

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022**

The board of directors (the “Board”) of Parkson Retail Group Limited (the “Company”) would like to present the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the quarter ended 30 September 2022.

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 revenues for the Third Quarter (“3Q2022”) and the First Nine Months of The Year (“9M2022”) are RMB932.2 million and RMB2,925.7 million respectively, representing a decrease of 10.5% and 17.1% respectively as compared to the corresponding period last year.

Same store sales (“SSS”) decreased by 11.7% in 3Q2022 and by 18.3% in 9M2022.

Profit from operations for 3Q2022 was RMB29.9 million. Profit from operations for 9M2022 decreased by 89.4% to RMB32.7 million as compared to the corresponding period last year.

Loss attributable to owners of the Company in 9M2022 was RMB266.6 million as compared to a loss of RMB42.9 million in the corresponding period last year.

The changes in the above performance indicators of the Group was weaker as compared to the corresponding period last year due to the recurrence of 2019 novel coronavirus (“COVID-19”) pandemic in various cities in the PRC since early 2022 and related prevention and control quarantine measures during the period.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Quarter Ended		Year to Date	
	30 September	2021	Ended 30 September	2021
	2022	2021	2022	2021
	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)	2,263,530	2,570,870	7,265,860	8,824,536
Revenues	815,858	925,323	2,584,717	3,181,480
Other operating revenues	116,388	116,352	340,952	346,200
Total operating revenues	932,246	1,041,675	2,925,669	3,527,680
Operating expenses				
Purchases of goods and changes in inventories	(455,612)	(510,298)	(1,453,885)	(1,773,910)
Staff costs	(127,886)	(138,387)	(408,737)	(426,396)
Depreciation and amortisation	(152,629)	(158,522)	(461,750)	(497,435)
Rental expenses	4,316	(12,089)	(8,512)	(58,394)
Other operating expenses	(170,498)	(160,366)	(560,127)	(462,107)
Total operating expenses	(902,309)	(979,662)	(2,893,011)	(3,218,242)
Profit from operations	29,937	62,013	32,658	309,438
Finance income	15,078	17,857	46,104	58,400
Finance costs	(115,660)	(120,413)	(333,333)	(379,873)
Share of (losses)/profits of:				
- A joint venture	(266)	1,137	(1,448)	5,323
- Associates	927	1,791	(3,970)	6,866
(Loss)/Profit before income tax	(69,984)	(37,615)	(259,989)	154
Income tax expense	302	(12,186)	(6,525)	(39,129)
Loss for the period	(69,682)	(49,801)	(266,514)	(38,975)
Attributable to:				
- Owners of the Company	(69,039)	(49,876)	(266,560)	(42,889)
- Non-controlling interests	(643)	75	46	3,914

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2022 Unaudited RMB '000	As at 31 December 2021 Audited RMB '000
NON-CURRENT ASSETS		
Property, plant and equipment	2,919,519	3,233,959
Investment properties	538,783	538,582
Right-of-use assets	2,658,333	3,018,455
Goodwill	1,683,979	1,691,564
Other intangible assets	5,362	9,067
Investments in joint venture	13,241	14,689
Investments in associates	47,109	51,079
Trade receivables	205,214	163,733
Time deposits	29,966	31,166
Other assets	363,603	393,384
Deferred tax assets	323,903	290,958
	8,789,012	9,436,636
CURRENT ASSETS		
Inventories	501,879	489,619
Trade receivables	211,558	210,910
Prepayment and other receivables	403,798	460,150
Financial assets at fair value through profit or loss	99,088	90,644
Investment in principal guaranteed deposits	-	500
Time deposits	4,900	704,467
Cash and cash equivalents	1,676,952	925,162
	2,898,175	2,881,452
Assets of a disposal group classified as held for sale	264,088	-
	3,162,263	2,881,452
CURRENT LIABILITIES		
Trade payables	663,399	854,660
Other payables and accruals	635,115	658,376
Contract liabilities	656,177	608,666
Interest-bearing bank loans	239,907	1,895,301
Lease liabilities	624,443	569,571
Tax payable	29,074	41,581
	2,848,115	4,628,155
NET CURRENT ASSETS/(LIABILITIES)	314,148	(1,746,703)
TOTAL ASSETS LESS CURRENT LIABILITIES	9,103,160	7,689,933

