Executive Summary

The study will be Hong Kong listed company Parkson Retail Group Limited (3368) Financial Resources Management. This will be divided into six parts, 1) introduced the basic situation public Division such as business scope, corporate structure and market environment; 2) by the calculation Financial Ratios to analyze the firm's operating table , and the main competitors and a comparison 3) on which the Company internal controls and risk management; 4) assessment program this year the newly-opened the benefits Jinan shops and whether it is worthwhile investment, 5) List of funds collected and analyzed the pros and cons methods; 6) to provide operational efficiency audit programs to enable companies operating efficiency achieve the desired goal.

The first chapter is on Parkson Retail Group Limited 's background and its business conditions, and introduce 3 types of companies with Golden Eagle Retail Group Limited (3308), the Intime Retail (Group) Company Limited (1833) and Springland International Holdings Limited (1700) as the comparison and analysis counterparts.

Chapter 2 through the various financial ratio, from different dimension analysis Parkson Retail Group Limited while in the financial structure and debt-servicing capacity through performed better than the other listed companies and insolvency index tests, but its operating capacity, profitability and growth capacity has been a recession behind counterparts and water. Although the investors' point of view its shares still able to give dividend rate of return stability, but Parkson Retail Group Limited necessary improvement programs to keep its operations.

Chapter 3 mentioned Parkson Retail Group Limited 's corporate governance issues: the study shows that they must be at its core team, internal control, trading position transparency and credit risk management in for a change, to the multi overall operating performance and improve the operational capability and competitiveness.

Chapter 4 is assessed this year Jinan shop item the effectiveness and investment value. Calculated through cash flow, net present value, return more than the rate of investment returns and found that new projects on Parkson Retail Group Limited 's business and financial position better financial benefits, it is proposed public Division project development and utilize its internal resources to pay for their liquidity needs.

The chapter 5 is to study to the Jinan shop has invested funds the feasibility financing analysis and to make the enterprises financial situation of the best recommendation. Analyzed by 5 different Financing Program, the reports recommendations Parkson Retail Group Limited adopt the bank 5-year loan program for Jinan shop the RMB378 million for funding.

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Chapter 6 of Parkson Retail Group Limited for this year's operational efficiency audit planning, the proposed management needed in the concession counters sales ratio, other operating costs with revenue turnover ratio and operational cost-effectiveness that three areas are going to be audited.

In the final conclusion, we recommend that Parkson Retail Group Limited should grasp the financial structure still be preferable to peer level of lease machine, take decision action from the reform its corporate governance, and enhance its operational efficiency the corporate profitability and growth rates to go back on track, and try to eliminate the risk to face the crisis.

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1. Introduction

1.1 Company Background

Parkson Retail Group Limited ("Parkson") is The Lion Group, Malaysia in China's retail business department, The Lion Group's actual control are well-known local Chinese entrepreneurs Cheng Heng Jem. Parkson in 1994, China's retail market presence market, the Beijing opened the first homestores, was the first running a fashion in China which is department store chain enterprises in China, and now has become China's largest, still Department store, with covering China 30 major cities of the most extensive distribution network (E-Finet, 2008).

In November 2005, the Lion group to mainland China's Parkson distribution in Hong Kong Stock Exchange Listing Success (Stock code: 3368). Parkson first IPO through issuing 165.6 million shares, which 110.4 million shares of the new shares, 90 percent to the Placing, the remaining 10 percent in Hong Kong Public Offer. For each share 9.8 Hong Kong Dollar Listed Price guidelines points, the highest fund-raising 1,623million Hong Kong Dollar. Retail investors partly offer of the 44.7 times over-subscribed, the International Offering Shares as over-subscribed. Issued after the deduction and related costs, Parkson finally proceeded fund-raising net of 1,034 million Hong Kong Dollar. Their mainland retail business the total market value of 54,100 million Hong Kong dollar (the initial 55,200 million shares). IPO completed, Parkson's direct major shareholders holding shares PRG 70 per cent, public shareholding 30 per cent (QQ Finance, 2005).

Upto Year 2011 as 16 May, Parkson's stock price at 11.78 Hong Kong dollar, authorised share capital of 7,500 million, issued share capital of 2,810,490,250 shares. The market value of approximately 33,100 million Hong Kong dollar (Yahoo Hong Kong financial network, 2011). The growth of market value in Year 2011 compare to Year 2005 is five times.

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1.2 Operating Business Overview (products and services and the sales market)

Parkson's business model is divided into two, the first is chartered counters mode, the company of specific retail area counters for licensing operating (mainly the brand clothing), the licensing franchise operations need to be the sales percentage (known as point deduction rate) to give department Stores, as commission, and the need to pay for the salary of sales. The second model is the direct sales, department stores procurement of goods in department store sales to consumers, such goods to Home Supplies and fresh foods. Finally, the company is also let some retail area to third parties are operating, but this part of the proportion are rarely, rental income accounted for only 2010 turnover of the 4.4 percent (Parkson, 2011).

Parkson currently in China 30 major urban management 47 branches, of which 40 are self-shop, and the remaining 7 home is a management shops, (The company is not real ownership of the substore and receive only an annual management fees) (see Appendix 1). Self-store retail sale area of 1,250,000 square meters, together with the remaining management store retail sale area 219,000 square meters, total retail area of about 1,470,000 square meters (see Table 2) (Parkson, 2011).

The company to take each department store of standards readjust commodity distribution traveling, brand portfolio and business space to better for the operation in the cities in high-end goal consumer services. Parkson provides a series of international brands fashion and lifestyle commodities, such goods can be divided into four categories, namely "fashion apparel and clothing" and "cosmetics and accessories" and "home supplies and electrical" and "food and fresh". The special for a youth and trendy fashion of communities (Parkson, 2011).

1.3 Today's Business Environment

Chinese retail are in high-speed growth, because income per capita enhances consumption rose to power, economic development from export to domestic demand. Chinese society 2010 total retail sales last year RMB 1.55 billion compare to last year the growth rate at 18.4 percent and higher than 10.3 percent of the economic growth in consumer goods in the type, especially in the luxury products fastest-growing, such as the gold and silver jewelry growth 46 percent, furniture growth 37.2 percent, electrical growth 27.7 percent. Parkson sales of major sales of four major types of goods precisely comply with the trend (China Statistical Information Network, 2011).

China Retail is a high dispersion and market competition, and engaged in the retail operations which can be divided into department store, supermarket chain group and clothing brands specialized stores, home appliances store, health care stores and general small shop 6 major categories. Parkson 2010 retail sales in RMB13,300 million for only national retail 0.09 percent of the market share. And in 2010, China Chain 100 strong" a survey in which Parkson total ranked 28; and in major chain in department stores operations ranked 8 (see Table 3) (eFuture, 2011).

