



**Interim Financial Report
for the First Quarter Ended
30 September 2018**

Condensed Consolidated Statement of Profit or Loss	1
Condensed Consolidated Statement of Other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5
Notes to the Condensed Financial Statements	6 - 12

PARKSON HOLDINGS BERHAD (89194-P)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.9.2018	30.9.2017	Changes	30.9.2018	30.9.2017	Changes
		RM'000	RM'000	%	RM'000	RM'000	%
Gross sales proceeds		2,300,312	2,487,851	(8)	2,300,312	2,487,851	(8)
Revenue	7	924,120	916,810	1	924,120	916,810	1
Other operating income		73,693	82,815		73,693	82,815	
Operating expenses		(1,026,726)	(1,045,190)		(1,026,726)	(1,045,190)	
Operating loss		(28,913)	(45,565)	37	(28,913)	(45,565)	37
Finance income		21,096	21,503		21,096	21,503	
Finance costs		(36,053)	(30,488)		(36,053)	(30,488)	
Share of results of associates		270	(137)		270	(137)	
Share of results of joint ventures		2,018	1,801		2,018	1,801	
Loss before tax	23	(41,582)	(52,886)	21	(41,582)	(52,886)	21
Income tax expense	16	(18,914)	(11,034)		(18,914)	(11,034)	
Loss for the period		(60,496)	(63,920)	5	(60,496)	(63,920)	5
Loss for the period attributable to :							
- Owners of the parent		(43,010)	(43,529)	1	(43,010)	(43,529)	1
- Non-controlling interests		(17,486)	(20,391)		(17,486)	(20,391)	
		(60,496)	(63,920)		(60,496)	(63,920)	
Loss per share attributable to owners of the parent (sen) :							
- Basic	21	(4.03)	(4.08)		(4.03)	(4.08)	
- Diluted	21	(4.03)	(4.08)		(4.03)	(4.08)	

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements)

PARKSON HOLDINGS BERHAD (89194-P)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Loss for the period	(60,496)	(63,920)	(60,496)	(63,920)
<u>Other comprehensive income/(loss)</u>				
- Foreign currency translation, representing item that may be reclassified subsequently to profit or loss	(126,200)	37,531	(126,200)	37,531
Total comprehensive loss for the period	(186,696)	(26,389)	(186,696)	(26,389)
Total comprehensive loss for the period attributable to :				
- Owners of the parent	(109,904)	(24,751)	(109,904)	(24,751)
- Non-controlling interests	(76,792)	(1,638)	(76,792)	(1,638)
	(186,696)	(26,389)	(186,696)	(26,389)

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements)

PARKSON HOLDINGS BERHAD (89194-P)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2018 RM'000	AS AT 30.6.2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,658,387	2,718,906
Investment properties		210,660	211,291
Intangible assets		1,258,629	1,273,895
Land use rights		261,610	266,853
Investments in associates		18,287	18,443
Investments in joint ventures		15,877	24,966
Deferred tax assets		123,516	125,647
Receivables		370,005	384,803
Investment securities		18,945	18,945
Time deposits		800,597	811,910
		5,736,513	5,855,659
Current assets			
Inventories		398,351	377,910
Receivables		524,676	556,963
Investment securities		273,303	375,371
Deposits, cash and bank balances		1,778,355	1,781,600
		2,974,685	3,091,844
TOTAL ASSETS		8,711,198	8,947,503
EQUITY AND LIABILITIES			
Share capital		4,151,005	4,151,005
Other reserves		(1,605,584)	(1,538,690)
Accumulated losses		(427,364)	(378,538)
Equity attributable to owners of the parent		2,118,057	2,233,777
Non-controlling interests		1,299,720	1,373,780
Total equity		3,417,777	3,607,557
Non-current liabilities			
Deferred tax liabilities		140,497	155,177
Loans and borrowings	18	2,121,469	1,967,453
Long term payables and provisions		592,077	598,457
		2,854,043	2,721,087
Current liabilities			
Payables, other liabilities and provisions		2,001,217	2,060,417
Loans and borrowings	18	411,198	531,886
Tax payables		26,963	26,556
		2,439,378	2,618,859
Total liabilities		5,293,421	5,339,946
TOTAL EQUITY AND LIABILITIES		8,711,198	8,947,503
Net assets per share attributable to owners of the parent (RM)		1.98	2.09

