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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

Total operating revenues for the year of 2023 increase to RMB4,177.5 million, representing a year-on-year increase of 11.4%.

Same Store Sales ("SSS") increased by 7.1% in 2023.

Total Gross Sales Proceeds ("GSP") inclusive of value-added tax were RMB10,093.9 million in 2023, representing a year-on-year increase of 9.5%.

Profit from operations was RMB505.5 million in 2023 as compared to loss from operations of RMB11.0 million in 2022.

Profit before tax was RMB86.6 million in 2023 as compared to loss before tax of RMB413.2 million in 2022.

Profit attributable to owners of the Company amounted to RMB66.4 million in 2023.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The board (the "Board") of directors (the "Directors") of Parkson Retail Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 with comparative figures for the previous year of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Revenues	4	**3,645,382**	3,300,608
Other operating revenues	4	**532,108**	448,059
Total operating revenues		**4,177,490**	3,748,667
Operating expenses			
Purchases of goods and changes in inventories		**(1,835,698)**	(1,850,068)
Staff costs		**(485,837)**	(536,636)
Depreciation and amortisation		**(558,491)**	(604,263)
Rental expenses		**(90,132)**	(15,214)
Other operating expenses		**(701,851)**	(753,479)
Total operating expenses		**(3,672,009)**	(3,759,660)
Profit/(Loss) from operations		**505,481**	(10,993)
Finance income	6	**55,367**	60,099
Finance costs	6	**(498,117)**	(459,009)
Share of profits/(losses) of:			
– A joint venture		**11,149**	(1,723)
– Associates		**12,767**	(1,535)
Profit/(Loss) before tax	5	**86,647**	(413,161)
Income tax (expense)/credit	7	**(16,145)**	27,738
Profit/(Loss) for the year		**70,502**	(385,423)
Attributable to:			
– Owners of the Company		**66,413**	(383,599)
– Non-controlling interests		**4,089**	(1,824)
		70,502	(385,423)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		**RMB0.025**	(RMB0.146)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
	RMB'000	*RMB'000*
		(restated)
Profit/(Loss) for the year	**70,502**	(385,423)
Other comprehensive expenses		
Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	**(31,513)**	(139,291)
Other comprehensive expenses that will not be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of the Company	**(12,997)**	(50,730)
Other comprehensive expenses for the year, net of tax	**(44,510)**	(190,021)
Total comprehensive income/(expense) for the year	**25,992**	(575,444)
Attributable to:		
– Owners of the Company	**21,903**	(573,620)
– Non-controlling interests	**4,089**	(1,824)
	25,992	(575,444)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2023 *RMB'000*	2022 *RMB'000* (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,807,192**	2,905,940
Investment properties		**548,468**	538,758
Right-of-use assets		**2,081,520**	2,478,736
Goodwill		**1,636,683**	1,652,960
Other intangible assets		**–**	4,127
Investments in a joint venture		**–**	12,966
Investments in associates		**51,715**	43,183
Trade receivables	*10*	**391,917**	249,585
Time deposits		**27,202**	25,102
Other assets		**233,520**	349,700
Deferred tax assets		**263,494**	278,670
		8,041,711	8,539,727
CURRENT ASSETS			
Inventories		**421,717**	500,802
Trade receivables	*10*	**289,215**	221,074
Prepayments and other receivables		**566,432**	444,271
Financial assets at fair value through profit or loss		**57,540**	108,315
Restricted cash		**100,191**	–
Time deposits		**16,563**	9,477
Cash and bank balances		**1,583,414**	1,464,096
		3,035,072	2,748,035
Assets classified as held for sale		**–**	264,088
		3,035,072	3,012,123
CURRENT LIABILITIES			
Trade payables	*11*	**702,563**	480,425
Other payables and accruals		**677,887**	767,469
Contract liabilities		**615,709**	621,313
Interest-bearing bank loans		**161,350**	280,960
Lease liabilities		**656,677**	645,952
Tax payable		**27,619**	19,999
		2,841,805	2,816,118
NET CURRENT ASSETS		**193,267**	196,005
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,234,978**	8,735,732