1.4 Company Structure

Parkson offering document (2005) disclosed corporate structure apart from the Board, and management, and the main 8 divisions composition : procurement, design/Engineering, advertising and promotion, operation, management and administration, information technology, human resources, accounting and finance. In 2005 company employees of the 5,161; the 2010 increase at the end to 6,705.

1.5 Research comparison company information

This study is used of three comparison of Golden Eagle Retail Group Limited (3308), the Intime Retail (Group) Company Limited (1833) and Springland International Holdings Limited (1700). The above 3 businesses have the same nature of business with Parkson, and the size of the enterprise and market share are very close to each other (see to the following table). Therefore, we can from the above 4 companies the financial management of the equally comparative analysis.

Company Name	Parkson	Golden Eagle	Intime	Springland
(Stock number)	(3368)	(3308)	(1833)	(1700)
Business Nature	Department Store,Shopping Mall and Supermarket			
Market value*1 (HKD)	33,720 million	39,480 million	23,900 miilion	17,380 million
PE*1	28.83	34.86	27.23	33.24
Market area	In China 30 major cities	Jiangsu, Anhui, Shaanxi	Zhejiang, Shaanxi, Hubei 3 province and Beijing	Yangtze River Delta
Number of Stores*2	40	19	30	30

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Note1: Stock market colsing date on 18 May 2011 (Source: Yahoo)

Note2: Enterprise 2010's annual report for the self-shop in terms of the number (Source: the enterprise 2010 Annual Report)

2. Parkson's financial analysis

In this we through Parkson's financial reports analysis, of its financial structure, the repayment and realized capacity, operating capacity, profitable capacity, growth capacity and market value and shares returns for six areas with industrial average and three Industry Companies for comparison studies; on data as a result of the findings and risk assessment, and references for the financial statements (Table 4 - Balance Sheet/ Income Statement and Schedule 5-financial ratio analysis table) (Anthony, 2010).

2.1 Listed companies of bankruptcy index Z-Score analysis

Z-Score mainly used to examin bankruptcy rate, when Z-Score greater value, insolvency of the less likely, Financial Ratios more sound. The Altman (1968), the when Z < 1.8 , are located in bankruptcy; when 1.8≤ Z <2.99, are located in gray area; when Z≧2.99 is located at the Security Zone. Four companies the Z-Score values are as follows:

(Company Name)	Parkson				Golden Eagle	Intime	Springland
(RMB in million)(Yr)	2007	2008	2009	2010	2010		
NET CURRENT ASSETS	2,175.9	1,874.0	480.9	1,281.6	-1,009.1	-474.9	21.8
Total Assets	8,989.5	9,834.1	11,074.1	12,591.3	7,979.3	12,289.5	6,710.9
Retained earnings	2,731.1	3,388.5	3,581.1	4,172.9	3,482.7	5,310.5	3,764.6
EBIT	1,270.2	1,457.9	1,541.8	1,682.2	1,633.9	1,150.9	663.9
Stock value(HKD)*1	18.19	8.58	13.52	11.96	19.1	11.48	6.25
RMB/HKD ex rate*1	1.074	1.128	1.139	1.182	1.182		
Number of Stock (Million shares)	2,786	2,797	2,807	2,810	1,945	1,913	2,500
Total Liabilities	6,121.4	6,306.8	7,082.0	8,002.2	4,299.1	6,978.8	2,924.7
Sales	2,727.0	3,137.4	3,461.3	3,819.4	2,450.4	2,288.8	2,990.0

Note 1 : Dec 31 closing value by dividend and stock split adjustment

Zscore：$Z=1.2A+1.4B+3.3C+0.6D+0.999E$；

A = Working Capital/Total Assets ; B = Retained Earnings/Total Assets ; C = EBIT / Total Assets ;

D = [(Stock value x Total number of stocks)/RMB&HKD ex rate]/Total Liabilities; E = Sales/Total Assets

(Company Name)	Parkson				Golden Eagle	Intime	Springland
(RMB in million)(Yr)	2007	2008	2009	2010	2010		
A	0.24	0.19	0.04	0.10	(0.13)	(0.04)	0.00
B	0.30	0.34	0.32	0.33	0.44	0.43	0.56
C	0.14	0.15	0.14	0.13	0.20	0.09	0.10
D	7.71	3.39	4.71	3.55	7.31	2.66	4.52
E	0.30	0.32	0.31	0.30	0.31	0.19	0.45
Z Score	**6.11**	**3.55**	**4.10**	**3.46**	**5.83**	**2.65**	**4.27**

Listed companies insolvency index analysis: Parkson 4 years of Z-Score are safe-area and to demonstrate its financially sound.

2.2 Financial structure

(Company Nmae)	Parkson				Parkson	GE	Intime	SL	4 companies
(Year)	2007	2008	2009	2010	2007-2010 (4 years average)				
Fixed Asset to Long term Liability Ratio	0.12	0.21	0.37	0.40	0.28	1.08	0.46	1.67	0.87
Current Liabilities to Net Asset Ratio	0.70	0.68	1.00	1.30	0.92	1.33	0.72	2.06	1.26
Current Liabilities to Stock Ratio	13.9	12.8	22.3	25.6	18.7	24.0	35.5	8.19	21.6

Fixed Asset to Long term Liability Ratio

For Fixed Asset to Long term Liability Ratio as an example, fixed assets are for the long-term finance source. If the rate is lower, source of funds is more stable; and that "Fixed Asset to Long term Liability Ratio" has lower value, the company financial crises in the lower chances (Zhou and Lo, 2007). Parkson in 2005 after listing obtain sufficient funds to support enterprise expansion; with increased number of their branches. The "Fixed Asset to Long term Liability Ratio" also from 2007 0.12 rose to the 2010 0.4 (increase 230 per cent). but relatively 4 companies four years on average 0.87 , Parkson's long-term funds are very stable to show their strong competitive edge.

Current Liabilities to Net Asset Ratio

Parkson's "Current Liabilities to Net Asset Ratio" from 2007 the 0.7 climbed to the 2010 1.3, the Corporation of the four years liabilities of the flow rate is increasing much faster than 85 percent assets mainly because accounts payable at an annual increase of 10 per cent in 2010 as well as the new bank loans . Meet money raised as the result Parkson's business expansion for the sale proceeds (GSP) by the 200 7 years of people dollar 9,000 million RMB to 2010 14,100 million RMB(see Figure 6). Its 2010 still in the ratio between industry average 1.26, current liabilities of the problem is not serious.

