenses		
Gross rental income in respect of investment properties	(1,657)	(502)
Lease income in respect of sublease of properties under operating leases:		
– Minimum lease payments *	(119,955)	(89,226)
– Contingent lease payments **	(66,873)	(47,058)
	<u>(188,485)</u>	<u>(136,786)</u>
Total gross rental income		
Cost of inventories recognised as expenses	1,263,613	1,006,319
Depreciation and amortisation	338,913	343,958
Impairment of trade receivables	1,904	6,633
Impairment of prepayments and other receivables	293	8,167
Foreign exchange differences, net	725	11,335
Loss on disposal of property, plant and equipment	–	1,545
Auditors' remuneration	600	614
Direct operating expenses arising on rental-earning investment properties	1,047	288
	<u>1,047</u>	<u>288</u>

\* Minimum lease payments of the Group include 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 the relevant financial performance of the tenants pursuant to the relevant rental agreements.

## 6. FINANCE INCOME/COSTS

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i> Unaudited	<i>RMB'000</i> Unaudited
Finance income:		
Bank interest income	23,388	39,553
Gain on redemption of financial assets at fair value through profit or loss	2,468	2,446
Change of fair value of financial assets at fair value through profit or loss	394	524
Finance income on the net investments in the subleases	<u>14,293</u>	<u>13,440</u>
	<u>40,543</u>	<u>55,963</u>
Finance costs:		
Interest on lease liabilities	(211,141)	(213,977)
Interest on interest-bearing bank loans and other borrowings	<u>(48,318)</u>	<u>(86,562)</u>
	<u>(259,459)</u>	<u>(300,539)</u>
Finance costs, net	<u><u>(218,916)</u></u>	<u><u>(244,576)</u></u>

## 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 income tax expense is as follows:

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i> Unaudited	<i>RMB'000</i> Unaudited
Current income tax	89,815	90,972
Deferred income tax	<u>(62,872)</u>	<u>(53,952)</u>
	<u><u>26,943</u></u>	<u><u>37,020</u></u>

## 8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

The calculations of basic and diluted earnings/(loss) per share are based on:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Earnings/(Loss)</b>		
Profit/(Loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	<u><b>6,987</b></u>	<u><b>(189,449)</b></u>
	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>'000</b>	<b>'000</b>
<b>Shares</b>		
Weighted average number of ordinary shares outstanding during the period used in the basic and diluted earnings/(loss) per share calculations	<u><b>2,634,532</b></u>	<u><b>2,634,532</b></u>

## 9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for 1H2021 (1H2020: Nil).

## 10. TRADE RECEIVABLES

Trade receivables mainly arise from purchase by customers with credit cards and credit services arise from loan receivables. The credit period of trade receivables is generally one month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances, except for loan receivables which are secured over the motor vehicles of customers. Among the balance, RMB310,900,000 (31 December 2020: RMB281,900,000) are with an interest rate range from 9% to 19% (31 December 2020: 9% to 19%) depending on the payment term of loan receivables, while others are interest-free.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
Within 1 year	188,223	263,475
1 to 2 years	105,082	66,224
Over 2 years	78,575	30,960
	<u>371,880</u>	<u>360,659</u>

## 11. TRADE PAYABLES

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

	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
Within 3 months	700,475	934,718
4 to 12 months	22,327	28,140
Over 1 year	24,167	16,863
	<u>746,969</u>	<u>979,721</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

The Board is delighted to present the interim results of the Group for the six months ended 30 June 2021 (“Review Period”).

During the Review Period, with the introduction of vaccines for COVID-19 and the implementation of economic recovery measures, the global market has been recovering gradually. Especially for the PRC whose economy has largely rebounded from the COVID-19 pandemic and recorded a 12.7% increase in its Gross Domestic Product in the first six months of 2021. In addition, the PRC’s total retail sales of consumer goods grew by 23.0% in the first half of 2021.

However, since the COVID-19 pandemic has not been eradicated, economies throughout the world are still struggling with the COVID-19 pandemic and its aftermath. Amid this challenging and unstable business environment, the Group has taken several cost control measures during the Review Period, such as lowering the rental and operating costs, and stimulating consumers’ spending by taking advantage of online platform promotions to minimise the impact of the pandemic and other uncertainties. With the economic recovery measures being implemented by the various countries, it is expected that the market will rebound significantly.