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements)

PARKSON HOLDINGS BERHAD (89194-P)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the parent →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated losses RM'000			
30 September 2018							
At 1 July 2018	4,151,005	(20,903)	(1,517,787)	(378,538)	2,233,777	1,373,780	3,607,557
Total comprehensive loss for the period	-	-	(66,894)	(43,010)	(109,904)	(76,792)	(186,696)
Acquisition of non-controlling interest in a subsidiary	-	-	-	(5,816)	(5,816)	5,816	-
Dividends to non-controlling interests	-	-	-	-	-	(3,084)	(3,084)
At 30 September 2018	4,151,005	(20,903)	(1,584,681)	(427,364)	2,118,057	1,299,720	3,417,777
30 September 2017							
At 1 July 2017	4,151,005	(20,903)	(1,470,493)	(268,295)	2,391,314	1,457,413	3,848,727
Total comprehensive income/ (loss) for the period	-	-	18,778	(43,529)	(24,751)	(1,638)	(26,389)
Dividends to non-controlling interests	-	-	-	-	-	(1,939)	(1,939)
At 30 September 2017	4,151,005	(20,903)	(1,451,715)	(311,824)	2,366,563	1,453,836	3,820,399

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements)

PARKSON HOLDINGS BERHAD (89194-P)

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Interim financial report for the first quarter ended 30 September 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2018 RM'000	30.9.2017 RM'000
OPERATING ACTIVITIES		
Loss before tax	(41,582)	(52,886)
Adjustments for :		
Non-cash items	54,423	74,497
Non-operating items	12,669	7,321
Operating profit before working capital changes	25,510	28,932
Changes in working capital :		
Net changes in assets	30,835	(1,899)
Net changes in liabilities	(47,123)	(162,159)
Others (mainly interest and tax paid)	(48,317)	(24,581)
	(39,095)	(159,707)
INVESTING ACTIVITIES		
Changes in deposits with banks and investment securities	92,112	8,734
Others (mainly purchase of property, plant and equipment)	(18,013)	(21,613)
	74,099	(12,879)
FINANCING ACTIVITIES		
Dividends paid to non-controlling interests	(3,084)	(1,939)
Loans and borrowings	(28,185)	(545)
	(31,269)	(2,484)
Net changes in cash and cash equivalents	3,735	(175,070)
Effects of changes in exchange rates	(7,408)	(1,217)
Cash and cash equivalents at beginning of period	853,766	581,890
Cash and cash equivalents at end of period	850,093	405,603
Cash and cash equivalents at end of period comprise the following :		
Deposits, cash and bank balances	2,578,952	2,431,981
Less : Bank overdrafts	(41,631)	(47,288)
Less : Deposits with banks with original maturity of more than three months when acquired	(1,687,228)	(1,979,090)
	850,093	405,603

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements)

PARKSON HOLDINGS BERHAD (89194-P)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2018

(The figures have not been audited)

NOTES TO THE INTERIM FINANCIAL REPORT

1. Accounting policies and methods of computation

The condensed consolidated financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

The condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2018. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2018.

The significant accounting policies adopted in the condensed consolidated financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2018 except for the adoption of the following standards effective for the financial period beginning 1 July 2018 :

MFRS 9: Financial Instruments
MFRS 15: Revenue from Contracts with Customers
Amendments to MFRS 140: Transfers of Investment Property
Annual Improvements to MFRSs 2014 - 2016 Cycle
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above-mentioned standards did not have a material impact on the financial statements of the Group.

