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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 2016

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 2016.

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 gross sales proceeds (“GSP”) for Third Quarter (“3Q2016”) decreased by 7.0% to RMB3,669.5 million. GSP for the First Nine Months of The Year (“9M2016”) decreased by 10.6% to RMB12,164.7 million.

Same store sales (“SSS”) for 3Q2016 decreased by 7.3%.

Merchandise gross margin decreased by 0.5% to 16.8% and by 0.2% to 16.7% in 3Q2016 and 9M2016 respectively.

Total operating revenue increased by 0.5% to RMB1,070.7 million in 3Q2016, and decreased by 4.9% to RMB3,395.3 million in 9M2016.

Loss attributable to shareholders was RMB123.9 million and RMB248.1 million for 3Q2016 and 9M2016 respectively. Such loss was mainly attributable to one-off costs on store closures, losses from new business ventures, as well as increase in net finance costs.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR

	Quarter Ended		Year to Date	
	30 September		Ended 30 September	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross Sales Proceeds (inclusive of value-added tax)	3,669,511	3,945,131	12,164,707	13,602,036
Revenues	953,868	955,027	3,054,533	3,180,903
Other operating revenues	116,816	110,827	340,783	390,596
Total operating revenues	1,070,684	1,065,854	3,395,316	3,571,499
Operating expenses				
Purchases of goods and changes in inventories	349,320	321,761	1,098,971	1,053,256
Staff costs	178,500	177,367	556,919	510,191
Depreciation and amortization	113,881	114,014	293,751	318,628
Rental expenses	256,831	271,675	826,629	968,170
Other operating expenses	251,780	230,703	750,080	775,422
Total operating expenses	1,150,312	1,115,520	3,526,350	3,625,667
Loss from operations	(79,628)	(49,666)	(131,034)	(54,168)
Finance costs, net	(30,061)	(16,878)	(68,657)	(20,669)
Share of profits/(losses) of:				
A joint venture	3,618	5,590	14,394	19,680
Associates	133	27	(3,604)	71
Loss from operations before income tax	(105,938)	(60,927)	(188,901)	(55,086)
Income tax expense	17,186	17,197	58,018	38,886
Loss for the period	(123,124)	(78,124)	(246,919)	(93,972)
Attributable to:				
Owners of the parent	(123,852)	(76,982)	(248,059)	(100,243)
Non-controlling interests	728	(1,142)	1,140	6,271

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2016 Unaudited RMB'000	As at 31 December 2015 Audited RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	5,105,003	5,151,089
Investment properties	34,971	23,546
Prepaid land lease payment	424,451	434,436
Intangible assets	2,219,039	2,224,708
Investment in associates	51,447	55,389
Investment in a joint venture	43,450	29,056
Other assets	345,629	404,146
Deferred tax assets	279,748	281,958
Total non-current assets	8,503,738	8,604,328
CURRENT ASSETS		
Inventories	441,732	390,770
Trade receivables	54,615	61,130
Prepayment, deposits and other receivables	620,040	794,828
Dividend receivables	-	21,122
Investment in principal guaranteed deposits	1,753,290	2,075,120
Time deposits	104,705	297,354
Cash and cash equivalents	1,155,107	980,899
Total current assets	4,129,489	4,621,223
CURRENT LIABILITIES		
Trade payables	(1,262,194)	(1,494,092)
Customer deposits, other payables and accruals	(1,741,283)	(1,604,341)
Interest-bearing bank loans	(640,054)	(644,186)
Tax payable	(35,893)	(45,434)
Total current liabilities	(3,679,424)	(3,788,053)
NET CURRENT ASSETS	450,065	833,170
TOTAL ASSETS LESS CURRENT LIABILITIES	8,953,803	9,437,498

	As at 30 September 2016 <i>RMB'000</i>	As at 31 December 2015 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Bonds	(3,215,528)	(3,227,112)
Interest-bearing bank loans	(76,745)	(146,077)
Long term payables	(735,613)	(744,576)
Deferred tax liabilities	(276,834)	(280,419)
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Total non-current liabilities	(4,304,720)	(4,398,184)
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NET ASSETS	4,649,083	5,039,314
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EQUITY		
Equity attributable to owners of the parent		
Issued capital	55,890	56,408
Treasury shares	-	(13,308)
Reserves	4,537,074	4,929,168
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	4,592,964	4,972,268
Non-controlling interests	56,119	67,046
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TOTAL EQUITY	4,649,083	5,039,314
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UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

	For the nine months ended 30/09/2016 RMB'000
Net cash inflow from operating activities	33,328
Net cash inflow from investing activities	470,671
Net cash outflow from financing activities	(329,791)
Net changes in cash & cash equivalents	174,208
Cash and cash equivalents at beginning of the period	980,899
Cash and cash equivalents at end of the period	1,155,107
Time deposits	104,705
Investment in principal guaranteed deposits	1,753,290
Cash & cash equivalents and deposits at end of the period	3,013,102

Operation and Financial Review

The Group generated a total GSP of RMB3,669.5 million in 3Q2016 and RMB12,164.7 million in 9M2016, which represented a decline of 7.0% and 10.6% in 3Q2016 and 9M2016 respectively as compared to the same period of last year. The decline in GSP was mainly caused by the macro-economic headwinds as well as the closure of stores due to the challenging operating environment. SSS decreased by 7.3% in 3Q2016, showing a slight rebound as compared to the SSS decline of 9.7% for the first six months of 2016. Merchandise gross margin decreased by 0.5% to 16.8% in 3Q2016 and decreased by 0.2% to 16.7% in 9M2016.

For 3Q2016, total operating revenue increased by 0.5% to RMB1,070.7 million, mainly due to increase in rental income contributed by the opening of Lion Mall in the second quarter of 2016. For 9M2016, total operating revenue decreased by 4.9% to RMB3,395.3 million.

Concessionaire sales contributed approximately 86.8% to merchandise sales with the balance of 13.2% contributed by direct sales. The Fashion & Apparel category made up approximately 45.7% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 44.6%, the Household & Electrical category contributed approximately 3.6% and the balance of approximately 6.1% came from the Groceries and Perishables category.

The Group continued to systematically execute its transformation strategy. Our first standalone gourmet supermarket, the “Parkson Supermarket” and our first artisan bakery store, the “Hogan Bakery” have been opened in Shanghai. Moving forward, the Group will continue to enrich its retail format and expand its product offerings.

For 9M2016, the Group has closed 3 under-performing stores as part of management’s network optimization exercise. The Group recorded a loss attributable to shareholders of RMB123.9 million in 3Q2016 and RMB248.1 million in 9M2016 respectively. Such loss was mainly attributable to one-off costs on store closures, losses from new business ventures, as well as increase in net finance costs.

Pending the shareholders’ approval at an Extraordinary General Meeting, Beijing Huadesheng Property Management Co., Ltd, a wholly-owned subsidiary of the Group will be disposed of to unlock the value of the Group’s underperforming assets. The transaction is expected to generate a net gain of RMB0.9 billion to the Group upon completion.

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 continuous support to the Group.

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

17 November 2016

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.