

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.

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 41 department stores in 27 cities across China; and Parkson Retail Asia Limited listed on the Singapore Exchange Securities Trading Limited, that operates 37 department stores in Malaysia.

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

As at 31 December	Number of Department Stores	
	2024	2023
Malaysia	37	37
China	41	43
	78	80

OVERVIEW

	2024 RM Million	2023 RM Million	Change
Consolidated Statement of Profit or Loss			
<u>Continuing operations</u>			
Gross sales proceeds	6,478	7,360	-12%
Revenue	2,805	3,122	-10%
Operating profit	416	512	-19%
(Loss)/profit before tax	(72)	115	->100%
Consolidated Statement of Financial Position			
Total assets	8,318	8,526	-2%
Deposits, cash and bank balances	1,395	1,495	-7%
Total liabilities	6,142	6,108	1%
Total borrowings	1,828	1,740	5%
Net assets	1,281	1,435	-11%

For the financial year ended 31 December 2024 ("FYE 2024"), the Group generated a lower gross sales proceeds of RM6,478 million with revenue decreasing by 10% to RM2,805 million. This was primarily due to cautious and selective discretionary spending by consumers across the Group's retailing regions. Several external factors including inflationary pressures and rising cost of living, have affected consumer behaviour.

As a result, the Group recorded a lower operating profit of RM416 million as compared with RM512 million last year. For the FYE 2024, the Group reported a loss before tax of RM72 million, which included impairment losses on assets totalling RM194 million.

As at 31 December 2024, the Group's total assets decreased by 2% to RM8,318 million which included the currency translation effects from the weakening of the Renminbi, as well as impairment losses, depreciation and amortisation. The lower deposits, cash and bank balances of RM1,395 million was mainly due to lower net cash inflows generated from the Group's operating activities. Total liabilities increased marginally by 1% to RM6,142 million. The Group's borrowings rose by 5% to RM1,828 million as a result of net proceeds from new banking facilities. Net assets of the Group stood at RM1,281 million or RM1.11 per share (31.12.2023: RM1,435 million or RM1.25 per share).

REVIEW OF OPERATIONS

Malaysia

	Financial year ended 31 December	
	2024	2023
Number of department stores	37	37
Revenue (RM Million)	745	769
Segment profit (RM Million)	171	191

For the FYE 2024, the Group's retailing operations in Malaysia faced a challenging environment, largely driven by cautious and selective discretionary spending by consumers due to inflationary pressures and rising cost of living. Furthermore, the closure of two department stores in the previous financial year had led to reduced contribution from our store network, resulting in lower revenue and operating profit of RM745 million and RM171 million respectively for the financial year under review.

The Group operates 37 Parkson department stores in Malaysia as at 31 December 2024. Despite the prevailing economic environment, the Group remains committed to exploring growth opportunities, including the expansion of its store network, while investing in stores renovation to enhance the overall shopping experience for its customers. The relaunch of *Parkson Sunway Carnival* in Penang with a new and revitalised look and ambience during the year is expected to enliven and attract more visitors to the area.

The Group continues to navigate the ongoing challenges posed by inflationary pressures and rising cost of living, both of which are affecting consumers' sentiments and spending power. To address these challenges, the Group remains focused on executing its strategies to improve gross margins and sales productivity and at the same time, will continue to rationalise its operations, enhance store productivity, improve operational efficiencies, and manage costs in order to strengthen and sustain its performance.

China

	Financial year ended 31 December	
	2024	2023
Number of department stores	41	43
Revenue (RM Million)	1,950	2,278
Segment profit (RM Million)	205	317

For the FYE 2024, Parkson China recorded a lower revenue of RM1,950 million compared with RM2,278 million a year ago, as consumers became more cautious with their spending. Operating profit decreased to RM205 million, compared with RM317 million in the previous year.

During the FYE 2024, Parkson China opened two Parkson supermarkets, namely *Mianyang Guanhua Supermarket* and *Kunming Nanya Supermarket*, in efforts to expand its business scope. Plans are in the pipeline to open new stores in Datong City and Mianyang City, where the Group has established itself, in order to serve a broader range of customers. In 2024, Parkson China made the strategic decision to close one department store each in Lanzhou City and Suzhou City as part of its ongoing evaluation of the performance and viability of its existing stores. As at 31 December 2024, the Group has a network coverage of 41 department stores in 27 cities across China.

Looking ahead, amid the growing diversity in consumer demands and the increasing competition in the retail industry in China, the Group remains focused on its core business and operational innovation to stay agile and competitive in a rapidly changing market. Additionally, the Group is actively seeking strategic business expansion to seize growth opportunities in markets where the Group has established presence.

Others

	Financial year ended 31 December	
	2024	2023
Revenue (RM Million)	110	75
Segment profit (RM Million)	40	4

Results of this Division were mainly derived from the consumer financing business, operation of F&B business and investment holding. For the FYE 2024, the Group's consumer financing business continued to show improvements in both revenue and operating profit whilst the bakery operation experienced an increase in visitor traffic compared to the previous year. Segment profit for the FYE 2024 included foreign exchange gain of RM3 million (FYE 2023: Included foreign exchange loss of RM10 million), primarily related to the Group's borrowings that were denominated in the United States Dollar.

Parkson Credit, the Group's consumer financing arm, has established itself as one of the leading motorcycle financiers in Malaysia as it celebrated its 10th anniversary in November 2024. Specialising in providing credit financial services such as purchasing products via instalment payments to customers through its financial technology platform, the operations posted a revenue of approximately RM100 million with an operating profit of RM60 million. *Parkson Credit* remains committed to maintaining stringent credit controls over underperforming/non-performing loan receivables while expanding its market presence in response to the increasing demand for its financing services. The successful launch of its RM1.0 billion asset-backed Islamic medium term note programme in December 2024 marks a significant milestone, paving the way for accelerated business expansion.

Visitor traffic at our *Hogan* bakery outlets showed positive growth during the financial year under review. The Group continues to prioritise its efforts to further enhance the productivity of the outlets.