



PARKSON RETAIL ASIA LIMITED

(Co. Reg. No. 201107706H)
(Incorporated in the Republic of Singapore)

Unaudited Financial Statements for the First Quarter ended 30 September 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) Consolidated Income Statement

	Group		
	Quarter ended		
	30.09.2017	30.09.2016	+ / (-)
	S\$'000	S\$'000	%
Revenue	91,064	93,337	(2.4)
Other income	1,315	1,751	(24.9)
Items of expense			
- Changes in merchandise inventories and consumables	(40,840)	(37,199)	(9.8)
- Employee related expenses	(16,196)	(15,427)	(5.0)
- Depreciation and amortisation expenses	(6,700)	(6,284)	(6.6)
- Rental expenses	(29,030)	(27,865)	(4.2)
- Finance costs	(39)	(41)	4.9
- Other expenses	(12,760)	(14,581)	12.5
Total expenses	(105,565)	(101,397)	(4.1)
Loss before taxation	(13,186)	(6,309)	>(100.0)
Taxation	(82)	715	>(100.0)
Loss for the period	(13,268)	(5,594)	>(100.0)
Net loss for the period attributable to:			
Owners of the Company	(12,926)	(5,180)	>(100.0)
Non-controlling interests	(342)	(414)	17.4
	(13,268)	(5,594)	>(100.0)

1(a)(ii) Consolidated Statement of Comprehensive Income

	Group		
	Quarter ended		
	30.09.2017	30.09.2016	+ / (-)
	S\$'000	S\$'000	%
Net loss for the period	(13,268)	(5,594)	>(100.0)
Other comprehensive loss: Foreign currency translation	(1,266)	(12)	>100.0
Total comprehensive loss	(14,534)	(5,606)	>(100.0)
Total comprehensive loss attributable to:			
Owners of the Company	(14,182)	(5,211)	>(100.0)
Non-controlling interests	(352)	(395)	>(100.0)
	(14,534)	(5,606)	>(100.0)

1(a)(iii) Additional information to the Consolidated Income Statement

	Group	
	Quarter ended	
	30.09.2017	30.09.2016
	S\$'000	S\$'000
The following items have been included in arriving at loss before tax:		
Finance income	268	522

1(b)(i) Statements of Financial Position

	Group		Company	
	30.09.2017	30.06.2017	30.09.2017	30.06.2016
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	142,904	145,463	-	-
Land use right	7,598	7,798	-	-
Investments in subsidiaries	-	-	131,707	131,391
Investment in an associate	-	-	-	-
Deferred tax assets	1,929	1,957	-	-
Other receivables	22,397	22,138	-	-
Prepayments	1,967	1,994	-	-
Intangible assets	1,227	1,121	-	-
Derivatives	17	17	-	-
Investment securities	75	75	-	-
	178,114	180,563	131,707	131,391
Current assets				
Inventories	68,726	71,335	-	-
Trade and other receivables	22,730	16,514	17,274	16,847
Prepayments	6,351	5,021	24	13
Tax recoverable	3,231	3,495	-	-
Cash and short-term deposits	13,155	63,387	485	1,355
	114,193	159,752	17,783	18,215
Total assets	292,307	340,315	149,490	149,606
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	150,915	186,554	740	843
Other liabilities	29,282	26,795	-	-
Provisions	1,740	1,775	-	-
Tax payable	161	84	-	-
	182,098	215,208	740	843
Net current assets/(liabilities)	(67,905)	(55,456)	17,043	17,372
Non-current liabilities				
Other payables	6,024	6,100	-	-
Other liabilities	17,280	17,418	-	-
Provisions	10,708	10,859	-	-
Deferred tax liabilities	431	430	431	430
	34,443	34,807	431	430
Total liabilities	216,541	250,015	1,171	1,273
Net assets	75,766	90,300	148,319	148,333
Equity attributable to owners of the Company				
Share capital	231,676	231,676	231,676	231,676
Treasury shares	(549)	(549)	(549)	(549)
Other reserves	(167,425)	(166,169)	(50,692)	(51,046)
Retained earnings/(losses)	15,974	28,900	(32,116)	(31,748)
	79,676	93,858	148,319	148,333
Non-controlling interests	(3,910)	(3,558)	-	-
Total equity	75,766	90,300	148,319	148,333

1(b)(ii) Group's borrowings and debt securities

There were no loans and borrowings as at 30 September 2017 and 30 June 2017.

