

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS

The Group is principally engaged in the operation of the “Parkson” brand department stores. Its stores offer a wide range of internationally renowned brands of fashion and lifestyle related merchandise in 4 main categories namely, *Fashion & Apparel*, *Cosmetics & Accessories*, *Household & Electrical*, and *Groceries & Perishables*, essentially targeting the young and contemporary market segment.

In addition, the Group is also involved in the retailing of fashionable goods, consumer financing business and operation of food and beverage (“F&B”) outlets.

The businesses of the Group are spearheaded by Parkson Retail Group Limited, listed on The Stock Exchange of Hong Kong Limited, which operates 43 retail stores in 29 cities across China; and Parkson Retail Asia Limited, listed on the Singapore Exchange Securities Trading Limited, that operates 37 retail stores in Malaysia.

The number of owned and managed stores in each location is as follows:

As at 31 December	Number of Stores	
	2023	2022
Malaysia	37	38
China	43	42
Vietnam (#)	–	1
	80	81



(#) : Ceased its operations during the financial year under review.

OVERVIEW

	2023 RM Million	2022 RM Million	Change
Consolidated Statement of Profit or Loss			
<u>Continuing operations</u>			
Gross sales proceeds	7,360	7,018	5%
Revenue	3,122	2,915	7%
Operating profit	512	225	>100%
Profit/(loss) before tax	115	(154)	>100%
Consolidated Statement of Financial Position			
Total assets	8,526	8,860	-4%
Deposits, cash and bank balances	1,495	1,306	14%
Total liabilities	6,108	6,489	-6%
Total borrowings	1,740	1,739	0.1%
Net assets	1,435	1,438	-0.2%

For the financial year ended 31 December 2023 (“FYE 2023”), the Group generated a higher gross sales proceeds of RM7,360 million with revenue increasing by 7% to RM3,122 million, attributed to the revival of shopper traffic at our retailing stores following the reduced impact of COVID-19, coupled with the additional rental income source from an investment property in Beijing, China.

The Group’s operating profit surged to RM512 million for the FYE 2023 as compared with RM225 million last year. The improvement was attributed to the higher revenue, together with the Group’s ongoing efforts in optimising stores’ effectiveness and implementing cost rationalisation measures. Accordingly, the Group reported a profit before tax of RM115 million, a turnaround from the loss before tax of RM154 million recorded a year ago.

As at 31 December 2023, the Group’s total assets decreased by 4% to RM8,526 million due to the impairment loss on assets, in addition to depreciation and amortisation. The increase in the deposits, cash and bank balances to RM1,495 million was mainly driven by the net cash inflow from the Group’s operating activities. Total liabilities reduced by 6% to RM6,108 million, with total borrowings standing at RM1,740 million, primarily due to repayment to creditors and suppliers. The Group’s net assets stood at RM1,435 million or RM1.25 per share (31.12.2022: RM1,438 million or RM1.25 per share).

REVIEW OF OPERATIONS

Malaysia

	Financial year ended 31 December	
	2023	2022
Number of stores	37	38
Revenue (RM Million)	769	755
Segment profit (RM Million)	191	209

Compared with a year ago which saw a revival in its stores’ footfall in tandem with the full lifting of movement restrictions, the Group’s retailing operations in Malaysia achieved a 2% increase in revenue to RM769 million for the FYE 2023 amidst a weaker consumer sentiment since the second quarter of FYE 2023 brought about by the inflationary pressures and rising cost of living. However, the operations reported a lower operating profit of RM191 million as compared with RM209 million a year ago, attributed primarily to the increase in operating costs.

In December 2023, Parkson Malaysia opened *Parkson Summer Mall*, marking its inaugural establishment in Kota Samarahan, Sarawak. As the Group actively pursues avenues for new stores opening, it is concurrently undertaking stores renovation to enhance the overall shopping experience for its customers. The Group continues to stay focused on improving stores’ productivity and optimising operating efficiencies. During the FYE 2023, *Parkson The Spring Kuching* and *Parkson Nu Sentral* were closed at the expiration of their lease commitments.

Looking ahead, the Group acknowledges the potential impact of inflationary pressures and higher cost of living on consumer sentiments. However, the Group believes that it is able to mitigate these challenges through strategies on improving gross margins and sales productivity developed over the years, and remains steadfast in its commitment to improving and sustaining financial performance by implementing cost rationalisation measures.



China

	Financial year ended 31 December	
	2023	2022
Number of stores	43	42
Revenue (RM Million)	2,278	2,107
Segment profit (RM Million)	317	27



For the FYE 2023, Parkson China registered a commendable revenue growth of 8% to RM2,278 million compared with RM2,107 million a year ago. This growth was credited to the resurgence of shopper traffic at our retailing stores following the full lifting of COVID-19 related prevention and control measures since end of 2022, coupled with the additional rental income source from the Group’s newly-renovated investment property, the *Fuxingmen Parkson* building in Beijing.

The higher revenue, together with the ongoing efforts in optimising operating efficiencies and stringent cost control measures, have resulted in Parkson China achieving an impressive operating profit of RM317 million for the current financial year.

The Group is implementing its strategies of “Multiple Stores in a City” and “Model Innovation” to meet the changing consumption pattern. During the FYE 2023, the Group opened Yichun store and Nanchang Liantang store, the Group’s third and fourth stores in Jiangxi Province. Furthermore, plans are underway to open new stores in markets that the Group is very familiar with, aiming to gain greater market share in the long run.



Amidst ongoing market changes and intense competition, the Group remains focused on its main business while diversifying its income sources and exploring various business models in driving sustainable development. The Group’s beauty concept store, namely “Parkson Beauty” specialises in premium cosmetics, skincare products and beauty services offering fashionable products and personalised beauty service to esteemed customers. The Group closely monitors the development trends of the beauty market and promptly launches targeted strategies for the beauty sector, aiming to attract the younger generation of consumers through customised service experiences.

The China economy is expected to stabilise in 2024 with policies geared towards economic recovery, but it also faces multiple pressures and challenges. The Group remains vigilant in monitoring the post-pandemic changes in consumption behavior and adjusting its strategy accordingly. The Group is confident that with its business strategies and extensive experience in the retail market over the past three decades, it can achieve stable and sustainable performance, and create long-term value for the shareholders.



Others

	Financial year ended 31 December	
	2023	2022
Revenue (RM Million)	75	54
Segment profit/(loss) (RM Million)	4	(11)

Results of this Division were mainly derived from the consumer financing business, operation of F&B business and investment holding. For the FYE 2023, the Group's consumer financing business continued to demonstrate growth in both revenue and operating profit whilst the bakery operation showed improvement in visitor traffic over the previous year.



The Group's consumer financing business carried out by *Parkson Credit* provides credit financial services such as purchasing products via instalment payments to customers through its financial technology platform. For the FYE 2023, the operations posted a revenue of RM67 million with an operating profit of RM30 million. While *Parkson Credit* strives to grow its market presence, stringent credit management in respect of under-performing/non-performing loan receivables continues to be pursued in driving operational efficiencies and profitability.

Our *Hogan* bakery outlets have seen year-on-year improvement attributed to the encouraging foot traffic following the reduced impact of COVID-19 pandemic. The Group is placing more emphasis on further improving the productivity of the outlets.