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2022 Unaudited <i>RMB'000</i>	As at 31 December 2021 Audited <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	2,276,917	25,948
Lease liabilities	3,023,054	3,361,801
Deferred tax liabilities	238,888	245,510
	5,538,859	3,633,259
 NET ASSETS	3,564,301	4,056,674
 EQUITY		
Issued capital	55,477	55,477
Reserves	3,438,059	3,928,397
	3,493,536	3,983,874
 Non-controlling interests	70,765	72,800
 TOTAL EQUITY	3,564,301	4,056,674

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

	For the nine months ended 30 September 2022 Unaudited RMB'000
Net cash flows from operating activities	295,289
Net cash flows from investing activities	680,163
Net cash flows used in financing activities	<u>(223,662)</u>
Net increase in cash and cash equivalents	751,790
Cash and cash equivalents at beginning of the period	<u>925,162</u>
Cash and cash equivalents at end of the period	<u><u>1,676,952</u></u>
Analysis of balances of cash and cash equivalents	
Cash and bank balances	1,322,816
Non-pledged time deposits of less than three months	<u>354,136</u>
Cash and cash equivalents	<u><u>1,676,952</u></u>
Cash and cash equivalents	1,676,952
Time deposits	34,866
Financial assets at fair value through profit or loss	<u>99,088</u>
Cash and cash equivalents, deposits and financial assets at fair value through profit or loss at end of the period	<u><u>1,810,906</u></u>

Operation and Financial Review

GSP and total operating revenues

The Group recorded unaudited gross sales proceeds (“GSP”) inclusive of value-added tax of RMB2,263.5 million in 3Q2022 and RMB7,265.9 million in 9M2022, representing a decrease of 12.0% and 17.7% in 3Q2022 and 9M2022 respectively as compared to the same period last year. The fluctuation in GSP was mainly due to the fluctuation in SSS. SSS decreased by 11.7% and 18.3% in 3Q2022 and 9M2022 respectively.

The following table sets out a breakdown of our total merchandise sales through different channels for the periods indicated:

	For the nine months ended 30 September				Year-on-year change (%)
	2022		2021		
	RMB'000	% of total	RMB'000	% of total	
Concessionaire sales	4,137,750	71.0%	5,101,176	71.2%	(18.9%)
Direct sales	1,685,988	29.0%	2,068,371	28.8%	(18.5%)
	<u>5,823,738</u>	<u>100.0%</u>	<u>7,169,547</u>	<u>100.0%</u>	(18.8%)

Total operating revenues decreased by 10.5% to RMB932.2 million in 3Q2022 and decreased by 17.1% to RMB2,925.7 million for 9M2022 as compared to the same period last year. The fluctuation was mainly due to the fluctuation in the revenue from contract with customers, which constituted 76.9% of total operating revenue. The revenue from contract with customers consists of sale of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees.

Operating expenses

Total operating expenses excluding purchases of goods and changes in inventories decreased by 0.4% to RMB1,439.1 million in 9M2022 as compared to RMB1,444.3 million in 9M2021. The decrease was mainly due to: (i) decrease in variable rental expenses as RMB48.5 million was deducted in rental expenses to reflect changes in lease payments that arise from rent concessions to which the practical expedient is applied in accordance with Amendment to IFRS16; and (ii) decrease in depreciation and amortisation as a results of lease modification for the right-of-use assets for the property.

Profit from operations

Profit from operations for 3Q2022 was RMB29.9 million. Profit from operations decreased by 89.4% to RMB32.7 million in 9M2022 as compared to the same period last year mainly due to decrease in revenue.

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company of RMB69.0 million in 3Q2022 and RMB266.6 million in 9M2022. During the period under review, the Group is facing challenges brought on by the pandemic and the instability of macro-economy which resulted in lower sales in 9M2022 as compared to same period last year.

As of 30 September 2022, the Group operates and manages 40 department stores (including concept stores “Parkson Beauty”), 1 Lion Mall, 2 Parkson Newcore City Malls, supermarkets, fashion and food & beverage outlets in 28 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

17 November 2022

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.