## Financial Results

During the Review Period, the Group recorded total gross sales proceeds (“GSP”) of RMB6,253.7 million inclusive of value added tax; representing an increase of 27.7% as compared with the same period last year, which was mainly due to increase in same store sales (“SSS”). SSS in the Review Period increased by 25.9%, reflecting an improvement due to the reduced impact from COVID-19. In the Review Period, the Group’s profit from operations increased by 154.5% year-on-year to RMB247.4 million.

For the first six months of 2021, the Group had faced many challenges including the impact of COVID-19 but remains optimistic about the retail industry. Amid the risks, the retail market displayed remarkable resilience compared with the other sectors. The Group continued to diversify its business by exploring several operation models to increase its income sources to attain sustainable development. During the Review Period, Datong Store opened in January 2021. As of 30 June 2021, the Group was operating and managing 41 department stores (including concept store; “Parkson Beauty”), 1 Lion Mall, 2 Parkson Newcore City Malls, supermarkets, fashion, and food & beverage outlets in 28 major cities.

### **Enrich Retail Portfolio**

Facing the continuous challenges of market changes and fierce competition, Parkson is focused on expanding its retail portfolio with a flexible and diverse strategy. The Group believes that its tactics of “Multiple Stores in a City” and “Differentiated Market Positioning” can help manage Parkson’s department stores effectively and reach out to more customers at different consumption levels and with different consumption habits. This will enable the Group to gain more market share in the long run.

The Group’s second department store in Datong City, Shanxi Province successfully opened in January 2021. The store operates as a “department store and shopping mall complex”, in order to enhance the retail portfolio of the property.

During the Review Period, the upgrading and renovation project of Suzhou Changfa Commercial Building is still on course and expected to be launched in the fourth quarter of 2021. Its new outlook of “Parkson Changfa Hui” will help to integrate leading fashion lifestyle retail concepts with Suzhou lifestyle to meet the needs of different consumer groups. This collaboration with the well-known Jinjin Changfa Group signifies the entry of Parkson Group in the core market of Suzhou and to capitalise on the strong demand of the Suzhou market. The Group believes that this new fashion lifestyle retail concept will fulfill the needs of surrounding residents, young people, and tourists for shopping, leisure, entertainment, and health purposes.

Another anticipated project of the Group – “Wuzhou Sanqi Parkson”, a large-scale urban complex developed by Wuzhou Sankee Investment Co., Ltd., is on schedule and expected to open in the fourth quarter of 2021. It will serve as the fourth store of the Group in Guangxi Zhuang Autonomous Region, representing a new cultural landmark integrating office, residence, hotel, F&B, retail, and entertainment. The planning and development of Wuzhou Sanqi Parkson Store is in line with the Group’s development strategy in this Region.

On 11 July 2021, the Group’s indirect wholly-owned subsidiary, Jiangxi Parkson Shopping Centre Management Co., Ltd. had signed a Tenancy Agreement with Yichun Hong Lin Hotel Co., Ltd. with the intention of opening a new store in Yichun City, Jiangxi Province. The Group believes that this project will play an important role in the development of the Group’s business in Jiangxi Province, and when opened in 2022, it will be the Group’s third store in the Province.

### **Promoting Differentiation and Pioneering Enhancement**

Being one of the PRC’s leading proponents of fashion lifestyle retail concepts, Parkson has been dedicated to developing an excellent reputation, maintaining its customer base, and attracting new customers, by differentiating its products and enhancing consumer experience. During the Review Period, the Group strategically expanded its product portfolio to meet the growing consumer needs.

The Group constantly monitors the development trend of the beauty market, and launches targeted development strategies for the beauty sector. For instance, the Group collaborates with several well-known beauty brands to introduce exclusive products in combination with customised service experiences to draw more consumers from the younger generation. Parkson’s self-operated makeup brands – Parkson Beauty and Play Up have become enormously popular among young consumers after adopting these differentiated product strategies. The Group will continue to raise its brand image and reputation through different marketing promotions, in order to strengthen its image as a trendy retailer and open up more branch stores in the future.

On 28 June 2021, the Group had signed an agreement with Wenzhou WanYing to open a new Parkson Beauty store in Wenzhou city, Zhejiang Province, which is targeted to open in 2022. It is expected that the opening of the store will help the Group to further grow its business in the area.



The asset enhancement project of the north building of Beijing Fuxingmen Parkson Store is expected to be completed in the second half of 2021. Located in Beijing Financial Street, the Group is confident that the office space of Fuxingmen North Building will be taken up due to the high demand in that area and contribute stable recurring rental income to the Group.