Current Liabilities to Stock Ratio

The Parkson with the rest of three enterprises department store business for the operation license model (high as 90 per cent, see the chapter 2.3 operating capacity Analysis Section, the inventory is for direct sales only for the part of the business. China's stock is high in proportion because of its business supermarket business is in the heavy rate. Looking back at the rate department store industry 21.6, Parkson's "Current Liabilities to inventory ratio"18.7 is at a reasonable level.

Financial structure analysis: After overall analysis, Parkson in the above the ratio is better than the industrial standard level.

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2.3 Paying debt ability

(Company Name)	Parkson				Parkson	GE	Intime	SL 4 companies
(Year)	2007	2008	2009	2010	2007-2010 (4 年平均值)			
Current Ratio (%)	209%	178%	112%	121%	155%	87%	78%	60%	95%
Quick Ratio (%)	201%	170%	108%	117%	149%	82%	75%	47%	88%
Stock Credit Index	(14.12)	(10.97)	(3.67)	(6.48)	(9.31)	0.09	0.18	0.27	-2.2
Cash Ratio (%)	182%	152%	96%	87%	129%	76%	36%	36%	69%
Total Debt Ratio (%)	68%	64%	64%	64%	65%	59%	51%	67%	60%
Debt / Equity Ratio	1.31	0.76	0.67	0.35	0.69	0.15	0.18	0.38	0.35
Long Term Debt Ratio	0.57	0.43	0.40	0.26	0.40	0.10	0.14	0.19	0.21
Total Debt / Fixed Asset Ratio	7.48	4.83	2.90	3.21	4.60	1.23	2.01	1.10	2.23
Time Interest cover ratio	3.88	4.39	4.85	4.75	4.47	73.6	10.8	4.8	23.4

Current Ratio /quick ratio - the department store in the franchising license sales to obtain large quantities of cash, the cash-flow generally very healthy. And the Parkson mobile and quick ratio from 2007 of 2.1 times and 2 times the dropped to 2010 1.21 times and 1.17 times. The reason is that there is a 1,300 million long-term debt due to be credited (for 10 years current liabilities 21.7 percent). And the Parkson the flow and quick ratio, are better than the industrial level 0.95 and 0.88 because its cash levels are sufficient (The following mentioned).

Stock Credit Index - Parkson 4 years of inventory confidence of the market has been negative because of its current assets/liabilities long-term is poor. Parkson industry because their own inventory level is low, therefore, this index department store industry is not that important.

Cash ratio - the ratio of Year 07 182 percent to 10 years 87 percent; Parkson's cash level while fell, however, mainly due to an increase of bank loans due current liabilities (rose 61 per cent). But the ratio is higher than the industrial level 69 percent.

Equity and Debt Ratio - Parkson in the two rates higher than industry (0.69 than 0.35 and 0.4 than 0.21) because, in its positive financial policy, interest in recent years more favorable in using long-term loans to expand the company business. In the last four years of indicators decline is due to repay the due, in the long- term loan (reduction of 40 percent) and Owner rights increased by 60 per cent. With the current Parkson now yield far higher than the assets liabilities cost rate (2010 the 19.2 percent 9.3 per cent) and favorable to their additional profits; its indicators also trend downward,-2010 are very close to the industrial level 0.35 and 0.21 level, and therefore its long- term loan repayment capacity is sound.

Total Debt / Fixed Asset Ratio - Parkson financial policy adopted a low fixed assets to increase policy liquidity, and hence their fixed assets than with similar size of the industry low by half (2010 fixed assets: Parkson of 24,900 million RMB, and the remaining three enterprise average value of 35,400 million RMB) the lead to higher than in the indicators industry more than double standard. In view of its gearing ratio and peer similar (60 percent) and its realized capacity while not high but the company itself future development there is no negative effects.

Time Interest cover ratio - except that Golden Eagle (73.6 times) due to its liabilities is higher than standard level (23.4 times), Parkson to this indicators (5 times) are satisfactory and that while close Golden Eagle, three companies indicators (6.7 times).

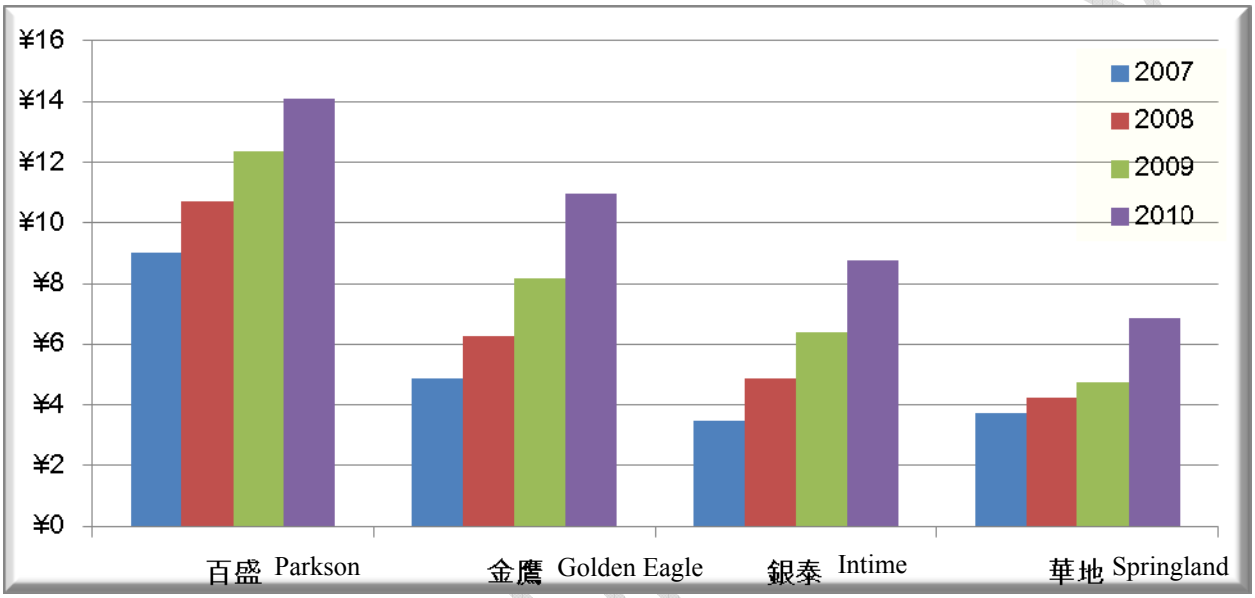
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Paying debt ability - Parkson in the capacity of outstanding, not only its cash ratio, the study also found its financial strategy used effectively leverage ratio of enterprises the additional profits; although fixed assets are not too many so not affecting the overall ability.

