



PARKSON 百盛

PARKSON RETAIL ASIA LIMITED



ANNUAL REPORT 2019



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CORPORATE PROFILE

ABOUT PARKSON RETAIL ASIA LIMITED

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 3 November 2011, Parkson Retail Asia Limited ("Parkson", and together with its subsidiaries, the "Group") is a leading Southeast Asian department store retailer with an extensive network of 61 department stores across cities in Malaysia, Vietnam and Indonesia as at 30 June 2019.

Established in 1987, Parkson always seeks to refresh and enhance its offerings to cater for varying needs and preferences of its customers, which in turn delivers value for its shareholders. Whilst the Group continues to operate predominantly on a blend of concessionaire sales model and anchor tenant in major shopping malls, over the years the Group has also introduced lifestyle elements such as food and beverage outlets to complement its department store operations. At the same time, in meeting the demands of the young, fashion-conscious and contemporary market, the Group has also launched its private label brands as well as agency apparel lines of international brands, some of which are in-house brands and some are exclusive to Parkson.

GEOGRAPHIC FOOTPRINT

AS AT 30 JUNE 2019



MALAYSIA

Number of stores: 42
GFA: 482,000 sqm



VIETNAM

Number of stores: 4
GFA: 75,000 sqm



INDONESIA

Number of stores: 15
GFA: 142,000 sqm

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I hereby present the Annual Report of Parkson Retail Asia Limited for the financial year ended 30 June 2019. Overall, the Group recorded Gross Sales Proceeds of S\$909.9 million (FY2018 : S\$953.0 million), revenue of S\$398.5 million (FY2018 : S\$413.6 million) and reduced loss before tax of S\$30.3 million (FY2018 : S\$40.4 million).

Malaysia Operations

Consumer and business sentiments in the Malaysian local retail sector grew moderately in this financial year while the country's economy was mostly driven by private consumption and investments amid curtailed government expenditure. Same Store Sales Growth ("SSSG") for the Malaysia operation was recorded at 5.1%, compared with -1.5% in the corresponding year. This was mainly attributed to the optimisation of productivity and efficiency across our stores. The Malaysia market performance recorded loss before tax of S\$1.8 million compared with loss before tax of S\$10.7 million the year before, representing an improvement of 83.2%. The improvement was mainly attributed to closure of non-performing department stores for the past 2 financial years which has started to yield results, cost containment exercise carried out to curb operating expenses and reduced loss of lifestyle retail stores. During FY2019, three (3) stores were closed while there was opening of one (1) new store.

Indonesia and Vietnam Operations

The saturated retail and competitive scenes continued to exert pressure on our operations in Indonesia and Vietnam, as evidenced by the negative SSSG recorded by these two (2) countries at -2.2% and -19.3% respectively.

In the case of Indonesia's operations, the occurrence of a few natural disasters in the country coupled with renovation of a mall that one of our stores operated in has impacted the traffic flow. Revenue has declined while loss before tax at S\$8.6 million was 12.3% lower than the corresponding year. Two (2) stores were closed while there was also opening of two (2) new stores in FY2019.

For Vietnam's operations, loss before tax has increased to S\$8.7 million due mainly to:-



- decline in revenue, caused by intense competition in the local market and renovation that took place in a major store which has resulted in lesser traffic flow; and
- increase in operating expenses including additional land tax assessment.

There were two (2) store closures during FY2019.

Store Assessment

Against the backdrop of these challenging operating environments, we continued to take pro-active measures in monitoring and assessing the viability of our stores and ventures. We closed non-performing stores and at the same time, looked into opening new stores at potential sites which will benefit the business in the long run.

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Outlook

We remain cautious of the outlook of the Group in the next financial year ending 30 June 2020. On the macro front, the prospect of a China-US trade war and its consequences will have an impact on the markets overall. In Malaysia, clarity in the new government's policies will be key to sustainable consumer confidence. The influx of retail space and players continues to be a primary challenge to our Indochina and Indonesia operations.

Our priorities in the new financial year will therefore be enhancing product offerings as well as optimising operational efficiency and productivity at stores. The Group will stay focused on its Parkson department store business while assessing its lifestyle retail concept business model vigilantly, and to restructure consequently non-potential brands. Opening of new store will be done selectively, and there are also plans to refresh some of the aged department stores so as to remain relevant in light of intense competition. Several under-performing stores will be discontinued at appropriate times.

The Group is committed to improve its performance continuously.

Acknowledgement

I would like to take this opportunity to express my gratitude and appreciation to Mr. Tan Soo Khoon, the independent non-executive director, who has decided not to seek for re-election at the forthcoming Annual General Meeting. On behalf of the Board, I would like to thank Mr. Tan for his invaluable contribution to the Group over the years.

Finally, on behalf of the Board, I wish to express my sincere gratitude to our management, employees, customers, shareholders, suppliers, business associates and all stakeholders for their unwavering support, especially in these tough times faced by the Group.

TAN SRI CHENG HENG JEM

Executive Chairman

Singapore
7 October 2019

The Group will stay focused on its Parkson department store business while assessing its lifestyle retail concept business model vigilantly, and to restructure consequently non-potential brands.

FINANCIAL HIGHLIGHTS



	2015 SGD'000	2016 SGD'000	2017 SGD'000	2018 SGD'000	2019 SGD'000
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Consolidated Income Statement

Gross sales proceeds ⁽¹⁾	1,077,567	967,746	982,422	952,953	909,870
Revenue	428,751	388,417	412,734	413,552	398,544
(Loss)/Earnings before interest, depreciation, amortisation and tax	(25,869)	53,537	(21,437)	(11,462)	(7,909)
(Loss)/Profit for the year	(52,795)	28,595	(61,234)	(43,931)	(34,613)
(Loss)/Profit attributable to owners of the Company	(34,688)	30,177	(58,218)	(42,672)	(34,600)
Basic and diluted (loss)/earnings per share (cents)	(5.12)	4.46	(8.64)	(6.33)	(5.14)

Consolidated Balance Sheet

Total assets	374,407	374,077	340,315	285,781	258,181
Total liabilities	244,361	216,751	250,015	237,125	243,390
Total equity	130,046	157,326	90,300	48,656	14,791

Notes:

1. Gross sales proceeds comprise merchandise sales (direct and concessionaire sales), consultancy and management service fees, and income from rental of retail space and other operations such as food and beverages.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Gross Sales Proceeds (“GSP”) of the Group recorded a decline of 4.5% and its components are as follows:-

	Group Year ended		+ / (-) %
	FY2019 S\$'000	FY2018 S\$'000	
GSP			
Sales of goods - direct sales	222,262	226,593	(1.9)
Sales of goods - concessionaire sales	669,487	707,171	(5.3)
Total merchandise sales	891,749	933,764	(4.5)
Consultancy / management service fees	788	647	21.8
Rental income	13,531	16,080	(15.9)
Food and beverage	3,802	2,420	57.1
Theme park and education centre	-	42	(100.0)
Total GSP	909,870	952,953	(4.5)

Malaysia operations recorded same store sales growth (“SSSG”) at 5.1% while Indonesia and Vietnam operations recorded a decline in SSSG of 2.2% and 19.3% respectively.

The positive SSSG by Malaysia operations was largely the result of optimisation of operational efficiency and productivity across the stores.

Indonesia operations recorded negative SSSG mainly due to several earthquake occurrences in Lombok and Bali resulting in loss of tourist confidence to travel to Indonesia. In addition, renovation at one of the malls where a store operated has also affected the traffic flow.

Vietnam operations recorded negative SSSG as the retail scene in the country has become increasingly competitive coupled with a major store undertaking renovation work since last quarter of FY2019 which has in turn impacted its sales.

The Group generated total merchandise sales of S\$891.7 million, a decline of 4.5% compared with S\$933.8 million of the corresponding year. Merchandise sales mix remains largely concessionaire at 75.1% (FY2018 : 75.7%) while contribution from direct sales increased to 24.9% (FY2018 : 24.3%) following the Group’s investment in house brands and agency lines.

The Group earned additional consultancy and management service fees from managing a department store in Malaysia with effect from FY2018. Rental income reduced as a result of closure of stores. Food and beverage operations registered strong sales growth, mainly as a result of expansion of its bakery outlets. On the other hand, the Group discontinued its theme park and education centre operations in FY2018 to curb further losses.



MANAGEMENT DISCUSSION AND ANALYSIS

Merchandise gross profit margin stood at 23.8% (FY2018 : 23.4%).

	Group		
	Year ended		
	FY2019	FY2018	+/(−)
	S\$'000	S\$'000	%
Revenue	398,544	413,552	(3.6)
Other items of income			
- Finance income	3,551	1,425	>100.0
- Other income	5,164	5,842	(11.6)
Items of expense			
- Changes in merchandise inventories and consumables	(169,754)	(177,585)	(4.4)
- Employee related expenses	(63,077)	(66,872)	(5.7)
- Depreciation and amortisation expenses	(24,698)	(29,621)	(16.6)
- Promotional and advertising expenses	(8,169)	(9,380)	(12.9)
- Rental expenses	(107,822)	(117,119)	(7.9)
- Finance costs	(1,261)	(728)	73.2
- Other expenses	(62,795)	(59,900)	4.8
Total expenses	(437,576)	(461,205)	(5.1)
Loss before taxation	(30,317)	(40,386)	(24.9)
Taxation	(4,296)	(3,545)	21.2
Loss for the period	(34,613)	(43,931)	(21.2)

REVENUE

Revenue declined marginally by 3.6%, largely due to lower contribution from Vietnam and Indonesia operations.

OTHER ITEMS OF INCOME

Other income declined by 11.6% mainly as a result of gain on disposal of a subsidiary in FY2018. However, finance income increased by >100%, due mainly to higher interest income earned as evidenced by higher fixed deposit placement with banks and discount adjustment on rental deposit receivables.

EXPENSES

Total expenses of the Group declined by 5.1% and its analysis for major expense items is as follows:-

Changes in merchandise inventories and consumables

Changes in merchandise inventories and consumables decreased by 4.4%. The decrease was largely in line with prudent inventory management to optimise productivity.

Employee related expenses (staff costs)

Staff costs declined by 5.7%. The decline was in line with lesser headcount following net reduction in the Group's store count as well as the disposal of the Group's investment in a loss making subsidiary in FY2018.



Depreciation and amortisation expenses

Depreciation and amortisation expenses decreased by 16.6%. The decline was mainly as a result of store closure, impairment charges and disposal of the Group's investment in a loss-making subsidiary in FY2018.

Promotional and advertising expenses

Promotional and advertising expenses declined by 12.9%. The decline was mainly attributed to savings arising from store closure and disposal of the Group's investment in a loss-making subsidiary in FY2018.

Rental expenses

Rental expenses declined by 7.9%. The decline was mainly attributed to savings arising from store closure and disposal of the Group's investment in a loss-making subsidiary in FY2018.

Finance costs

Finance costs increased by 73.2%. The increase was mainly attributed to the Group's drawdown of loans from the ultimate holding company.

Other expenses

Other expenses comprised mainly (a) selling and distribution expenses amounting to S\$10.0 million, (b) general and administrative expenses amounting to S\$33.9 million and (c) other operating expenses amounting to S\$18.9 million. Other expenses at S\$62.8 million was marginally higher by 4.8% compared with S\$59.9 million of the corresponding year. Included in other operating expenses were property, plant and equipment ("PPE") written-off of S\$5.3 million (FY2018 : S\$9.7 million), impairment of PPE of S\$12.1 million (FY2018 : S\$12.3 million) and net provision for onerous contracts of S\$5.0 million (FY2018 : S\$0.5 million).

PRE-TAX LOSS

The Group recorded pre-tax loss of S\$30.3 million (FY2018 : S\$40.4 million). The lower pre-tax loss was largely contributed by the improved performance in Malaysia operations (including department stores, lifestyle retail stores as well as food and beverage outlets), effect of closure of loss-making stores, reduction in operating expenses as well as disposal of the Group's investment in a loss-making subsidiary in FY2018.

TAXATION

Despite recording pre-tax loss, the Group incurred tax expense of S\$4.3 million for FY2019 as certain subsidiaries were in taxable position.

SEGMENTAL REPORTING

The Malaysia operations recorded an improved performance mainly as a result of:-

- department stores' increase in pre-tax profit generally derived from optimisation of productivity and efficiency; and
- reduction in operating loss of lifestyle retail stores as a result of improved performance of certain brands and lesser impairment charges.

Vietnam operations' results declined as a result of lower revenue attained and increase in operating expenses including additional land tax accrual amounting to S\$1.7 million.

Indonesia operations' results improved mainly due to optimisation of productivity and efficiency despite an onerous contract provision of S\$3.1 million in current financial year.

Other operations' pre-tax loss reduced mainly as a result of lesser operating loss incurred by food & beverage business due to closure of food park business.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP BALANCE SHEET

The Group was in a net current liabilities (“NCL”) position of S\$61.3 million as at 30 June 2019. NCL of the Group declined by 13.5% from its 30 June 2018 position mainly as a result of payment of trade payables, other payables as well as other liabilities with loans obtained from the ultimate holding company (classified as long term borrowing). As previously announced on 5 October 2018, the Group has received an undertaking from Parkson Holdings Berhad to provide financial support for a period of twelve months from the date of the Board’s approval of the FY2018 audited financial statements.

