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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

HIGHLIGHTS

Total operating revenues for the year of 2024 decrease to RMB3,726.7 million, representing a year-on-year decrease of 10.8%.

Same Store Sales ("SSS") decreased by 16.1% in 2024.

Total Gross Sales Proceeds ("GSP") inclusive of value-added tax were RMB8,696.6 million in 2024, representing a year-on-year decrease of 13.8%.

Profit from operations was RMB244.9 million in 2024 and RMB505.5 million in 2023.

Loss attributable to owners of the Company amounted to RMB174.8 million in 2024.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

The board (the "Board") of directors (the "Directors") of Parkson Retail Group Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024 with comparative figures for the previous year of 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2024** *RMB'000*	2023 *RMB'000*
Revenues	*4*	**3,237,153**	3,645,382
Other operating revenues	*4*	**489,499**	532,108
Total operating revenues		**3,726,652**	4,177,490
Operating expenses			
Purchases of goods and changes in inventories		**(1,562,074)**	(1,835,698)
Staff costs		**(479,358)**	(485,837)
Depreciation and amortisation		**(498,474)**	(558,491)
Rental expenses		**(80,383)**	(90,132)
Other operating expenses		**(861,493)**	(701,851)
Total operating expenses		**(3,481,782)**	(3,672,009)
Profit from operations		**244,870**	505,481
Finance income	*6*	**38,590**	55,367
Finance costs	*6*	**(445,897)**	(498,117)
Share of profits of:			
– A joint venture		**–**	11,149
– Associates		**14,508**	12,767
(Loss)/Profit before tax	*5*	**(147,929)**	86,647
Income tax expense	*7*	**(26,596)**	(16,145)
(Loss)/Profit for the year		**(174,525)**	70,502
Attributable to:			
– Owners of the Company		**(174,759)**	66,413
– Non-controlling interests		**234**	4,089
		(174,525)	70,502
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**(RMB0.066)**	RMB0.025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2024	2023
	RMB'000	*RMB'000*
(Loss)/Profit for the year	**(174,525)**	70,502
Other comprehensive income/(expenses)		
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	**1,290**	(31,513)
Other comprehensive expenses that will not be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of the Company	**(3,409)**	(12,997)
Other comprehensive expenses for the year, net of tax	**(2,119)**	(44,510)
Total comprehensive (expenses)/income for the year	**(176,644)**	25,992
Attributable to:		
– Owners of the Company	**(176,878)**	21,903
– Non-controlling interests	**234**	4,089
	(176,644)	25,992

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,653,648**	2,807,192
Investment properties		**527,292**	548,468
Right-of-use assets		**2,697,334**	2,081,520
Goodwill		**1,536,408**	1,636,683
Investments in associates		**52,472**	51,715
Trade receivables	*10*	**677,133**	391,917
Time deposits		**26,202**	27,202
Other assets		**55,369**	233,520
Deferred tax assets		**274,401**	263,494
		8,500,259	8,041,711
CURRENT ASSETS			
Inventories		**378,761**	421,717
Trade receivables	*10*	**366,390**	289,215
Prepayments and other receivables		**530,244**	566,432
Financial assets at fair value through profit or loss		**66,685**	57,540
Restricted cash		**63,999**	100,191
Time deposits		**9,175**	16,563
Cash and bank balances		**1,466,508**	1,583,414
		2,881,762	3,035,072
CURRENT LIABILITIES			
Trade payables	*11*	**586,181**	702,563
Other payables and accruals		**605,256**	677,887
Contract liabilities		**604,308**	615,709
Interest-bearing bank loans		**220,075**	161,350
Lease liabilities		**501,555**	656,677
Tax payable		**21,509**	27,619
		2,538,884	2,841,805
NET CURRENT ASSETS		**342,878**	193,267
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,843,137**	8,234,978

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**2024**	2023
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**2,590,421**	2,330,564
Lease liabilities		**2,988,839**	2,360,886
Deferred tax liabilities		**176,783**	226,381
		5,756,043	4,917,831
NET ASSETS		**3,087,094**	3,317,147
EQUITY			
Issued capital		**55,477**	55,477
Reserves		**2,959,897**	3,189,465
		3,015,374	3,244,942
Non-controlling interests		**71,720**	72,205
TOTAL EQUITY		**3,087,094**	3,317,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Parkson Retail Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 3 August 2005. The Company has established a principal place of business in Hong Kong in Room 1010, 10th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are the operation and management of a network of department stores, shopping mall, outlets and supermarkets in the People's Republic of China (the "PRC"), and the provision of credit services in Malaysia.

