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 2020

The board (the "Board") of directors (the "Directors") 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 2020, together with the comparative unaudited figures for the corresponding period in 2019 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 2020 amounted to RMB881.1 million, representing a decrease of RMB508.4 million or 36.6% as compared with the corresponding period of last year.

Same store sales ("SSS") for the three months ended 31 March 2020 decreased by 44.9%.

The Group recorded total Gross Sales Proceeds ("GSP") inclusive of value-added tax of RMB2,248.8 million for the three months ended 31 March 2020, representing a decrease of 46.3% as compared with that of RMB4,183.9 million for the three months ended 31 March 2019.

Loss from operations for the three months ended 31 March 2020 was RMB31.8 million, a turnaround decrease of RMB194.1 million as compared to a profit of RMB162.3 million for the corresponding period of last year.

Loss attributable to owners of the parent for the three months ended 31 March 2020 was RMB146.7 million, as compared to a loss of RMB0.1 million recorded for the three months ended 31 March 2019.

The above is mainly due to the impact of the Coronavirus Disease ("COVID-19"). During the Spring Festival to March 2020, most stores in China were closed and citizen under quarantine by the request of the government.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the three months ended 31 March	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Gross Sales Proceeds (inclusive of value-added tax)	**2,248,822**	4,183,867
Revenue	**808,764**	1,271,818
Other operating revenues	**72,291**	117,668
Total operating revenues	**881,055**	1,389,486
Operating expenses		
Purchases of goods and changes in inventories	**(462,779)**	(629,172)
Staff costs	**(135,949)**	(167,326)
Depreciation and amortisation	**(170,505)**	(203,424)
Rental expenses	**(14,495)**	(43,050)
Other operating expenses	**(129,168)**	(184,202)
Total operating expenses	**(912,896)**	(1,227,174)
(Loss)/profit from operations	**(31,841)**	162,312
Finance income	**33,228**	39,105
Finance costs	**(155,780)**	(174,601)
Share of profits and losses of:		
A joint venture	**321**	4,885
Associates	**(3,261)**	3,842
(Loss)/profit before income tax	**(157,333)**	35,543
Income tax credit/(expense)	**12,523**	(28,831)
(Loss)/profit for the period	**(144,810)**	6,712
Attributable to:		
Owners of the parent	**(146,695)**	(110)
Non-controlling interests	**1,885**	6,822

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2020 Unaudited *RMB'000*	As at 31 December 2019 Audited *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**3,422,728**	3,449,090
Investment properties	**301,316**	303,292
Right-of-use assets	**3,397,169**	3,248,189
Prepaid land lease payment	**377,857**	381,185
Intangible assets	**1,790,694**	1,792,053
Investment in a joint venture	**27,256**	26,934
Investment in associates	**38,508**	41,769
Trade receivables	**106,697**	78,482
Other assets	**411,848**	433,331
Time deposits	**787,808**	787,899
Deferred tax assets	**250,904**	227,586
Total non-current assets	**10,912,785**	10,769,810
CURRENT ASSETS		
Inventories	**401,311**	384,041
Trade receivables	**193,534**	265,536
Prepayment and other receivables	**491,975**	420,812
Financial assets at fair value through profit or loss	**163,813**	250,761
Investment in principal guaranteed deposits	**96,850**	250,050
Time deposits	**573,484**	939,482
Cash and cash equivalents	**1,848,919**	2,265,508
Total current assets	**3,769,886**	4,776,190
CURRENT LIABILITIES		
Trade payables	**(630,595)**	(1,136,563)
Other payables and accruals	**(565,815)**	(637,769)
Contract liabilities	**(657,580)**	(685,792)
Interest-bearing bank loans	**(862,491)**	(1,011,588)
Lease liabilities	**(492,301)**	(474,677)
Tax payable	**(35,127)**	(60,654)
Total current liabilities	**(3,243,909)**	(4,007,043)
NET CURRENT ASSETS	**525,977**	769,147
TOTAL ASSETS LESS CURRENT LIABILITIES	**11,438,762**	11,538,957

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 31 March 2020 Unaudited ***RMB'000***	As at 31 December 2019 Audited *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**(2,982,317)**	(3,013,883)
Lease liabilities	**(4,033,886)**	(3,865,554)
Deferred tax liabilities	**(295,291)**	(313,187)
Total non-current liabilities	**(7,311,494)**	(7,192,624)
NET ASSETS	**4,127,268**	4,346,333
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**55,477**	55,477
Reserves	**3,954,234**	4,175,184
	4,009,711	4,230,661
Non-controlling interests	**117,557**	115,672
TOTAL EQUITY	**4,127,268**	4,346,333