Property, plant and equipment (“PPE”) declined to S\$95.1 million due to store closure, depreciation as well as PPE write-off and impairment.

Other receivables (non-current) declined to S\$14.7 million mainly due to conversion of cash rental deposits to bank guarantee.

Cash and short term deposits increased to S\$54.7 million mainly due to high collection from Hari Raya / Lebaran festivals from the last 2 months of FY2019.

Trade and other payables (current) declined to S\$155.6 million due to repayments made to creditors on due dates.

Total loan and borrowings increased to S\$16.0 million as a result of drawdown of loans from the ultimate holding company.

Non-controlling interests declined to S\$0.04 million from its 30 June 2018 position following the Group’s acquisition of the remaining 30% equity interest in Parkson Edutainment World Sdn Bhd on 30 August 2018.

COMPANY BALANCE SHEET

On 28 September 2018, the Company subscribed for 32.0 million new shares issued by its wholly-owned subsidiary, Parkson Corporation Sdn Bhd (“PCSB”) through capitalisation of amount due from PCSB of S\$10.6 million. This has thus resulted in increase in the carrying amount of the Company’s investment in subsidiaries and the corresponding decrease in other receivables.

GROUP CASH FLOW

The Group recorded net cash inflow of S\$21.6 million in operating activities primarily as a result of reduced operating loss and improved working capital management. Net cash used in investing activities stood at S\$18.7 million mainly due to spending on capital expenditure for new stores. The Group recorded net cash generated from financing activities of S\$11.1 million mainly on the drawdown of loans from the ultimate holding company to finance its working capital and capital expenditure requirement.

CORPORATE SOCIAL RESPONSIBILITY

In keeping with its philosophy of giving back to the community, the Group focuses on helping to uplift the community via Lion-Parkson Foundation (the “Foundation”) and Lion Group Medical Assistance Fund established by Lion Group of Companies of which the Group is a member. The companies within the Group are also supporting the local community wherein they operate by participating in charity programmes and fundraising drives to assist those in need.

MALAYSIA

Empowerment through Education

Lion-Parkson Foundation (the “Foundation”) started in 1990 and organises fundraising activities for charity and provides educational opportunities for the less fortunate. The true sustainability of our project lies in an on-going transformation of peoples’ lives through the benefits of education. We believe in Empowerment through Education; that education is the catalyst to bring about sustainable change for the better and our future generations.

Annually, the Foundation awards scholarships to undergraduates in local universities. The selected scholars will then undergo training in soft skills such as problem-solving and communication skills as well as internships at our companies during their semester breaks to prepare them for working in the corporate world. In FY2019, the Foundation awarded scholarships worth RM10,000 per annum to 9 students based on their academic performance, extra-curricular activities and leadership qualities. To date, the Foundation has sponsored a total of 458 students through various sponsorship programmes worth RM10.5 million.

For the 10th consecutive year, students from 5 schools staged calligraphy demonstrations and orchestra performances at 9 participating Parkson stores in the Klang Valley over 3 weekends prior to the 2019 Lunar New Year and successfully raised RM237,247.31 from the sale of their calligraphy pieces. The Lunar New Year Calligraphy Exhibition and Charity Sale in Parkson stores were initiated since 2010 which have raised a total of RM2,382,644 to assist needy students in these schools. The third Lion Parkson charity run was held on 30 September 2018 at Pavilion Kuala Lumpur and managed to raise RM1.2 million for education and charity, including the expansion of the Home for Handicapped and Mentally Disabled Children in Banting, Selangor, National Cancer Society Malaysia, Kasih Hospice Care Society, Kuala Lumpur and Selangor Chinese Chambers of Commerce and Industry Education Fund. 45 cancer patients and survivors from National Cancer Society participated in the 1km run for cancer category.

Home for Special Children

In reaching out to the various communities through education, we have not forgotten the less fortunate, namely the special children whose lives we seek to enhance and enrich through our Home for Handicapped and Mentally Disabled Children in Selangor. It was built at a cost of RM2.2 million contributed by the Foundation in 2012 on a 4.17 acres piece of land worth RM1.2 million donated by Lion Group which can accommodate 100 children. The Home was officially opened by National Shuttle, Datuk Wira Lee Chong Wei and the Foundation Chairman, Puan Sri Chelsia Cheng on 4 November 2012. Further, construction work for the 2nd and 3rd phases which costs another RM6 million to enable the Home to accommodate another 100 children and an old folks home have just been completed.



CORPORATE SOCIAL RESPONSIBILITY

All in, todate a total of RM38.4 million has been contributed to various charitable causes championed by the Foundation.

Medical Assistance for the Less Fortunate

In reaching out to a broad and diverse cross-section of beneficiaries irrespective of race or religion, the Lion Group Medical Assistance Fund (the “Fund”) provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery as well as purchase of medical equipment and medication. Since its inception in 1995, the Fund has also assisted organisations that are geared towards helping the less fortunate to achieve a better life, including sponsoring community health programmes such as medical camps and donation of dialysis machines.

Todate, approximately RM8.9 million has been disbursed in the form of sponsorship for medical treatment to 948 individuals, purchase of equipment and medication for needy Malaysians, purchase of medicine to medical camps as well as purchase of 22 dialysis machines worth RM839,400 for Dialysis Centres operated by National Kidney Foundation and Non-Governmental Organizations (NGOs) to provide subsidised treatment to those suffering from kidney failure.

Effective 12 March 2019, Lion Group Medical Assistance Fund was merged with Lion-Parkson Foundation to streamline and facilitate the management and disbursement of funds by the Group. Lion-Parkson Foundation will undertake to provide financial assistance for medical expenses incurred by needy Malaysian patients for surgeries, hospitalisation and diagnostic procedures in local hospitals or clinics.

INDONESIA

PT Tozy Sentosa, our Indonesian subsidiary collaborated with Yayasan Difabel Mandiri Indonesia (“YDMI”) for the “We Care Program – Peduli Anak Bangsa” project to help people with disabilities to develop their entrepreneurship skills, and presented Rp103,095,000, to YDMI to build fish farms and a training centre in Tangerang, Banten Province. From the total amount, Rp93,095,000 was the proceeds from the selling of coupons for Rp10,000 each in 14 stores nationwide from April 2018 to mid-August 2018, whilst Rp10,000,000 was contributed by PT Tozy Sentosa.

We strongly believe in engaging and giving back to communities in the markets that we operate in. From October 2018 to June 2019, our Centro Parkson stores distributed rice packs and basic necessities to the needy in their vicinities. Centro department store employees also chipped in and raised Rp34,050,000 for ‘Qurban’ for the less fortunate. The event was held by Centro Margo City, Centro Solo Paragon and Centro Manado Town Square on 21 August 2018 and Centro Plaza Ambarukmo on 31 August 2018.

PT Tozy Sentosa also contributes to the country’s humanitarian efforts through its close collaboration with Indonesian Red Cross and held several blood donation drives at Parkson Centre Point Medan on 3 and 4 August



2018; Centro Bintaro Xchange, South Tangerang on 22 December 2018 and Parkson Lippo Mall Puri @The St. Moritz, Jakarta on 16 February 2019. These donation drives collected a total of 212 bags of blood, which can essentially save many precious lives.

At an event held by Centro Margo City on 5 October 2018, 20 orphans benefited from its department store donation drive and received school essential packages totaling Rp 12,000,000 whilst Centro Solo Paragon distributed school essential packages, biscuits, milk, toys and medicines worth Rp3,150,000 to needy children on 9 January 2019.

The management and employees of PT Tozy Sentosa had also organised a donation drive and raised Rp44,773,000 in aid of Lombok and Palu earthquake and tsunami victims.



BOARD OF DIRECTORS

TAN SRI CHENG HENG JEM

Executive Director, Chairman

Tan Sri Cheng Heng Jem was appointed as a Director of the Company on 31 March 2011 and was last re-appointed on 31 October 2018. He is a member of the Nominating Committee.

Tan Sri Cheng has more than 45 years of experience in the business operations of the Lion Group, a Malaysian based diversified business group (which includes our Company) encompassing retail, branding, food and beverage, credit financing and money lending services, property development, mining, manufacturing, steel, tyre, motor, agriculture and computer industries. He oversees the operation of the Lion Group and is responsible for the formulation and monitoring of the overall corporate strategic plans and business development of the Lion Group.

Tan Sri Cheng is the Chairman and Managing Director of Parkson Holdings Berhad ("PHB"), our ultimate holding company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Executive Director and Chairman of Parkson Retail Group Limited, a subsidiary of PHB listed on The Stock Exchange of Hong Kong Limited. Tan Sri Cheng is currently the Chairman of Lion Forest Industries Berhad, a public company listed on the Main Market of Bursa Securities. He also sits on the board of Lion Asiapac Limited, a public company listed on SGX-ST.

Tan Sri Cheng is also the Chairman and Managing Director of Lion Corporation Berhad and the

Chairman of ACB Resources Berhad, both are public companies, and the Chairman, a Founding Member and a Permanent Trustee of The Community Chest, a company limited by guarantee established by the private sector for charity purposes.

Tan Sri Cheng was the President of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM"), The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor ("KLSCCCI") and Malaysia Retailers Association ("MRA"). He is now a Life Honorary President of ACCCIM and KLSCCCI, an Honorary President of MRA, a Trustee of ACCCIM's Socio-Economic Research Trust, the President of Malaysia Steel Association and the Chairman of the Federation of Asia-Pacific Retailers Association.

Tan Sri Cheng is the father of Ms Cheng Hui Yuen, Vivien, an Executive Director of the Company.

CHENG HUI YUEN, VIVIEN

Executive Director

Ms Cheng Hui Yuen, Vivien, was appointed as an Executive Director of the Company on 18 September 2015 and was last re-elected on 31 October 2017.

Ms Cheng has been working in the Lion Group since 2012 and is presently the General Manager - Business Development of Parkson Branding Division. Her responsibilities include the bringing in of international brands to the Southeast Asia market and introducing brands that are exclusive to Parkson Department Stores. Besides the key function of identifying and procuring fashion and retail brands, her portfolio requires her to be keenly involved in Parkson Department Stores operations and other Lion Group projects such as shopping mall development and food and beverage businesses.

Ms Cheng holds a Bachelor of Engineering in Environmental Engineering from the University of Science and Technology Beijing, People's Republic of China.

Ms Cheng is the daughter of Tan Sri Cheng Heng Jem, an Executive Director and Chairman of the Company.



NG TIAK SOON

Independent, Non-Executive Director

Mr Ng was appointed as a Director of the Company on 1 September 2017 and was last re-elected on 31 October 2017. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Mr Ng retired as a Senior Partner from Ernst & Young LLP, Singapore in June 2005, an accounting firm that he had joined since 1986.

During his employment with Ernst & Young LLP, Singapore, he held various positions including head of banking, head of an audit group, partner-in-charge of audit quality review and chief financial officer. He is currently an independent director of Eurosports Global Limited, a company listed on the Catalist of the SGX-ST and Kinergy Corporation Ltd., a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr Ng had also previously served on the Board of 800 Super Holdings Ltd and MDR Limited.

Mr Ng is a non-practicing member of the Institute of Singapore Chartered Accountants, a member of the Association of Chartered Certified Accountants, United Kingdom as well as a member of the Singapore Institute of Directors.

TAN SOO KHOON

Independent, Non-Executive Director

Mr Tan was appointed as a Director of the Company on 28 September 2011 and was last re-elected on 31 October 2016. He is the Chairman of the Remuneration Committee, and a member of the Nominating Committee and Audit Committee.

Since 1978, he has been Managing Director of a watch distribution company, Crystal Time (S) Pte Ltd, headquartered in Singapore, with a distribution office in Malaysia and associates in Brunei and Indonesia, where he is in charge of overseeing the growth of the company. Mr Tan is also an independent director of Metro Holdings Limited, a company listed on SGX-ST.



Mr Tan holds a Bachelor's degree in Business Administration with Honours from the National University of Singapore. He served as a Member of the Singapore Parliament from 1976 to 2006 and was also the Speaker of Parliament from 1989 to 2002. Currently, Mr Tan is also Singapore's Non-Resident Ambassador to the Czech Republic.

MICHAEL CHAI WOON CHEW

Independent, Non-Executive Director

Mr Chai was appointed as a Director of the Company on 1 September 2017, and was last elected on 31 October 2017. He is the Lead Independent Director, Chairman of the Nominating Committee and a member of the Remuneration Committee and Audit Committee.

Mr Chai is a partner of Michael Chai Ken, Advocate & Solicitors. He is currently a non-independent non-executive director of KKB Engineering Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Board of Bank of China (Malaysia) Berhad as a non-independent non-executive director.

Mr Chai holds a Bachelor of Laws (Hons.) degree from the University of Buckingham, Bachelor of Science (Hons.) degree from University of Surrey, UK and qualified as Barrister-at-Law from Lincoln's Inn, England. Mr Chai was called to the Bars in Malaysia and Singapore.

KEY MANAGEMENT

CHANG CHAE YOUNG

Chief Executive Officer of Indochina operations

Mr Chang was appointed as the Chief Executive Officer of Indochina operations on 1 July 2018. Mr Chang has extensive experience in brand management and retail operations, having worked with E-land Group, Cole Haan, Kate Spade and Teenie Weenie in South Korea, Hong Kong and China for over 20 years.

Mr Chang holds a Bachelor of Business Management from Chonnam National University, South Korea.