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**2023** *RMB'000*	2022 *RMB'000* (restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**2,330,564**	2,248,972
Lease liabilities		**2,360,886**	2,853,702
Deferred tax liabilities		**226,381**	314,779
		4,917,831	5,417,453
NET ASSETS		**3,317,147**	3,318,279
EQUITY			
Issued capital		**55,477**	55,477
Reserves		**3,189,465**	3,193,907
		3,244,942	3,249,384
Non-controlling interests		**72,205**	68,895
TOTAL EQUITY		**3,317,147**	3,318,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Parkson Retail Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands 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, shopping malls, outlets and supermarkets mainly in the People’s Republic of China (the “PRC”), and the provision of 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”), which is incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by the IASB, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2023:

IFRS 17	Insurance Contracts with related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Except for the impact mentioned below, the adoption of the new and amended IFRSs had no material impact on the Group’s performance and financial positions for the current and prior periods have been prepared and presented.

Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in IAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12 "Income Taxes".

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022 from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a deferred tax liability in relation to its right-of-use assets as at 1 January 2022 and has only recognised deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The impact of the retrospective adjustments of the changes in accounting policies on the items and amounts in the consolidated financial statements for the comparative period, which were prepared by the Company in accordance with IFRSs, is as follows:

Consolidated statement of financial position as at 31 December 2021/1 January 2022

Items	**Carrying amounts as at 31 December 2021 (before the amendments)** *RMB'000*	**Impact of amendments to IAS 12** *RMB'000*	**Restated carrying amounts as at 1 January 2022 (after the amendments)** *RMB'000*
Deferred tax assets	290,958	(45,179)	245,779
Deferred tax liabilities	245,510	115,691	361,201
Total equity	4,056,674	(160,870)	3,895,804

Consolidated statement of financial position as at 31 December 2022/1 January 2023

Items	**Carrying amounts as at 31 December 2022 (before the amendments)** *RMB'000*	**Impact of amendments to IAS 12** *RMB'000*	**Restated carrying amounts as at 1 January 2023 (after the amendments)** *RMB'000*
Deferred tax assets	331,261	(52,591)	278,670
Deferred tax liabilities	236,080	78,699	314,779
Total equity	3,449,569	(131,290)	3,318,279

Consolidated statement of profit or loss for the year ended 31 December 2022

Items	**For the year ended 31 December 2022 (before the amendments)** *RMB'000*	**Impact of amendments to IAS 12** *RMB'000*	**For the year ended 31 December 2022 (after the amendments)** *RMB'000*
Income tax expenses/(credit)	1,842	(29,580)	(27,738)
Loss for the year	415,003	(29,580)	385,423
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted	RMB0.157	(RMB0.011)	RMB0.146

3. GROSS SALES PROCEEDS

	2023 *RMB'000*	2022 *RMB'000*
Sale of goods from direct sales	**2,130,142**	2,139,942
Gross revenue from concessionaire sales	**5,661,107**	5,218,896
Total merchandise sales	**7,791,249**	7,358,838
Others (including consultancy and management service fees, gross rental income, credit services income and other operating revenues)	**1,289,749**	903,334
Total gross sales proceeds	**9,080,998**	8,262,172
Total gross sales proceeds (inclusive of value-added tax)	**10,093,860**	9,218,821

4. REVENUES, OTHER OPERATING REVENUES AND SEGMENT INFORMATION

Revenues

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods from direct sales	**2,130,142**	2,139,942
Commissions from concessionaire sales	**757,599**	705,391
Consultancy and management service fees	**13,457**	12,063
	2,901,198	2,857,396
Revenue from other sources		
Gross rental income	**640,771**	372,616
Credit services	**103,413**	70,596
	744,184	443,212
	3,645,382	3,300,608

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

	2023	2022
	RMB'000	*RMB'000*
Credit card handling fees	**26,122**	24,528
Promotion income	**47,802**	44,622
Electricity and water fees	**124,804**	109,034
Administration fees	**147,353**	135,969
Display space and equipment leasing income	**60,991**	55,426
Service fees	**24,248**	22,870
Government grants *(Note)*	**14,834**	10,285
Other income arising from the recognition of net investments in subleases	**18,274**	891
Other income arising from lease modification and termination	**47,777**	23,449
Other income	**19,903**	20,985
	532,108	448,059

Note:

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.