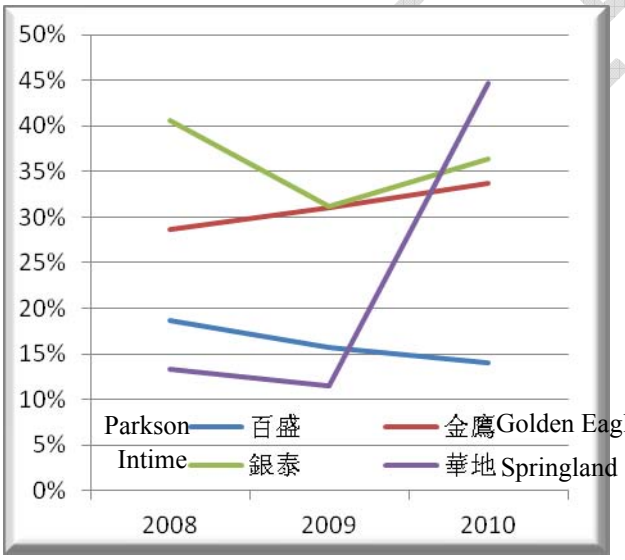
2.4 Operational ability

Parkson's total sales proceeds (Licensing counters 特許專櫃 sales revenue, direct marketing, the rent, management fees, and miscellaneous income) in the past four years each year, increased, from 2007 of 9,000 million RMB to 2010 the 14,100 million RMB, 2010, a growth rate of 14.1 percent, of which 11.4 percent of sales growth, and the remaining from 2009/10 two-year opening shop. The following the Parkson and Golden Eagle (3308), the Intime (1833) and Springland (1700), the three companies' department store performance of comparison.

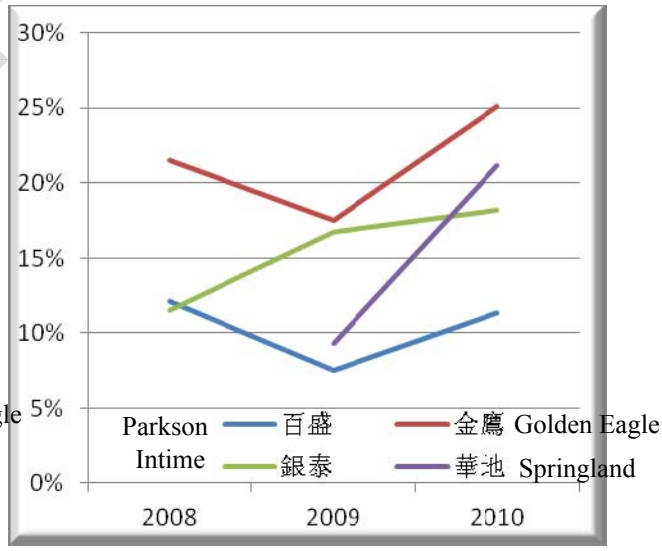
Sales (Unit：1 billion RMB) (Source: the enterprise Annual Report, 2007-2010)



Sales Process R ate

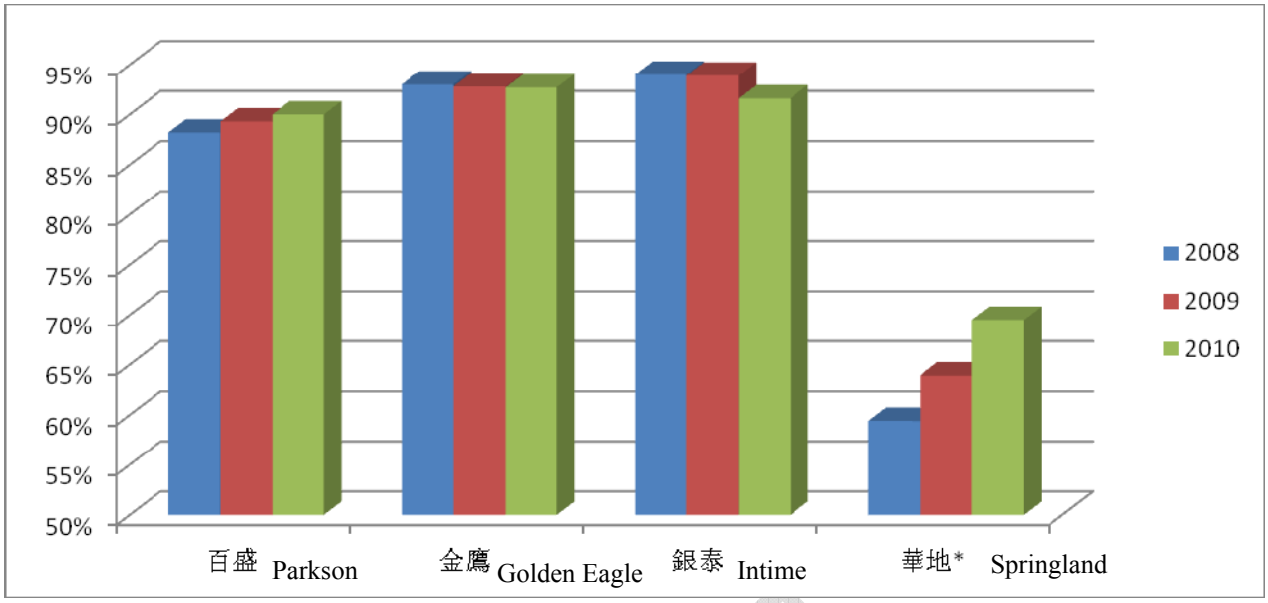


Sales Growth Rate



Sales process and sales growth ratio - The data was shown, the Parkson remains four department store company sales in the highest (14,000 million, compare to the second higher position Golden Eagle over 3,000 million) but in recent years growth rate (14.1 per cent) were less than competitors (average 32.1 percent).