GUI CHENG HOCK

Group Chief Operating Officer of Indonesia operations

Mr Gui is the Group Chief Operating Officer of Indonesia operations. Mr Gui has over 30 years of experience in the retail industry. He worked for Emporium Supermarket Holdings Bhd prior to joining Parkson. Mr Gui has been with Malaysia operations since 1987 and has held several positions, including Operations Manager, General Manager (Operations) and Senior General Manager (Retail Properties). He became the Group Chief Operating Officer of Indonesia operations in October 2013.

Mr Gui holds a Diploma in Commerce from Tunku Abdul Rahman College, Malaysia and an Executive Diploma in Management Studies from Curtin University of Technology, Australia.

LAW BOON ENG

Chief Operating Officer of Malaysia operations

Mr Law is the Chief Operating Officer of Malaysia operations. He has over 30 years of experience in the retail industry. He held senior positions in major retail groups in Malaysia, including General Manager of Merchandising and Marketing in our Malaysia operations, Chief Operating Officer and Executive Director of Ngiu Kee Corporation Bhd and Executive Director of Asia Brands Corporation Berhad. Mr Law re-joined the Group as Acting Chief Operating Officer of Malaysia operations in October 2014, and became the Chief Operating Officer of Malaysia operations in October 2015.

Mr Law holds a Diploma in Management from Curtin University, Australia. He was a member of the Chartered Management Institute, United Kingdom.

CHUA TIAN PANG

Chief Financial Officer

Mr Chua joined the Company as Chief Financial Officer on 1 March 2019.

He has more than 20 years of working experience in the areas of auditing, accounting, treasury, taxation, group finance, corporate finance and investor relation. He began his career with Ernst & Young and KPMG in auditing various industries covering listed and non-listed



clientele. He then joined Warisan TC Holdings Berhad (“WTCH”) in 2001 as head of internal audit department. He was the pioneer member of the internal audit department who assisted to set up the internal audit function for WTCH in complying with Bursa Malaysia Securities Berhad Listing Requirements which stipulate the requirement of existence of an internal audit function for public listed companies in Malaysia. Subsequently he pursued to head group finance department commencing 2003. Throughout the ten (10) years, he was overseeing the financial management for more than 30 companies within WTCH Group and had gone through a couple of major corporate exercises in relation to Mergers & Acquisitions (M&A). His last position held with WTCH was Group Financial Controller, an equivalent position to Chief Financial Officer. Prior to joining the Company, Mr Chua was Chief Financial Officer of Focus Point Holdings Berhad (“FPHB”) managing group finance, operational finance, internal audit, treasury, taxation, corporate finance and investor relation functions. He has since then been instrumental to the financial management and treasury functions of FPHB Group.

Mr Chua holds a degree in Bachelor of Commerce from Monash University (Clayton Campus), Melbourne, Australia. He is a Certified Practising Accountant (CPA) of the Australian Society of Certified Practising Accountants (ASCPA) and a Chartered Accountant (CA) of the Malaysian Institute of Accountants (MIA).

TAY BOON HOCK

Chief Auditor

Mr Tay is the Chief Auditor of the Company. He joined the Company in April 2017. Prior to joining the Company, he was with Wah Chan Group, an established jeweller in Malaysia where his last position held was Head of Internal Audit. Collectively, Mr Tay has 20 years of experience in internal and external audit, accounting, finance and operations.

Mr Tay is a Certified Internal Auditor with The Institute of Internal Auditors, USA (IIA), a chartered member of the Institute of Internal Auditors, Malaysia (IIAM), a fellow member of the ACCA and a member of the Malaysia Institute of Accountants. He attained his Diploma in Financial Accounting from Tunku Abdul Rahman University College. He currently serves as a board member of the IIAM and is the Chairman of the Certification & Academic Relations Committee of the IIAM.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Cheng Heng Jem (Executive Chairman)
Cheng Hui Yuen, Vivien (Executive Director)
Michael Chai Woon Chew (Lead Independent Director)
Ng Tiak Soon (Independent Director)
Tan Soo Khoon (Independent Director)

AUDIT COMMITTEE

Chairman

Ng Tiak Soon

Members

Tan Soo Khoon

Michael Chai Woon Chew

NOMINATING COMMITTEE

Chairman

Michael Chai Woon Chew

Members

Tan Soo Khoon

Tan Sri Cheng Heng Jem

REMUNERATION COMMITTEE

Chairman

Tan Soo Khoon

Members

Ng Tiak Soon

Michael Chai Woon Chew

COMPANY SECRETARY

Ang Siew Koon (ACIS)

REGISTERED OFFICE

80 Robinson Road #02-00
Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 4399

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

AUDITORS

Ernst & Young LLP

One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in-charge: Tan Peck Yen
(With effect from the financial year ended 30 June 2018)

PRINCIPAL BANKERS

United Overseas Bank
Malayan Bank Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
PT Bank Permata Tbk
PT Bank CIMB Niaga Tbk
Vietcombank (Joint Stock Commercial Bank for Foreign
Trade of Vietnam).

WEBSITE

www.parkson.com.sg





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ARRIVALS



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CORPORATE GOVERNANCE REPORT

The Company and its subsidiaries (the “Group”) recognise the importance of good corporate governance and are committed to attaining a high standard of corporate governance practices to enhance corporate performance and protect the interest of shareholders.

This Corporate Governance Report describes the Group’s corporate governance practices and sets out the manner in which the Group has applied the principles and the extent of compliance with the guidelines as set out in the Code of Corporate Governance 2012 (the “Code”), and where applicable, the Listing Manual of the SGX-ST (the “Listing Manual”). Where there have been deviations from the Code, appropriate explanations have been provided in this Corporate Governance Report.

In the opinion of the Board of Directors of the Company (the “Board”), the Company has generally complied with all the provisions as set out in the Code for the financial year ended 30 June 2019 (“FY2019”).

Principle 1 : The Board’s Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board provides entrepreneurial leadership to the Group, reviews the Group’s strategic objectives and business plans, assesses the key risks presented by Management and assesses the adequacy of internal controls to ensure that key risks are managed to safeguard and protect the interest of the shareholders. The Board also reviews the financial performance of the Group and the performance of the key management team to ensure that the necessary financial and human resources are in place for the Group to meet its strategic objectives. The Board sets the values and standards for the Group to ensure that the reputation of the Group is being upheld. In setting strategic objectives, the Board has also considered environmental, social and governance factors to ensure sustainability of the Group’s business. The Board recognises that the perceptions of the key stakeholder groups affect the Group’s reputation. The Company has identified the key stakeholder groups and regularly seek their feedback to improve the Group’s performance and ensure that expectations are met. All Board members bring their judgement, diversified knowledge and experience to review and approve Management’s plans on issues relating to strategy, performance, resources and standards of conduct.

Matters reserved for the Board’s decisions include approving the Group’s broad policies, strategic business plans, annual budget, material acquisitions, investments and divestments, capital commitment above certain set threshold, interested party transactions, payment of interim dividends and declaration of final dividends, quarterly/yearly financial results and public announcements. Appointment of Directors and key management personnel, and their remuneration and compensation packages are also matters that require the approval of the Board. All these are set out in the Company’s Compliance Manual which is reviewed regularly by the Board.

The Board has delegated specific responsibilities to three Board committees, namely the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”), to assist the Board in discharging its duties and responsibilities in the interests of the Company. The Board accepts that while these Board committees have the authority to examine specific issues which are spelt out in the Terms of Reference of the respective Board committees and that they will report to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

CORPORATE GOVERNANCE REPORT

The Board meets at least four times a year. The Board, Board committees meetings and the Company's Annual General Meeting ("AGM") for the following calendar year are scheduled at the end of the current calendar year to enable the Directors to plan their schedule ahead. Ad hoc meetings may be called in between the scheduled meetings when there are matters requiring the relevant Directors' deliberation, consideration and decision. The Company's Constitution provides for Board meetings to be held via telephone, or other similar communication facilities whereby all persons participating in the meeting are able to communicate as a group, with at least one of the Directors present at the venue of the meeting for the duration of the meeting. The number of Board and Board committee meetings held in FY2019 and the attendance of the Directors for the meetings are as follows:-

Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
Position	Number of Meetings Attended	Position	Number of Meetings Attended	Position	Number of Meetings Attended	Position	Number of Meetings Attended

Executive Directors

Tan Sri Cheng Heng Jem	C	4/4	-	-	M	3/3	-	-
Cheng Hui Yuen, Vivien	M	4/4	-	-	-	-	-	-

Non-executive Non-independent Directors

Tan Siang Long ⁽¹⁾	M	1/1	M	1/1	-	-	M	1/1
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Independent Directors

Ng Tiak Soon	M	4/4	C	4/4	-	-	M	2/2
Tan Soo Khoon	M	4/4	M	4/4	M	3/3	C	2/2
Michael Chai Woon Chew ⁽²⁾	M	4/4	M	4/4	C	3/3	M	1/1

⁽¹⁾ Retired at the Company's AGM held on 31 October 2018, and ceased to be a member of the AC and RC.

⁽²⁾ Appointed on 31 October 2018 as the Lead Independent Director and a member of the RC.

Legend:

C – Chairman

M – Member

A formal letter will be given to each new Director upon his/her appointment, setting out the Director's duties and obligations. Incoming Directors, when appointed, will receive an orientation that includes briefings by Management on the Group's structure, businesses, operations, and policies. Each new Director who has not acted as director of other listed companies will be encouraged to attend training conducted by the Singapore Institute of Directors on 'Duties and Responsibilities of Directors' and other relevant courses to help him familiarise with the roles and responsibilities of a director of a listed company. All Directors are also given the opportunity to visit the Group's operational facilities and meet with the management team.

A manual containing the Group's policies and procedures relating to its business, corporate governance, restrictions on dealings in its securities and price-sensitive information and whistle blowing policy, which has been approved by the Board, is provided to each Director. The manual also contains guidelines on approval limits

CORPORATE GOVERNANCE REPORT

for, among others, acquisition and disposal of assets, financial management and capital requirements, and sets out the matters that are specifically reserved for the Board's consideration and decision as well as directions to Management in relation to such matters.

Specific training conducted by professionals would be tailored for and provided to the Directors to help them to keep pace with relevant changes to listing requirements, corporate governance best practices and accounting standards, as well as changing commercial risks. Directors are also encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement.

Principle 2 : Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

There were changes in the Board composition during FY2019. Mr Tan Siang Long did not seek re-election as a Director at the AGM held on 31 October 2018 and retired from the Board.

As at the date of this report, the Board comprised three Independent Directors ("IDs") and two Executive Directors ("EDs"). The Company had maintained a satisfactory independent element on the Board with more than half of the Board comprising IDs. It was therefore compliant with Guideline 2.2 of the Code which recommends that where the Chairman of the Board ("Chairman") is not an ID, at least half of the Board should be independent.

The Board has established a process for assessing the independence of its Directors. As part of the process, each Non-Executive Director ("NED") is required to confirm via a declaration form on an annual basis, or as and when required, his/her independence based on the guidelines provided in the Code. The NC will take into consideration the NED's declaration during its review to determine whether the NED is independent in character and judgement, and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the NED's judgement. The NC takes into account the recent changes to the Listing Manual in relation to the assessment of a NED's independence, and further views that the existence of any of the following relationships or circumstances will also deem the NED not independent:-

- (a) the NED, or an immediate family member, accepting any significant compensation from the Company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service;
- (b) the NED:
 - (i) who, in the current or immediate past financial year, is or was; or
 - (ii) whose immediate family member, in the current or immediate past financial year, is or was,

a 5% shareholder of, or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organization to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant;

CORPORATE GOVERNANCE REPORT

- (c) the NED who is a 5% shareholder or an immediate family member of a 5% shareholder of the Company; or
- (d) the NED who is or has been directly associated with a 5% shareholder of the Company, in the current or immediate past financial year.

For transparency, the NC (save for Mr Tan who abstained from deliberation on this matter) has set out its determination of the independence of Mr Tan Soo Khoon ("Mr Tan") as follows:-

- (a) The NC noted that Mr Tan had declared that he is currently a director of WatchMart (M) Sdn Bhd ("WatchMart"). Mr Tan's spouse has 99.9% shareholding interest in WatchMart. Mr Tan does not have any interest in WatchMart other than through his spouse. The NC further noted that WatchMart is a trade supplier of the PRA Group, which supplies certain brands of watches to the PRA Group for sale at the PRA Group Parkson stores. As these are recurrent transactions which are necessary for the day-to-day business operations of the PRA Group, WatchMart is named as one of the mandated interested persons covered under the existing interested person transactions ("IPT") general mandate (which was approved by the shareholders of PRA at its AGM on 31 October 2018) in respect of such purchases of products from WatchMart ("IPT General Mandate"). Accordingly, the review and approval of such purchases of products from WatchMart follow the procedures as set out in the Circular to Shareholders dated 16 October 2018. In view of Mr Tan's personal interests, he had abstained from discussions and decisions of the AC and the Board of PRA involving transactions or contracts with WatchMart. Mr Tan was not involved in the review and approval of the transactions involving WatchMart under the IPT General Mandate. Mr Tan had declared that for FY2019, the total value of the transactions between the PRA Group and WatchMart was approximately S\$166,000 which was below the S\$200,000 threshold (FY2018: S\$214,000). Save for the said transactions between the PRA Group and WatchMart conducted under the IPT General Mandate, there were no other transactions between the PRA Group and Mr Tan or his associates.
- (b) The NC took into account Mr Tan's performance on the Board and Board Committees, and had observed that Mr Tan had at all times discharged his duties with professionalism and objectivity, constantly challenged management's proposals in a constructive manner, and acted as an effective check on management. The NC agreed that Mr Tan had exercised independent judgement in the best interests of the Company and should therefore be considered as an independent director.