Segment information

For management purposes, the Group has one major operating segment, which is "Retail". The Group operates department stores, shopping malls, outlets and supermarkets mainly in the PRC. Revenues arising from this segment include sales of goods in direct sales, commissions from concessionaire sales, consultancy and management service fees and rental income from tenants. Besides, the Group provides consumer financing business which is carried out by Parkson Credit Sdn. Bhd. ("Parkson Credit") in Malaysia.

Revenue from external customers are mostly generated in the PRC and almost all significant operating assets of the Group are located in the PRC. Since revenue from external customers and non-current assets excluding financial instruments and deferred tax assets of overseas companies outside the PRC are not material to the Group's consolidated revenue and non-current assets excluding financial instruments and deferred tax assets, management believes there is no need to disclose geographical information.

5. PROFIT/(LOSS) BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Staff costs excluding directors' and chief executive's remuneration:		
– Wages, salaries and bonuses	**360,603**	392,795
– Pension scheme contributions*	**45,949**	50,725
– Social welfare and other costs	**68,593**	82,734
	475,145	526,254
Directors' and chief executive's remuneration	**10,692**	10,382
Total staff costs	**485,837**	536,636
Rental expenses in respect of leased properties:		
– Lease payments not included in the measurement of lease liabilities	**90,132**	72,419
– COVID-19 related rent concessions from lessors	**–**	(57,205)
Total rental expenses	**90,132**	15,214
Gross rental income in respect of investment properties	**(243,988)**	(2,452)
Lease income in respect of sublease of properties under operating lease:		
– Minimum lease payments **	**(284,133)**	(281,594)
– Contingent lease payments ***	**(112,650)**	(88,570)
Total gross rental income	**(640,771)**	(372,616)
Cost of inventories recognised as expenses, including:	**1,835,698**	1,850,068
– Reversal of impairment of inventories, net	**(148)**	(4,986)
Depreciation and amortisation	**558,491**	604,263
Impairment of trade receivables	**20,279**	7,014
Impairment of prepayments and other receivables	**1,289**	1,928
Impairment of property, plant and equipment	**5,308**	15,078
Impairment of investment properties	**–**	2,263
Impairment of right-of-use assets	**23,957**	38,414
Impairment of goodwill	**16,277**	38,604
Foreign exchange differences, net	**629**	37,583
Losses on disposal of property, plant and equipment and investment properties, net	**2,796**	2,158
Gain on disposal of a subsidiary	**–**	(1,310)
Auditor's remuneration	**3,166**	3,270
Direct operating expenses arising from rental-earning investment properties	**24,600**	1,533

* As at 31 December 2023 and 2022, the Group had no forfeited contributions available to reduce its existing level of contributions to the retirement benefit schemes in future years.

** Minimum lease payments of the Group include pre-determined rental payments and minimum guaranteed rental payments for lease agreements without 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)

	2023	2022
	RMB'000	*RMB'000*
Finance income:		
Bank interest income	**30,612**	30,979
Gain on redemption of financial assets at fair value through profit or loss	**1,204**	1,450
Change of fair value of financial assets at fair value through profit or loss	**829**	1,151
Finance income on the net investments in subleases	**22,722**	26,519
	55,367	60,099
Finance costs:		
Interest on lease liabilities	**(297,625)**	(344,084)
Interest on interest-bearing bank loans and other borrowings	**(200,492)**	(114,925)
	(498,117)	(459,009)
Finance costs, net	**(442,750)**	(398,910)

7. INCOME TAX EXPENSE/(CREDIT)

The Group is subject to income tax on an entity basis on the assessable 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/(credit) is as follows:

	2023	2022
	RMB'000	*RMB'000*
		(restated)
Current income tax	**89,367**	51,575
Deferred tax	**(73,222)**	(79,313)
	16,145	(27,738)

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

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

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023	2022
	RMB'000	*RMB'000*
		(restated)
Earnings/(Loss)		
Profit/(Loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculations	**66,413**	(383,599)

	2023	2022
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	**2,634,532**	2,634,532

9. DIVIDEND

	2023	2022
	RMB'000	*RMB'000*
Interim – RMB0.01 (2022: nil) per ordinary share	**26,345**	–

The Board has resolved not to declare any final dividend for the year ended 31 December 2023 (2022: nil). The Company declared and paid an interim dividend of RMB0.01 (2022: nil) in cash per share.

10. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Current		
Third party	**297,582**	224,403
Less: Impairment allowance	**(8,367)**	(3,329)
	289,215	221,074
Non-current		
Third party	**399,828**	254,916
Less: Impairment allowance	**(7,911)**	(5,331)
	391,917	249,585
	681,132	470,659

Trade receivables mainly arise from purchase by customers with credit card 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, RMB590,357,000 (2022: RMB405,428,000) are with an interest rate ranging from 7.6% to 16.0% (2022: 7.6% to 18.0%), depending on the payment term of loan receivables, while others are interest-free.

As at 31 December 2023, Parkson Credit's trade receivables of RMB207,850,000 (2022: RMB177,706,000) and unrealised receivable of RMB78,918,000 (2022: RMB68,285,000) which will be due within 48 months, were pledge to secure Parkson Credit's bank loans in Riggit Malaysia.

An ageing analysis of the trade receivables as at 31 December 2023 and 2022, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**289,215**	221,074
1 to 2 years	**172,761**	128,190
Over 2 year	**219,156**	121,395
	681,132	470,659

11. TRADE PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**666,107**	438,147
4 to 12 months	**14,568**	17,744
Over 1 year	**21,888**	24,534
	702,563	480,425

12. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company, which is scheduled on Thursday, 23 May 2024 (the "AGM"), the register of members of the Company will be closed from Monday, 20 May 2024 to Thursday, 23 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 pm on Friday, 17 May 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the Group's annual results for the year ended 31 December 2023. The overall performance of the Group has improved as compared to 2022. During the year under review, PRC has fully lifted the country's pandemic prevention and control measures after successfully getting through the pandemic. The people have gradually resumed normalcy in their work and daily life.

Economic Review

2023 was a year full of challenges and uncertainties in the global market. The world economy is still in a state of slow recovery with insufficient growth momentum. It is facing multiple pressures and challenges, such as the continued impact of post-pandemic era, the risk of inflation, expectations of tighter monetary policy, technological innovation breakthroughs accelerating industrial transformation and etc. In addition, international political instability and geopolitical tensions have also added uncertainties to the economic development.

These significant challenges have led to consumption segmentation, consumer stratification and changes in consumption pattern, resulting in slower than expected recovery in consumer spending. In 2023, PRC macroeconomics have seen many twists and turns, and the current economy has not recovered to pre-pandemic levels. The PRC economy is expected to stabilise in 2024 with policies geared towards economic recovery, but it also faces various difficulties and uncertainties.

In the face of these changes and challenges, the Group's extensive business experience and management talents will adapt to the changing development needs of the industry. While the Group is maintaining the traditional lean management, it is integrating new industry needs and continuing to innovate. The consumer market is huge in PRC, with uneven regional development. Nevertheless, the overall economy is still growing and has vast market growth potential. At the same time, the consumers are constantly evolving and generating new demands. Retail and service industry integration and innovation have created numerous non-standard, differentiated business models. The Group will adopt the flexible, customer-centered and cost-conscious approach to overcome these challenges. In the process, the Group will leverage the integration capabilities to become innovators and operators, and promote the sustainable growth strategy of the Group.

According to the latest data released by the National Bureau of Statistics of China, PRC's GDP reached RMB126.06 trillion in 2023, representing an increase of 5.2% from 2022. In addition, the total retail sales of consumer goods in PRC in 2023 increased by 7.2% year-on-year.

