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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 FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

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 (hereinafter collectively referred to as the “Group”) for the three months ended 31 March 2023, together with the comparative unaudited figures for the corresponding period in 2022 as follows.

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 three months ended 31 March 2023 amounted to RMB1,106.0 million, representing a decrease of RMB11.0 million or 1.0% as compared to the corresponding period of last year.

Same store sales (“SSS”) for the three months ended 31 March 2023 increased by 0.6% as compared to the corresponding period of last year.

The Group recorded total Gross Sales Proceeds (“GSP”) inclusive of value-added tax of RMB2,877.3 million for the three months ended 31 March 2023, representing a decrease of 0.6% as compared to that of RMB2,895.6 million for the three months ended 31 March 2022.

Profit from operations for the three months ended 31 March 2023 was RMB104.2 million, an increase of RMB32.8 million or 45.9% as compared to RMB71.4 million for the corresponding period of last year.

Profit attributable to owners of the Company for the three months ended 31 March 2023 was RMB19.9 million, as compared to a loss attributable to owners of the Company of RMB30.1 million recorded for the three months ended 31 March 2022.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the three months ended 31 March	
	2023	2022
	Unaudited <i>RMB'000</i>	Unaudited <i>RMB'000</i>
Gross Sales Proceeds (inclusive of value-added tax)	2,877,260	2,895,575
Revenue	988,404	1,002,610
Other operating revenues	117,585	114,408
Total operating revenues	1,105,989	1,117,018
Operating expenses		
Purchases of goods and changes in inventories	(549,234)	(566,308)
Staff costs	(133,129)	(146,103)
Depreciation and amortisation	(141,330)	(155,154)
Rental expenses	(23,749)	(18,108)
Other operating expenses	(154,379)	(159,963)
Total operating expenses	(1,001,821)	(1,045,636)
Profit from operations	104,168	71,382
Finance income	13,827	15,627
Finance costs	(128,250)	(105,535)
Share of profits/(losses) of:		
– A joint venture	(156)	(1,342)
– Associates	4,717	2,523
Loss before income tax	(5,694)	(17,345)
Income tax expense	28,547	(11,581)
Profit/(Loss) for the period	22,853	(28,926)
Attributable to:		
– Owners of the Company	19,896	(30,083)
– Non-controlling interests	2,957	1,157

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2023 Unaudited <i>RMB'000</i>	As at 31 December 2022 Audited <i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	2,875,152	2,905,940
Investment properties	536,887	538,758
Right-of-use assets	2,370,826	2,478,736
Goodwill	1,652,960	1,652,960
Other intangible assets	2,892	4,127
Investment in a joint venture	12,810	12,966
Investments in associates	47,900	43,183
Trade receivables	246,246	249,585
Time deposits	25,102	25,102
Other assets	328,007	349,700
Deferred tax assets	337,291	331,261
	8,436,073	8,592,318
CURRENT ASSETS		
Inventories	419,896	500,802
Trade receivables	264,779	221,074
Prepayments and other receivables	514,034	444,271
Financial assets at fair value through profit or loss	92,594	108,315
Time deposits	10,445	9,477
Cash and cash equivalents	1,664,178	1,464,096
	2,965,926	2,748,035
Assets classified as held for sale	–	264,088
	2,965,926	3,012,123
CURRENT LIABILITIES		
Trade payables	634,807	480,425
Other payables and accruals	632,438	767,469
Contract liabilities	602,899	621,313
Interest-bearing bank loans	274,272	280,960
Lease liabilities	667,439	645,952
Tax payable	42,674	19,999
	2,854,529	2,816,118
NET CURRENT ASSETS	111,397	196,005
TOTAL ASSETS LESS CURRENT LIABILITIES	8,547,470	8,788,323