1(c) Consolidated Statement of Cash Flows

	Group	
	Quarter ended	
	30.09.2017	30.09.2016
	S\$'000	S\$'000
Operating activities		
Loss before tax	(13,186)	(6,309)
Adjustments for		
- Depreciation and amortisation	6,700	6,284
- Finance costs	39	41
- Finance income	(268)	(522)
- Allowance for doubtful debts	77	311
- Unrealised currency translation (gain)/ loss	3	(33)
- Others	825	659
Operating cash flows before changes in working capital	(5,810)	431
Changes in working capital		
- Inventories	1,687	(701)
- Receivables and prepayments	(8,352)	(2,974)
- Payables and other liabilities	(27,251)	(23,177)
Cash flows used in operations	(39,726)	(26,421)
Finance income received	46	448
Income tax refunded/(paid)	294	(2,619)
Net cash used in operating activities	(39,386)	(28,592)
Investing activities		
Purchase of property, plant and equipment	(10,051)	(11,453)
Addition of intangible assets	(193)	(13)
Net cash used in investing activities	(10,244)	(11,466)
Net decrease in cash and cash equivalents	(49,630)	(40,058)
Cash and cash equivalents at beginning of financial period	63,387	69,509
Effects of currency translation on cash and cash equivalents	(602)	(295)
Cash and cash equivalents at end of financial period	13,155	29,156

For the purpose of the consolidated statement of cash flows, consolidated cash and cash equivalents comprise the following:

	Group	
	30.09.2017	30.09.2016
	S\$'000	S\$'000
Cash at bank	11,659	18,006
Short-term bank deposits	1,496	11,150
	13,155	29,156

1(d)(i) Statements of Changes in Equity

	Attributable to owners of the Company								Non-controlling Interests	Equity, total
	Share capital	Treasury shares	Foreign currency translation reserve	Capital redemption reserve	Capital contribution from ultimate holding company	Merger reserve	Retained earnings	Equity attributable to owners of the Company, total		
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 01.07.2017	231,676	(549)	(52,376)	1	9,959	(123,753)	28,900	93,858	(3,558)	90,300
Loss for the period	-	-	-	-	-	-	(12,926)	(12,926)	(342)	(13,268)
Foreign currency translation	-	-	(1,256)	-	-	-	-	(1,256)	(10)	(1,266)
Total comprehensive loss for the period	-	-	(1,256)	-	-	-	(12,926)	(14,182)	(352)	(14,534)
Balance at 30.09.2017	231,676	(549)	(53,632)	1	9,959	(123,753)	15,974	79,676	(3,910)	75,766
Balance at 01.07.2016	231,676	(549)	(49,724)	1	9,959	(123,753)	90,313	157,923	(597)	157,326
Loss for the period	-	-	-	-	-	-	(5,180)	(5,180)	(414)	(5,594)
Foreign currency translation	-	-	(31)	-	-	-	-	(31)	19	(12)
Total comprehensive loss for the period	-	-	(31)	-	-	-	(5,180)	(5,211)	(395)	(5,606)
Balance at 30.09.2016	231,676	(549)	(49,755)	1	9,959	(123,753)	85,133	152,712	(992)	151,720