Business Review

For the year under review, the Group recorded gross sales proceeds of RMB10,093.9 million (including value-added tax), representing an increase of 9.5% over last year. This increase was mainly due to the increase in rental income and the growth in Same Store Sales ("SSS") with the lifting of COVID-19 prevention and control measures. SSS increased by 7.1% during the year under review. The merchandise gross margin of the Group remained stable at 13.5% as compared to 2022. The total operating income of the Group increased by RMB428.8 million or 11.4% to RMB4,177.5 million, whilst operating profit was RMB505.5 million as compared to an operating loss of RMB11.0 million in 2022.

During the year under review, the Group successfully opened two Parkson shopping malls, namely Yichun store and Nanchang Liantang store. Yichuan store and Nanchang Liantang store are the Group's third and fourth stores in Jiangxi Province. The Group is implementing "Multiple Stores in a City" and "Model Innovation" strategies to meet the changing consumption pattern.

Yichun store officially commenced operations in January 2023. As the first Parkson Mall in Yichun city, it has drawn widespread attention from the region due to its prime location in the core area of Yichun City. The store is positioned as "the region's first fashion and entertainment cum social center" and will serve as a new commercial landmark and social center that integrates art, fashion, entertainment and various elements in the North City Business District.

Nanchang Liantang store officially commenced operations in December 2023 and is positioned to be a "regional quality life-social center". It focuses on the core community, integrating multiple businesses and functions to become a new community landmark.

As of 31 December 2023, the Group operated and managed 43 Parkson stores, including department stores, shopping malls, city outlets, the "Parkson Beauty" concept store and supermarkets, as well as 2 Parkson Newcore City Malls, across 29 cities in PRC and Laos.

Focusing On Main Business

In the face of ongoing market changes and intense competition, the Group is focusing on its main business and striving to become a leading fashion commercial space operator. The Group continuously evaluates and adjusts its resources in a timely manner, in line with its business development plan. By diversifying its income sources and exploring various business models, the Group aims to drive sustainable development.

The Group believes that its strategies of "Multiple Stores in a City" and "Model Innovation" will attract customers with different consumption levels and habits, ultimately enabling the Group to gain greater market share in the long run.

The Group plans to open two stores in Mianyang City, Sichuan Province. In June 2023, the Group's wholly-owned subsidiary, Mianyang Fulin Parkson Plaza Co., Ltd. entered into a Tenancy Agreement with Mianyang Kefa Construction Group Co., Ltd to open a supermarket which is formally opened in January 2024. Besides this, Mianyang Fulin Parkson Plaza Co., Ltd., entered into a Tenancy Agreement with Mianyang New Investment Industrial Co., Ltd. earlier, in April 2023. This store is expected to be opened in 2026. These two new stores will be the Group's fourth and fifth stores in Mianyang City, Sichuan Province.

Additionally, the Group's wholly-owned subsidiary, Shanxi Parkson Retail Development Co., Ltd., entered into a Parkson Outlet Cooperation Agreement with Datong Dezhiyuan Real Estate Development Co., Ltd. in January 2023. To implement the Cooperation Agreement, the Group and the Landlord entered into a Tenancy Agreement and Entrusted Management Agreement on the same date. The Group plans to open its third store in Datong City which is expected to be opened in 2025.

The Group's beauty concept store, namely "Parkson Beauty" specializes in premium cosmetics, skincare products and beauty services offering fashionable products and personalized beauty service to esteemed customers. The Group closely monitors the beauty market's development trends and promptly launches targeted strategies for the beauty sector, aiming to attract the younger generation of consumers through customized service experiences.

Outlook And Future Plans

Looking ahead, with one store opened in January 2024 and two new stores in the pipeline, the Group is well-positioned to capture growth opportunities in markets that we are very familiar with. As an excellent commercial space operator, our mission is to provide our customers with an exceptional shopping and lifestyle experience. These new stores will enable us to offer our customers an even wider range of high-quality products.

We believe that with the Group's business strategies and extensive experience in the retail market over the past three decades, we can achieve stable and sustainable performance despite the challenging environment, and create long-term value for our shareholders. The Group will also closely monitor the post-pandemic changes in consumption behavior and adjust its strategy accordingly.