The NC (save for Mr Michael Chai Woon Chew ("Mr Michael Chai") who abstained from deliberating his own independence) reviewed the independence of Mr Ng Tiak Soon ("Mr Ng") and Mr Michael Chai. The NC noted that both Mr Ng and Mr Michael Chai have no relationship with the Company, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company, and they had exercised objective judgement on corporate affairs independently from Management.

The Board concurred with the views of the NC on the independence of the IDs. Each of the IDs had abstained from deliberating and deciding on his own independence.

The Company was listed on the SGX-ST on 3 November 2011 and none of the IDs have served on the Board for more than nine years.

CORPORATE GOVERNANCE REPORT

The Board and the NC review the size of the Board on an annual basis. Based on the latest review, the Board and the NC are of the view that the present Board size is appropriate and facilitates effective decision making, taking into account the current scope and nature of the Group's operations, the requirements of the business of the Group and the need to avoid undue disruptions from changes to the composition of the Board and Board committees.

The Board and the NC are also of the view that the current Board and its Board committees comprise Directors, who as a group, provide an appropriate balance and diversity of skills, experience, gender, age and knowledge of the Group, as well as core competencies such as accounting and finance, legal, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. Ms Cheng Hui Yuen, Vivien ("Ms Vivien Cheng") is the only female Director on the Board, and the youngest among the Directors. Ms Vivien Cheng, who has merchandising experience, has been mentored and guided by her father, Tan Sri Cheng Heng Jem who is the Chairman. Mr Ng Tiak Soon brings with him accounting and finance experience. Mr Michael Chai brings with him legal expertise. Mr Tan Soo Khoon, who has his own business, brings with him business and management expertise. The Chairman founded Parkson and he has other successful businesses, a few of which are also listed on recognised stock exchanges.

All Directors have equal responsibility for the Company's operations by ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and that they take into account the long term interests of the Group's stakeholders, which includes shareholders, employees, customers and suppliers.

Mr Michael Chai, the Lead ID, leads and co-ordinates the activities of the NEDs and provides assistance to the NEDs to constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

To facilitate a more effective check on Management, NEDs are encouraged to meet regularly without the presence of Management. The NEDs who were not involved in the operations of the Group had met several times in FY2019 without the presence of Management.

Principle 3 : Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

To ensure a clear division of responsibilities and a balance of power and authority within the Company, the role of Chairman and the Group Chief Executive Officer ("CEO") of the Company are undertaken separately. Tan Sri Cheng Heng Jem is the Executive Chairman. Mr Michael Remsen was the Group CEO up until his resignation on 21 December 2018. The Chairman and the Group CEO were not related to each other. The position of the Group CEO is currently vacant.

The division of responsibilities between the role of Chairman and the role of the Group CEO are set out in writing and endorsed by the Board. The Chairman leads the Board in adhering to and maintaining a high standard of corporate governance with full support of the Directors and Management. He is responsible for, among others, the formulation of the Group's strategic directions and expansion plans and managing the Group's overall business development. As the Chairman of the Board, he approves the agenda of each Board meeting and ensures material information is provided to the Board to facilitate decision-making. He also promotes open dialogue and

CORPORATE GOVERNANCE REPORT

debate during Board meetings. The Chairman monitors communications and relations between the Company and its shareholders, between the Board and the Management and between independent and non-independent Directors, in order to facilitate and encourage constructive relations and dialogue among them.

The Group CEO's role is to be responsible for the day-to-day operations of the Group, implementing the Group's strategies and policies, and for conducting the Group's business. The Group CEO is required to attend the quarterly AC and Board meetings on the invitation of the AC and the Board and to update the AC and the Board on the strategic and operational business aspects of the Group.

In accordance with Guideline 3.3 of the Code, as the Chairman is not an ID, the Board has appointed Mr Michael Chai as the Lead ID of the Board. Shareholders with concerns may contact Mr Michael Chai directly, when contact through the normal channels via the Executive Chairman, the Group CEO and the Chief Financial Officer ("CFO") has failed to provide satisfactory resolution or when such contact is inappropriate. As the Lead ID, he leads and encourages dialogue between the IDs without the presence of the other Directors at least once annually, and provides feedback to the Chairman after such meetings.

Principle 4 : Board membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Board has established the NC which has its primary role in making recommendations to the Board on all appointments to the Board and the Board committees. In making such recommendations, the NC seeks to ensure that the Board is comprised of Directors with diversity of skills, experience, age and gender.

The NC comprises three Directors, the majority of whom, including the chairman of the NC, are independent.

Michael Chai Woon Chew – Chairman (Lead ID)

Tan Soo Khoon – Member (ID)

Tan Sri Cheng Heng Jem – Member (ED)

The NC is regulated by a set of written terms of reference endorsed by the Board, and reviewed to take into account any regulatory changes. The duties and responsibilities of the NC include the following:-

- reviewing appointments to the Board and the Board committees and candidates for senior management positions;
- reviewing Board succession plans for Directors, in particular, the Chairman and the Group CEO;
- developing a process for evaluation of the performance of the Board, the Board committees and individual Directors;
- reviewing the training and professional development programmes for the Directors;
- determining annually, and as and when circumstances require, if a Director is independent; and
- determining if a Director is able to and has been adequately carrying out his/her duties as a Director of the Company.

CORPORATE GOVERNANCE REPORT

The NC has put in place a process for selection and appointment of new Directors which includes identification of potential candidates, evaluation of candidates' skills, knowledge and experience and assessment of the candidate's suitability. All potential candidates, through the recommendation of the Directors, professional firms and associates, and if need be, through external consultants, will have their profile submitted to the NC for screening and selection. The NC will meet with the selected candidate to assess his/her suitability, before making its recommendations to the Board for the Board's approval.

In considering new appointment and re-appointment of Directors, the NC will consider important issues like composition of the Board, the need to have progressive Board renewal, the individual Director's competencies, commitment and contribution to the Board. All Directors appointed to the Board are required to submit themselves for re-election at regular intervals. The Company's Constitution provides that at each AGM, one-third of the Directors who have served the longest since their most recent election (or, if the number of Directors is not a multiple of three, the number nearest to but not less than one-third) must retire from office and may stand for re-election at that AGM. Each Director must retire from office and stand for re-election at least once every three years. The NC member will abstain from deliberating and voting on his/her own nomination for re-election, and that of another Director who is related to him/her.

The NC has put in place a process to determine a Director's independence. Once a year, after each financial year end, a Form of Declaration of Independence or Non-Independence ("Form") will be sent to each of the Directors. The Form compels each Director to consider if he meets the criteria for independence under the Code. Having done so, the said Director will have to declare his/her independence or non-independence, and to sign and submit the duly completed Form to the Company Secretary. These duly signed Forms will be tabled at the NC meeting for the NC's review. While the NC is not bound by the Director's declaration, the disclosures contained in each Form will assist the NC in making its determination. In addition to the Form, the NC will also assess whether the Director has exercised and can continue to exercise independent judgment. In addition to this annual review, the NC is also committed to convening a meeting as and when circumstances prevail which calls for a review of a Director's independence. The NC will present its findings to the Board for the Board's review.

In the event that a Director has multiple board representations or other principal commitments, the NC will determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company. The NC and the Board are of the view that, setting a maximum number of listed company board representations a Director may hold is not meaningful. The contribution of each Director would depend on his/her individual circumstances, including whether or not he has a full time vocation or other responsibilities, his/her individual capabilities and the nature and the complexity of the organisations in which he holds appointments. The NC, with the concurrence of the Board, was satisfied that each of the Directors is able to and had adequately carried out his/her duties as a Director of the Company in FY2019, and had given sufficient time and attention to the affairs of the Company.

The NC would generally avoid recommending to the Board the appointment of alternate Directors. It holds the view that alternate Directors should only be appointed for limited periods in exceptional cases such as when a Director has medical emergency. If the appointment of an alternate Director is deemed necessary, the NC would ensure that the alternate Director is appropriately qualified, knows the duties and responsibilities of a Director, and is familiar with the Group's business affairs.

CORPORATE GOVERNANCE REPORT

In accordance with Article 91 of the Articles of Association comprising part of the Constitution of the Company, Ms Vivien Cheng and Mr Tan Soo Khoon will retire at the forthcoming AGM. Ms Vivien Cheng has submitted herself for re-election. In this regard, the NC, having considered the attendance and participation of Ms Vivien Cheng at the Board meetings, in particular, her contribution to the business and operations of the Company, has recommended her re-election. The Board has concurred with the NC's recommendation. Mr Tan Soo Khoon has expressed his wish to retire at the forthcoming AGM to pave the way for Board renewal. The NC is currently talking to a few potential candidates for the ID position and will make its recommendations to the Board on the appointment. The announcement on the appointment will be made in due course once a decision has been made.

Principle 5 : Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board has implemented a process for the NC to assess the effectiveness of the Board and its Board committees through a confidential questionnaire (covering areas such as the effectiveness of the Board and its Board committees in its monitoring role and the ability to attain strategic and effective risk management, the Board and its Board committees' response to problems and crisis etc. and long-term objectives set out by the Board) which is completed by each Director individually. The performance criteria have been endorsed by the NC and the Board.

The assessment of individual Directors is done through self-assessment as well as peer-assessment on areas such as the contribution of each individual Director to the effectiveness of the Board, whether each Director continues to contribute effectively and demonstrate commitment to the role, in each case through a confidential questionnaire completed by each Director individually.

The summary of the completed assessment questionnaires compiled by the Company Secretary is submitted to the NC for review and then presented to the Board. The Board will act on the results of the performance evaluation, and, in consultation with the NC, proposes the re-election of Directors, and where appropriate, new members to be appointed to the Board or seek the resignation of Directors who are not able to commit their time and contribute effectively to the Board.

The last Board, Board committees and individual Directors' evaluations were conducted in August 2019 in accordance with the procedures adopted by the Board. No external facilitator/consultant was engaged to assist with this performance evaluation exercise. The Board was satisfied that the Board as a whole and its Board committees were effective and that each and every Director had demonstrated commitment to and had contributed to the effective functioning of the Board and the Board committees.

Principle 6 : Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors are furnished with Board papers and material relevant to the agenda items of the meeting prior to Board and Board committee meetings. The meeting materials are provided, as far as possible, one week before the scheduled meetings to allow the Directors sufficient time to read and review the documents for deliberation at the meetings. Materials that are provided include the unaudited quarterly financial results, the internal audit report, list of interested person transactions, whistle blowing reports (if any), list of board resolutions passed via written means, announcements released in-between the quarterly meetings, Directors' declaration of interest (if any), as

CORPORATE GOVERNANCE REPORT

well as other Board Papers that are not part of the quarterly routine. As and when there are urgent and important matters that require the Directors' attention, information is furnished to the Directors as soon as practicable, and where necessary, a special Board or Board committee meeting will be convened at short notice. The Directors may also request for additional information or for expert advice to be sought during discussion at the Board or Board committee meetings if they deemed such information necessary and appropriate for well-informed decision-making.

Annual budgets are presented to the Board for approval and adoption, and subsequently in the quarterly Board meetings, the variances between projections and actual results are tabled for the Board's review. If needed, the AC or the Board may request for re-forecasts or revised budgets to be presented. Monthly management accounts are made available to Directors upon their request. Management also presents top five performing stores and top five loss-making stores to the Board on a semi-annual basis at the quarterly Board meetings.

All the Directors have separate and independent access to the Group's senior management, the Company Secretary and her assistant, as well as the Group's internal and external auditors should they have any queries on the affairs of the Group. The contact persons and their contact details are regularly updated and circulated to the Directors.

The Company Secretary and her assistant attend all meetings of the Board and Board committees and ensure that the Board and Board committee procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is responsible for ensuring good information flows within the Board and its Board committees and between Management and the NEDs.

Any decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

The Board has also approved a procedure for Directors, either individually or as a Board to take independent professional advice, where necessary in the furtherance of their duties, at the Group's expense.

Principle 7 : Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC has been constituted to recommend to the Board a framework of remuneration for the Directors and key management personnel, and to determine specific remuneration packages for each Director and the key management personnel. It comprises the following three Directors, all of whom are non-executive and the majority of whom, including the chairman of the RC, are independent:

Tan Soo Khoo – Chairman (ID)

Ng Tiak Soon – Member (ID)

Michael Chai Woon Chew – Member (Lead ID)

Tan Siang Long⁽¹⁾ – Member (NINED)

⁽¹⁾ Retired at the Company's AGM held on 31 October 2018 and ceased to be a member of RC.