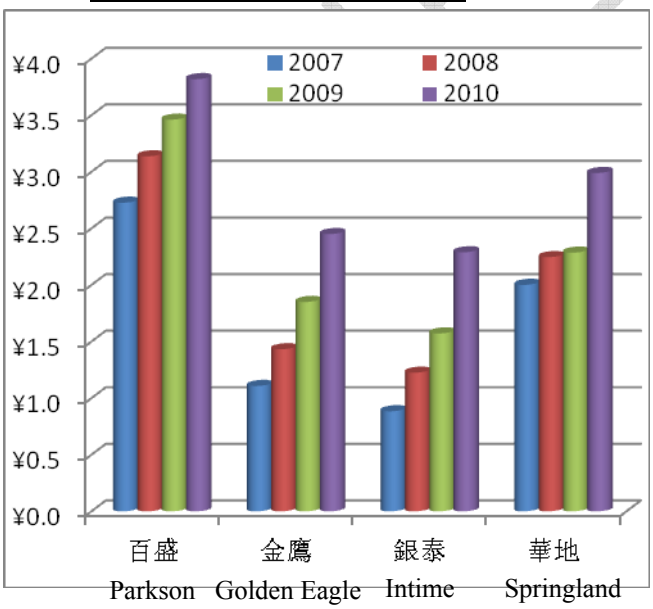
Licensing Counters 特許專櫃 Sales Ratio



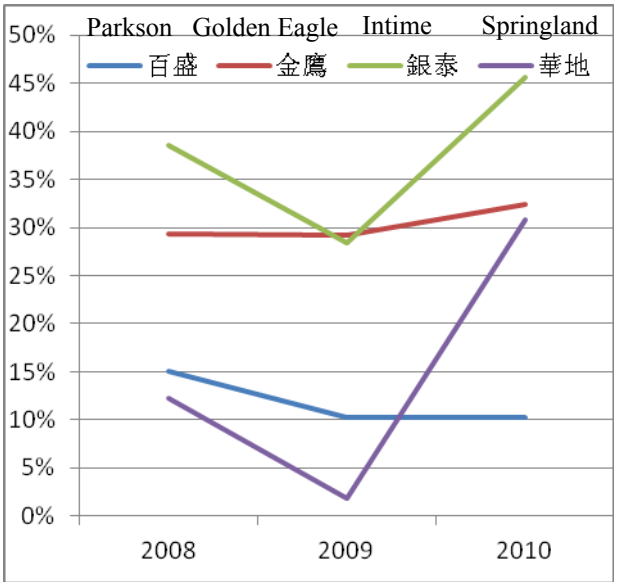
**The lowest ratio of Springland exclusive supermarket revenue*

The licensing counters another importance profit margins, and rate of return is more direct sales, Parkson 2010 counters license the deduction rate point to 19.2 percent, direct sales are higher than the 19 percent gross profit margin, direct sales operations should be deducted the profits salesmen' s salary and stock is also involved procurement and management, resulting low rate of return. The Parkson's license counters less than opponent turnover (Chartered counters commissions, direct sales income and rental income and miscellaneous income) growth and low in industry (below Figure) (the enterprise Annual Report, 2007-10).

Sales (Unit：10 billion RMB)



Sales Growth Rate



Operating expenses - Parkson company's operating expenses including rental expenses, expenditure on their salaries, depreciation and other operating expenses (including electricity and water, promotion and pre-opening cost.) Using turnover as the based amount, Parkson and peer operating expenses total turnover than as an example.

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	Parkson					Golden Eagle	Intime	Springland	
(Company Name)	百盛					金鷹	銀泰	華地	4 Average
(Year)	2007	2008	2009	2010	4 yrs avg	2007-2010 (4 years average)			
employee costs	9.8%	8.4%	8.0%	9.4%	8.9%	9.1%	13.1%	9.8%	10.4%
Depreciation and amortization	4.2%	4.9%	4.8%	4.7%	4.7%	5.0%	10.4%	6.8%	6.7%
Rental expenses	11.9%	12.1%	14.5%	15.1%	13.4%	3.6%	13.1%	1.5%	8.3%
Other expenses	17.3%	17.5%	17.2%	18.8%	17.7%	14.5%	18.4%	11.3%	15.8%

From the data analysis to show Parkson the rental expenses above industry average (61 percent higher) because, in the company is more a shop is a rental property model of operation. Depreciation and amortization expenditures were lower than industry 29.8 percent, show department store a deterioration, is installed repair the capital expenditure has been completely depreciated. As for the other operating expenses is higher than the industrial standard 12 percent of the opening branches in recent years economic benefits unsatisfactory.

(Company Name)	百盛					金鷹	銀泰	華地	4 average
(Year)	2007	2008	2009	2010	4 yrs avg	2007-2010 (4 yrs average)			
Total assets turnover	30.3%	31.9%	31.3%	30.3%	31.0%	30.7%	18.6%	49.0%	32.2%
Average Collection Period	3	2	3	2	2.5	7	3	1	3.3
Days' Sales in Inventory (1)	61	70	63	78	68	148	98	83	102
Payment period(1)	66	59	59	58	59.3	57	63	51	229

Note 1：In department store of the industry, the method of calculation:the inventory and accounts payable turnover periods should be the most imortance： Days' Sales in Inventory = main business cost/ stock

Accounts Payable turnover days = Accounts Payable / [Concessionaire Sales x (1 –扣點率) + goods cost of sales] x 365

特許專櫃扣點率 （Parkson，2010）*1

Total Assets Turnover – Parkson's total assets turnover of 4 years are maintained to the stable level around 31%. And this targets are also relatively peer average level of 32.2 percent.

Accounts Payable Turnover days - department store's transactions are cash and credit card, there is no bad debts risks, the Parkson debtors turnover days is close to zero which is same as the peer group.

Inventory Turnover days - Parkson's the inventory turnover days are on rising trend (4 years growth 27 per cent) because, in the newly opening period should need additional procurement of goods, but the overall level is still below the industry 3.75 .

Accounts payable turnover days - the Parkson generated counters payment license, the accounts payable including the license return counters the sale and direct sales of suppliers arrears, Parkson accounts payable turnover days maintaining a stable some 60 days, and close to 58 days (peer group).

Operating Capacity Analysis – Parkson's business growth slowdown is mainly the license counters less than the peer group, with the increasing operating costs and lead to net profit margin behind industry.

2.5 Profitability

	Parkson	Golden Eagle	Intime	Springland	
(Company Name)	百盛	百盛	金鷹	銀泰	華地	4 Average

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(Year)	2007	2008	2009	2010	2007-2010 (4 yr*1 及 3 y r *2 Average)				
Net profit*1 (1 million RMB)	727.8	841	911	992	855	552	472	266	536
Net profit growth*2	n.a.	15.6%	8.3%	8.9%	13.8%	94.0%	25.6%	21.7%	38.8%
Gross profit margin*1	68.3%	68.7%	69.9%	71.2%	69.5%	78.3%	79.3%	40.2%	66.8%
Net Profit Margin*1	26.7%	26.8%	26.3%	26.0%	26.0%	32.6%	33.3%	11.0%	25.7%

Gross profit margin - because Parkson's business is not directly product sales, and therefore its high profit margin of the Trade characteristics. The gross profit margin in four years license with counters rate 3 per cent of the improvement 71.2 per cent, but in comparison with Golden Eagle and Intime average of the 78.8 per cent are less 7.6 per cent. The differences are mainly because the license Parkson counters ratio and Golden Eagle and Intime also 2 ~ 3 per cent discrepancy.

Net profit margin - if comparison Golden Eagle and Intime's average net profit margins 33 per cent, Parkson's 26% obviously low (Springland's net profit margins of supermarket business' impact, the other enterprises different). The main reason is Parkson turnover growth (the 07/08 15 % to 09/10 years of 10.3 per cent), plus operating expenses with increasing number of their branches (07 years of 17.3% to 10 years of 18.8 percent) thus the net profit margin is less than others.

