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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 FIRST QUARTER ENDED 31 MARCH 2017

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 2017.

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 increased by 0.9%.

Operating profit for the quarter increased by 109.2% to RMB31.2 million.

Profit attributable to shareholders for the quarter was RMB1.1 million, a turnaround increase of RMB18.9 million compared to the loss attributable to shareholders recorded for the same period last year of RMB17.8 million.

Same store sales (“SSS”) for the quarter declined by 2.2%.

Merchandise gross margin declined by 0.5% to 15.5%.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR

	Quarter Ended 31 March		Year to Date Ended 31 March	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross Sales Proceeds (inclusive of value-added tax)	4,406,890	4,669,671	4,406,890	4,669,671
Revenues	1,140,844	1,132,822	1,140,844	1,132,822
Other operating revenues	114,080	110,809	114,080	110,809
Total operating revenues	1,254,924	1,243,631	1,254,924	1,243,631
Operating expenses				
Purchases of goods and changes in inventories	479,658	425,390	479,658	425,390
Staff costs	176,460	185,040	176,460	185,040
Depreciation and amortization	79,321	85,447	79,321	85,447
Rental expenses	267,803	294,543	267,803	294,543
Other operating expenses	220,466	238,289	220,466	238,289
Total operating expenses	1,223,708	1,228,709	1,223,708	1,228,709
Profit from operations	31,216	14,922	31,216	14,922
Finance cost, net	(10,961)	(15,578)	(10,961)	(15,578)
Share of profit/ (loss) of :				
A joint venture	4,439	6,011	4,439	6,011
Associates	(1,796)	(1,067)	(1,796)	(1,067)
Profit before tax	22,898	4,288	22,898	4,288
Income tax	17,704	21,348	17,704	21,348
Net profit/(loss) for the period	5,194	(17,060)	5,194	(17,060)
Attributable to:				
Equity holders of the parent	1,143	(17,792)	1,143	(17,792)
Non-controlling interests	4,051	732	4,051	732

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2017 <i>Unaudited</i> <i>RMB'000</i>	As at 31 December 2016 <i>Audited</i> <i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	3,946,247	3,991,438
Investment properties	35,975	36,253
Prepaid land lease payments	417,794	421,123
Intangible assets	1,804,183	1,806,060
Investment in a joint venture	33,051	28,612
Investment in associates	47,328	49,124
Other assets	306,492	331,839
Deferred tax assets	<u>225,981</u>	<u>223,948</u>
Total non-current assets	<u>6,817,051</u>	<u>6,888,397</u>
CURRENT ASSETS		
Inventories	345,739	368,368
Trade receivables	56,290	120,345
Prepayment, deposits and other receivables	554,798	563,503
Investment in principal guaranteed deposits with licensed banks	3,831,510	4,256,500
Time deposits with licensed banks	393,500	105,880
Cash and cash equivalents	<u>650,174</u>	<u>864,010</u>
Total current assets	<u>5,832,011</u>	<u>6,278,606</u>
CURRENT LIABILITIES		
Trade payables	(1,222,819)	(1,483,454)
Customer deposits, other payables and accruals	(1,458,901)	(1,551,472)
Tax payable	(42,807)	(258,751)
Interest-bearing bank loans	<u>(507,757)</u>	<u>(538,991)</u>
Total current liabilities	<u>(3,232,284)</u>	<u>(3,832,668)</u>
NET CURRENT ASSETS	<u>2,599,727</u>	<u>2,445,938</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>9,416,778</u>	<u>9,334,335</u>

	As at 31 March 2017 <i>Unaudited</i> <i>RMB'000</i>	As at 31 December 2016 <i>Audited</i> <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Bonds	(3,328,084)	(3,349,211)
Interest-bearing bank loans	(155,247)	(75,622)
Long term payables	(721,998)	(675,146)
Deferred tax liabilities	(357,710)	(358,564)
Total non-current liabilities	(4,563,039)	(4,458,543)
NET ASSETS	4,853,739	4,875,792
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	55,739	55,739
Reserves	4,751,881	4,775,930
Treasury shares	(10,623)	(10,623)
	4,796,997	4,821,046
Non-controlling interests	56,742	54,746
TOTAL EQUITY	4,853,739	4,875,792

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

For the three
months
ended 31 March
2017
RMB'000

Net cash inflow / (outflow) from operating activities (Note)	(352,250)
Net cash inflow / (outflow) from investing activities	144,094
Net cash inflow / (outflow) from financing activities	<u>(5,680)</u>
Net changes in cash & cash equivalents	(213,836)
Cash and cash equivalents at the beginning of the period	<u>864,010</u>
Cash and cash equivalents at the end of the period	650,174
Time deposits with licensed banks	393,500
Investment in principal guaranteed deposits with licensed banks	<u>3,831,510</u>
Cash and cash equivalents and deposits with licensed banks as at the end of the period	<u>4,875,184</u>

Note: Net cash outflow from operating activities includes a one-off income tax of RMB317.9 million paid on gain recognized from the disposal of the entire equity interest in Beijing Huadesheng Property Management Co., Ltd, a wholly-owned PRC subsidiary of the Group which was disposed in December 2016. Excluding the one-off income tax paid, net cash outflow would be RMB34.4 million.

Operation and Financial Review

The market remained challenging and competitive in the first quarter of 2017 (“2017Q1”) with retailers offering promotions to maintain market share. Against this market backdrop coupled with the impact from store closures in 2016, gross sales proceeds for the quarter declined to RMB4,406.9 million, which represented a drop of 5.6% as compared to the same period last year. SSS for the quarter declined by 2.2%. Total operating revenues grew 0.9% mainly due to the increase in rental income contributed by the Qingdao Lion Mall. Merchandise gross margin declined by 0.5% to 15.5% compared to the same period last year.

During the period under review, the Group continued with its portfolio optimizing exercise, closing one store in 2017Q1 to further improve portfolio performance and persisted with improving operational efficiency. Total operating expenses decreased by 7.4% to RMB744.1 million at the Group level and by 4.7% on a same store basis as a result of management’s cost control effort.

Concessionaire sales contributed approximately 84.6% to merchandise sales with the balance of 15.4% contributed by direct sales. The Fashion & Apparel category made up approximately 45.1% of the total merchandise sales, the Cosmetics & Accessories category contributed approximately 46.0%, the Household & Electrical category contributed approximately 3.2% and the balance of approximately 5.7% came from the Groceries and Perishables category.

The Group generated profit from operations of RMB31.2 million, representing an increase of 109.2% from the same period last year. Profit attributable to shareholders was RMB1.1million.

As at 31 March 2017, the Group operates and manages a diversified collection of retail formats – including 49 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
Cheng Heng Jem
Executive Director & Chairman

18 May 2017

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 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.