CORPORATE GOVERNANCE REPORT

The RC is regulated by a set of written terms of reference, endorsed by the Board, setting out their duties and responsibilities, which include, among other things:

- ensuring a formal and transparent procedure for developing policy on executive remuneration;
- reviewing and recommending to the Board a general framework of remuneration for the Board and Management;
- reviewing and recommending to the Board the specific remuneration packages for each of the Directors and key management personnel, which is submitted for approval by the Board; and
- reviewing the Company's obligations arising in the event of termination of key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

In reviewing the Directors' fees and the key management personnel's compensation packages, the RC will consider all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind. The RC member will abstain from deliberating and voting on his/her own remuneration. The RC will seek expert advice on remuneration matters if necessary. No external consultant was engaged to advise on remuneration matters in FY2019.

The termination clauses in the contracts of service of key management personnel are fair and reasonable, and not overly generous. The RC aims to be fair in rewarding the key management personnel and is cautious not to reward poor performance.

Principle 8 : Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Company sets key performance indicators ("KPIs") for the key management personnel. A portion of the compensation package is subject to the key management personnel meeting the set KPIs. The RC seeks to achieve a level and mix of remuneration that is able to retain and motivate the key management personnel, and to ensure that appropriate proportions of the remuneration is linked to corporate and individual performance. This is to align the interests of the key management personnel with those of shareholders and to ensure the long-term success of the Company.

The Company has the Parkson Retail Asia Limited Employee Share Option Scheme (the "ESOS"). The Company has not granted any share options under the ESOS.

At the moment, the Company and its subsidiaries do not use any contractual provisions to reclaim incentive components of remuneration from key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

The EDs do not have employment relationship or any service contracts with the Group and/or the Company. They receive basic Directors' fees from the Company in the same manner as the NEDs.

CORPORATE GOVERNANCE REPORT

The NEDs do not have any service contracts. They are paid a basic fee and an additional fee for serving on the AC. The RC is also mindful of not over-compensating the NEDs to the extent that their independence may be compromised. The Directors' fees are subject to approval by shareholders at the AGM. Except as disclosed, the NEDs do not receive any other remuneration from the Company for their Board service.

The Directors' fee structure is as follows:-

Proposed Fee Structure (annual basis)		
Board	Audit Committee	
Members	Chairman	Members
S\$55,000	S\$10,000	S\$5,000

The fee payable will be prorated accordingly if a Director occupies the position for part of the financial year only.

The RC had recommended to the Board a maximum amount of S\$350,000 as the total Directors' fees to be paid for the financial year ending 30 June 2020 payable quarterly in arrears (FY2019: S\$350,000). The proposed fee structure for each individual Director remained unchanged from the previous financial year. This recommendation will be tabled for shareholders' approval at the AGM.

Principle 9 : Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown, showing the level and mix of each individual Director's and the Group CEO's remuneration for FY2019 is as follows:-

	Fee %	Salary %	Bonus %	Variable Plan %	Contribution to Defined Contribution Benefits %	Total %	Total S\$'000
Executive Directors							
Tan Sri Cheng Heng Jem	100	-	-	-	-	100	55
Cheng Hui Yuen, Vivien	100	-	-	-	-	100	55
Non-Executive Directors							
Ng Tiak Soon	100	-	-	-	-	100	65
Tan Soo Khoon	100	-	-	-	-	100	60
Michael Chai Woon Chew	100	-	-	-	-	100	60
Tan Siang Long ⁽¹⁾	100	-	-	-	-	100	20
							315
Group Chief Executive Officer							
Michael Remsen ⁽²⁾	-	62	-	-	38	100	1,285
							1,600

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⁽¹⁾ Retired at the Company's AGM held on 31 October 2018.

⁽²⁾ Resigned on 21 December 2018.

The remuneration (shown in bands of S\$250,000) of the top five key management personnel for FY2019 (excluding the Directors and the Group CEO) is disclosed in the table below:

	Salary	Variable Bonus	Contribution to Defined Contribution Plan	Benefits	Total
	%	%	%	%	%
Key Management Personnel					
Law Boon Eng	72	18	4	6	100
Chang Chae Young	62	5	-	33	100
Gui Cheng Hock	86	11	3	-	100
Chua Tian Pang	89	-	11	-	100
Tay Boon Hock	73	16	11	-	100
Chia Cang Yang ⁽¹⁾	88	-	11	1	100

⁽¹⁾ Resigned on 4 November 2018

For FY2019, the aggregate total remuneration paid to the top five key management personnel (excluding the Directors and the Group CEO) was S\$990,400.

Ms Cheng Hui Yen, Natalie, who is the daughter of Tan Sri Cheng Heng Jem, has an employment relationship with a subsidiary of the Company, and has received remuneration (comprising salary, variable bonus, contribution to defined contribution plan and other benefits) within the band of S\$100,000 to S\$150,000 in FY2019. The basis for determining her remuneration was the same as the basis for determining the remuneration of other employees.

There are no existing or proposed service agreements entered into or to be entered into by the Company or any of its subsidiaries with any of the Directors or key management personnel which provides for benefits (in the form of stock options, pensions, retirement or other benefits) upon termination of employment, retirement or post-employment.

The Company had on 12 October 2011 adopted the ESOS, representing share-based incentive options of the Company. As at 30 June 2019, no options under the ESOS have been granted.

The main features of the ESOS are as follows:-

- The EDs, NEDs and confirmed employees of the Group shall be eligible to participate in the ESOS at the absolute discretion of the RC.
- The aggregate number of shares over which the RC may grant options, when added to the number of shares issued and issuable in respect of (i) all options granted under the ESOS, and (ii) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company, must not exceed 15% of the issued shares of the Company (excluding treasury shares), provided that in relation to controlling shareholder(s) and/or associate(s) of controlling shareholder(s):

CORPORATE GOVERNANCE REPORT

- the aggregate number of shares which may be offered by way of grant of options to participants who are controlling shareholder(s) and/or associate(s) of controlling shareholder(s) must not exceed 25% of the total number of shares available under the ESOS and such other share-based incentive schemes of the Company; and
 - the aggregate number of shares which may be offered by way of grant of options to each participant who is a controlling shareholder or his/her associate under the ESOS must not exceed 10% of the total number of shares available under the ESOS and such other share-based incentive schemes of the Company.
- (c) The options granted under the ESOS may have exercise prices that are set at (i) a price (the “Market Price”) equal to the average of the last dealt market price of the shares for the five consecutive market days preceding the date of grant of the relevant option; or (ii) a discount to the Market Price (subject to a maximum discount of 20%).
- (d) The ESOS will continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of the Company’s shareholders and of any relevant authorities which may be required.

Further details of the ESOS have been provided in the Company’s prospectus dated 27 October 2011.

Principle 10 : Accountability

The Board should present a balanced and understandable assessment of the company’s performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Group’s performance, position and prospects in the annual report to shareholders and the quarterly and annual financial statements announcements.

Management provides all members of the Board with the results of the Group’s performance, financial position and prospects on a quarterly basis. Board papers are given prior to any Board meeting (one week in advance for the quarterly AC and Board meetings) to facilitate effective discussion and decision-making.

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual. A compliance manual covering legislative and regulatory requirements has been circulated to the Management team and is updated when there are amendments to the legislative and regulatory requirements. Management provides the EDs with monthly financial reports which are also made available to the NEDs upon their request. Additional or ad-hoc meetings are conducted, when required.

Management makes presentations to the Board on a quarterly basis on the financial performance of the Group.

Principle 11 : Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the company’s assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for maintaining an adequate internal control system to safeguard the Company's shareholders' investments and the Company's assets. The Board will continuously review its risk assessment process with a view to improve the Company's internal control system where required.

The Company maintains a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to Management.

The Board regards risk management as an integral part of business operations. A Corporate Risk Management System implementing an Enterprise Wide Risk Management Framework ("CRMS-ERM") was developed, enhanced and documented. The CRMS-ERM Manual sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, treatment, risks appetite setting, control, tracking and monitoring of strategic, business, financial and operational risks. Management plays a pivotal role in overseeing the implementation of the risk management framework, periodically reviewing the risk management scorecards and reporting the status to the AC. Management also assesses all material and key risks associated with the Group's businesses and operations as well as corporate proposals.

For FY2019, the AC received the Risk Management Report on a quarterly basis and the key risks were discussed at the quarterly AC meetings.

The internal audit team performs detailed work to assist the AC in the evaluation of internal controls, financial and accounting matters, compliance, business and financial risk management including controls in the critical IT system. The AC's responsibility for the Group's internal controls are complemented by the work of the Compliance department.

As the position of the Group CEO is currently vacant, the Board has received written assurance from the Executive Chairman and CFO: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

The Board, with the concurrence of the AC, is of the opinion that, based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the Management, the various Board committees and the Board and the written assurance from the Executive Chairman and CFO, the Group's internal controls addressing key financial, operational, compliance and information technology controls, and risk management systems were adequate as at 30 June 2019 and where certain weaknesses were identified, these have been addressed by the Management. It should be noted that the system of internal controls and risk management can provide only reasonable, but not absolute, assurance against financial misstatements or loss, and of safeguarding of assets, maintenance of proper accounting records, reliability of financial information and compliance with all relevant legislation. The Board will continue its on-going risk assessment process with a view to improve the Company's internal controls system.

Principle 12 : Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

CORPORATE GOVERNANCE REPORT

The AC comprises the following four Directors, all of whom are non-executive and the majority of whom, including the chairman of the AC, are independent:

Ng Tiak Soon – Chairman (ID)

Tan Soo Khoon – Member (ID)

Michael Chai Woon Chew – Member (Lead ID)

Tan Siang Long⁽¹⁾ – Member (NINED)

⁽¹⁾ Retired at the Company's AGM held on 31 October 2018 and ceased to be a member of AC.

The AC is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities, which include, among other things:

- reviewing the significant financial reporting issues and judgements to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance;
- reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;
- reviewing and reporting to the Board, at least annually, on the adequacy and effectiveness of the Group's internal controls addressing key financial, operational, compliance and information technology controls, including procedures for entering into hedging transactions, and risk management policies and systems established by Management (collectively, "internal controls"), ensuring that such review of the effectiveness of the internal controls is conducted at least annually;
- reviewing, with the external auditor, their evaluation of the system of internal accounting controls in the course of the audit of the Group's financial statements;
- reviewing the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board;
- reviewing the effectiveness of the Group's internal audit function;
- appraising and reporting to the Board on the audits undertaken by the external auditor and internal auditor, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls; and
- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

In addition to the duties listed above, the AC shall be responsible for reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to ensure that arrangement are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

The AC is also authorised by the Board to investigate any matter within its terms of reference and has full access to, and co-operation of Management. It also has full discretion to invite any Director or executive officer to attend its meetings. It has adequate resources to enable it to discharge its functions properly.

CORPORATE GOVERNANCE REPORT

The Board is of the view that all the members of the AC are appropriately qualified to discharge their responsibilities.

Mr Ng Tiak Soon, the AC Chairman, was a retired Senior Partner of Ernst & Young LLP who has extensive financial and audit experience in a broad range of industries. Mr Tan Soo Khoo has been the Managing Director of a watch distribution company, Crystal Time (S) Pte Ltd, since 1978. Mr Michael Chai is a partner of a legal firm serving a wide range of large multinationals, public limited companies as well as private businesses, financial institutions and individuals. Please refer to the profile of the Directors in the “Board of Directors” section in this Annual Report.

The AC held four meetings in FY2019. All of these meetings were attended by the key management personnel at the invitation of the AC. The Group’s external auditor was also present at these meetings.

The AC met with the external and the internal auditors without the presence of the EDs and Management at least twice in FY2019 (on 23 August 2018 and on 29 January 2019).

The AC also reviewed the Group’s quarterly and full-year results announcement, the financial statements of the Company and the consolidated financial statements of the Group and the auditor’s report on the annual financial statements of the Group and Company for FY2019 prior to making recommendations to the Board for approval.

To achieve a high standard of corporate governance for the operation of the Group, the Group has implemented a whistle-blowing policy. Details of the whistle-blowing policies and arrangements have been made available to all employees, suppliers and customers. The policy provides channels through which staff and stakeholders can raise concerns on financial reporting improprieties and other matters. The AC ensures that such concerns are independently investigated and that appropriate follow-up action will be taken. Further to this, the Group has also put in place a Code of Conduct for Vendors, which also requires them to make declaration on an annual basis that they have read the Code of Conduct and that they are in compliance. For the customers, the Company has placed boxes in strategic locations within the department stores for them to provide their feedback and comments. Whistle blowers may write to the Lead ID to communicate any information about fraudulent actions and breaches of ethics directly and anonymously using the whistleblowing email of the ID via whistleblowing@parkson.com.my.

The AC has reviewed the non-audit services provided by the external auditor, Ernst & Young LLP, for FY2019 and is of the opinion that the provision of such services did not affect the independence or objectivity of the external auditor as the percentage of the fees for non-audit services is relatively small as compared to the fees for audit services. The external auditor has affirmed its independence in this respect. The aggregate amount of fees paid/payable by the Group to the Company’s external auditor is disclosed in Note 8 of the financial statements.

The AC has recommended the re-appointment of Ernst & Young LLP as external auditor at the Company’s forthcoming AGM.

The Company confirms that it has complied with Rules 712 and 715 or 716 of the Listing Manual in relation to its auditors. Please refer to the “Corporate Information” section in this Annual Report for the details of auditors of the Company.

The AC members also kept abreast of the changes to accounting standards and issues which have a direct impact on financial statements through periodic meetings with the external auditor and opportunities to attend external seminars at the Company’s expense.