In the opinion of the directors, the ultimate holding company of the Company is Parkson Holdings Berhad ("PHB"), which is incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied for the first time the following amended IFRSs issued by the IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

Except for the impact mentioned below, the adoption of the amended IFRSs had no material impact on the Group's performance and financial positions for the current and prior periods have been prepared and presented.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" ("2020 Amendments") and related amendments and Amendments to IAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments")

The amendments clarified the classification of debt and other liabilities as current or non-current, depending on whether an entity has a right to defer settlement of the liability for at least twelve months from the end of the reporting period and this right has to be existed at the end of the reporting period. Any expectations about events after the reporting period do not impact the assessment of the classification of the liabilities make at the end of the reporting period as to the classification of the liability.

Only covenants of a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect such classification at the reporting date.

The amendments also define "settlements" of a liability, which includes transfer of entity's own equity instrument. However, if the holder's conversion option in a convertible bond is classified as equity in accordance with IAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current. If the holder's conversion option is classified as liability, such option must be considered for the determination of current/non-current classification of a convertible bond.

Besides, the amendments required an entity to provide additional disclosure when a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments should be applied retrospectively.

Based on the Group's outstanding liabilities as at 1 January 2024, the application of amendments will not result in reclassification of the Group's liabilities.

In addition, the adoption of the amendments would also resulted in a change in the Group's accounting policy for the classification of borrowings as follows:

"Borrowings are classified as current liabilities unless as at the end of the reporting period, the Group has a right to defer settlement of the liability for at least twelve months after the end of the reporting period."

3. GROSS SALES PROCEEDS

	2024	2023
	RMB'000	*RMB'000*
Sale of goods from direct sales	**1,798,059**	2,130,142
Gross revenue from concessionaire sales	**4,756,267**	5,661,107
Total merchandise sales	**6,554,326**	7,791,249
Others (including consultancy and management service fees, gross rental income, credit services income and other operating revenues)	**1,290,254**	1,289,749
Total gross sales proceeds	**7,844,580**	9,080,998
Total gross sales proceeds (inclusive of value-added tax)	**8,696,643**	10,093,860

4. REVENUES, OTHER OPERATING REVENUES AND SEGMENT INFORMATION

Revenues

	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods from direct sales	**1,798,059**	2,130,142
Commissions from concessionaire sales	**638,339**	757,599
Consultancy and management service fees	**7,869**	13,457
	2,444,267	2,901,198
Revenue from other sources		
Gross rental income	**633,180**	640,771
Credit services	**159,706**	103,413
	792,886	744,184
	3,237,153	3,645,382

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Rental income is recognised on a time proportion basis over the lease terms. Credit services income is recognised when the relevant services are rendered.

Other operating revenues

	2024	2023
	RMB'000	*RMB'000*
Credit card handling fees	**21,942**	26,122
Promotion income	**49,662**	47,802
Electricity and water fees	**133,338**	124,804
Administration fees	**158,685**	147,353
Display space and equipment leasing income	**57,496**	60,991
Service fees	**21,349**	24,248
Government grants *(Note)*	**5,577**	14,834
Other income arising from the recognition of net investments in subleases	**505**	18,274
Other income arising from lease modification and termination	**25,104**	47,777
Other income	**15,841**	19,903
	489,499	532,108

Note:

Various local government grants have been granted to reward the Group for its contributions to the local economy. There were no unfulfilled conditions or contingencies attaching to these government grants.

Segment information

For management purposes, the Group has one major operating segment, which is "Retail". The Group operates department stores, shopping mall, outlets and supermarkets mainly in the PRC. Revenues arising from this segment include sales of goods in direct sales, commissions from concessionaire sales, consultancy and management service fees and rental income from tenants. Besides, the Group provides consumer financing business which is carried out by Parkson Credit Sdn. Bhd. ("Parkson Credit") in Malaysia.