### **Enhance Multi-Channel Services By “O2O New Retail Strategy”**

With the evolution of Internet technology and the impact of COVID-19, offline consumption has been significantly affected. The retail industry has adopted a new “online + offline” business model. As a leading fashion lifestyle retailer in the PRC, the Group has vigorously promoted the “O2O New Retail Strategy” and improved its new sales model to capture the growing prospects of online retail. To this end, the Group has initiated various stimulus actions to boost offline retail business growth through online channels including Parkson’s official WeChat account and mobile shopping mini-programs. At the same time, the Group is seizing opportunities to invite customers to visit Parkson stores for an enhanced shopping experience.

### **Prospects**

With the new Biden administration coming to power in the U.S., there is still a lot of ambiguity regarding Sino-U.S. relations. In addition, although vaccines for COVID-19 have been launched, the pandemic is not over with the breakout of mutated variants of the virus. Due to all these factors, the global macroeconomic environment is expected to remain unstable in the coming year. While for the PRC, with the stabilised COVID-19 situation in the country and the gradual recovery of the local retail market, consumers will tend to spend money in the local market because of the inability to travel abroad. In view of this, the Group remains optimistic about the overall retail market prospects in the PRC in the second half of the year.

The Group will actively study market trends and consumer demands, broaden the product range of Parkson retail stores, and provide customers with a more diverse collection of high-quality products in the future to fully seize the opportunities brought on by the market recovery. The Group will also put more efforts and resources into online advertising to boost offline retail sales. To this end, the Group will vigorously implement the “O2O New Retail Strategy”, and integrate online and offline retail experience via social media platforms including Douyin, WeChat, mini-programs and customised client services to tap on retail industry changes and growing market demand, and expand market share through high-quality products and services.

In light of macroeconomic instability, the Group is actively looking for different business partners to explore new business opportunities, in order to diversify the Group's business portfolio and strengthen Parkson's position as a leading lifestyle retailer in the PRC.

Looking ahead, we believe that the Group will be able to attain stable performance amid the challenging market environment and achieve long-term value for its shareholders, by virtue of the Group's high-quality services in the PRC's retail market, diversified product portfolio and advanced business model combining diversified retail formats.

## FINANCIAL REVIEW

### GSP and total operating revenues

During the first six months of 2021, the Group generated total GSP of RMB6,253.7 million (inclusive of value-added tax) or RMB5,590.3 million (net of value-added tax). Total GSP increase by 27.7% was mainly due to the increase in total merchandise sales resulting from the increased SSS. SSS increased by 25.9% in 1H2021.

#### *Total merchandise sales*

The following table sets out a breakdown of our total merchandise sales through different channels for the periods indicated:

	For the six months ended 30 June				Year-on-year change (%)
	2021		2020		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Concessionaire sales	3,627,459	71.1%	2,844,726	70.7%	27.5%
Direct sales	1,474,991	28.9%	1,181,711	29.3%	24.8%
	<u>5,102,450</u>	<u>100.0%</u>	<u>4,026,437</u>	<u>100.0%</u>	<u>26.7%</u>

Sales from concessionaire counters, which constituted 71.1% of our total merchandise sales in 1H2021, increased by 27.5% compared to the same period of last year; direct sales increased by RMB293.3 million or 24.8% from RMB1,181.7 million in 1H2020 to RMB1,475.0 million in 1H2021. The Group's sales in 1H2021 increased across both concessionaire sales and direct sales compared to 1H2020 mainly due to recovery from COVID-19 outbreak in early 2020.

### ***Merchandise gross margin***

The Group's merchandise gross margin, a combination of concessionaire commission rate and the direct sales margin, decreased from 15.2% in 1H2020 to 14.4% in 1H2021, primarily due to more promotional activities to stimulate sales during the period under review.

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

Total operating revenues of the Group increased by 26.6% to RMB2,486.0 million in 1H2021 as compared to RMB1,963.9 million in 1H2020. The increase in total operating revenues was mainly due to the increase in the revenue from contracts with customers. The revenue from contracts with customers consists of sale of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees. In 1H2021, revenue from contracts with customers, which constituted 81.8% of our total operating revenues in 1H2021, increased by RMB410.1 million or 25.3% compared to the same period of last year.

### **Operating Expenses**

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

Purchase of goods and changes in inventories represent the cost of sales for direct sales. Cost of sales increased by RMB257.3 million or 25.6% from RMB1,006.3 million in 1H2020 to RMB1,263.6 million in 1H2021. The increase was primarily due to increase in procurement of goods from third party vendors, resulting from the increased direct sales.

