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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 2015

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 2015.

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 (“3Q2015”) decreased by 9.4% to RMB3,945.1 million. GSP for the First Nine Months of The Year (“9M2015”) decreased by 4.9% to RMB13,602.0 million.

Same store sales (“SSS”) for 9M2015 decreased by 6.3%.

Merchandise gross margin continued to be under pressure and decreased by 1.1% to 17.3% and 1.0% to 16.9% in 3Q2015 and 9M2015 respectively.

The Group incurred a loss before tax of RMB60.9 million for 3Q 2015 and RMB55.1 million for 9M2015. Such loss was mainly attributable to (i) increasingly competitive landscape of the retail sector which has led to drops in both sales and gross profit; (ii) a one-off provision made in the first quarter of 2015 in respect of the arbitral award arising from the disputes on the Beijing Metro City Shopping Plaza’s Tenancy Agreement which amounted to RMB140.9 million; and (iii) cost incurred by new business ventures and new stores during their ramp up period.

Without taking into account the aforesaid one-off provision, the Group would have recorded a profit before tax of RMB85.9 million in 9M2015.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR

	Quarter Ended		Year to Date	
	30 September 2015	2014	Ended 30 September 2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross Sales Proceeds (inclusive of value-added tax)	3,945,131	4,355,382	13,602,036	14,319,575
Revenues	955,027	1,067,754	3,180,903	3,381,751
Other operating revenues	110,827	111,917	390,596	358,770
Total operating revenues	1,065,854	1,179,671	3,571,499	3,740,521
Operating expenses				
Purchases of goods and changes in inventories	321,761	334,608	1,053,256	1,044,110
Staff costs	177,367	159,314	510,191	455,408
Depreciation and amortization	114,014	90,822	318,628	273,721
Rental expenses	271,675	290,255	968,170	832,973
Other operating expenses	230,703	273,491	775,422	787,915
Total operating expenses	1,115,520	1,148,490	3,625,667	3,394,127
(Loss)/profit from operations	(49,666)	31,181	(54,168)	346,394
Finance income/(costs), net	(16,878)	(83)	(20,669)	18,104
Share of profits of:				
A joint venture	5,590	7,069	19,680	23,315
An associate	27	31	71	97
(Loss)/profit from operations before income tax	(60,927)	38,198	(55,086)	387,910
Income tax expense	17,197	15,769	38,886	104,362
Net (loss)/profit for the period	(78,124)	22,429	(93,972)	283,548
Attributable to:				
Owners of the parent	(76,982)	22,568	(100,243)	275,492
Non-controlling interests	(1,142)	(139)	6,271	8,056

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2015 Unaudited RMB'000	As at 31 December 2014 Audited RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,733,542	3,750,757
Investment properties	28,349	25,502
Prepaid land lease payment	437,764	447,749
Intangible assets	2,183,660	2,162,617
Investment in an associate	41,294	2,023
Investment in a joint venture	45,832	26,151
Prepayment for purchase of land and buildings	1,196,524	867,840
Other assets	377,047	358,346
Deferred tax assets	227,766	213,707
Total non-current assets	8,271,778	7,854,692
CURRENT ASSETS		
Inventories	349,596	340,564
Trade receivables	69,641	85,570
Prepayment, deposits and other receivables	908,011	773,430
Investment in principal guaranteed deposits	2,104,460	3,532,690
Time deposits	102,634	227,626
Cash and cash equivalents	1,489,521	1,124,312
Total current assets	5,023,863	6,084,192
CURRENT LIABILITIES		
Trade payables	(1,285,968)	(1,813,994)
Customer deposits, other payables and accruals	(1,764,369)	(1,740,485)
Interest-bearing bank loans	(692,765)	(700,077)
Tax payable	(1,075)	(65,196)
Total current liabilities	(3,744,177)	(4,319,752)
NET CURRENT ASSETS	1,279,686	1,764,440
TOTAL ASSETS LESS CURRENT LIABILITIES	9,551,464	9,619,132