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

	As at 31 March 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	2,160,137	2,248,972
Lease liabilities	2,695,838	2,853,702
Deferred tax liabilities	<u>180,393</u>	<u>236,080</u>
	<u>5,036,368</u>	<u>5,338,754</u>
NET ASSETS	<u>3,511,102</u>	<u>3,449,569</u>
EQUITY		
Issued capital	55,477	55,477
Reserves	<u>3,384,091</u>	<u>3,325,197</u>
	3,439,568	3,380,674
Non-controlling interests	<u>71,534</u>	<u>68,895</u>
TOTAL EQUITY	<u>3,511,102</u>	<u>3,449,569</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

	For the three months ended 31 March 2023 Unaudited RMB'000
Net cash flows from operating activities	392,172
Net cash flows from investing activities	101,292
Net cash flows used in financing activities	<u>(293,382)</u>
Net increase in cash and cash equivalents	200,082
Cash and cash equivalents at beginning of the period	<u>1,464,096</u>
Cash and cash equivalents at end of the period	<u><u>1,664,178</u></u>
Analysis of balances of cash and cash equivalents	
Cash and bank balances	1,230,289
Non-pledged time deposits with original maturity of less than three months when acquired	<u>433,889</u>
Cash and cash equivalents	<u><u>1,664,178</u></u>
Time deposits	35,547
Financial assets at fair value through profit or loss	<u>92,594</u>
Cash and cash equivalents, deposits and financial assets at fair value through profit or loss at end of the period	<u><u>1,792,319</u></u>

Operation and Financial Review

GSP and total operating revenues

The Group recorded total GSP inclusive of value-added tax of RMB2,877.3 million for the three months ended 31 March 2023, representing a decrease of 0.6% as compared to the same period of last year. The decrease in GSP was mainly due to closure of unprofitable business. SSS increased by 0.6% during the three months ended 31 March 2023 as compared to the same period of last year.

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

	For the three-month period ended 31 March				Year-on-year change (%)
	2023		2022		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Concessionaire sales	1,688,535	72.4%	1,698,251	72.1%	(0.6%)
Direct sales	642,826	27.6%	657,552	27.9%	(2.2%)
	<u>2,331,361</u>	<u>100.0%</u>	<u>2,355,803</u>	<u>100.0%</u>	(1.0%)

Total operating revenues of the Group decreased by RMB11.0 million or 1.0% to RMB1,106.0 million for the three months ended 31 March 2023 as compared to RMB1,117.0 million for the three months ended 31 March 2022. The decrease in total operating revenues was mainly due to the decrease in the revenue from contracts with customers. The revenue from contracts with customers consists of sale of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees. For the three months ended 31 March 2023, revenue from contracts with customers, which constituted 78.5% of our total operating revenues for the three months ended 31 March 2023, decreased by 2.1% compared to the same period of last year.

Operating expenses

Total operating expenses excluding purchases of goods and changes in inventories decreased by RMB26.7 million or 5.6% to RMB452.6 million for the three months ended 31 March 2023 as compared to RMB479.3 million for the three months ended 31 March 2022. On a same store basis, total operating expenses excluding purchases of goods and changes in inventories decreased by 2.5%. The decrease was mainly due to: (i) decrease in depreciation and amortisation for the right-of-use assets of the properties as a result of closure of unprofitable business; and (ii) decrease in staff cost due to closure of unprofitable business.

Profit from operations

Profit from operations of the Group was RMB104.2 million for the three months ended 31 March 2023, an increase of RMB32.8 million or 45.9% as compared to RMB71.4 million for the three months ended 31 March 2022.

Profit/(Loss) attributable to owners of the Company

The Group recorded profit attributable to owners of the Company of RMB19.9 million for the three months ended 31 March 2023, as compared to loss attributable to owners of the Company of RMB30.1 million recorded for the three months ended 31 March 2022.

During the period under review, PRC has been optimising and adjusting its COVID-19 prevention and control measures in light of the evolving situation. The resumption of cross province and cross border travel is expected to gradually drive the Company's growth.

As at 31 March 2023, the Group operated and managed 43 stores (including department stores, shopping malls, city outlets, concept store "Parkson Beauty" and supermarkets) and 2 Parkson Newcore City Malls, in 29 major cities across China and Laos.

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

18 May 2023

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.