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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 & 5936)

UNAUDITED QUARTERLY RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

The board of directors (the “Board”) of Parkson Retail Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company, its subsidiaries, a joint venture and associated companies (hereinafter collectively referred to as the “Group”) for the quarter ended 30 September 2017.

The unaudited quarterly results of the Group are released in conjunction with the announcement of the quarterly results of Parkson Holdings Berhad, the holding company of the Company in Malaysia pursuant to the Bursa Malaysia Main Board Listing Requirements. This announcement is made pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

HIGHLIGHTS

Total operating revenue for Third Quarter (“3Q2017”) increased by 1.6% to RMB1,087.4 million. Total operating revenue for the First Nine Months of The Year (“9M2017”) increased by 1.8% to RMB3,456.8 million.

Same store sales (“SSS”) for 3Q2017 increased by 1.4%. SSS growth for 9M2017 was 0.4%.

Operating profit for 3Q2017 was RMB1.5 million. Operating profit for 9M2017 was RMB72.0 million, a turnaround improvement of RMB203.0 million as compared to the operating loss of RMB131.0 million recorded in the same period last year.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR

	Quarter Ended		Year to Date	
	30 September		Ended 30 September	
	2017	2016	2017	2016
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross Sales Proceeds (inclusive of value-added tax)	3,474,976	3,669,511	11,602,975	12,164,707
Revenues	966,443	953,868	3,088,108	3,054,533
Other operating revenues	120,933	116,816	368,644	340,783
Total operating revenues	1,087,376	1,070,684	3,456,752	3,395,316
Operating expenses				
Purchases of goods and changes in inventories	(406,911)	(349,320)	(1,264,737)	(1,098,971)
Staff costs	(159,848)	(178,500)	(519,728)	(556,919)
Depreciation and amortization	(80,359)	(113,881)	(236,649)	(293,751)
Rental expenses	(227,334)	(256,831)	(712,943)	(826,629)
Other operating expenses	(211,456)	(251,780)	(650,662)	(750,080)
Total operating expenses	(1,085,908)	(1,150,312)	(3,384,719)	(3,526,350)
Profit/(loss) from operations	1,468	(79,628)	72,033	(131,034)
Finance costs, net	(11,559)	(30,061)	(31,805)	(68,657)
Share of profits/(losses) of:				
A joint venture	4,149	3,618	12,696	14,394
Associates	(214)	133	(4,593)	(3,604)
Profit/(loss) from operations before income tax	(6,156)	(105,938)	48,331	(188,901)
Income tax expense	(16,463)	(17,186)	(70,714)	(58,018)
Loss for the period	(22,619)	(123,124)	(22,383)	(246,919)
Attributable to:				
Owners of the parent	(23,691)	(123,852)	(28,149)	(248,059)
Non-controlling interests	1,072	728	5,766	1,140

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,831,863	3,991,438
Investment properties	33,844	36,253
Prepaid land lease payment	411,138	421,123
Intangible assets	1,800,931	1,806,060
Investment in associates	44,462	49,124
Investment in a joint venture	24,417	28,612
Other assets	252,996	331,839
Deferred tax assets	222,881	223,948
Total non-current assets	6,622,532	6,888,397
CURRENT ASSETS		
Inventories	340,616	368,368
Trade receivables	55,800	120,345
Prepayment, deposits and other receivables	551,247	563,503
Investment in principal guaranteed deposits	3,070,100	4,256,500
Financial assets at fair value through profit or loss	1,210,218	-
Time deposits	55,930	105,880
Cash and cash equivalents	635,357	864,010
Total current assets	5,919,268	6,278,606
CURRENT LIABILITIES		
Trade payables	(1,117,025)	(1,483,454)
Customer deposits, other payables and accruals	(1,440,574)	(1,551,472)
Interest-bearing bank loans	(539,067)	(538,991)
Bonds	(3,210,212)	-
Tax payable	(32,010)	(258,751)
Total current liabilities	(6,338,888)	(3,832,668)
NET CURRENT (LIABILITIES)/ASSETS	(419,620)	2,445,938
TOTAL ASSETS LESS CURRENT LIABILITIES	6,202,912	9,334,335