	Share capital	Treasury shares	Foreign currency translation reserve	Retained earnings / (losses)	Equity, total
Company	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 01.07.2017	231,676	(549)	(51,046)	(31,748)	148,333
Loss for the period	-	-	-	(368)	(368)
Foreign currency translation	-	-	354	-	354
Total comprehensive loss for the period	-	-	354	(368)	(14)
Balance at 30.09.2017	231,676	(549)	(50,692)	(32,116)	148,319
Balance at 01.07.2016	231,676	(549)	(42,472)	1,458	190,113
Profit for the period	-	-	-	2,399	2,399
Foreign currency translation	-	-	(3,834)	-	(3,834)
Total comprehensive loss for the period	-	-	(3,834)	2,399	(1,435)
Balance at 30.09.2016	231,676	(549)	(46,306)	3,857	188,678

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

No. of shares	30.09.2017	30.09.2016
Issued Share Capital	677,300,000	677,300,000
Treasury Shares held	3,500,000	3,500,000
Shares to be issued pursuant to the exercise of all the outstanding share options	-	-

1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30.09.2017	30.06.2017
Total number of issued shares excluding treasury shares	673,800,000	673,800,000

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the financial period ended 30 September 2017.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for in the most recent audited financial statements for the financial year ended 30 June 2017, except as mentioned in Note 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the applicable new and revised Financial Reporting Standards (FRSs) that became effective for the financial year beginning on or after 1 July 2017. The adoption of these new and revised FRSs has no material impact to the Group.

6. Earnings per ordinary share

Earnings per ordinary share attributable to owners of the Company: -

	Group	
	Quarter ended	
	30.09.2017	30.09.2016
Basic and diluted (cents)	(1.92)	(0.77)
Based on weighted average number of shares ('000)	673,800	673,800

There are no potential dilution effects on the ordinary shares of the Company. Accordingly, the basic and diluted earnings per share for the reported periods are the same.

7. Net Asset Value per ordinary share

	Group		Company	
	30.09.2017	30.06.2017	30.09.2017	30.06.2017
Net asset value per ordinary share based on total number of issued shares excluding treasury shares (S\$)	0.11	0.13	0.22	0.22

8. Review of Group Performance

Business Environments

The Group recorded the following Same Store Sales Growth (%SSSG+), by countries: -

SSSG	Quarter ended	
	30.09.2017	30.09.2016
Malaysia	-6.8%	-6.6%
Vietnam	-7.8%	-10.3%
Indonesia	-13.8%	-13.1%
Myanmar	n/a	-28.2%

SSSG for the Malaysia and Indonesia operations in Q1FY2018 was largely impacted by the absence of Hari Raya / Lebaran buying following the shift in festive calendar.

The operating environment of our biggest market in Malaysia remained challenging for the reported quarter. The Malaysian Institute of Economic Research reported that for the 3rd quarter of 2017 (calendar year), the country's consumer sentiment index continues to register below the 100-point confidence threshold for the 13th consecutive quarter at 77.1.

In Indonesia, consumer spending appears to soften for the reported quarter. Bank Indonesia reported that retailers expected a lower propensity to consume amongst households for the 3rd quarter of 2017 (calendar year) compared to the preceding quarter and 3rd quarter of 2016 (calendar year). The average retail sales growth for the 3rd quarter of 2017 (calendar year) was 0.4% year-on-year (%yoy+), down from 4.9% yoy in the preceding quarter and 9.4% yoy in the 3rd quarter of 2016 (calendar year).

Vietnam operations recorded a lower negative SSSG of -7.8% in Q1FY2018, partly due to the fading of novelty effects arising from the entry of international players e.g. Takashimaya, Zara and H&M in the comparative Q1FY2017. Competition in the country's retail market remained intense.

There were changes to Myanmar operations since the previous financial year where our store at FMI Centre, Yangon was closed in January 2017. However, the new store at Junction Square, Yangon had commenced operation in March 2017.

