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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 2022

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 2022, together with the comparative unaudited figures for the corresponding period in 2021 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 2022 amounted to RMB1,117.0 million, representing a decrease of RMB186.8 million or 14.3% as compared to the corresponding period of last year.

Same store sales (“SSS”) for the three months ended 31 March 2022 decreased by 19.1% as compared to the corresponding period of last year.

The Group recorded total Gross Sales Proceeds (“GSP”) inclusive of value-added tax of RMB2,895.6 million for the three months ended 31 March 2022, representing a decrease of 13.7% as compared to that of RMB3,356.0 million for the three months ended 31 March 2021.

Profit from operations for the three months ended 31 March 2022 was RMB71.4 million, a decrease of RMB46.3 million or 39.3% as compared to RMB117.7 million for the corresponding period of last year.

Loss attributable to owners of the Company for the three months ended 31 March 2022 was RMB30.1 million, as compared to a profit of RMB0.4 million recorded for the three months ended 31 March 2021.

During the period under review, COVID-19 has swept China with new variants of viruses which has impacted the above performance indicators.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the three months ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Gross Sales Proceeds (inclusive of value-added tax)	2,895,575	3,355,971
Revenue	1,002,610	1,190,969
Other operating revenues	114,408	112,825
Total operating revenues	1,117,018	1,303,794
Operating expenses		
Purchases of goods and changes in inventories	(566,308)	(683,835)
Staff costs	(146,103)	(148,786)
Depreciation and amortisation	(155,154)	(172,423)
Rental expenses	(18,108)	(26,875)
Other operating expenses	(159,963)	(154,168)
Total operating expenses	(1,045,636)	(1,186,087)
Profit from operations	71,382	117,707
Finance income	15,627	21,046
Finance costs	(105,535)	(132,766)
Share of profits and losses of:		
– Joint ventures	(1,342)	2,791
– Associates	2,523	2,988
(Loss)/profit before income tax	(17,345)	11,766
Income tax expense	(11,581)	(8,850)
(Loss)/profit for the period	(28,926)	2,916
Attributable to:		
– Owners of the Company	(30,083)	410
– Non-controlling interests	1,157	2,506

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2022 <i>RMB'000</i> Unaudited	As at 31 December 2021 <i>RMB'000</i> Audited
NON-CURRENT ASSETS		
Property, plant and equipment	3,209,781	3,233,959
Investment properties	583,990	538,582
Right-of-use assets	2,885,760	3,018,455
Goodwill	1,691,564	1,691,564
Other intangible assets	7,832	9,067
Investments in joint ventures	13,347	14,689
Investments in associates	53,602	51,079
Trade receivables	164,932	163,733
Time deposits	31,166	31,166
Other assets	410,838	393,384
Deferred tax assets	298,399	290,958
	9,351,211	9,436,636
CURRENT ASSETS		
Inventories	479,111	489,619
Trade receivables	177,951	210,910
Prepayments and other receivables	492,647	460,150
Financial assets at fair value through profit or loss	124,066	90,644
Investments in principal guaranteed deposits	1,800	500
Time deposits	107,124	704,467
Cash and cash equivalents	1,523,464	925,162
	2,906,163	2,881,452
CURRENT LIABILITIES		
Trade payables	602,658	854,660
Other payables and accruals	603,852	658,376
Contract liabilities	613,883	608,666
Interest-bearing bank loans	226,027	1,895,301
Lease liabilities	607,925	569,571
Tax payable	38,834	41,581
	2,693,179	4,628,155
NET CURRENT ASSETS/(LIABILITIES)	212,984	(1,746,703)
TOTAL ASSETS LESS CURRENT LIABILITIES	9,564,195	7,689,933

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 31 March 2022 <i>RMB'000</i> Unaudited	As at 31 December 2021 <i>RMB'000</i> Audited
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	2,108,272	25,948
Lease liabilities	3,193,691	3,361,801
Deferred tax liabilities	243,092	245,510
	5,545,055	3,633,259
NET ASSETS	4,019,140	4,056,674
EQUITY		
Issued capital	55,477	55,477
Reserves	3,891,010	3,928,397
	3,946,487	3,983,874
Non-controlling interests	72,653	72,800
TOTAL EQUITY	4,019,140	4,056,674