CORPORATE GOVERNANCE REPORT

Mr Ng Tiak Soon was a Senior Partner of Ernst & Young LLP prior to his retirement in June 2005. He does not have any financial interest in Ernst & Young LLP subsequent to his departure.

Principle 13 : Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The internal audit department ("IAD") is a department independent of Management. The Chief Auditor has a direct and primary reporting line to the Chairman of the AC. As the position of Group CEO is currently vacant, the Chief Auditor reports administratively to the Executive Chairman. The AC approves the hiring, removal, evaluation and compensation of the Chief Auditor.

The internal audit team, which is independent of the Group's daily operations and accounting functions, has unfettered access to all of the Group's documents, records, properties and personnel. The Chief Auditor is responsible for establishing the Group's internal control framework, covering all material controls including financial and accounting matters, operational and compliance controls. The internal control framework also provides for identification and management of risk, including controls in the critical IT system. The internal audit team is staffed with persons with the relevant qualifications and experience.

All internal audit activities of the Group are guided by the International Professional Practices Framework of Internal Auditing, the Internal Audit Charter approved by the AC of the Board as well as policies and procedures of the Group.

An annual risk-based internal audit plan is presented by IAD to the Audit Committee for approval after having reviewed the adequacy of the scope, functions and resources of IAD as well as the competency of the internal auditor. IAD adopts a risk-based approach and prepares its plan based on the risk profiles of the auditable units in alignment with the strategic objectives of the Group.

The Chief Auditor formulates the engagement plans based on the approved annual internal audit plan with a team of auditors, conducts periodic independent reviews on the operations of individual divisions to identify any irregularity and risk, develops action plans and recommendations to address the identified risks, and reports to the AC on any key findings and progress of the internal audit process. The AC, in turn, reports to the Board on any material issues and makes recommendations to the Board.

The AC reviews the independence, adequacy and effectiveness of the internal audit function on a quarterly basis when it receives the internal audit report at the quarterly AC meetings.

For FY2019, the AC is satisfied that the internal audit function was independent, effective and adequately resourced, with appropriate standing within the Group.

Principal 14 : Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

CORPORATE GOVERNANCE REPORT

The Company is committed to providing shareholders with adequate, timely and sufficient information relating to changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares.

The Company will ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders will be informed of rules, including voting procedures that govern general meetings of shareholders.

The Company allows corporations which provide nominee or custodial services to appoint more than two proxies to attend the general meetings.

Principal 15 : Communications with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company values dialogue with its shareholders. The Company believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns, where possible, through analyst briefings, investor roadshows or investors' day briefings. The Company does not have an Investor Relations department. The investor relations functions are performed by the Executive Chairman and CFO.

The Company's investor relations policy is that all shareholders should be equally informed of all major developments and events that impact the Company in a timely manner. Results and annual reports are announced or issued within the mandatory period as prescribed under the Listing Manual. Briefings for the full year results are conducted for analysts and institutional investors, if necessary, following the release of the results on SGXNet. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments. All analysts' and institutional investors' briefing materials are made available to shareholders on SGXNet. Where there is inadvertent disclosure made to a select group, the Company will ensure that the same disclosure is announced to the public via the SGXNet.

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during Company's general meetings. At these meetings, shareholders are given the opportunity to voice their views and raise issues either formally or informally. The Company's website at www.parkson.com.sg is another channel to solicit and understand the views of the shareholders.

The Board does not have a fixed dividend policy at present. The form, frequency and amount of interim/final dividends to be declared each year will be decided/recommended by the Board after taking into consideration the Group's profit, growth, cash position, positive cash flows generated from operations, projected capital requirements for the Group's business growth, general business conditions, and other factors as the Board may deem appropriate. No dividend has been declared in FY2019 in view of the net losses recorded by the Group.

Principle 16 : Conduct of shareholder meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

CORPORATE GOVERNANCE REPORT

The Company believes in encouraging greater shareholder participation at general meetings. Shareholders have the opportunity to participate effectively and to vote at general meetings. At general meetings, shareholders are given the opportunity to participate in the question and answer session.

A shareholder who is unable to attend the general meeting may appoint a proxy(ies) to vote on his/her behalf. Pursuant to the amendments to the Companies Act, a member which is a relevant intermediary (as defined in the Companies Act), which generally includes Singapore banks and nominee or custodial service providers, as well as the Central Provident Fund Board, may appoint more than two proxies to attend, speak and vote at the AGM, provided that each appointed proxy represents a different share or shares held by such member. Other shareholders are allowed to appoint up to two proxies to attend the general meetings.

At the general meetings, separate resolutions will be proposed for each subject matter/issue respectively. The Company will generally avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

The Directors and the Chairman of the AC, NC and RC, or members of the respective Board committees standing in for them are present at the AGM to address shareholders' queries. The external auditor is also invited to attend the AGM and is available to assist the Directors in addressing any relevant queries by shareholders relating to the conduct of the audit and the preparation of the contents of the auditor's report.

Appropriate senior management personnel/members are also present at general meetings to respond, if necessary, to operational questions from shareholders.

The Company will also prepare minutes of general meetings that include substantial comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and will make such minutes available to shareholders.

All the resolutions put to the vote at the forthcoming AGM will be voted on by poll and the detailed results of the poll will be announced via SGXNet. Polling may be conducted in manual or electronic form. In determining which polling mode to take, the Company will take into consideration the historical / expected turnout at general meetings and the relevant costs involved for each polling mode.

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION

DEALINGS IN SECURITIES

The Group has adopted an internal code on securities trading which provides guidance and internal regulation with regard to dealings in the Group's securities by its Directors and officers that take into account the best practices on dealings in securities under Rule 1207(19) of the Listing Manual as well as insider trading laws in Singapore. The Group's internal code prohibits its Directors and officers from dealing in listed securities of the Group while in possession of unpublished material or price-sensitive information in relation to such securities and during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Group's financial year and one month before the date of announcement of the full year financial results. Directors and officers are also prohibited from dealings in the Group's securities on short-term considerations.

MATERIAL CONTRACTS

Other than as disclosed, there are no material contracts of the Group involving the interests of any Director or controlling shareholder entered into during the financial year that is required to be disclosed under the Listing Manual.

INTERESTED PERSON TRANSACTIONS ("IPTs")

All IPTs will be documented and submitted quarterly to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and not prejudicial to the Company.

The AC has reviewed the IPTs for FY2019. The aggregate value of the material IPTs between the Group and the interested persons for FY2019 are as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	S\$'000	S\$'000
Lion Forest Industries Berhad Group ⁽¹⁾	-	615
Parkson Holdings Berhad Group ⁽²⁾	887 ^(a)	6,186 ^(a)
Secom (M) Sdn Bhd ⁽³⁾	-	367
Visionwell Sdn Bhd ⁽⁴⁾	-	201
Bonuskad Loyalty Sdn Bhd ⁽⁵⁾	-	6,813
PT Monica Hijaulestari ⁽⁶⁾	-	648
WatchMart (M) Sdn Bhd ⁽⁶⁾	-	166

CORPORATE GOVERNANCE REPORT

Notes:

- (1) Purchase of building materials and merchandise, and sale of gift voucher.
- (2)
 - (i)
 - (a) Rental expense, rental income and store management fee totaling S\$0.25 million from 1 July 2018 to 31 October 2018;
 - (b) Interest expense of S\$0.46 million in relation to loans from ultimate holding company;
 - (c) Royalty expense and service charge income totaling S\$0.17 million.
 - (ii)
 - (a) Rental expense, rental income and store management fee totaling S\$0.53 million from 1 November 2018 to 30 June 2019;
 - (b) Net purchase of merchandise and concessionaire sales, and sale of gift voucher totaling S\$5.66 million.
- (3) Purchase of security equipment and procurement of security service.
- (4) Rental of office space.
- (5) Marketing fee paid/payable for bonus points issued and amount received/receivable for point redemption made by cardholders.
- (6) Purchase of merchandise.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Parkson Retail Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2019.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet, statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and
- (ii) at the date of this statement, with the continued financial support from the ultimate holding company, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Tan Sri Cheng Heng Jem
Cheng Hui Yuen, Vivien
Ng Tiak Soon
Tan Soo Khoon
Michael Chai Woon Chew

In accordance with Article 91 of the Constitution of the Company, Ms Cheng Hui Yuen, Vivien and Mr Tan Soo Khoon will retire at the forthcoming Annual General Meeting ("AGM"). Ms Cheng Hui Yuen, Vivien has submitted herself for re-election. Mr Tan Soo Khoon has expressed his wish to retire at the forthcoming AGM.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<i>Ordinary shares of the Company</i>				
Tan Sri Cheng Heng Jem	500,000	500,000	457,933,300	457,933,300
Tan Soo Khoon	60,000	60,000	–	–
<i>Ordinary shares of the ultimate holding company (Parkson Holdings Berhad)</i>				
Tan Sri Cheng Heng Jem	297,853,526	286,923,039	347,612,878	341,532,045
<i>Ordinary shares of a related corporation (Parkson Retail Group Limited)</i>				
Tan Sri Cheng Heng Jem	–	–	1,448,270,000	1,448,270,000

The immediate holding company is East Crest International Limited ("ECIL"). Parkson Holdings Berhad ("PHB") is the sole shareholder of ECIL, and is as such deemed to be interested in the shares of the Company held by ECIL. Tan Sri Cheng Heng Jem has a direct interest in 26.89% and an indirect interest in 32.00% of the voting shares of PHB, and as such by virtue of his control of the exercise of not less than 20.00% of the votes attached to the voting shares in PHB, is deemed to be interested in the shares of the Company held by ECIL.

By virtue of Section 7 of the Companies Act, Tan Sri Cheng Heng Jem is deemed to be interested in the shares held by the Company in its subsidiaries.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2019.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

DIRECTORS' STATEMENT

Options

No options were issued by the Company or its subsidiaries during the financial year. As at 30 June 2019, there were no options on the unissued shares of the Company or its subsidiaries which were outstanding.

Employee share option scheme

The Company has an employee share option scheme known as the Parkson Retail Asia Limited Employee Share Option Scheme (the "ESOS") which was approved and adopted on 12 October 2011. Since the commencement of the ESOS and as at 30 June 2019, no options under the ESOS have been granted by the Company.

Audit committee

The Audit Committee ("AC") comprises Ng Tiak Soon, Tan Soo Khoo and Michael Chai Woon Chew. The chairman of the AC is Ng Tiak Soon. Majority of the members, including the Chairman, are independent non-executive directors.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Group's Corporate Governance Report in the Annual Report.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Tan Sri Cheng Heng Jem
Director

Cheng Hui Yuen, Vivien
Director

Singapore
7 October 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019
To the members of Parkson Retail Asia Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Parkson Retail Asia Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and of the Company as at 30 June 2019, and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group and statements of changes in equity of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements, which indicates that the Group incurred a net loss of SGD34,613,000 for the year ended 30 June 2019, and as of that date, the Group's current liabilities exceeded its current assets by SGD61,336,000. As stated in Note 2.1, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the continued financial support from the ultimate holding company, Parkson Holdings Berhad and the Group generating sufficient cash flows from its operations.

If the Group is unable to continue in operation existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify certain non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019

To the members of Parkson Retail Asia Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of property, plant and equipment

The Group operates retail stores primarily in Malaysia, Indonesia and Vietnam. The carrying value of the property, plant and equipment of the Group of SGD95,138,000 is material to the Group's financial statements. Management judgement is involved in the identification of any impairment indicators as well as the assessment of the recoverable value of these assets. Such judgement is made based on forecasted future store performance, which is, amongst others, dependent on the expected store traffic and the competitive environment in local markets. For these reasons, we have identified this as a key audit matter. Management has recognised an impairment charge of SGD12,110,000 on property, plant and equipment during the financial year.

We reviewed the audit procedures performed by the auditors of the Group's subsidiaries. The procedures included, amongst others, assessing management's identification of impairment indicators of assets related to loss-making stores. Where an impairment indicator is identified, the auditors of the subsidiaries evaluated the reasonableness of management's assumptions underlying the impairment calculations which included comparing the actual results of the stores against forecast previously made by management and taking into consideration the viability of the stores future plans, local economic development and industry outlook. Our internal specialists assisted us in evaluating the reasonableness of the discount rate used in deriving the recoverable amount. We performed field visits of selected stores and held discussions with management and the auditors of the subsidiaries on the key findings from their work.

Inventory obsolescence

The Group's inventories mainly consist of inventories at its retail stores and they amounted to SGD53,322,000, representing 21% of the Group's total assets as at 30 June 2019. Inventories are subject to the risk of theft and/or obsolescence which is an inherent risk to the Group. Inventories are carried at the lower of cost and net realisable value. As the determination of net realisable value requires significant management judgement, we have identified this as a key audit matter. The allowance for inventory shrinkages and inventory obsolescence recognised in profit or loss was SGD475,000 for the current financial year.

The Group's disclosures for inventories are included in Note 20 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019

To the members of Parkson Retail Asia Limited

Inventory obsolescence (cont'd)

We reviewed the audit procedures performed by the auditors of the subsidiaries. The procedures included, amongst others, attending stock count, reviewing management's reconciliation of stock count results to inventory record and performing roll forward of stock count to year end quantity, where applicable. We assessed the adequacy of the shrinkage allowance made by assessing the total shrinkage loss recognised after the inventory cycle counts and projected it to year end. We tested the design and effectiveness of system controls over the purchasing, receiving and invoice matching process. The adequacy of the allowance for obsolescence made by the management is assessed by reviewing selling prices of samples of inventories, gross margins of inventories sold during the year and aging of inventories. We held discussions with management and the auditors of the relevant subsidiaries on the key findings from their work.