### ***Staff costs***

Staff costs increased by RMB26.3 million or 10.0% from RMB261.7 million in 1H2020 to RMB288.0 million in 1H2021. The increase was mainly due to the increase in pension scheme contributions, unemployment insurance and work-related injury insurance. There was exemption given by government on social insurance and pension scheme contribution last year. No such exemption was given during the period under review. On a same store basis, staff costs increased by 10.3% in 1H2021.

Staff costs as a percentage of GSP decreased from 6.0% in 1H2020 to 5.2% in 1H2021.

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

Depreciation and amortisation decreased by 1.5% from RMB344.0 million in 1H2020 to RMB338.9 million in 1H2021. The decrease was primarily due to savings from fully depreciated assets in some stores. In 1H2021, RMB233.7 million of depreciation expense on the right-of-use assets of property was charged to depreciation and amortisation compared to RMB232.6 million in 1H2020. On a same store basis, depreciation and amortisation decreased by 3.5% in 1H2021.

Depreciation and amortisation as a percentage of GSP decreased from 7.9% in 1H2020 to 6.1% in 1H2021.

### ***Rental expenses***

Rental expenses of the Group was RMB46.3 million in 1H2021, a turnaround increase of RMB66.3 million as compared to negative rental expenses of RMB20.0 million in 1H2020. In 1H2021, RMB0.1 million (1H2020: RMB50.6 million) was deducted in rental expenses to reflect changes in lease payments that arise from rent concessions to which the practical expedient under IFRS 16 is applied.

On a same store basis, rental expenses increased by 280.7% in 1H2021.

Rental expenses as a percentage of GSP was 0.8% in 1H2021, as compared to rental expenses as a percentage of GSP was (0.5%) in 1H2020.

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

Other operating expenses which consist primarily of (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; (d) general administrative expenses; and (e) city development and educational surcharge, increased by 9.9% from RMB274.6 million in 1H2020 to RMB301.7 million in 1H2021 as a result in an increase in utilities cost and marketing, promotional and selling expenses. On a same store basis, other operating expense increased by 8.3% in 1H2021.

Other operating expenses as a percentage of GSP decreased from 6.3% in 1H2020 to 5.4% in 1H2021.

### **Profit from operations**

The Group generated a profit from operations of RMB247.4 million in 1H2021, an increase of RMB150.2 million or 154.5% compared to a profit of RMB97.2 million recorded in 1H2020.

Profit from operations as a percentage of GSP increased from 2.2% in 1H2020 to 4.4% in 1H2021.

### **Finance income/costs**

The Group incurred net finance costs of RMB218.9 million in 1H2021 which represented a decrease of RMB25.7 million or 10.5% compared to RMB244.6 million 1H2020. In 1H2021, RMB211.1 million of interest expense on the lease liability was charged to finance costs compared to RMB214.0 million in 1H2020; and RMB14.3 million of interest income on the net investments in sublease was recognised in finance income compared to RMB13.4 million in 1H2020 under IFRS 16.

### **Share of profits of joint ventures**

This is the share of profits solely from Xinjiang Youhao Parkson Development Co., Ltd., a joint venture of the Group. The share of profits increased from RMB2.5 million in 1H2020 to RMB4.2 million in 1H2021. This increase was primarily due to recovery from COVID-19 outbreak in early 2020.

### **Share of profit/(loss) from associates**

This is the share of results from the Group's associates. The share of profit from associates was RMB5.1 million in 1H2021, a turnaround increase of RMB6.8 million compared to share of loss from associates of RMB1.8 million recorded in 1H2020. This increase was also primarily due to the recovery from COVID-19 outbreak in early 2020.

### **Profit/(loss) before tax**

Profit before tax increased by RMB184.4 million to RMB37.8 million in 1H2021, compared to a loss before tax of RMB146.6 million in 1H2020. This increase in profit before tax was primarily due to increase revenue which resulted from recovery from COVID-19 outbreak in early 2020.

Profit before tax as a percentage of GSP was 0.7% in 1H2021, as compared to loss before tax as a percentage of GSP was (3.4%) in 1H2020.

### **Income tax expense**

Income tax expense decreased by 27.2% year-on-year to RMB26.9 million in 1H2021. This decrease was primarily due to no withholding tax accrued for dividend in 1H2021.