(Company Name	百盛				金鷹	銀泰	華地	4 間企業
(Year)	2007	2008	2009	2010	2010			
Total Assets Turnover	30.3%	31.9%	31.3%	30.3%	30.7%	18.6%	44.6%	31.1%
Leverage ratio*1	3.1	2.9	2.8	2.8	2.2	2.3	1.8	2.3
Return on Equity (after tax)*2 (%)	25.4%	24.9%	23.5%	22.3%	25.1%	11.9%	18.6%	19.9%

Note 1: Leverage ratio = Total assets/Equity Note 2: DuPont Financial Analysis on Schedule 7

Total Assets Tuenover – Parkson's four years average 30.3 per cent, as the industry 31.1 per cent.

Leverage ratio/ Return on Equity (after-tax) - Parkson's Return on Equity a slight decline (2010 - 2007 rate of return less of 3.1 percent, dropping for 12%). The main reason is falling of profit margins due to the increasing expenditure (07 years of 17.3% to 10 years of 18.8 percent); assets turnover in industry, is the level of excellence, and leverage ratio (07 years 3.2 down to 10 years of 2.8) is the cause Return on Equity fell by the one of the reasons. Compared with counterparts, Parkson's return on equity has remained at a relatively high level 22.3 percent, right after Golden Eagle 25.1 percent.

Profitability analysis – in this capability analysis of indicators that can be found Parkson's been ability more industry inferior. Recommendation Parkson should be increasing number of counters to improve net profit rate, as well as by leverage to raise return on equity.

2.6 Growth ability

	Parkson	Golden Eagle	Intime	Springland		
(Company Name)	百盛	百盛	金鷹	銀泰	華地	4 Average

SAMPLE REPORT ONLY

(Year)	2007	2008	2009	2010	2007-2010 (4 years average)				
Retained yield (times)	3.8	3.9	3.8	4.1	3.9	5.0	8.6	6.0	5.9
Self-sustainable Growth Ratio (%)	95.2%	96.1%	89.7%	90.9%	93%	91%	100%	100%	96%

Retained yield - Parkson by retained earnings and after-tax for four years in a proportion (07-10 years, retained earnings growth 52 per cent, after tax profit growth 41 per cent) and the indicators have been in 4.0 times over the industry than average 5.9 times, the belief in Parkson need to pay dividend to shareholder in order to gain their supports; also needs to maintain a certain amount of reserves to develop business. Looking over their retirement yield very steady, we can see that it has been both the appropriate balance way. In the past four years Parkson's sales proceeds from the total for 56.6 percent rise, 4.0 times the rate of return is retained at reasonable levels.

Self-sustaining growth - four years Owner rights increase (60 percent) of more than retained earnings increase (52 per cent) led by Parkson self-sustaining growth rate of 5 percent. Relative industry average of 96 percent, Parkson with need to increase retained yield to maintain their self-sustaining growth rate in intra-industry level, otherwise, for its sustainable development to be affected.

Growth Capacity Analysis – Parkson's business growth capacity levels behind its peer group which is necessary to get an improvement.

2.7 Stock Market Prospects Analysis

	Parkson				Golden Eagle	Intime	Springland		
(Company Name)	百盛				百盛	金鷹	銀泰	華地	4 average
(Year)	2007	2008	2009	2010	2007-2010 (4 年平均值)				
Earning per share (HK$)	1.31*1	0.34	0.37	0.42	0.35*1	0.34	0.31	0.21	30.3
Price-earning Ratio (Times)	13.89*1	35.98	33.13	29.20	36.28*1	70.6	0	0	
Dividend yield (%)	45.7%	48.0%	46.2%	45.3%	46.3%	55.1%	37.4%	32.9%	43.2%

Note 1: Parkson in 2007 Shares will be demolished 1 split in 5, the average to 1 demolition before the split calculation.

Parkson P/E ratio the four years down the 62 percent to 2010 the 36.28 times, and the dividend rate has been maintained at about 46% water Ping. Although the average dividend less than rate Golden Eagle, the pursuit of dividends return stability while Parkson is better (Golden Eagle to 08/09 years dividend rate up to 80% and 90 percent, however, 10 years then dropped to 30 percent). In the present P/E RATIO, Parkson are the similar level of the industry about 30 times, showing that price fully reflected its value.

Stock Market Prospects Analysis – Parkson's dividend stable returns to investors, its stock is at a reasonable level.

3. Parkson's Corporate Governance assessment

Chapter 2 from the financial assessment analysis, we understand that Parkson's appearance growth slowdown and operating costs, and so, and direct affect for its enterprise development in the future and the shareholders' interests. We in this will explore Parkson of corporate governance of its financial performance of the hill and, in its internal control and risk management to check their existing mechanism has insufficient, to make appropriate recommendations.

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3.1 Corporate Governance of business organization and its impact and importance

Since 1998 Asian financial turmoil and 2002 a series of international business scandal events (such as the Enron, the World Telecommunications, the Eurasian agriculture, serious impact on the stock market investors to lose the confidence for fund-raising; and begin to understand that if a company's own governance is not well, if Enron International enterprises, they can easily collapse. Therefore, Governments also focused on the tightening supervision regulations.

The Ho and Li (2008) pointed out that corporate governance is how an organization can have decision-making powers and responsibilities assigned to owners (shareholders), Board of Director (policy makers) and high-level managers (managements) three main people, and determine their interrelationship, including how authorization, mutual monitor, incentive and accountability. The ultimate promotion bodies performance and long-term sustainable value, protection of shareholders and other stakeholders' rights and interests.

Ho (2003) quoted McKinsey consulting company in 01 to global more than 200 institutional investors of research, which stated over 80 percent to "Corporate Governance" good corporate pay premium; in Asia, premium the proportion of 20 percent to 27 percent. Corporate Governance sound enterprises can attract more funds to get higher returns, with a more competitive strength.

3.2 Parkson existing Corporate Governance

Parkson from the Lion group in Malaysia, although the 05 years the initial independent of the Lion group, but in fact Golden Lion and Parkson President is the same Chung Ting-sum; therefore to a certain extent Parkson is Golden Lion family-controlled business. Parkson in a high percentage of shares (direct large shareholders holding shares PRG 70 percent) Representative major shareholders also the directors and senior management level, direct control over the board of directors.

Although the shareholders directly management does not mean low corporate performance, and, conversely has its advantages such as the Acting lower-cost, decision-making high efficiency, an initiative, and loyalty and market flexibility. From Xu (2008) proposed by the return on assets into account (ROE), total assets yield (ROA) to measure the company performance, in general its performance is still in the industry.