Impairment assessment of investment in subsidiaries and amount due from subsidiaries (Parent company only)

As at 30 June 2019, the Company has significant investment in subsidiaries whose carrying amount mainly relates to Parkson Corporation Sdn Bhd and PT Tozy Sentosa. There is significant management judgement involved in the assessment of the recoverability of these subsidiaries which operate the Group's department store operations in Malaysia and Indonesia respectively.

We also focused on the amount due from subsidiaries which amounted to SGD7,499,000 as at 30 June 2019, representing 5% of the Company's total assets.

During the current financial year, management recognised allowance for doubtful debts of SGD4,221,000 against the amount due from subsidiaries. No impairment loss was recognised on the investment in subsidiaries during the year.

Management's assessment of the recoverable amount of the investments in subsidiaries and the amount due from subsidiaries involves estimation and judgement relating to the assumptions used in profit forecast and discounted cashflows, in order to derive the recoverable values. Key assumptions and estimates used in the cash flow projections are pre-tax discount rates, budgeted gross margins and growth rates. For these reasons, we have identified this as a key audit matter.

Our audit procedures included, amongst others, assessing the reasonableness of the assumptions used in the cash flow projections approved by the board of directors. The auditors of the subsidiaries were involved in the evaluation of the reasonableness of the assumptions used by management in their cash flow projects, which included a comparison of the historical performance of the subsidiaries against forecasts, and considering the viability of future plans, local economic conditions and industry outlook. Our internal specialists also assisted us in evaluating the reasonableness of certain key assumptions such as the pre-tax discount rates and terminal growth rate. We held discussions with management and the auditors of the subsidiaries on the key findings from their work.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019

To the members of Parkson Retail Asia Limited

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019

To the members of Parkson Retail Asia Limited

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019

To the members of Parkson Retail Asia Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Peck Yen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

7 October 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 June 2019

	Note	2019 SGD'000	2018 SGD'000
Revenue	4	398,544	413,552
Other items of income			
Finance income	5	3,551	1,425
Other income	6	5,164	5,842
Items of expense			
Changes in merchandise inventories and consumables	20	(169,754)	(177,585)
Employee benefits expense	7	(63,077)	(66,872)
Depreciation and amortisation expenses	8	(24,698)	(29,621)
Promotional and advertising expenses		(8,169)	(9,380)
Rental expenses	8	(107,822)	(117,119)
Finance costs	5	(1,261)	(728)
Other expenses		(62,795)	(59,900)
Loss before tax	8	(30,317)	(40,386)
Income tax expense	9	(4,296)	(3,545)
Loss for the year		<u>(34,613)</u>	<u>(43,931)</u>
Loss for the year attributable to:			
Owners of the Company		(34,600)	(42,672)
Non-controlling interests		(13)	(1,259)
		<u>(34,613)</u>	<u>(43,931)</u>
Loss per share attributable to owners of the Company (cents per share)			
Basic and diluted	10	<u>(5.14)</u>	<u>(6.33)</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2019

	2019 SGD'000	2018 SGD'000
Loss for the year	(34,613)	(43,931)
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit plan, net of tax	76	125
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(166)	(182)
Net fair value loss on equity instruments at fair value through other comprehensive income	(173)	–
	(263)	(57)
Total comprehensive income for the year	(34,876)	(43,988)
Attributable to:		
Owners of the Company	(34,933)	(42,494)
Non-controlling interests	57	(1,494)
	(34,876)	(43,988)

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

BALANCE SHEETS

As at 30 June 2019

Note	Group			Company		
	2019 SGD'000	2018 SGD'000	1.7.2017 SGD'000	2019 SGD'000	2018 SGD'000	1.7.2017 SGD'000
ASSETS						
Non-current assets						
Property, plant and equipment	11	95,138	120,611	145,463	–	–
Land use right	12	7,204	7,497	7,798	–	–
Investments in subsidiaries	13	–	–	–	140,553	134,289
Investment in an associate	14	–	–	–	–	–
Deferred tax assets	15	3,146	2,605	1,957	–	–
Other receivables	17	14,672	22,092	22,138	7,499	–
Prepayments	16	863	1,340	1,994	–	–
Intangible assets	18	861	1,081	1,121	–	–
Derivatives		–	–	17	–	–
Investment securities	19	916	79	75	–	–
		122,800	155,305	180,563	148,052	134,289
					131,391	
Current assets						
Inventories	20	53,322	58,226	71,335	–	–
Trade and other receivables	17	23,658	25,529	16,514	–	15,674
Prepayments	16	2,372	3,085	5,021	13	12
Tax recoverable		1,281	2,779	3,495	–	–
Cash and short-term deposits	21	54,748	40,857	63,387	83	287
		135,381	130,476	159,752	96	15,973
					18,215	
Total assets		258,181	285,781	340,315	148,148	150,262
					149,606	
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables	22	155,607	166,441	186,711	1,196	1,168
Other liabilities	23	21,723	29,251	26,638	267	–
Contract liabilities	23	11,942	–	–	–	–
Provisions	24	3,293	2,041	1,775	–	–
Loans and borrowings	25	4,152	3,635	–	–	–
Tax payable		–	–	84	–	–
		196,717	201,368	215,208	1,463	1,168
					843	
Net current (liabilities)/assets		(61,336)	(70,892)	(55,456)	(1,367)	14,805
					17,372	

BALANCE SHEETS

As at 30 June 2019

		Group			Company		
	Note	2019	2018	1.7.2017	2019	2018	1.7.2017
		SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Non-current liabilities							
Other payables	22	3,857	6,116	6,100	–	–	–
Other liabilities	23	19,651	21,288	17,418	–	–	–
Provisions	24	10,875	7,658	10,859	–	–	–
Loans and borrowings	25	11,851	242	–	7,369	–	–
Deferred tax liabilities	15	439	453	430	439	453	430
		46,673	35,757	34,807	7,808	453	430
Total liabilities		243,390	237,125	250,015	9,271	1,621	1,273
Net assets							
		14,791	48,656	90,300	138,877	148,641	148,333
Equity attributable to owners of the Company							
Share capital	26	231,676	231,676	231,676	231,676	231,676	231,676
Treasury shares	26	(549)	(549)	(549)	(549)	(549)	(549)
Other reserves	27	(168,126)	(165,902)	(166,169)	(47,891)	(43,284)	(51,046)
(Accumulated losses)/ Retained earnings		(48,171)	(13,647)	28,900	(44,359)	(39,202)	(31,748)
		14,830	51,578	93,858	138,877	148,641	148,333
Non-controlling interests		(39)	(2,922)	(3,558)	–	–	–
Total equity		14,791	48,656	90,300	138,877	148,641	148,333

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

Group	Attributable to owners of the Company						
	Equity attributable to owners of the Company						Non-controlling interests
	Equity, total	Equity attributable to owners of the Company, total	Share capital	Treasury shares	Accumulated losses	Other reserves	
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Opening balance at 1 July 2018	48,656	51,578	231,676	(549)	(13,647)	(165,902)	(2,922)
Cumulative effect on SFRS 9 adoption	1,011	1,011	–	–	–	1,011	–
Opening balance at 1 July 2018	49,667	52,589	231,676	(549)	(13,647)	(164,891)	(2,922)
Loss for the year	(34,613)	(34,600)	–	–	(34,600)	–	(13)
<u>Other comprehensive income</u>							
Net fair value loss on equity instruments at fair value through other comprehensive income	(173)	(173)	–	–	–	(173)	–
Foreign currency translation	(166)	(236)	–	–	–	(236)	70
Remeasurement of defined benefit plan, net of tax	76	76	–	–	76	–	–
	(263)	(333)	–	–	76	(409)	70
Total comprehensive income for the year	(34,876)	(34,933)	–	–	(34,524)	(409)	57
<u>Changes in ownership interests in subsidiaries</u>							
Acquisition of non-controlling interests (Note 13)	–	(2,826)	–	–	–	(2,826)	2,826
Closing balance at 30 June 2019	14,791	14,830	231,676	(549)	(48,171)	(168,126)	(39)
Opening balance at 1 July 2017	90,300	93,858	231,676	(549)	28,900	(166,169)	(3,558)
Loss for the year	(43,931)	(42,672)	–	–	(42,672)	–	(1,259)
<u>Other comprehensive income</u>							
Foreign currency translation	(182)	53	–	–	–	53	(235)
Remeasurement of defined benefit plan, net of tax	125	125	–	–	125	–	–
	(57)	178	–	–	125	53	(235)
Total comprehensive income for the year	(43,988)	(42,494)	–	–	(42,547)	53	(1,494)
<u>Changes in ownership interests in subsidiaries</u>							
Acquisition of non-controlling interests (Note 13)	(23)	65	–	–	–	65	(88)
Disposal of a subsidiary (Note 13)	2,367	149	–	–	–	149	2,218
Total changes in ownership interests in subsidiaries	2,344	214	–	–	–	214	2,130
Closing balance at 30 June 2018	48,656	51,578	231,676	(549)	(13,647)	(165,902)	(2,922)

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

Company	Equity, total SGD'000	Share capital SGD'000	Treasury shares SGD'000	Accumulated losses SGD'000	Other reserves SGD'000
Opening balance at 1 July 2018	148,641	231,676	(549)	(39,202)	(43,284)
Loss for the year	(5,157)	–	–	(5,157)	–
<u>Other comprehensive income</u>					
Foreign currency translation	(4,607)	–	–	–	(4,607)
Total comprehensive income for the year	(9,764)	–	–	(5,157)	(4,607)
Closing balance at 30 June 2019	138,877	231,676	(549)	(44,359)	(47,891)
Opening balance at 1 July 2017	148,333	231,676	(549)	(31,748)	(51,046)
Loss for the year	(7,454)	–	–	(7,454)	–
<u>Other comprehensive income</u>					
Foreign currency translation	7,762	–	–	–	7,762
Total comprehensive income for the year	308	–	–	(7,454)	7,762
Closing balance at 30 June 2018	148,641	231,676	(549)	(39,202)	(43,284)

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2019

	Note	2019 SGD'000	2018 SGD'000
Operating activities			
Loss before tax		(30,317)	(40,386)
Adjustments for:			
Depreciation of property, plant and equipment	11	24,335	29,234
Amortisation of intangible assets	18	234	257
Amortisation of land use right	12	129	130
Allowance for doubtful trade and other receivables, net	17	940	137
Unrealised exchange (gain)/loss		(333)	12
Net benefit expense from defined benefit plan	22	190	193
Property, plant and equipment written off	11	5,255	9,651
Impairment of property, plant and equipment	11	12,110	12,269
Reversal of impairment of property, plant and equipment	11	(3,106)	(9,737)
Loss/(gain) on disposal of property, plant and equipment, net	6/8	97	(83)
Amortisation of deferred lease expense	17	1,081	976
Amortisation of deferred lease income	24	(104)	(176)
Provision for onerous contract, net	24	5,037	459
Provision for restoration costs	24	193	–
Inventory written down	20	31	1,462
Inventory shrinkages	20	444	1,407
Income from expired gift vouchers	6	(504)	(65)
Gain on disposal of a subsidiary	13	–	(1,153)
Dividend income from investment securities	6	(35)	(42)
Finance costs	5	1,261	728
Finance income	5	(3,551)	(1,425)
Realisation of derivative		–	17
Operating cash flows before changes in working capital		13,387	3,865
Changes in working capital:			
Decrease/(increase) in:			
Inventories		2,756	8,750
Trade and other receivables		6,188	(10,692)
Prepayments		1,144	2,200
(Decrease)/increase in:			
Trade and other payables		(6,138)	(10,663)
Other liabilities and provisions		4,744	3,127
Cash flows generated from/(used in) operations		22,081	(3,413)
Interest received		3,286	1,133
Interest paid		(340)	(123)
Income taxes paid		(3,451)	(3,401)
Net cash flows generated from/(used in) operating activities		21,576	(5,804)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2019

	Note	2019 SGD'000	2018 SGD'000
Investing activities			
Proceeds from disposal of property, plant and equipment		237	344
Purchase of property, plant and equipment	B	(17,391)	(19,976)
Payment of restoration costs		(1,559)	(627)
Additions to intangible assets	18	(36)	(266)
Net cash outflow on acquisition of remaining interest in a subsidiary	13	–	(23)
Net cash inflow on disposal of a subsidiary	13	–	485
Dividend income from investment securities	6	35	42
Net cash flows used in investing activities		(18,714)	(20,021)
Financing activities			
Proceeds from owner of a managed store (Vietnam)	25	–	1,306
Proceeds from bank borrowings	25	6,833	5,739
Repayment of obligations under finance leases	25	(458)	(218)
Repayment of bank borrowings	25	(6,040)	(4,021)
Loans from ultimate holding company	25	11,743	–
Increase in pledged deposits		(961)	(676)
Net cash flows generated from financing activities		11,117	2,130
Net increase/(decrease) in cash and cash equivalents		13,979	(23,695)
Effect of exchange rate changes on cash and cash equivalents		(1,055)	337
Cash and cash equivalents at 1 July		40,029	63,387
Cash and cash equivalents at 30 June	A	52,953	40,029

A. Cash and cash equivalents at 30 June

Cash and cash equivalents comprise the following:

Cash and short-term deposits

Less: pledged deposit

Less: bank overdraft

Note	2019 SGD'000	2018 SGD'000
21	54,748	40,857
21	(1,637)	(676)
25	(158)	(152)
	52,953	40,029

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2019

B. Property, plant and equipment

	Note	2019 SGD'000	2018 SGD'000
Current year additions to property, plant and equipment	11	17,971	20,376
Less: Payable to creditors	22	(986)	(2,321)
Less: Provision for restoration costs	24	(1,857)	(1,539)
Less: Accrued expenses	23	(2,199)	(2,375)
Less: Finance lease arrangement	25	(143)	(919)
		12,786	13,222
Add: Payments for prior year purchase		4,696	6,770
Exchange differences		(91)	(16)
Net cash outflow for purchase of property, plant and equipment		17,391	19,976

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

1. Corporate information

Parkson Retail Asia Limited (the “Company”) is a public listed company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore, 068898. The principal places of business of the Group are located at:

- Level 5, Klang Parade, No. 2112 Jalan Meru, 41050 Klang, Selangor Darul Ehsan, Malaysia;
- 35 Bis - 45 Le Thanh Ton Street, District 1, Ho Chi Minh City, Vietnam;
- Jl. Prof. Dr. Satrio Blok A/35, Sentosa Building Sector VII Bintaro Jaya, Tangerang, Banten, Indonesia; and

The immediate holding company is East Crest International Limited, a company incorporated in the British Virgin Islands. The ultimate holding company is Parkson Holdings Berhad, a public limited liability company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”).