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

	For the three months ended 31 March 2020 Unaudited *RMB'000*
Net cash flows used in operating activities	(536,075)
Net cash flows from investing activities	594,937
Net cash flows used in financing activities	(475,451)
Net decrease in cash and cash equivalents	**(416,589)**
Cash and cash equivalents at beginning of the period	2,265,508
Cash and cash equivalents at end of the period	**1,848,919**
Analysis of balances of cash and cash equivalents	
Cash and bank balances	1,714,219
Non-pledged time deposits with original maturity of less than three months when acquired	134,700
Cash and cash equivalents	**1,848,919**
Time deposits	1,361,292
Investment in principal guaranteed deposits	96,850
Financial assets at fair value through profit or loss	163,813
Cash and cash equivalents, deposits and financial assets at fair value through profit or loss at end of the period	**3,470,874**

Operation and Financial Review

GSP and total operating revenues

The Group recorded total GSP inclusive of value-added tax of RMB2,248.8 million for the three months ended 31 March 2020, representing a decrease of 46.3% as compared to the same period of last year. The decrease in GSP was mainly due to the decrease in SSS. SSS decreased by 44.9% during the three months ended 31 March 2020. The decrease in SSS was primarily due to the impact of the outbreak of COVID-19 in early 2020. Emergency public health measures and various actions such as restrictions on the resumption date of work after Chinese New Year holidays, travel restriction and quarantine orders imposed by the local government of many cities in the People's Republic of China ("the PRC") to prevent the spread of the pandemic which has seriously affected the customer traffic. These measures and policies have led to some department stores of the Group postponed operations or shortened business hours during the period under review.

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				
	2020		2019		Year-on-year change (%)
	RMB'000	% of total	RMB'000	% of total	
Concessionaire sales	1,325,566	71.0%	2,661,234	78.1%	(50.2%)
Direct sales	540,534	29.0%	748,298	21.9%	(27.8%)
	1,866,100	100.0%	3,409,532	100.0%	(45.3%)

The following table sets out a breakdown of merchandise sales mix for the periods indicated:

	For the three-month period ended 31 March	
	2020	2019
	% of total merchandise sales	% of total merchandise sales
Cosmetics & Accessories	52.1%	51.1%
Fashion & Apparel	36.7%	40.9%
Groceries & Perishables	8.5%	5.4%
Household & Electrical	2.7%	2.6%
	100.0%	100.0%

The Group's merchandise gross margin (a combination of concessionaire commission rate and the direct sales margin) decreased from 15.6% for the three months ended 31 March 2019 to 14.9% for the three months ended 31 March 2020.

Total operating revenues of the Group decreased by RMB508.4 million or 36.6% to RMB881.1 million for the three months ended 31 March 2020 as compared to RMB1,389.5 million for the three months ended 31 March 2019. 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 2020, revenue from contracts with customers, which constituted 84.6% of our total operating revenues for the three months ended 31 March 2020, decreased by 35.9% compared to the same period of last year.

Operating expenses

Total operating expenses excluding purchases of goods and changes in inventories decreased by RMB147.9 million or 24.7% to RMB450.1 million for the three months ended 31 March 2020 as compared to RMB598.0 million for the three months ended 31 March 2019. On a same store basis, total operating expenses excluding purchases of goods and changes in inventories decreased by 17.9%. The decrease was mainly due to (i) a decreased in our variable rental expenses which was based on the turnover generated from the retail stores resulting from the decline in sales; and (ii) the continuing cost control measures implemented by the Group.

(Loss)/profit from operations

Loss from operations of the Group was RMB31.8 million for the three months ended 31 March 2020 compared with profit of RMB162.3 million for the three months ended 31 March 2019.

Loss attributable to owners of the parent

The Group recorded a loss attributable to owners of the parent of RMB146.7 million for the three months ended 31 March 2020, representing an increase of RMB146.6 million as compared to a loss of RMB0.1 million recorded for the three months ended 31 March 2019.

In January 2020, the Group launched a new Parkson store in Nanchang. The new Nanchang Bayi Guan Store, together with the Nanchang Zhongshan Road Store, allowing the Group more flexibility while leveraging on its diversified retail formats. In addition, the supermarket and food & beverage outlets of a new Parkson store in Laos were opened in January 2020, preparation work for the rest retail floors is well under way and the retail floors are expected to welcome guests in the later of this year.

In order to cope with the challenges of the impact of COVID-19, the Group has taken several measures including (i) active negotiations with landlords for rental reduction during this difficult period; (ii) further implementing cost control measures; and (iii) making use of online platforms and social media channels including Parkson's official WeChat account and our mobile shopping mini-program to develop promotion activities.

During the period under review, the Group has cooperated with different new business partners to look for various operating models to expand and diversify our retail portfolio. Although we are facing the challenging pandemic and the instability of macro-economy, the Group remains positive about the overall business prospect in the long run.

As at 31 March 2020, the Group operated and managed 40 stores (including concept stores "Parkson Beauty"), 1 Lion Mall, 2 Parkson Newcore City Malls, supermarkets, fashion and food & beverage outlets in 28 major cities.

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 2020

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. Ko Desmond and Mr. Yau Ming Kim, Robert.