	As at 30 September 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
NON-CURRENT LIABILITIES		
Bonds	-	(3,349,211)
Interest-bearing bank loans	(169,458)	(75,622)
Long term payables	(703,482)	(675,146)
Deferred tax liabilities	(355,821)	(358,564)
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Total non-current liabilities	(1,228,761)	(4,458,543)
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NET ASSETS	4,974,151	4,875,792
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EQUITY		
Equity attributable to owners of the parent		
Issued capital	55,477	55,739
Treasury shares	-	(10,623)
Reserves	4,863,250	4,775,930
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	4,918,727	4,821,046
Non-controlling interests	55,424	54,746
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TOTAL EQUITY	4,974,151	4,875,792
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UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

	For the nine months ended 30/09/2017 Unaudited RMB'000
Net cash outflow from operating activities	(35,915)
Net cash outflow from investing activities	(172,089)
Net cash outflow from financing activities	(20,649)
Net changes in cash & cash equivalents	(228,653)
Cash and cash equivalents at beginning of the period	864,010
Cash and cash equivalents at end of the period	635,357
Time deposits	55,930
Investment in principal guaranteed deposits	3,070,100
Financial assets at fair value through profit or loss	1,210,218
Cash & cash equivalents, deposits and financial assets at fair value through profit or loss at end of the period	4,971,605

Operation and Financial Review

The Group generated gross sales proceeds (“GSP”) of RMB3,475.0 million in 3Q2017. GSP for 9M2017 was RMB11,603.0 million, a decline of 4.6% as compared to the same period last year. The decline in GSP was mainly due to the closure of 7 stores in 2016 and 5 stores in 9M2017 as part of the Group’s continuing effort to optimise our store network. SSS increased by 1.4% in 3Q2017 and by 0.4% in 9M2017, demonstrating an encouraging trend of sales rebound.

Total operating revenue increased by 1.6% to RMB1,087.4 million in 3Q2017 and by 1.8% to RMB3,456.8 million for 9M2017. The increase was mainly attributable to the increase in direct sales which was contributed by the strong sales performance of the Cosmetics & Accessories category.

Concessionaire sales contributed approximately 84.2% to merchandise sales with the balance of 15.8% contributed by direct sales. The Cosmetics & Accessories category made up approximately 46.7% of the total merchandise sales, the Fashion & Apparel category contributed approximately 44.4%, the Household & Electrical category contributed approximately 3.3% and the balance of approximately 5.6% came from the Groceries & Perishables category.

Total operating expenses excluding purchases of goods and changes in inventories decreased by 12.7% to RMB2,120.0 million at the Group level and by 4.2% on a same store basis as a result of management's cost control effort.

Operating profit for 3Q2017 was RMB1.5 million. For 9M2017, operating profit of RMB72.0 million represented a turnaround improvement of RMB203.0 million as compared to the operating loss of RMB131.0 million recorded in the same period last year. Loss attributable to shareholders for 9M2017 reduced by RMB220.0 million to RMB28.1 million as compared to operating loss recorded during the same period last year of RMB248.1 million.

Moving forward, the Group is geared towards stabilising the upward sales trend as seen in the past few quarters. We will expand on successful new business ventures like the "Hogan Bakery" and continue to invest in new retail formats like the "Parkson Beauty" specialty store to strengthen our position as the leading retailer in China.

As at 30 September 2017, the Group operates and manages a diversified collection of retail formats – including 45 department stores, 1 shopping mall, 2 Parkson Newcore Citymalls, gourmet supermarkets, fashion and Food & Beverage outlets in over 30 major cities across China.

Acknowledgement

I would like to take this opportunity to thank the Board, management and all our staff for their hard work and dedication. I would also like to thank the shareholders and our loyal customers for their continued support to the Group.

On behalf of the Board
PARKSON RETAIL GROUP LIMITED
Tan Sri Cheng Heng Jem
Executive Director & Chairman

15 November 2017

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