Revenue from external customers are mostly generated in the PRC and almost all significant operating assets of the Group are located in the PRC. Since revenue from external customers and non-current assets excluding financial instruments and deferred tax assets of overseas companies outside the PRC are not material to the Group's consolidated revenue and non-current assets excluding financial instruments and deferred tax assets, management believes there is no need to disclose geographical information.

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2024 *RMB'000*	2023 *RMB'000*
Staff costs excluding directors' and chief executive's remuneration:		
– Wages, salaries and bonuses	**354,629**	360,603
– Pension scheme contributions*	**42,321**	45,949
– Social welfare and other costs	**71,676**	68,593
	468,626	475,145
Directors' and chief executive's remuneration	**10,732**	10,692
Total staff costs	**479,358**	485,837
Rental expenses in respect of leased properties:		
– Lease payments not included in the measurement of lease liabilities	**80,383**	90,132
Gross rental income in respect of investment properties	**(207,451)**	(243,988)
Lease income in respect of sublease of properties under operating lease:		
– Minimum lease payments **	**(291,768)**	(284,133)
– Contingent lease payments ***	**(133,961)**	(112,650)
Total gross rental income	**(633,180)**	(640,771)
Cost of inventories recognised as expenses, including:	**1,562,074**	1,835,698
– Reversal of impairment of inventories, net	**–**	(148)
Depreciation and amortisation	**498,474**	558,491
Impairment of trade receivables	**29,201**	20,279
Impairment of prepayments, other receivables and other assets	**19,924**	1,289
Impairment of property, plant and equipment	**49,400**	5,308
Impairment of right-of-use assets	**31,246**	23,957
Impairment of goodwill	**100,275**	16,277
Losses on disposal of property, plant and equipment and investment properties, net	**2,166**	2,796
Foreign exchange differences, net	**47,018**	629
Auditor's remuneration	**3,520**	3,166
Direct operating expenses arising from rental-earning investment properties	**21,176**	24,600

* As at 31 December 2024 and 2023, the Group had no forfeited contributions available to reduce its existing level of contributions to the retirement benefit schemes in future years.

** Minimum lease payments of the Group include pre-determined rental payments and minimum guaranteed rental payments for lease agreements without contingent rental payments.

*** Contingent lease payments are calculated based on a percentage of the relevant financial performance of the tenants pursuant to the relevant rental agreements.

6. FINANCE INCOME/(COSTS)

	2024	2023
	RMB'000	*RMB'000*
Finance income:		
Bank interest income	**20,776**	30,612
Gain on redemption of financial assets at fair value through profit or loss	**–**	1,204
Change of fair value of financial assets at fair value through profit or loss	**1,422**	829
Finance income on the net investments in subleases	**16,392**	22,722
	38,590	55,367
Finance costs:		
Interest on lease liabilities	**(269,934)**	(297,625)
Interest on interest-bearing bank loans and other borrowings	**(175,963)**	(200,492)
	(445,897)	(498,117)
Finance costs, net	**(407,307)**	(442,750)

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on the assessable profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

An analysis of income tax expense is as follows:

	2024	2023
	RMB'000	*RMB'000*
Current income tax	**87,101**	89,367
Deferred tax	**(60,505)**	(73,222)
	26,596	16,145

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2024	2023
	RMB'000	*RMB'000*
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculations	**(174,759)**	66,413

	2024	2023
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculation	**2,634,532**	2,634,532

9. DIVIDEND

	2024	2023
	RMB'000	*RMB'000*
Interim dividend paid of RMB0.02 (2023: RMB0.01) per ordinary share	**52,690**	26,345

The Board has resolved not to declare any final dividend for the year ended 31 December 2024 (2023: nil). The Company declared and paid an interim dividend of RMB0.02 (2023: RMB0.01) in cash per share.

10. TRADE RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Current		
Third party	**373,982**	297,582
Less: Impairment allowance	**(7,592)**	(8,367)
	366,390	289,215
Non-current		
Third party	**687,137**	399,828
Less: Impairment allowance	**(10,004)**	(7,911)
	677,133	391,917
	1,043,523	681,132

Trade receivables mainly arise from purchase by customers with credit card and credit services arise from loan receivables. The credit period of trade receivables is generally one month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances, except for loan receivables which are secured over the motor vehicles of customers. Among the balance, RMB977,799,000 (2023: RMB590,357,000) are with an interest rate ranging from 6.6% to 16.0% (2023: 7.6% to 16.0%), depending on the payment term of loan receivables, while others are interest-free.