FINANCIAL REVIEW

Total GSP and operating revenues

During 2023, total GSP (inclusive of value-added tax) increased by 9.5% to RMB10,093.9 million, mainly due to increase in rental income and total merchandise sales. Rental income increased by 72.0% and SSS increased by 7.1% in 2023.

Total merchandise sales

	2023		2022		**Year-on-year change** *(%)*
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Concessionaire sales	**5,661,107**	**72.7%**	5,218,896	70.9%	8.5%
Direct sales	**2,130,142**	**27.3%**	2,139,942	29.1%	(0.5%)
	7,791,249	**100.0%**	7,358,838	100.0%	5.9%

Total merchandise sales (net of value-added tax) increased by RMB432.4 million or 5.9% to RMB7,791.2 million in 2023. Concessionaire sales which constituted 72.7% of the Group's total merchandise sales in 2023 increased by 8.5% as compared to 2022 while direct sales decreased by 0.5% as compared to 2022. The increased in total merchandise sales in 2023 was mainly due to gradual recovering from the pandemic during the year.

Merchandise gross margin

The Group's merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) remain stable at 13.5% in 2023 and 2022.

Total operating revenues

Total operating revenues of the Group increased by RMB428.8 million or 11.4% to RMB4,177.5 million in 2023. The increase in total operating revenues was mainly due to the recognition of rental income from investment property located in Beijing Financial Street.

Revenue from contracts with customers consists of sales of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees and constituted 69.4% of the total operating revenues in 2023. Revenue from contracts with customers increased by RMB43.8 million or 1.5% compared to 2022.

Operating expenses

Purchase of goods and changes in inventories

Purchase of goods and changes in inventories represent the cost of sales for direct sales, which decreased by RMB14.4 million or 0.8% from RMB1,850.1 million in 2022 to RMB1,835.7 million in 2023. The slight decrease was primarily due to decrease in procurement of goods from third party vendors, resulting from the slight decreased in direct sales.

Staff costs

Staff costs decreased by RMB50.8 million or 9.5% to RMB485.8 million in 2023 from RMB536.6 million in 2022, mainly due to closure of underperforming business. On a same store basis, staff costs decreased by 4.2%.

Staff costs as a percentage of GSP was 5.4% in 2023, as compared to 6.5% in 2022.

Depreciation and amortisation

Depreciation and amortisation decreased by 7.6% from RMB604.3 million in 2022 to RMB558.5 million in 2023. The decrease was primarily due to decrease in depreciation expense for the right-of-use assets of the properties as a result of changed in lease term for certain stores and closure of underperforming business. In 2023, depreciation expense on the right-of-use assets of RMB346.1 million was recognised as compared to RMB402.9 million in 2022. On a same store basis, depreciation charges decreased by 9.2%.

Depreciation and amortisation as a percentage of GSP was 6.2% in 2023, as compared to 7.3% in 2022.

Rental expenses

Rental expenses increased by RMB74.9 million to RMB90.1 million in 2023 from RMB15.2 million in 2022. The increased in rental expenses was mainly due to RMB57.2 million in 2022 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 where not applicable in 2023. On a same store basis, rental expenses increased by 384.1%.

Rental expenses as a percentage of GSP was 1.0% in 2023, as compared to 0.2% in 2022.

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, decreased by 6.9% to RMB701.9 million in 2023 from RMB753.5 million in 2022. Assets impairment of RMB67.1 million was provided in 2023 while RMB103.3 million was provided in 2022 due to COVID-19 pandemic. On a same store basis, other operating expenses decreased by 4.7%.

Other operating expenses as a percentage of GSP was 7.7% in 2023, as compared to 9.1% in 2022.

Profit/(Loss) from operations

The Group recorded profit from operations of RMB505.5 million for 2023 while recorded loss from operations of RMB11.0 million in 2022.

Profit from operations as a percentage of GSP was 5.6% in 2023 and loss from operations as a percentage of GSP was (0.1%) in 2022.

Finance income/costs

The Group incurred net finance costs of RMB442.8 million in 2023 which represented an increase of RMB43.8 million or 11.0% compared to RMB398.9 million in 2022. The increase in finance cost mainly resulted from the increase in interest on interest-bearing bank loans which increase from RMB114.9 million in 2022 to RMB200.5 million in 2023.

