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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)

UNAUDITED QUARTERLY RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

The Board of Directors (the “Board”) of Parkson Retail Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries together with a jointly-controlled entity and associates (hereinafter collectively referred to as the “Group”) for the quarter ended 31 March 2018.

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

Same store sales (“SSS”) for the quarter increased by 1.7%.

Total operating revenues increased by 2.9% to RMB1,291.1 million.

Merchandise gross margin increased by 0.2% to 15.7%.

Operating profit for the quarter increased by 181.7% to RMB87.9 million.

Profit attributable to shareholders for the quarter was RMB44.1 million, an increase of RMB43.0 million compared to the same period last year.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR

	Quarter Ended 31 March		Year to Date Ended 31 March	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross Sales Proceeds (inclusive of value-added tax)	4,324,183	4,406,890	4,324,183	4,406,890
Revenues	1,176,229	1,140,844	1,176,229	1,140,844
Other operating revenues	114,852	114,080	114,852	114,080
Total operating revenues	1,291,081	1,254,924	1,291,081	1,254,924
Operating expenses				
Purchases of goods and changes in inventories	520,579	479,658	520,579	479,658
Staff costs	163,212	176,460	163,212	176,460
Depreciation and amortization	65,674	79,321	65,674	79,321
Rental expenses	245,187	267,803	245,187	267,803
Other operating expenses	208,486	220,466	208,486	220,466
Total operating expenses	1,203,138	1,223,708	1,203,138	1,223,708
Profit from operations	87,943	31,216	87,943	31,216
Finance cost, net	(7,973)	(10,961)	(7,973)	(10,961)
Share of profit/ (loss) of :				
A joint venture	4,879	4,439	4,879	4,439
Associates	2,508	(1,796)	2,508	(1,796)
Profit before tax	87,357	22,898	87,357	22,898
Income tax	(39,778)	(17,704)	(39,778)	(17,704)
Net profit for the period	47,579	5,194	47,579	5,194
Attributable to:				
Owners of the parent	44,149	1,143	44,149	1,143
Non-controlling interests	3,430	4,051	3,430	4,051

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2018 <i>Unaudited</i> <i>RMB'000</i>	As at 31 December 2017 <i>Audited</i> <i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	3,757,444	3,797,592
Investment properties	33,365	33,634
Prepaid land lease payments	404,481	407,810
Intangible assets	1,759,758	1,759,987
Investment in a joint venture	35,139	30,260
Investment in associates	29,708	27,200
Other assets	170,785	211,023
Deferred tax assets	<u>202,100</u>	<u>200,102</u>
Total non-current assets	<u>6,392,780</u>	<u>6,467,608</u>
CURRENT ASSETS		
Inventories	341,163	324,694
Trade receivables	90,066	136,496
Prepayment, deposits and other receivables	756,413	528,895
Financial assets at fair value through profit or loss	472,729	1,604,430
Investment in principal guaranteed deposits with licensed banks	1,826,160	3,160,460
Time deposits with licensed banks	756,095	26,065
Cash and cash equivalents	<u>2,077,513</u>	<u>726,724</u>
Total current assets	<u>6,320,139</u>	<u>6,507,764</u>
CURRENT LIABILITIES		
Trade payables	(1,381,501)	(1,473,227)
Customer deposits, other payables and accruals	(1,408,970)	(1,564,022)
Tax payable	(51,419)	(42,497)
Bonds	(1,417,073)	(3,162,523)
Interest-bearing bank loans	<u>(642,047)</u>	<u>(693,177)</u>
Total current liabilities	<u>(4,901,010)</u>	<u>(6,935,446)</u>
NET CURRENT ASSETS/ (LIABILITIES)	<u>1,419,129</u>	<u>(427,682)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>7,811,909</u>	<u>6,039,926</u>

	As at 31 March 2018 <i>Unaudited</i> <i>RMB '000</i>	As at 31 December 2017 <i>Audited</i> <i>RMB '000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	(1,689,755)	(95,566)
Long term payables	(718,951)	(704,567)
Deferred tax liabilities	(290,085)	(320,688)
Total non-current liabilities	(2,698,791)	(1,120,821)
NET ASSETS	5,113,118	4,919,105
EQUITY		
Equity attributable to owners of the parent		
Issued capital	55,477	55,477
Reserves	5,009,068	4,818,486
	5,064,545	4,873,963
Non-controlling interests	48,573	45,142
TOTAL EQUITY	5,113,118	4,919,105

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

	For the three months ended 31 March 2018 RMB'000
Net cash inflow / (outflow) from operating activities	(22,244)
Net cash inflow / (outflow) from investing activities	1,517,974
Net cash inflow / (outflow) from financing activities	<u>(144,941)</u>
Net changes in cash & cash equivalents	1,350,789
Cash and cash equivalents at the beginning of the period	<u>726,724</u>
Cash and cash equivalents at the end of the period	2,077,513
Time deposits with licensed banks	756,095
Financial assets at fair value through profit or loss	472,729
Investment in principal guaranteed deposits with licensed banks	<u>1,826,160</u>
Cash and cash equivalents and deposits with licensed banks as at the end of the period	<u>5,132,497</u>

Operation and Financial Review

The Group generated gross sales proceeds of RMB4,324.2 million in the first quarter of 2018, a decline of 1.9% as compared to the same period last year, which was mainly due the closure of six underperforming stores in 2017 as part of the Group's continuing effort to optimize the productivity of our stores and to better utilize our resources. SSS for the quarter increased by 1.7%, demonstrating an encouraging rebound of sales trend from the decrease of 2.2% in the same period last year. Total operating revenues grew by 2.9% to RMB1,291.1 million, which was contributed by the strong sales performance of the Cosmetics & Accessories category in direct sales. Merchandise gross margin increased by 0.2% to 15.7% compared to the same period last year.

Concessionaire sales contributed approximately 82.7% to merchandise sales with the balance of 17.3% contributed by direct sales. The Cosmetics & Accessories category made up approximately 46.5% of the total merchandise sales, the Fashion & Apparel category contributed approximately 44.8%, the Household & Electrical category contributed approximately 3.2% and the balance of approximately 5.5% came from the Groceries & Perishables category.

Total operating expenses excluding purchases of goods and changes in inventories decreased by 8.3% to RMB682.6 million at the Group level and by 2.6% on a same store basis as a result of management's continuing cost control effort.

The Group generated profit from operations of RMB87.9 million, representing an increase of 181.7% from the same period last year. Profit attributable to shareholders was RMB44.1 million.

In January 2018, the Group has successfully bought back a sum of USD258.9 million of the principal amount of the USD500.0 million bonds that were maturing on 3 May 2018 by utilizing the credit facility granted by the Bank of Beijing (Shanghai branch). Through this exercise, the Group has successfully extended its debt maturity profile.

As at 31 March 2018, the Group operated and managed a diversified collection of retail formats – including 44 department stores, 1 shopping mall, 2 Parkson Newcore Citymalls, 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 strong support to the Group.

On behalf of the Board
Parkson Retail Group Limited
Tan Sri Cheng Heng Jem
Executive Director & Chairman

21 May 2018

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 Desmond and Mr. Yau Ming Kim, Robert.