As at 31 December 2024, Parkson Credit's trade receivables of RMB412,279,000 (2023: RMB207,850,000) and unrealised receivable of RMB103,746,000 (2023: RMB78,918,000) which will be due within 48 months, were pledge to secure Parkson Credit's bank loans in Riggit Malaysia.

An ageing analysis of the trade receivables as at 31 December 2024 and 2023, based on the invoice date and net of loss allowance, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**366,390**	289,215
1 to 2 years	**276,937**	172,761
Over 2 year	**400,196**	219,156
	1,043,523	681,132

11. TRADE PAYABLES

An ageing analysis of the trade payables, based on the recognition date, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**562,875**	666,107
4 to 12 months	**3,430**	14,568
Over 1 year	**19,876**	21,888
	586,181	702,563

12. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company, which is scheduled on Monday, 26 May 2025 (the "AGM"), the register of members of the Company will be closed from Wednesday, 21 May 2025 to Monday, 26 May 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 May 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board would like to present the Group's annual results for the year ended 31 December 2024. The overall performance for year 2024 was underwhelming as a result of the slower-than-expected economic recovery that led to consumers being more cautious in their spending.

Economic Review

The global economy in 2024 carried both the hope of recovery and faced numerous challenges of uncertainties. In the post-pandemic era, while the global economy gradually rebounds, the path to recovery is not smooth. Geopolitical tensions, escalating international trade frictions, and the vulnerability of global supply chains have contributed to an uncertain global economic environment.

In this global economic context, the economy of the People's Republic of China (the "PRC") has demonstrated strong resilience and vitality. Despite facing complex domestic and global challenges, China's economy grew at a steady pace in 2024, supported by robust measures and targeted reforms. However, the pace of economic recovery has been slower than expected, with the market slowdown becoming a new normal during the year. This highlights the need for continued vigilance and strategic planning to adapt to these evolving conditions.

During the year under review, the Chinese market faced a notable lack of consumer confidence, primarily due to the slower-than-expected economic recovery. Additionally, the market also experienced an unprecedented evolution, marking the year as one of its most challenging periods in recent years. These challenges include consumption segmentation, where consumer groups became increasingly diverse and distinct; consumer stratification, reflecting the varying levels of income and purchasing power among consumers; changes in consumption pattern driven by factors such as the pandemic; and heightened industry competition as businesses compete for market share in a more fragmented consumer landscape.

According to the latest data released by the National Bureau of Statistics of China, the PRC's GDP reached RMB134.91 trillion in 2024, representing an increase of 5.0% from 2023. In addition, the total retail sales of consumer goods in PRC in 2024 increased by 3.5% year-on-year.

Business Review

For the year under review, the Group recorded gross sales proceeds of RMB8,696.6 million (including value-added tax), representing a decrease of 13.8% compared to the previous year. This decline was mainly due to slower-than-expected economic recovery that led to a consumption downgrade, making consumers more cautious in their spending. Same-Store-Sales ("SSS") decreased by 16.1% as compared to the year before and the overall gross profit margin of the Group was 13.3% in 2024. The operating profit of the Group was RMB244.9 million as compared to RMB505.5 million the previous year, representing a decrease of RMB260.6 million.

During the year, the Group renewed the tenancy agreements for Guiyang store, Shenyang store, Harbin store, Shanghai Huaihai store and Nanning store. Having operated and managed these stores for over 20 years, the Group has established a strong reputation and market recognition, laying a solid foundation for its business. The Group has also opened two supermarkets, namely Mianyang Guanhua Supermarket and Kunming Nanya Supermarket, to better serve our customers.

As of 31 December 2024, the Group and its associates operated and managed 43 Parkson stores, including department stores, shopping malls, city outlets, the "Parkson Beauty" concept store and supermarkets, as well as 2 Parkson Newcore City Malls, across 27 cities in PRC and Laos.

