

## 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*, primarily targeting the young and contemporary market segment.

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

The Group’s businesses are spearheaded by Parkson Retail Group Limited, listed on The Stock Exchange of Hong Kong Limited, which operates 38 department stores in 23 cities across China; and Parkson Retail Asia Limited, listed on the Singapore Exchange Securities Trading Limited, that operates 39 department stores in Malaysia.

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

As at 31 December	Number of Department Stores	
	2025	2024
Malaysia	39	37
China	38	41
	77	78

### OVERVIEW

	2025 RM Million	2024 RM Million	Change
<b>Consolidated Statement of Profit or Loss</b>			
Gross sales proceeds	5,529	6,478	-15%
Revenue	2,536	2,805	-10%
Operating profit	445	416	7%
Loss before tax	(7)	(72)	90%
<b>Consolidated Statement of Financial Position</b>			
Total assets	7,735	8,318	-7%
Deposits, cash and bank balances	1,307	1,395	-6%
Total liabilities	5,757	6,142	-6%
Total borrowings	1,778	1,828	-3%
Net assets	1,193	1,281	-7%

For the financial year ended 31 December 2025 (“FYE 2025”), the Group recorded lower gross sales proceeds of RM5,529 million, with revenue declining by 10% to RM2,536 million. The decline was mainly attributable to softer consumer demand across the Group’s retailing markets. The continued increase in the cost of living, ongoing economic uncertainties and subdued household income growth expectations have weighed on consumer sentiments and spending.

Notwithstanding the lower revenue, the Group achieved a higher operating profit of RM445 million for the FYE 2025, primarily contributed by our Parkson China operations. The Group reported a loss before tax of RM7 million for the financial year under review.

As at 31 December 2025, the Group’s total assets decreased by 7% to RM7,735 million, reflecting the effects of currency translation arising from the weakening of the Renminbi and Singapore Dollar, as well as impairment losses, depreciation and amortisation. Deposits, cash and bank balances stood at RM1,307 million as at 31 December 2025. Total liabilities decreased by 6% to RM5,757 million, with borrowings declining by 3% to RM1,778 million mainly due to currency translation effects and repayments. Net assets of the Group stood at RM1,193 million, or RM1.04 per share (31.12.2024: RM1,281 million or RM1.11 per share).

## **REVIEW OF OPERATIONS**

### **Malaysia**

	Financial year ended 31 December	
	2025	2024
Number of department stores	39	37
Revenue (RM Million)	692	745
Segment profit (RM Million)	132	171

For the FYE 2025, the Group’s retailing operations in Malaysia recorded a lower revenue of RM692 million compared with RM745 million a year ago, mainly attributable to the continued increase in the cost of living and ongoing economic uncertainties which moderated consumer sentiments and spending. Softer sales performance, together with increased operating cost pressures, had resulted in a lower operating profit of RM132 million.

The Group continues to pursue growth by identifying strategic locations for new store openings while simultaneously investing in store renovations to enhance the overall shopping environment and customer experience. During the FYE 2025, the Group expanded its retail footprint with the opening of *Parkson Sentra Mall* and *Parkson Hextar World*. *Parkson Sentra Mall* officially opened in November 2025, marking a new era of retail excitement in Ipoh. This was followed by the opening of *Parkson Hextar World* in December 2025, establishing the Group’s presence in one of Klang Valley’s newest lifestyle destinations. Both stores feature a refreshed retail concept designed to meet the evolving preferences of modern customers. As at 31 December 2025, the Group operates 39 Parkson department stores in Malaysia.

The Group continues to navigate inflationary pressures and the rising cost of living that have impacted consumer sentiments and spending. In response, the Group remains focused on enhancing store and operational productivity, improving margins, managing costs prudently, and rationalising operations, while actively exploring opportunities to expand its store network.

## China

	Financial year ended 31 December	
	2025	2024
Number of department stores	38	41
Revenue (RM Million)	1,702	1,950
Segment profit (RM Million)	259	205

Parkson China recorded a lower revenue of RM1,702 million for the FYE 2025 compared with RM1,950 million a year ago, mainly due to the increasingly cautious consumer spending amid challenging external environment uncertainties and subdued household income growth expectations. The operations, however, reported a higher operating profit of RM259 million, which included income from lease modification, and improved operating efficiencies.

The Group is actively reshaping its identity from a traditional retailer into an innovator of integrated lifestyle destinations to cater to the rapidly evolving consumer expectations. During the FYE 2025, Parkson China opened *Datong Parkson Outlets*, offering a one-stop “stay-shop-dine-entertain” experience, and *Mianyang Shangma Parkson*, a technology-driven experiential shopping mall. These openings reflect the Group’s initiatives to explore innovative business models with unique characteristics while further expanding its business footprint.

Parkson China also completed major renovations at several key stores during the year to introduce refreshed experiences aligned with each store’s distinct market positioning and competitive landscape. In line with its ongoing rationalisation strategy, 5 underperforming stores were closed during the financial year. As at 31 December 2025, the Group has a network coverage of 38 stores in 23 cities across China.

As 2026 unfolds, China’s retail landscape is expected to remain competitive and fast-changing. The Group is well-positioned to adapt and lead, with strategic priorities centred on deepening customer engagement, accelerating format innovation, optimising its portfolio, and pursuing disciplined expansion in markets where it holds strong footholds. These initiatives are expected to drive sustainable, long-term value creation for the Group.

**Others**

	Financial year ended 31 December	
	2025	2024
Revenue (RM Million)	141	110
Segment profit (RM Million)	54	40

The results of this Division were mainly derived from the Group's consumer financing business, operation of F&B business, and investment holding. For the FYE 2025, the Group's consumer financing business continued to see increasing demand for its financing servicing while the bakery operation recorded improved productivity compared to the previous year.

*Parkson Credit*, the Group's consumer financing arm, has established itself as one of the leading motorcycle financiers in Malaysia. The successful launch of its RM1.0 billion asset-backed Islamic medium term note programme in December 2024 supports its expansion in motorcycle financing, with a focus on underserved markets in Malaysia. For the financial year under review, the operations recorded a revenue of approximately RM132 million with an operating profit of RM60 million. While remaining focused on leveraging technology to drive sustainable growth, *Parkson Credit* also prioritised enhancing asset quality through targeted credit recovery initiatives and proactive collection efforts.

All *Hogan Bakery* products in Malaysia are halal-certified. Revenue from the bakery operations recorded positive growth for the FYE 2025, supported by improved sales performance of its bakery outlets and higher supply of breads to other retail outlets. The Group remains focused on enhancing productivity and expanding its reach to customers.