### **Profit/(loss) for the period**

As a result of the foregoing, the Group recorded a profit for the period of RMB10.8 million in 1H2021 as compared to a loss of RMB183.7 million for the corresponding period of last year.

### **Profit/(loss) attributable to owners of the parent**

The Group recorded a profit attributable to owners of the parent amounted to RMB7.0 million in 1H2021 as compared to a loss of RMB189.4 million recorded for the corresponding period of last year.

## **Liquidity and financial resources**

As at 30 June 2021, the Group had cash and cash equivalents of RMB915.5 million (31 December 2020: RMB1,499.3 million), time deposits of RMB835.1 million (31 December 2020: RMB834.7 million), financial assets at fair value through profit or loss of RMB204.3 million (31 December 2020: RMB242.5 million) and investments in principal guaranteed deposits of RMB9.6 million (31 December 2020: RMB15.6 million).

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

Total debt to total assets ratio of the Group was 18.9% as at 30 June 2021 (31 December 2020: 20.4%).

## **Current assets and net assets**

The Group's current assets as at 30 June 2021 were approximately RMB2,687.1 million. Net assets of the Group increased by 0.6% to RMB4,224.8 million as at 30 June 2021 from RMB4,201.0 million as at 31 December 2020.

## **Information on the Financial Products**

Investment in principal guaranteed deposits refer to the principal preservation type wealth management products subscribed by the Group from licensed banks operate in PRC. As at 30 June 2021, the balance of these products was RMB9.6 million, accounting for approximately 0.1% of the total assets of the Group.

Financial assets at fair value through profit or loss refer to the non-principal preservation type wealth management products subscribed by the Group from licensed banks operate in PRC. As at 30 June 2021, the fair value of these products was RMB204.3 million, accounting for approximately 1.6% of the total assets of the Group.

## **Pledge of assets**

As at 30 June 2021, the Group has pledged deposits of RMB700.3 million, pledged account receivables of RMB231.6 million, pledged buildings, investment properties and leasehold land with a net carrying amount of approximately RMB2,383.6 million, RMB382.8 million and RMB350.6 million, respectively, to secure the general bank loans. The Group has pledged unrealised receivables of RMB70.7 million which will be due within 48 months to secure the general interest-bearing bank loans. In addition, the Group has pledged deposits of RMB32.0 million held in designated bank accounts for performance guarantee.

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

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2021, the Company has fully complied with the Corporate Governance Code ("CG Code") (to the extent that such provisions are applicable) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (collectively, the "Listing Rules") except for below deviation from the code provision A.2.1 of the CG Code:–

Under Code Provision A.2.1 of the CG code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company had not appointed a Chief Executive Officer, certain functions of CEO have been undertaken by Tan Sri Cheng Heng Jem, the Executive Director and Chairman of the Company. The Company has deviated from Code Provision A.2.1 of the CG Code during the six months ended 30 June 2021. The Board believes that vesting the roles of both Chairman and the CEO in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being Independent Non-executive Directors.



Rule 3.10(1) of the Listing Rules requires the Company to have at least three independent non-executive directors on the Board, Rule 3.10(2) requires that at least one of the independent non-executive directors shall have appropriate professional qualifications or accounting or related financial management expertise, and Rule 3.21 of the Listing Rules requires the Audit Committee to comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2). After the resignation of Mr. Ko Desmond on 30 November 2020, the Company's number of independent non-executive directors as well as the composition of the Company's Audit Committee failed to meet the requirements under rule 3.10(1), 3.10(2) and Rule 3.21 of the Listing Rules of the Stock Exchange. After the appointment of Mr. Koong Lin Loong as an independent non-executive director of the Company with effect from 22 February 2021, the Company has met the Listing Rules requirements under rule 3.10(1), 3.10(2) and Rule 3.21.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its businesses and to review such practices from time to time to ensure that they comply with the CG Code.

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

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding Directors' securities transaction. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

## **AUDIT COMMITTEE**

The Audit Committee (the "Committee") has been established by the Company to review the financial reporting matters, internal control and maintain an appropriate relationship with the Company's external auditor. The Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021, including the accounting principles and policies adopted by the Group. The Committee comprises the non-executive director and three independent non-executive directors of the Company, one of whom who has appropriate professional qualification and experience in financial matters as required by the Listing Rules.

## **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 2021 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 of Hong Kong Limited 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**  
**Tan Sri Cheng Heng Jem**  
*Executive Director & Chairman*

23 August 2021

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