Focusing On Core Business And Operations Innovation

In response to the increasingly diverse demands of consumer in China, who are placing higher emphasis on quality, brand recognition, and service, the Group has adhered to its original intention of focusing on its core business and implemented a series of operational improvement plans. These initiatives are guided by the strategic approach of "pursue progress in stability; discard the old to implement the new", ensuring that the Group remains agile and competitive in a rapidly changing market.

While enhancing our core business operations, the Group has developed customized optimization and upgrading plans for each store, taking into account their unique positioning and competitive market situation. These plans are aimed at improving service quality and meeting the evolving expectations of consumers, who are increasingly focused on cost-effectiveness and emotional consumption. The Group has categorized existing stores into three types, allowing for more targeted and effective strategies.

For stores with traditional retail strengths, the Group will concentrate on optimizing products categories and curating a selection of brands that resonate with customers, allowing the retail format to take a leading role. For stores located in central business districts, the Group will fully tap into the commercial potential of downtown areas, matching suitable formats and brands to create high-end flagship stores that serve as urban landmarks. Additionally, for existing shopping centers, the Group will also actively explore and improve shopping center models that integrate the retail and service formats. By developing enhancement and upgrading plans, the Group will promote the refinement of a comprehensive commercial center model.

During the year, Harbin store successfully created a themed street district called "Erbin Story". This innovative concept was highly praised by customers as a "uniquely Parkson" and quickly became a landmark attraction in the city, significantly boosting the store's foot traffic. Similarly, Hefei store also emerged as a gathering spot for the otaku community, drawing young people from nearby regions. These examples exemplify the Group's strategic adjustments and upgrades throughout the year.

The Group will continue to revamp and remodel stores as part of its continuous efforts to enhance the stores' image. At the same time, the Group will adjust the brand mix and introduce new shopping experiences to keep pace with evolving market trends. By providing a comfortable shopping environment and high-quality products, the Group aims to better serve our customers to ensure a satisfying retail experience.

Strategic Business Expansion

The Group is also actively seeking innovative business development models with distinctive features while further expanding its business scope. During the year, the Group opened two Parkson supermarkets, namely the Mianyang Guanhua Supermarket and Kunming Nanya Supermarket. These openings reflect the Group's strategic initiatives of "Multiple Stores in a City" and "Model Innovation", which are designed to adapt to evolving consumption patterns.

The Mianyang Guanhua Supermarket, marking the fourth store in Mianyang City, Sichuan Province, was opened in January 2024. Meanwhile, the Kunming Nanya Supermarket, the second store in Kunming City, Yunnan Province, welcomed shoppers in November 2024. Both supermarkets offer complementary business formats and features as an experiential supermarket, meeting the wellness and sophisticated needs of the local residents.

The Group also plans to open two new stores in Datong City and Mianyang City in 2025. The business formats for these new stores include outlets and shopping mall. This aligns with the Group's differentiated market positioning strategy of "Multiple Stores in a City", enabling each store to serve a broader range of customers with diverse consumption needs and habits. In the long run, this strategic expansion will help the Group gain a larger market share and strengthen its competitive position.

Outlook And Future Plans

Looking ahead, with two new stores in the pipeline, the Group is well-positioned to seize growth opportunities in markets that we have established presence. We are committed to becoming an outstanding commercial space operator, with a mission to deliver exceptional shopping and lifestyle experiences to our customers. These new stores will enable us to offer our customers a wider range of high-quality products and services.

Our strategy, grounded on the principle of "pursue progress in stability; discard the old to implement the new", will guide the Group in navigating the complexities of China's retail landscape. By balancing stability with innovation, dismantling outdated practices, and strategically embracing change, we will position ourselves to not only survive but thrive in the coming years. This approach will enable us to stay at the forefront of the industry, meet the evolving needs of our customers, and continue delivering long-term value to our shareholders.

FINANCIAL REVIEW

Total GSP and operating revenues

Total GSP (inclusive of value-added tax) decreased by 13.8% to RMB8,696.6 million in 2024. The decrease in GSP was a result of slower-than-expected economic recovery that prompted consumption downgrade and led to consumers more cautious in their spending. SSS decreased by 16.1% in 2024.