2. Comments about seasonal or cyclical factors

The Group's retail operations generally performed better with higher sales generated during the festive and holiday seasons.

3. Unusual items due to their nature, size or incidence

Other than as disclosed in Note 23, there were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial year-to-date.

4. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter and financial year-to-date results.

5. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial year-to-date.

6. Dividend paid

There were no dividends paid during the current quarter and financial year-to-date.

7. Revenue and segmental information

The Group's revenue for the financial year-to-date was as follows :

	RM'000	RM'000
Concessionaire sales (gross)	1,696,899	
Less : Cost of concessionaire sales	<u>(1,376,192)</u>	
Commissions from concessionaire sales		320,707
Sales of goods - Direct sales		516,520
Others (including rental income and management service fees)		86,893
		<u>924,120</u>

The Group's segmental information for the financial year-to-date was as follows :

	← Retailing →					Total
	Malaysia	People's Republic of China	Vietnam and Myanmar	Indonesia	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	<u>235,191</u>	<u>627,010</u>	<u>16,817</u>	<u>30,884</u>	<u>14,218</u>	924,120
Results						
Segment profit/(loss)	(18,424)	9,729	(6,561)	(5,969)	(7,688)	(28,913)
Finance income						21,096
Finance costs						(36,053)
Share of results of associates						270
Share of results of joint ventures						2,018
Loss before tax						<u>(41,582)</u>
Total assets	<u>570,382</u>	<u>7,389,106</u>	<u>108,772</u>	<u>119,442</u>	<u>523,496</u>	8,711,198

8. Subsequent events

There were no material events subsequent to the end of the current quarter.

9. Changes in composition of the Group

There were no material changes in the composition of the Group during the financial year-to-date other than the dissolution of Parkson HaiPhong Holdings Co Ltd and Parkson HCMC Holdings Co Ltd, both wholly-owned subsidiaries of Parkson Vietnam Investment Holdings Co Ltd which is in turn a wholly-owned subsidiary of the Company, by way of voluntary liquidation.

10. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since 30 June 2018.

11. Performance review

	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
	30.9.2018 RM'000	30.9.2017 RM'000	Changes %	30.9.2018 RM'000	30.9.2017 RM'000	Changes %
Revenue						
Retailing :						
- Malaysia	235,191	220,469	7	235,191	220,469	7
- China	627,010	617,752	1	627,010	617,752	1
- Vietnam and Myanmar	16,817	21,960	(23)	16,817	21,960	(23)
- Indonesia	30,884	44,224	(30)	30,884	44,224	(30)
	909,902	904,405	1	909,902	904,405	1
Others	14,218	12,405	15	14,218	12,405	15
	924,120	916,810	1	924,120	916,810	1
Segment profit/(loss)						
Retailing :						
- Malaysia	(18,424)	(25,026)	26	(18,424)	(25,026)	26
- China	9,729	938	>100	9,729	938	>100
- Vietnam and Myanmar	(6,561)	(4,224)	(55)	(6,561)	(4,224)	(55)
- Indonesia	(5,969)	(8,351)	29	(5,969)	(8,351)	29
	(21,225)	(36,663)	42	(21,225)	(36,663)	42
Others	(7,688)	(8,902)	14	(7,688)	(8,902)	14
	(28,913)	(45,565)	37	(28,913)	(45,565)	37

For the 3 months ended 30 September 2018, the Group's **Retailing** Division registered a marginal growth in revenue to RM910 million with operating loss narrowing to RM21 million. Performance of our retailing operations in each location were as follows :

- **Malaysia**

For the 3 months ended 30 September 2018, our Malaysia operations benefited from the buoyant consumer confidence during the tax break (zero-rated Goods and Services Tax effective 1 June 2018 pending the re-introduction of the Sales and Service Tax on 1 September 2018), resulting in a positive same store sales ("SSS") growth of 6%. This has enabled Parkson Malaysia to achieve a 7% revenue growth to RM235 million with lower operating loss.