In 2023, interest expense on lease liabilities of RMB297.6 million was recognised as compared to RMB344.1 million in 2022 and interest income on the net investments in sublease of RMB22.7 million was recognised in 2023 as compared to RMB26.5 million in 2022.

Share of profit/(loss) of a joint venture

This is the share of profit/(loss) from Xinjiang Youhao Parkson Development Co., Ltd., a joint venture of the Group. The share of profit was RMB11.1 million in 2023 and share of loss was RMB1.7 million in 2022.

Share of profit/(loss) of associates

The share of profit from associates was RMB12.8 million in 2023 and share of loss from associates was RMB1.5 million in 2022. The increase was mainly due to gradual recovering from the pandemic during the year.

Profit/(Loss) before tax

Profit before tax is RMB86.6 million in 2023, compared to loss before tax of RMB413.2 million in 2022. The increase in profit before tax in 2023 was primarily due to gradual recovering from the pandemic during the year.

Profit before tax as a percentage of GSP was 1.0% in 2023 and loss before tax as percentage of GSP was (5.0%) in 2022.

Income tax (expense)/credit

The Group's income tax expense of RMB16.1 million in 2023 as compared to income tax credit of RMB27.7 million (restated) in 2022, primarily due to increase in earnings in 2023.

Profit/(Loss) for the year

The Group's recorded profit of RMB70.5 million in 2023 as compared to loss of RMB385.4 million (restated) in 2022.

Profit/(Loss) attributable to owners of the Company

Profit attributable to the owners of the Company was RMB66.4 million in 2023 as compared to loss attributable to the owners of the Company was RMB383.6 million (restated) in 2022.

Liquidity and financial resources

As at 31 December 2023, the Group had cash and bank balances of RMB1,583.4 million (2022: RMB1,464.1 million), time deposits of RMB43.8 million (2022: RMB34.6 million), financial assets at fair value through profit or loss of RMB57.5 million (2022: RMB108.3 million) and restricted cash of RMB100.2 million (2022: nil).

The Group's cash and bank balances are mainly denominated in Renminbi with the remaining denominated in United States dollars, Hong Kong dollars and others.

Total debt to total assets ratio of the Group was 22.5% (2022 (restated): 21.9%) as at 31 December 2023.

Current assets and net assets

The Group's current assets as at 31 December 2023 was RMB3,035.1 million. Net assets of the Group as at 31 December 2023 was RMB3,317.1 million.

Information on the financial products

The Group's financial assets at fair value through profit or loss consisted of non-principal-preservation type wealth management products managed by licensed financial institutions in the PRC. As at 31 December 2023, the fair value of these products was RMB57.5 million.

Pledge of assets

As at 31 December 2023, the Group has pledge trade receivables of RMB207.9 million, pledged buildings, investment properties and leasehold land with a net carrying amount of approximately RMB1,370.6 million, RMB544.7 million and RMB318.5 million respectively to secure general bank loans. The Group has pledged unrealised receivables of RMB78.9 million which will be due within 48 months to secure the general interest-bearing bank loans. In addition, the Group has pledged deposits of RMB27.1 million held in designated bank accounts for performance guarantee.

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

EMPLOYEES

As at 31 December 2023, total number of employees for the Group was 3,826. 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.

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

During the year ended 31 December 2023, 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 year ended 31 December 2023 the Company has fully complied with the Corporate Governance Code (the "CG Code") (to the extent that such provisions are applicable) as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (collectively, the "Listing Rules").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code") as its code of conduct regarding the Directors' securities transaction. Specific enquiry has been made to all the Directors and all Directors have confirmed that they have complied with the standards as set out in the Model Code throughout the year ended 31 December 2023.

AUDIT COMMITTEE

The Audit 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 Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2023, including the accounting principles and policies adopted by the Group. The Audit 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.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the preliminary announcement.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company. The 2023 annual report will be dispatched to shareholders of the Company and available on the above websites 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

26 February 2024

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 Datuk Koong Lin Loong.