	As at 30 September 2015 RMB'000	As at 31 December 2014 RMB'000
NON-CURRENT LIABILITIES		
Bonds	(3,160,133)	(3,034,500)
Interest-bearing bank loans	(71,565)	–
Long term payables	(731,926)	(655,726)
Deferred tax liabilities	(261,987)	(269,988)
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Total non-current liabilities	(4,225,611)	(3,960,214)
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NET ASSETS	5,325,853	5,658,918
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EQUITY		
Equity attributable to owners of the parent		
Issued capital	56,718	57,862
Treasury shares	(15,233)	(76,148)
Reserves	5,215,747	5,577,897
Proposed final dividends	–	27,341
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	5,257,232	5,586,952
Non-controlling interests	68,621	71,966
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TOTAL EQUITY	5,325,853	5,658,918
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UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

	For the nine months ended 30/09/2015 RMB'000
Net cash inflow/(outflow) from operating activities	(528,920)
Net cash inflow/(outflow) from investing activities	1,030,524
Net cash inflow/(outflow) from financing activities	(136,395)
Net changes in cash & cash equivalents	365,209
Cash and cash equivalents at beginning of the period	1,124,312
Cash and cash equivalents at end of the period	1,489,521
Time deposits	102,634
Investment in principal guaranteed deposits	2,104,460
Cash & cash equivalents and deposits at end of the period	3,696,615

Operation and Financial Review

The market environment remained challenging during the period under review with weak consumer sentiment and intensifying competition leading to the decrease in both GSP and merchandise gross margin. GSP decreased by 9.4% to RMB3,945.1 million in 3Q2015 and for 9M2015 GSP decreased by 4.9% to RMB13,602.0 million compared to the same period last year. SSS decreased by 9.9% in 3Q2015 and 6.3% in 9M2015. Merchandise gross margin decreased by 1.1% to 17.3% in 3Q2015 and decreased by 1.0% to 16.9% in 9M2015.

Concessionaire sales continued to be the key driver and contributed approximately 88.9% of merchandise sales for 9M2015. The balance of 11.1% came from direct sales. Merchandise mix remained stable with the Fashion & Apparel category contributing approximately 46.4% of the total merchandise sales, the Cosmetics & Accessories category contributing approximately 44.4%, the Household & Electrical category contributing approximately 3.8% and the balance of approximately 5.4% contributed by the Groceries and Perishables category. Operating revenues for 3Q2015 decreased by 9.6% to RMB1,065.9 million and for 9M2015 decreased by 4.5% to RMB3,571.5 million.

Management continued with the execution of the Group's transformation strategy during the period and recent developments include the opening of the Group's first food and beverage outlet, the Library Coffee Bar in a mall in Shanghai, the launch of new private labels namely Zie Zac and Style Unlimited and the opening of our multi brand fashion outlet Bombon Fashion in Parkson stores. Zie Zac is our first full themed fashion private label with a unique brand identity offering both the Men's and Ladies' collections.

While the Group is on-track in rolling out its strategy of transforming into a lifestyle concept retail business, operating costs will be escalated in the short term for setting up new business divisions and new stores during the transformation period. Management believes that such transformation will benefit the Group's long term growth.

The Group incurred a loss before tax of RMB55.1 million for 9M2015. Such loss was mainly attributable to i) the increasingly competitive landscape of the retail sector which has led to drops in both sales and gross profit, ii) a one-off provision made in the first quarter of 2015 in respect of the arbitral award arising from the disputes on the Beijing Metro City Shopping Plaza's Tenancy Agreement which amounted to RMB140.9 million, and iii) costs incurred by new business ventures and new stores during their ramp up period.

Excluding the aforesaid one-off provision the Group would have recorded a profit before tax of RMB85.9 million in 9M2015. Loss attributable to owners of the parent was RMB77.0 million for 3Q2015 and was RMB100.2 million for 9M2015.

The Group opened three new stores in 9M2015, namely the Haerbin Taipingqiao Store, Beijing Changying Store and Qingdao Mix C Store. Management made the bold decision to close three underperforming stores during the period as part of our continuous effort to maintain a healthy store portfolio that maximizes return. Operations of two stores were temporarily ceased, the Shantou store due to relocation and the Tianshan store to undergo major remodeling to be re-launched as the first Korean themed city outlet in China. The Korean city outlet is a joint venture store with E-Land Group.

The Group now operates and manages 59 stores across 34 cities in the People's Republic of 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
Cheng Heng Jem
Executive Director & Chairman

19 November 2015

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 Directors are Datuk Lee Kok Leong and Dato' Dr. Hou Kok Chung and the Independent Non-executive Directors are Mr. Ko Tak Fai, Desmond, Mr. Yau Ming Kim, Robert and Dato' Fu Ah Kiow.