- **China**

Our Parkson China operations reported a marginal growth in revenue to RM627 million for the current quarter under review. The higher revenue coupled with improved operating efficiencies have enabled Parkson China to report a higher operating profit of RM10 million against RM1 million a year ago.

11. Performance review (Cont'd.)

- Vietnam and Myanmar

The Group's Vietnam operations recorded a negative SSS growth of 17% for the current quarter under review amidst the increasingly saturated retail scene. Contribution of the Myanmar operations remained negligible to the Group. These 2 retail countries reported a lower revenue of RM17 million with a higher operating loss of RM7 million for the current reporting period.

In July 2018, Parkson Vietnam closed a non-performing store in Ho Chi Minh City. As at 30 September 2018, the Group has 5 stores in Vietnam and 1 store in Myanmar.

- Indonesia

Our Indonesia operations recorded a marginal positive SSS growth of 0.3% for the quarter under review, mainly driven by efforts to stimulate topline growth through increasing contribution of house brands and targeted promotions. The lower revenue of RM31 million was mainly due to the closure and downsizing of underperforming stores over the years to optimise store effectiveness. This has accordingly enabled the operations to report a lower operating loss of RM6 million for the 3 months ended 30 September 2018 compared with RM8 million a year ago.

The Group owned and operated 14 stores as at 30 September 2018 in Indonesia following the closure of a store in Jakarta in this quarter.

Results of the **Others** Division were mainly derived from the consumer financing business, operation of food and beverage ("F&B") business and investment holding. For the current reporting period, the Group's consumer financing business carried out under *Parkson Credit* continued to post increasing revenue and profitability; whilst the F&B business registered revenue growth with improving operating efficiencies from its bakery operations. Resulting therefrom, the division recorded a 15% revenue growth to RM14 million with a lower operating loss of RM8 million.

12. Comment on material change in profit

	Current Quarter	Immediate Preceding Quarter	
	30.9.2018	30.6.2018	Changes
	RM'000	RM'000	%
Revenue	924,120	939,679	(2)
Operating loss	(28,913)	(2,965)	(>100)
Loss before tax	(41,582)	(50,742)	18

Compared with the strong consumer spending during the Muslim's festive season in the immediate preceding quarter, the Group's retailing operations experienced lower traffic flow in the absence of major festivities for the current quarter under review. Accordingly, the Group's revenue decreased by 2% to RM924 million with an operating loss of RM29 million.

Higher loss before tax in the immediate preceding quarter was mainly due to the inclusion of impairment loss on assets.

13. a) Prospects

The Group's performance in the next quarter ending 31 December 2018 is expected to benefit from the year-end festivities and holiday seasons. Nevertheless, the Group remains cautious of the more challenging market environment across the retailing regions. The Group will continue to drive topline growth proactively including diversification of retail formats, and strive to optimise store productivity and implement cost rationalisation which have yielded results as seen in the past few quarters.

b) Forecast or target previously announced

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

14. Statement of the Board of Directors' opinion on achievement of forecast or target

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

15. Profit forecast or profit guarantee

No profit forecast or profit guarantee was published.

16. Income tax expense

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
Income tax expense comprises :	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
Current year income tax :				
- Arising in Malaysia	783	39	783	39
- Arising outside Malaysia	18,131	10,995	18,131	10,995
	18,914	11,034	18,914	11,034

Excluding the share of results of associates and joint ventures, the effective tax rate of the Group for the current quarter and financial year-to-date were higher than the Malaysian statutory tax rate mainly due to certain expenses which were not deductible for tax purposes and deferred tax not recognised in respect of the losses.

17. Corporate proposals**a) Status of corporate proposals**

There were no corporate proposals pending completion as at the end of the reporting period.

b) Status of utilisation of proceeds

The disclosure requirements are not applicable.