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS

	For the three months ended 31 March 2022 RMB'000 Unaudited
Net cash flows from operating activities	(87,700)
Net cash flows from investing activities	511,587
Net cash flows used in financing activities	174,415
Net decrease in cash and cash equivalents	598,302
Cash and cash equivalents at beginning of the period	925,162
Cash and cash equivalents at end of the period	1,523,464
Analysis of balances of cash and cash equivalents	
Cash and bank balances	1,257,542
Non-pledged time deposits with original maturity of less than three months when acquired	265,922
Cash and cash equivalents	1,523,464
Time deposits	138,290
Investment in principal guaranteed deposits	1,800
Financial assets at fair value through profit or loss	124,066
Cash and cash equivalents, deposits and financial assets at fair value through profit or loss at end of the period	1,787,620

Operation and Financial Review

GSP and total operating revenues

The Group recorded total GSP inclusive of value-added tax of RMB2,895.6 million for the three months ended 31 March 2022, representing a decrease of 13.7% as compared to the same period of last year. The decrease in GSP was mainly due to the decrease in SSS. SSS decreased by 19.1% during the three months ended 31 March 2022 as compared to the same period of last year. The decrease in SSS was primarily due to COVID-19 has swept China with new variants of viruses during the period under review which has seriously affected the customers traffic.

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 (%)
	2022		2021		
	RMB'000	% of total	RMB'000	% of total	
Concessionaire sales	1,698,251	72.1%	1,972,863	71.2%	(13.9%)
Direct sales	657,552	27.9%	798,220	28.8%	(17.6%)
	2,355,803	100.0%	2,771,083	100.0%	(15.0%)

Total operating revenues of the Group decreased by RMB186.8 million or 14.3% to RMB1,117.0 million for the three months ended 31 March 2022 as compared to RMB1,303.8 million for the three months ended 31 March 2021. 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 2022, revenue from contracts with customers, which constituted 79.4% of our total operating revenues for the three months ended 31 March 2022, decreased by 3.6% compared to the same period of last year.

Operating expenses

Total operating expenses excluding purchases of goods and changes in inventories decreased by RMB23.0 million or 4.6% to RMB479.3 million for the three months ended 31 March 2022 as compared to RMB502.3 million for the three months ended 31 March 2021. On a same store basis, total operating expenses excluding purchases of goods and changes in inventories decreased by 5.2%. The decrease was mainly due to: (i) decrease in depreciation and amortisation as a results of lease modification for the right-of-use assets for the property; and (ii) decrease in variable rental expenses which was based on the turnover generated from the retail stores resulting from the decrease in sales.

Profit from operations

Profit from operations of the Group was RMB71.4 million for the three months ended 31 March 2022, a decrease of RMB46.3 million or 39.3% as compared to RMB117.7 million for the three months ended 31 March 2021.

(Loss)/profit attributable to owners of the Company

The Group recorded loss attributable to owners of the Company of RMB30.1 million for the three months ended 31 March 2022, representing a decrease of RMB30.5 million as compared to a profit of RMB0.4 million recorded for the three months ended 31 March 2021.

During the period under review, the Group are facing challenges on the pandemic and the instability of macro-economy. In order to cope with the challenges of the impact of COVID-19, the Group continues to take several measures including (i) further implementing cost control measures; and (ii) making use of online platforms and social media channels including Parkson's official WeChat account and mobile shopping mini-program to develop promotion activities to increase sales. The Group remains positive about the overall business prospect in the long run.

Wenzhou Parkson Beauty was partially opened in January 2022. As at 31 March 2022, the Group operated and managed 43 stores (including "Parkson Beauty" concept stores), 1 Shopping Mall, 2 Parkson Newcore City Malls, supermarkets, fashion and food & beverage outlets in 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
Tan Sri Cheng Heng Jem
Executive Director & Chairman

19 May 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 Mr. Koong Lin Loong.