Operational Results

The component of Gross Sales Proceeds (%GSP) for Q1FY2018 is as follows: -

	Group		
	Quarter ended		
	30.09.2017	30.09.2016	+/(-)
	S\$'000	S\$'000	%
GSP			
Sale of goods - direct sales	51,190	47,879	6.9
Sale of goods - concessionaire sales	146,863	169,181	(13.2)
Total merchandise sales	198,053	217,060	(8.8)
Consultancy and management service fees	80	95	(15.8)
Rental income	3,709	3,516	5.5
Food and beverage	552	-	>100.0
Theme park and education centre	32	81	(60.5)
Total GSP	202,426	220,752	(8.3)

GSP of the Group declined (8.3)% yoy to S\$202.4 million for Q1FY2018. Total merchandise sales generated for the quarter was S\$198.1 million, with concessionaire sales contributing 74.2% (Q1FY2017: 77.9%) and direct sales contributing the balance of 25.8% (Q1FY2017: 22.1%).

Merchandise gross margins (a combination of the commission from concessionaires and direct sales margin) for Q1FY2018 was 23.3% (Q1FY2017: 24.2%).

Financial Results

Revenue

The component of revenue for Q1FY2018 is as follows: -

	Group		
	Quarter ended		
	30.09.2017	30.09.2016	+/(-)
	S\$'000	S\$'000	%
Revenue			
Sale of goods - direct sales	51,190	47,879	6.9
Commission from concessionaire sales	35,501	41,766	(15.0)
Consultancy and management service fees	80	95	(15.8)
Rental income	3,709	3,516	5.5
Food and beverage	552	-	>100.0
Theme park and education centre	32	81	(60.5)
Total revenue	91,064	93,337	(2.4)

As guided in the preceding quarterly results announcement dated 23 August 2017, performance of the Group during the reported quarter was impacted by the absence of festive buy following the shift in Hari Raya / Lebaran calendar to June 2017. The Group's revenue declined (2.4)% yoy to S\$91.1 million for Q1FY2018

Other Income

Other income for Q1FY2018 declined (24.9)% yoy to S\$1.3 million, mainly as a result of lesser finance income and foreign exchange gain.

Expenses

Total expenses of the Group increased 4.1% yoy to S\$105.6 million for Q1FY2018. Analysis of the major operating expense items is as follows: -

Changes in merchandise inventories and consumables (cost of direct sales)

Cost of direct sales increased 9.8% yoy to S\$40.8 million for Q1FY2018. These increases are primarily in line with the increase in direct sales.

Employee related expenses (staff costs)

Staff costs increased 5.0% yoy to S\$16.2 million for Q1FY2018. These increases are primarily due to the inclusion of staff costs for new stores and new ventures, and annual salary adjustments.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased 6.6% yoy to S\$6.7 million for Q1FY2018. These increases are mainly attributable to additional depreciation costs arising from new / renovated stores and outlets.

Rental expenses

Rental expenses increased 4.2% yoy to S\$29.0 million for Q1FY2018. These increases are mainly attributable to additional rental costs arising from new stores and new ventures, and annual rate adjustments.

Other expenses

Other expenses comprise mainly (a) promotional and advertising expenses, (b) selling and distribution expenses; and (c) general and administrative expenses.

Other expenses declined (12.5)% to S\$12.8 million for Q1FY2018, driven mainly by lesser promotional and advertising costs incurred post Hari Raya / Lebaran festivity, and lower utility expenses over energy-saving initiatives.

Pre-tax losses

The Group recorded pre-tax loss of S\$(13.2) million in Q1FY2018, mainly owing to (i) impact from the overall negative SSSG recorded by the Group's operations following the shift in festive calendar; and (ii) gestation period of new stores and new ventures.

Taxation

The Group recorded minimal tax expenses in Q1FY2018. No deferred tax benefits were recognised on losses incurred during the reported quarter.

Net losses attributable to owners of the Company

The Group recorded attributable net losses of S\$(12.9) million in Q1FY2018.

Review of Group Balance Sheet

The Group is in a net current liabilities (NCL+) position of S\$(67.9) million as at 30 September 2017. The NCL is as a result of the Group's investments in new stores and new ventures, whilst contribution from these investments have yet to achieve optimal level due to gestation period.