18. Borrowings and debt securities

The Group's loans and borrowings as at the end of the reporting period were as follows :

	AS AT 30.9.2018		AS AT 30.9.2017	
	Foreign Currency '000	RM'000	Foreign Currency '000	RM'000
Non-current				
<u>Secured</u>				
- Hire purchase liabilities	-	363	-	-
- Term loans and bank loans :				
US\$ denominated	(@) 487,284	2,016,301	17,901	75,225
HK\$ denominated	198,000	104,805	59,608	32,059
		<u>2,121,469</u>		<u>107,284</u>
<u>Unsecured</u>				
- Term loans : US\$ denominated	-	-	15,000	63,377
Total non-current loans and borrowings		<u>2,121,469</u>		<u>170,661</u>
Current				
<u>Secured</u>				
- Hire purchase liabilities	-	1,383	-	-
- Bankers' acceptance	-	6,057	-	-
- Term loans and bank loans :				
US\$ denominated	30,401	125,879	27,500	115,655
HK\$ denominated	258,608	136,887	458,675	246,744
- Notes : US\$ denominated (#)	-	-	482,500	2,032,385
		<u>270,206</u>		<u>2,394,784</u>
<u>Unsecured</u>				
- Term loans : US\$ denominated	15,000	62,361	-	-
- Revolving financing	-	37,000	-	30,000
- Bank overdrafts	-	41,631	-	47,288
		<u>140,992</u>		<u>77,288</u>
Total current loans and borrowings		<u>411,198</u>		<u>2,472,072</u>
Total loans and borrowings		<u>2,532,667</u>		<u>2,642,733</u>

Exchange rates used :

As at 30.9.2018 - US\$1.00: RM4.14 ; HK\$1.00: RM0.53

As at 30.9.2017 - US\$1.00: RM4.21 ; HK\$1.00: RM0.54

(#) During the financial year ended 30 June 2018, Parkson Retail Group Limited ("PRGL"), a 54.97% owned subsidiary of the Company, had fully settled the 4.5% Notes ("Notes"). The maturity date of the Notes was 3 May 2018.

(@) A loan amounting to US\$487.3 million was drawn down from Bank of Beijing by the PRGL Group for the purpose of settlement of the Notes.

19. Changes in material litigation

There were no material changes in the material litigations since 30 June 2018.

20. Dividend proposed

The Board of Directors does not recommend any dividend for the current quarter and financial year-to-date.

21. Loss per share**Basic**

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the parent by the weighted average number of ordinary shares of the Company in issue during the financial period.

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Loss attributable to owners of the parent (RM'000)	(43,010)	(43,529)	(43,010)	(43,529)
Weighted average number of ordinary shares in issue ('000)	1,067,180	1,067,180	1,067,180	1,067,180
Basic loss per share (sen)	(4.03)	(4.08)	(4.03)	(4.08)

Diluted

The basic loss per share and the diluted loss per share are the same for the period as the Company has no dilutive potential ordinary shares as at the end of the reporting period.

22. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2018 was not qualified.

23. Loss before tax

Loss before tax is arrived at after crediting/(charging) the following income/(expenses) :

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
a) Interest income	21,096	21,503	21,096	21,503
b) Other income including investment income	72,888	81,114	72,888	81,114
c) Interest expense	(36,053)	(30,488)	(36,053)	(30,488)
d) Depreciation and amortisation	(58,416)	(74,040)	(58,416)	(74,040)
e) Provision for and write off of receivables	(1,715)	(2,158)	(1,715)	(2,158)
f) Provision for and write off of inventories	-	-	-	-
g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
h) Impairment of assets	-	-	-	-
i) Foreign exchange gain/(loss)	(3,188)	1,701	(3,188)	1,701
j) Gain/(Loss) on derivatives	805	-	805	-
k) Exceptional item	-	-	-	-