(Company Name)	百盛				百盛	金鷹	銀泰	華地	4 間企業
(Year)	2007	2008	2009	2010	2007-2010 (4 年平均值)				
ROA (after tax) (%)	8.1	8.9	8.5	8.1	8.4	9.7	5.8	5.3	7.3
ROE (after tax) (%)	25.4	24.9	23.5	22.3	24.0	25.1	11.9	18.6	19.9

But we find Parkson in the following several aspects of corporate governance, there is relative unbalanced status, may have directly damaged on the economic efficiency for the enterprises:

Lack of transparency on operation - Lion group operations are numerous, Parkson in its scope of business partners within the number of the lion group is connected business in its annual report has not fully disclosed. In addition, Parkson under the present the directors and managing director of Chung Wing Chun has with the Group of Companies directors. The related connected operation did not disclose. If a Parkson's Lien camp Company "Shanghai 9 Sea Lion property management, how many Parkson's business is to the Company has not been documented examination.

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Connected transactions through the minority shareholders' interests - ...

Monitor Board of Director failure - ...

Credit Risk - ...

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3.3 Suggestions for improvement

We recommend that Parkson pay attention to these issues, further consider the following suggestions for improvements:

1. The directors and management team members of the separation - management team is separated from members of the Board under the supervision and appointment, but too many of directors serve in the management team, restrictions on the independence of the management team.
2. Back to the independent directors monitor efficiency - strengthening the board of directors credibility and the public and small shareholders of the confidence.
3. Strengthening on transparency of enterprises - open more with the connected up operating transaction information to release small shareholders' worries in public
4. Tighten the internal control - the internal controls and responsibilities to unclear, unable to play monitoring whether the departments effective trading. The strengthening of the Centralize Internal Control Panel's functions, the irregular spot checks to confirm departments at any time waiting is to smooth the operation.
5. Credit Risk Management - the internal self-credit rating assessment, improving the company operations to the financial institutions in the public for the target ratings in order to improve the financing costs of the company.

4. Investment Project Appraisal

Parkson plan this year in Jinan opening of a new department store, an area of 33,800 square meters, the company program buying property for long-term use, the property used for 50 years. The funds 378 million RMB (for 2010 turnover 38,900 million RMB for 9.7 percent.) We will use a different financial ratios, including net present value measure (Greenwald, Kahn & Sonkin, 2005) for an investment assessment.

4.1 Project items basic information

Project Costs		Remarks
Mall area (square meters)	33,800	(Existing Jinan 濟南Project's Branch area)*1
Building price (人民幣/平方米)	10,000	(Exisitng Jinan濟南Project's Branch-Parkson purchase price) *1
Department store (1 million RMB)	338	
Decoration (1 million RMB)	40	(Parkson-cost in the past, about every square meters 1200 RMB computing) *1
Total Cost (1 million RMB)	378	
Remaining basic information		**Remarks**
Parkson Building depreciation years	50	(China's accounting legislation)
Decoration period (years)	5	(Parkson regular approach) *1
Sales growth rate	12%	(Parkson 2007-2010 average) *1
ultimate growth rate	3%	(assume long-term investment growth)
EBITDA (%) 利潤率	38%	(Parkson 2010) *1
Operating period (days)	10	(Parkson 2010) *1

Note 1：Source from Parkson 2007-10 Annual reports

4.2 The first year calculation of sales

Project items		Remarks
Sales per square meter (RMB)	10,000	(Parkson 2010) *1
Counters 特許專櫃sales ratio	90%	(Parkson 2010) *1
Direct Sales Ratio	10%	(Parkson 2010) *1
Total Sales (1 million RMB)	338	濟南Branch area 33,800 square meter x RMB10,000/sq. m.
特許專櫃扣點率	19%	(Parkson 2010) *1
Counters 特許專櫃commission (1 m RMB)	57.8	總銷售額 x 特許專櫃比率 x 扣點率
Direct Sales (1 m RMB)	33.8	總銷售額 x 直接銷售比率
Sales (1 million RMB)	91.6	

Note 1：Source from Parkson 2007-10 Annual reports

4.3 Computing Tax Cost

Items (Unit: 1 million RMB)	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr
Sales = Last Year Sales x (1+Growth rate)	91.6	102.6	114.9	128.7	144.1
EBITDA	34.8	39.0	43.7	48.9	54.8

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Depreciation =-(Building cost/50+Decoration/5)	-14.8	-14.8	-14.8	-14.8	-14.8
EBIT:	20.0	24.2	28.9	34.1	40.0
Tax cost (Standard tax rate: 25%)	-5.0	-6.1	-7.2	-8.5	-10.0
Profit:	15.0	18.2	21.7	25.6	30.0

4.4 Cashflow calculation

Items (Unit: 1 million RMB)	Initial cost	1 Y r	2 Y r	3 Y r	4 Y r	5 Y r
EBITDA		34.8	39.0	43.7	48.9	54.8
Expenditures*1		(0.9)	(1.0)	(1.2)	(1.3)	(1.5)
Expenditures*2		(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Tax expense		(5.0)	(6.1)	(7.2)	(8.5)	(10.0)
Cashflow*3:	-378.0	20.9	23.9	27.3	31.1	35.3

Note 1)Working capital the first year calculation => annual direct sales x operating cashflow period/365=33.8mX(10/365)=0.93m

Working capital for the rest calculation =>the previous year working capital x(1+Sales growth rate)

Note 2) assumption for expenditure to pay for the annual decoration cost, about 40 million/5 year = 8 million per year

Note 3) Cashflow after 5 years, using the assumption the ultimate growth (Appendix 8)

4.5 ARR and NPV calculation

ARR	
Total income for 50 years*1	2,971.2 m
Average ARR(A)	59.4 m
Initial cost(B)	378.0 m
ARR (A/B):	15.7%

NPV :

r = 10.5% (2011 Parkson ROA)

t year = cashflow at t th year/$(1+r)^t$

Note 1) Appendix 8 "Tax expense" , "Profit"—Total amount for 50 years

Year	Cashflow	PV	Year	Cashflow	PV
Initial cost	-378.0				
1 s t	20.9	18.9	6-10	193.1	87.2
2 n d	23.9	19.6	11-20	483.3	104.6
3 r d	27.3	20.2	21-30	649.6	51.8
4 t h	31.1	20.8	31-40	873.0	25.6
5 t h	35.3	21.4	41-50	1,173.2	12.7
NPV= all cashflow for 50 years – Initial cost :					4.95

4.6 PAYBACK PERIOD and IRR

Payback period	1 million RMB
1-13 Profit (A)	398.2
Initial cost (B)	378.0

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Payback period =	133 monthes 11 Years 1 month

IRR=10.6% (Appendix 8)

4.7 Investment appraisal

From the data analysis results, the Jinan new branch for the payback period is 11 years and 1 month and net present value is positive value. Therefore, the project investment appraisal as a positive return, and should also help group in exploring sales network, the proposed Parkson should carry out this item.