Total merchandise sales

	2024		2023		Year-on-year change *(%)*
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Concessionaire sales	**4,756,267**	**72.6%**	5,661,107	72.7%	(16.0%)
Direct sales	**1,798,059**	**27.4%**	2,130,142	27.3%	(15.6%)
	6,554,326	**100.0%**	7,791,249	100.0%	(15.9%)

Total merchandise sales (net of value-added tax) decreased by RMB1,236.9 million or 15.9% to RMB6,554.3 million in 2024. Concessionaire sales which constituted 72.6% of the Group's total merchandise sales in 2024 decreased by 16.0% as compared to 2023 while direct sales decreased by 15.6% as compared to 2023. The total merchandise sales in 2024 decreased across both concessionaire sales and direct sales as compared to 2023 as a result of slower-than-expected economic recovery that prompted consumption downgrade and led to consumers more cautious in their spending.

Merchandise gross margin

The Group's merchandise gross margin (the combination of concessionaire commission rate and direct sales margin) decreased from 13.5% in 2023 to 13.3% in 2024.

Total operating revenues

Total operating revenues of the Group decreased by RMB450.8 million or 10.8% to RMB3,726.7 million in 2024. The decrease in total operating revenues was mainly due to the decrease in sale of goods from direct sales and commissions from concessionaire sales.

Revenue from contracts with customers consists of sales of goods from direct sales, commissions from concessionaire sales and consultancy and management service fees and constituted 65.6% of the total operating revenues in 2024. Revenue from contracts with customers decreased by RMB456.9 million or 15.7% compared to 2023.

Operating expenses

Purchases of goods and changes in inventories

Purchases of goods and changes in inventories represent the cost of sales for direct sales, which decreased by RMB273.6 million or 14.9% from RMB1,835.7 million in 2023 to RMB1,562.1 million in 2024. The decrease was mainly due to decrease in direct sales and thus decrease in procurement of goods from third party vendors.

Staff costs

Staff costs decreased by RMB6.4 million or 1.3% to RMB479.4 million in 2024 from RMB485.8 million in 2023, mainly due to cost controlling during 2024. On a same store basis, staff costs decreased by 2.2%.

Staff costs as a percentage of GSP was 6.1% in 2024, as compared to 5.4% in 2023.

Depreciation and amortisation

Depreciation and amortisation decreased by 10.7% from RMB558.5 million in 2023 to RMB498.5 million in 2024. The decrease was primarily due to decrease in depreciation expense for the right-of-use assets of the properties as a result of changed in rental and payment term for certain stores. In 2024, depreciation expense on the right-of-use assets of RMB299.5 million was recognised as compared to RMB346.1 million in 2023. On a same store basis, depreciation and amortisation decreased by 11.2%.

Depreciation and amortisation as a percentage of GSP was 6.4% in 2024, as compared to 6.2% in 2023.

Rental expenses

Rental expenses decreased by RMB9.7 million to RMB80.4 million in 2024 from RMB90.1 million in 2023. The decreased in rental expenses was mainly due to decrease in variable rent as a result of decline in the performance of certain stores. On a same store basis, rental expenses decreased by 12.0%.

Rental expenses as a percentage of GSP was 1.0% in 2024 and 2023.

Other operating expenses

Other operating expenses, which consist primarily of (a) utilities cost; (b) marketing, promotional and selling expenses; (c) property management expenses; (d) general administrative expenses; and (e) city development and educational surcharge, increased by 22.7% to RMB861.5 million in 2024 from RMB701.9 million in 2023. The increased in other operating expenses mainly due to assets impairment of RMB230.0 million was provided in 2024 as compared to RMB67.0 million provided in 2023. On a same store basis, other operating expenses increased by 13.0%.

Other operating expenses as a percentage of GSP was 11.0% in 2024, as compared to 7.7% in 2023.

Profit from operations

The Group recorded profit from operations of RMB244.9 million for 2024 as compared to RMB505.5 million in 2023.

Profit from operations as a percentage of GSP was 3.1% in 2024, as compared to 5.6% in 2023.

Finance income/costs

The Group incurred net finance costs of RMB407.3 million in 2024 which represented a decrease of RMB35.5 million or 8.0% compared to RMB442.8 million in 2023. For interest expense on lease liabilities, RMB269.9 million was recognised in finance cost in 2024 as compared to RMB297.6 million in 2023. For interest income on the net investments in sublease, RMB16.4 million was recognised in finance income in 2024 as compared to RMB22.7 million in 2023.