NCL of the Group increased 22.5% from its 30 June 2017 position mainly due to operating loss recorded for Q1FY2018, as well as additional investments in property, plant and equipment. As previously announced on 6 October 2017, the Group has received undertaking from Parkson Holdings Berhad to provide continued financial support for a period of twelve months from the date of the Board's approval of the FY2017 Audited Financial Statements.

Trade and other receivables increased 37.6% to S\$22.7 million, owing primarily to higher trade receivables and higher sales tax recoverable as at 30 September 2017. Prepayments (current) increased to S\$6.4 million mainly on account of prepaid rent for new stores.

During the reported quarter, the Group has also repaid both its creditors for Hari Raya / Lebaran sales and contractors for capital expenditures incurred. Consequently, both cash and short-term deposits and trade and other payables declined to S\$13.2 million and S\$150.9 million respectively as at 30 September 2017.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's commentary on its core business as outlined in paragraph 10 in the preceding quarterly results announcement dated 23 August 2017 is generally in line with the operating environment encountered in this reported quarter.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's performance in the next reporting quarter ending 31 December 2017 is expected to benefit from year-end school holiday and festive buying. Nevertheless, as the Group's operating environments are expected to remain challenging over fragile consumer sentiment and stiff competition, we will continue to be watchful over our strategy execution as well as performance of our stores.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared for the financial period ended 30 September 2017.

PART II - ADDITIONAL DISCLOSURE

13. Group Performance by Geographical Segment

Group	← Retailing →					Total
	Malaysia	Vietnam	Indonesia	Myanmar	Others	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
3 months ended 30.09.2017						
Gross Sales Proceeds	139,503	24,468	37,224	586	645	202,426
Revenue	69,313	6,697	14,103	306	645	91,064
Pre-tax results						
Retailing	(7,825)	(879)	(2,653)	(376)	-	(11,733)
Other businesses*	-	-	-	-	(1,105)	(1,105)
Investment holding	-	-	-	-	(348)	(348)
Reported pre-tax results	(7,825)	(879)	(2,653)	(376)	(1,453)	(13,186)
3 months ended 30.09.2016						
Gross Sales Proceeds	150,662	26,593	42,547	869	81	220,752
Revenue	70,164	7,508	15,215	369	81	93,337
Pre-tax results						
Retailing	(3,196)	(300)	(1,894)	(158)	-	(5,548)
Other businesses*	-	-	-	-	(766)	(766)
Investment holding	-	-	-	-	5	5
Reported pre-tax results	(3,196)	(300)	(1,894)	(158)	(761)	(6,309)

* Other businesses consist of edutainment, nursery, food and beverages

14. Interested person transactions for the financial period ended 30 September 2017

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholdersq mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholdersq mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	S\$000	S\$000
Lion Forest Industries Berhad Group ⁽¹⁾	-	92
Parkson Holdings Berhad Group ⁽²⁾	152	744
Secom (M) Sdn Bhd ⁽³⁾	-	67
Bonuskad Loyalty Sdn Bhd ⁽⁴⁾	-	1,292
PT Monica Hijaulestari ⁽⁵⁾	-	640
WatchMart (M) Sdn Bhd ⁽⁵⁾	-	55

Notes:

- (1) Purchase of merchandise and sale of gift vouchers.
- (2) (i) Royalty expenses, service charge income and rental income totaling S\$0.152 million;
(ii) Purchase of merchandises and net concessionaire sales totaling S\$0.744 million.
- (3) Purchase of security equipment and procurement of security services.
- (4) Marketing fees payable for bonus points issued and amounts receivable for points redemption made by cardholders.
- (5) Purchase of merchandise.

15. Confirmation by Directors

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results of Parkson Retail Asia Limited for the first quarter ended 30 September 2017, to be false or misleading.

16. Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

For and on behalf of the Board
PARKSON RETAIL ASIA LIMITED

Tan Sri William Cheng Heng Jem
Executive Chairman

Singapore
14 November 2017