4.8 New project appraisal methods for analysis

i. Investment returns- the first-year 4 per cent (Schedule 8), but the more Parkson maturity and investment returns will gradually to high. Investment return the advantage of a simple calculation; the disadvantage is that there is no consider the funding time value.

ii. ARR – 15.7%，higher than the company's current return on assets to display the item for investment. The average rate of return strengths of each year calculated the average return on investment and reflect the long-term return projects.

iii. NPV – 2011 ROA 10.5%，NPV 495 million RMB。....

iv. IRR – 10.6% containing low rate of return the advantage of being able to life with the proceeds with total investment of been, noting that the rate of return projects, facilitate its industry standards for investment yield comparison to determine whether the project is worth to evaluate, but IRR performance of the rate is not absolute, an internal rate of return program with low, as a result of the larger and larger net present value, and therefore more worth for the evaluation.

4.9 Suggestion for cashflow of new project

The department store is most sales through an authorised counters such manner, involving a liquidity. If the first year Jinan new branch the necessary cashflow of around 8,900 million RMB (about Parkson 2010 0.23 percent proceeds, and on the net cash flow of 0.39 percent) and can deploy company internal resources are sufficient to meet the liquidity requirements.

5/. Financing and capital management

Parkson now to the Jinan new projects initiated additional cash, a total of 378 million RMB (about 2010 total assets of 3%). We will analyze the various financing program of Parkson capital management of analysis pros and cons.

5.1 Financing methods for analyzing

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					Golden Eagle	Intime	Springland
1 million RMB	Parkson				金鷹	銀泰	華地
	2007	2008	2009	2010	2010		
Cash and equivalents	3,642	3,649	3,856	5,238	2,346	1,462	1,538
Bank loans	1,417	2,207	2,241	2,961	458	2,818	123
Cash ratio	182%	152%	96%	87%	56%	37%	71%
retained profit	3.8	3.9	3.8	4.1	3.6	7.6	10.0
Net debt ratio (1)	-77.6%	-41.8%	-41.2%	-50.5%	-51.3%	25.5%	-37.4%
Net Interest Expense (2)	74	86	107	140	-33	2	75
Net Interest expenses/turnover	2.7%	2.7%	3.1%	3.7%	-1.3%	0.1%	2.5%

Note(1) Net debt ratio = (bank loans - Cash) / Equity Note(2) Net Interest Expense = interest payments - interest income

i. cash payments – internal retained earnings/cash as sources of funding. Parkson financial status is stable, in the past four years are all at net cash status, the net debt ratio is negative. But its cash ratio has been industry than 20 percent higher on the domestic financing after 380 million its cash ratio is as high as 81 percent, average industry still high 10 percent. Although retained earnings ratio would drop to 3.9, believe the enterprises little impact on future development.

ii. **bank loan financing** – Parkson's major banks partners, the Chinese people provided by banks for long-term loan interest rates of 5-year interest rates on loans interest rates 2.35 % calculated the (2011 on 6 April public bank interest rate at 6.8 percent) (China Bank, 2011) . The net interest expenditure will be raised is now total turnover 3.7 per cent of the ratio will be increased to 3.85 per cent. Although the 1.34 percent more than the peer group, but has not been significant.

iii. Commercial credit financing - mainly in the line on the line of business partners and the money received in advance and money credit too easily. But because it is directly to customers charge a fee (receivables of 2.5 days) and therefore to cope with the line partners for accounts payable to credit transactions. The main partners Parkson for the counters' customers now meet money working capital to 58 days for the industry also average. But the department store industry use this method of financing, where the individual counters customers to its fund-raising Limited, to raise 380 million RMB will need to negotiate with great deal of customers, therefore, not feasible.

iv. Issued share capital fund-raising - such as raise 380 million RMB, its distribution costs have reached 8-12% than the general bank loan for high interest rates. The new shares fund-raising will reduce shareholders' equity ratio, and shareholders to creditors to more than often return high, and therefore the liabilities rate is not high, was not proposing shares fund-raising.

v. Sale of assets - Parkson the fixed assets for than 0.4, far below the level industry 0.7. But their fixed assets of its department Store property, sale on the contrary to rent their operating costs of increasing the pressure (because of its net profit margin is 26%, rental expenses 15.1% compare with the peer group 8.3% is almost double.

5.2 Financing method proposed

With the above analysis, the proposed Parkson should adopt the bank long-term loan program for 380 million RMB financing and annual interest of 9.15%, 5 year amortization. Expected 2011 year, the main financial data are as follows:

Financail items	*2010 Actual*	*2011 Budget*	Industrial *4 Year Average*	*Assessment*

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Fixed Asset to LTL Ratio	0.4	0.45	0.87	Positive
Debt / Equity Ratio	0.35	0.38	0.35	Healthy
Interest expense to Sales	3.7%	3.85%	1.43%	Healthy
Debt Ratio	-50.5%	-46.3%	-28.3%	Healthy

In considering borrowing after the company's debt service capacity as a whole no major impact, but further improve the Company's financial structures; and the operating expenditure new branch substantial of the reduction, are expected to increase the enterprises operating capacity.

6/. Recommendations and audit program

After this data analysis, we have proposed Parkson operational audit of the following three points:

1. 特許專櫃VIP counters sales ratio – raise the license sales counters, could help improve profit margins, and reduce inventory management, thus increasing rate of return. To achieve this, the company should have internal decoration, increase department store, grades, thus attracting more popular and high-end the counters positioning department store, commodities rose can boost stores with growth rates.
2. Other operation costs to sales turnover rate - Parkson other operation costs to sales turnover ratio is increasing as the new branches pre-set cost is increasing, for each new branch of a more pre-set up cost of financial budget, which effectively controlling the expenditure. Rental expenses are the major item for operating costs so the proposed analysis to reduce operating costs should be for the financial comparison between rental expenses and property ownership.
3. Operational Governance - Parkson growth behind industry reflect of its business to operate a room for improvement. Recommends that the corporate may in the following to conduct a review Research:

   - management mechanism - including the independent directors is effective, top-level core team of diversity is adequate planning for the future new point; whether it has tried to ensure that company to comply with good governance code to all the shareholders maximum benefits to premise of the Company.
   - internal monitoring mechanism - objectives and responsibilities are clear, whether to enhance operational efficiency, provide standards do and may rely on information, protect the security of assets complete and appropriate use, the Business Plan and the strategic decision-making and effective implementation, compliance on the laws and regulations for 5 areas (COSO, 1999).

7/. Conclusion and Recommendations

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