Share of profit of a joint venture

This is the share of profit from Xinjiang Youhao Parkson Development Co., Ltd., a joint venture of the Group. The share of profit was RMB11.1 million in 2023 and none for 2024. The joint venture was deregistered in August 2023.

Share of profit of associates

The share of profit from associates was RMB14.5 million in 2024 and RMB12.8 million in 2023.

(Loss)/Profit before tax

Loss before tax was RMB147.9 million in 2024 as compared to profit before tax was RMB86.6 million in 2023. The loss before tax in 2024 was primarily due to decline in revenue and the increase in assets impairment provided in light of the latest market environment.

Loss before tax as a percentage of GSP was (1.9%) in 2024 and profit before tax as a percentage of GSP was 1.0% in 2023.

Income tax expense

The Group's income tax expense is RMB26.6 million in 2024 as compared to RMB16.1 million in 2023.

(Loss)/Profit for the year

The Group's recorded loss of RMB174.5 million in 2024 as compared to profit of RMB70.5 million in 2023.

(Loss)/Profit attributable to owners of the Company

Loss attributable to the owners of the Company was RMB174.8 million in 2024 as compared to profit attributable to the owners of the Company was RMB66.4 million in 2023.

Liquidity and financial resources

As at 31 December 2024, the Group had cash and bank balances of RMB1,466.5 million (2023: RMB1,583.4 million), time deposits of RMB35.4 million (2023: RMB43.8 million), financial assets at fair value through profit or loss of RMB66.7 million (2023: RMB57.5 million) and restricted cash of RMB64.0 million (2023: RMB100.2 million).

The Group's cash and bank balances are mainly denominated in Renminbi with the remaining denominated in United States dollars, Hong Kong dollars and others.

Total debt to total assets ratio of the Group was 24.7% (2023: 22.5%) as at 31 December 2024.

Current assets and net assets

The Group's current assets as at 31 December 2024 was RMB2,881.8 million. Net assets of the Group as at 31 December 2024 was RMB3,087.1 million.

Information on the financial products

The Group's financial assets at fair value through profit or loss consisted of non-principal-preservation type wealth management products managed by licensed financial institutions in the PRC. As at 31 December 2024, the fair value of these products was RMB66.7 million.

Pledge of Assets

As at 31 December 2024, the Group has pledge trade receivables of RMB412.3 million, pledged buildings, investment properties and leasehold land with a net carrying amount of approximately RMB1,326.2 million, RMB523.7 million and RMB305.6 million respectively to secure general bank loans. The Group has pledged unrealised receivables of RMB103.7 million which will be due within 48 months to secure the general interest-bearing bank loans. In addition, the Group has pledged deposits of RMB27.2 million held in designated bank accounts for performance guarantee.

Other than the aforesaid, no other assets are pledged to any bank or lender.

EMPLOYEES

As at 31 December 2024, total number of employees for the Group was 3,536. The Group ensures that all levels of employees are paid competitively within the standard in the market and employees are rewarded on performance related basis within the framework of the Group's salary, incentives and bonus scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2024, the Company has fully complied with the Corporate Governance Code (the "CG Code") (to the extent that such provisions are applicable) as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (collectively, the "Listing Rules").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code") as its code of conduct regarding the Directors' securities transaction. Specific enquiry has been made to all the Directors and all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2024.

AUDIT COMMITTEE

The Audit Committee has been established by the Company to review the financial reporting matters, internal control and maintain an appropriate relationship with the Company's external auditor. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2024, including the accounting principles and policies adopted by the Group. The Audit Committee comprises the non-executive director and three independent non-executive directors of the Company, one of whom who has appropriate professional qualification and experience in financial matters as required by the Listing Rules.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2024 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the preliminary announcement.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company. The 2024 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

ACKNOWLEDGEMENT

I would like to thank the Board, management and all our staff for their hard work and dedication. I would also like to thank the shareholders and business associates for their strong support to the Group.

On behalf of the Board
Parkson Retail Group Limited
Tan Sri Cheng Heng Jem
Executive Director & Chairman

20 February 2025

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 Datuk Koong Lin Loong.