For all periods up to and including the year ended 30 June 2019, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 30 June 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

Fundamental accounting concept

The financial statements of the Group have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of SGD34,613,000 (2018: SGD43,931,000) during the financial year ended 30 June 2019 and as at that date, the Group’s current liabilities exceeded its current assets by SGD61,336,000 (2018: SGD70,892,000, 1.7.2017: SGD55,456,000). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Fundamental accounting concept (cont'd)

The directors are of the view that it is appropriate to prepare the Group's financial statements on a going concern basis as the ultimate holding company, Parkson Holdings Berhad, has agreed to provide financial support for the next twelve months from the date of the financial statements to enable the Group to meet its financial obligations as and when they fall due and the Group will be able to generate sufficient cash flows from its operations.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2.2 First-time adoption of Singapore Financial Reporting Standards (International)

These financial statements for the year ended 30 June 2019 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 30 June 2019, together with the comparative period data for the year ended 30 June 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 July 2018, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective for annual financial periods beginning on or after 1 July 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 July 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.
- The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)*

New accounting standards effective for annual financial periods beginning on or after 1 July 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 July 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 July 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 July 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 July 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 July 2018, and then applied retrospectively to those financial assets that were not de-recognised before 1 July 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

Classification and measurement (cont'd)

The Group currently measures its investments in unquoted equity securities at cost. Upon adoption of SFRS(I) 9, the Group measures the unquoted equity securities at FVOCI. The impact arising from this change resulted in an increase in carrying value of SGD1,011,000 to the unquoted equity securities with a corresponding adjustment to fair value adjustment reserve as at 1 July 2018.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses ("ECLs") on all of its financial assets measured at amortised cost. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. There was no additional impairment loss recognised upon adoption of SFRS(I) 9.

The Group has assessed which business model apply to the financial assets held by the Group at 1 July 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects are as follows:

Financial assets	Group			
	FRS 39 carrying amount on 30 June 2018 SGD'000	Re- classification SGD'000	Re- measurement SGD'000	SFRS(I) 9 carrying amount on 1 July 2018 SGD'000
Measurement category				
Reclassified from AFS equity securities carried at cost	–	79	1,011	1,090
FVOCI balance, re-classification, re-measurement at 1 July 2018	–	79	1,011	1,090

The initial application of SFRS(I) 9 does not have any reclassification effect to the Company's financial statements.

SFRS(I) 15 Revenue from Contracts with Customers

On 1 July 2018, the Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 July 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply exemption in SFRS(I) 1 to apply the practical expedient which allows the Group not to restate completed contracts that begin and end within the same year or are completed contracts at 1 July 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

The Group is primarily in the business of retail covering department stores, apparel outlets, and operator of bakeries. The key consideration upon adopting SFRS(I) 15 is as follows:

Customer loyalty program

The Group's business segments establish a customer loyalty program, which allows its customers to accumulate award credits when they purchase products in the Group's retail stores. The award credits can be redeemed for cash vouchers in a limited period. Prior to adoption of SFRS(I) 15, the customer loyalty program offered by the Group resulted in the allocation of a portion of the transaction price to the customer loyalty program using the fair value of award credits granted for which they could be redeemed and recognition of deferred revenue in relation to award credits granted but not yet redeemed or expired. The Group concluded that under SFRS(I) 15, the customer loyalty program gives rise to a separate performance obligation because it provides a material right to the customer and allocated a portion of the transaction price to the loyalty credits awarded to customers based on the relative stand-alone selling price. The Group assessed that, considering the relative stand-alone selling prices, the amount allocated to the loyalty program compared with that before adoption of SFRS(I) 15 was not significant and thus, no adjustment was made to the opening accumulated losses as at 1 July 2017. The deferred revenue from customer loyalty award previously classified under 'Other liabilities', is included in 'Contract liabilities' from 1 July 2018 (Note 23).

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 30 June 2018 and 1 July 2018 to the balance sheet of the Group. The adoption of SFRS(I) does not have any impact to the balance sheet of the Group as at 1 July 2018.

	30 June 2018 (FRS) SGD'000	SFRS(I) 9 adjustments SGD'000	1 July 2018 (SFRS(I)) SGD'000
Non-current assets			
Property, plant and equipment	120,611	–	120,611
Land use right	7,497	–	7,497
Deferred tax assets	2,605	–	2,605
Other receivables	22,092	–	22,092
Prepayments	1,340	–	1,340
Intangible assets	1,081	–	1,081
Investment securities	79	1,011	1,090
	155,305	1,011	156,316

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)

	30 June 2018 (FRS) SGD'000	SFRS(I) 9 adjustments SGD'000	1 July 2018 (SFRS(I)) SGD'000
Current assets			
Inventories	58,226	–	58,226
Trade and other receivables	25,529	–	25,529
Prepayments	3,085	–	3,085
Tax recoverable	2,779	–	2,779
Cash and short-term deposits	40,857	–	40,857
	130,476	–	130,476
Total assets	285,781	1,011	286,792
Current liabilities			
Trade and other payables	166,441	–	166,441
Other liabilities	29,251	(14,725)	14,526
Contract liabilities	–	14,725	14,725
Provisions	2,041	–	2,041
Loans and borrowings	3,635	–	3,635
	201,368	–	201,368
Net current assets	(70,892)	–	(70,892)
Non-current liabilities			
Other payables	6,116	–	6,116
Other liabilities	21,288	–	21,288
Provision	7,658	–	7,658
Loans and borrowings	242	–	242
Deferred tax liabilities	453	–	453
	35,757	–	35,757
Total liabilities	237,125	–	237,125
Net assets	48,656	1,011	49,667
Equity attributable to owners of the Company			
Share capital	231,676	–	231,676
Treasury shares	(549)	–	(549)
Other reserves	(165,902)	1,011	(164,891)
Accumulated losses	(13,647)	–	(13,647)
Equity attributable to equity holders	51,578	1,011	52,589
Non-controlling interest	(2,922)	–	(2,922)
Total equity	48,656	1,011	49,667

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheet. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 July 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 July 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate as of 1 July 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 July 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

SFRS(I) 16 Leases (cont'd)

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains or losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relate. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill (cont'd)*

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 *Functional and foreign currency*

The functional currency of the Company is Malaysian Ringgit ("RM"). The Company has chosen to present its consolidated financial statements using Singapore Dollars ("SGD") as it is incorporated in Singapore. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.6 *Functional and foreign currency (cont'd)*

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than land are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Renovation	2 - 10 years or duration of lease, whichever is shorter
Buildings	25 years
Furniture and equipment	1 - 10 years
Motor vehicles	4 - 7 years

Land, including the legal costs incurred at initial acquisition of land rights, is stated at cost and not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.8 *Intangible assets (cont'd)*

(i) Club memberships

Club memberships were acquired separately are amortised on a straight-line basis over their estimated useful lives of 25 to 99 years.

(ii) Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over their estimated useful lives of 5 years.

(iii) Software

Software acquired separately are amortised on a straight-line basis over their estimated useful lives of 8 years.

(iv) Licensing fee

License fee paid is amortised on a straight-line basis over the contractual period of 10 years.

2.9 *Land use right*

Land use right is initially measured at cost. Following initial recognition, land use right is measured at cost less accumulated amortisation and accumulated impairment. The land use right is amortised on a straight-line basis over the lease term of 66 years and 10 months.

2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.11 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.12 *Associate*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the entity becomes a party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

(i) Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through the amortisation process.

(ii) Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.13 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.14 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.14 *Impairment of financial assets (cont'd)*

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances, and short-term deposits that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 *Inventories*

Inventories are stated at the lower of cost and net realisable value. The cost of merchandise and consumables comprise cost of purchase, and are determined using the weighted average method.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.18 **Employee benefits**

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company's subsidiaries in Malaysia make contributions to the Employees Provident Fund. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Defined benefit plan*

The Group makes provision for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labour Law No. 13/2003 (the "Labour Law"). The said provisions, which are unfunded, are estimated using actuarial calculations based on the report prepared by an independent firm of actuaries.

Actuarial gains or losses are recognised in other comprehensive income when incurred. The unvested past service costs are recognised as an expense in the period they occur.

The related estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligation at the end of the reporting period.

2.19 **Leases**

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as rental expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(d). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.20 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Sale of goods*

Revenue from sale of goods is recognised upon transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Customer loyalty award

The Group operates Parkson Card loyalty programme, which allows customers to accumulate points when they purchase products in the Group's stores. The points can be redeemed for free or discounted goods from the Group's stores, subject to a minimum number of points being obtained.

The Group allocates consideration received from the sale of goods to the goods sold and the points issued that are expected to be redeemed.

The consideration allocated to the points issued is measured at the fair value of the points. It is recognised as contract liabilities on the balance sheet and recognised as revenue when the points are redeemed, have expired or are no longer expected to be redeemed. The amount of revenue recognised is based on the number of points that have been redeemed, relative to the total number expected to be redeemed.

(b) *Commissions from concessionaire sales*

Commissions from concessionaire sales are recognised upon the sale of goods by the relevant stores.

(c) *Consultancy and management service fees*

Consultancy and management service fees are recognised net of service taxes and discounts when the services are rendered.

(d) *Rental income*

Rental income arising from operating leases on department stores is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.20 *Revenue (cont'd)*

(e) *Interest income*

Interest income is recognised using the effective interest method.

(f) *Promotion income*

Promotion income is recognised according to the underlying contract terms with concessionaires and as these services have been provided in accordance therewith.

(g) *Revenue from theme park operations*

Entrance fee to theme park is recognised when tickets are sold.

(h) *Revenue from education centre operations*

Tuition fees are recognised on an accrual basis over the duration of the course. General administration and other fees are recognised on receipt basis.

(i) *Revenue from food and beverage operations*

Revenue from food and beverage operations are recognised upon delivery and acceptance by customers, net of sale discounts.

2.21 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.21 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.21 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables on the balance sheets.

2.22 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.23 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.24 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. Summary of significant accounting policies (cont'd)

2.24 Contingencies (cont'd)

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Income taxes

The Group has exposure to income taxes in various jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax payable and tax recoverable as at 30 June 2019 were nil (2018: SGD nil, 1.7.2017: SGD84,000) and SGD1,281,000 (2018: SGD2,779,000, 1.7.2017: SGD3,495,000). The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 30 June 2019 were SGD3,146,000 (2018: SGD2,605,000, 1.7.2017: SGD1,957,000) and SGD439,000 (2018: SGD453,000, 1.7.2017: SGD430,000) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

3. Significant accounting estimates and judgements (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(a) Impairment of property, plant and equipment

The Group recognised impairment loss in respect of renovation, furniture and equipment of loss making stores operated by its subsidiaries. This requires an estimation of the value in use of the subsidiaries' cash-generating units to which the property, plant and equipment are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units, to choose a suitable pre-tax discount rate to calculate the present value of the cash flow projections. The carrying amount of the Group's property, plant and equipment and impairment loss recognised at the end of the reporting period are disclosed in Note 11.

(b) Allowance for inventories obsolescence

Allowance for inventories obsolescence is estimated based on the best available facts and circumstances at the end of each reporting period, including but not limited to, the physical conditions of the inventories, their expected market selling prices, and estimated costs to be incurred for their sales. The allowance is re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories and provision for obsolescence recognised at the end of the reporting period are disclosed in Note 20.

(c) Impairment of investment in subsidiaries and amount due from subsidiaries

The Company determines whether its investment in subsidiaries and the amount due from subsidiaries are impaired. This involves an estimation of the value in use of the subsidiaries. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from these subsidiaries, to choose a suitable pre-tax discount rate to calculate the present value of the cash flow projections and to estimate a forecasted growth rate to extrapolate cash flow projections beyond the five-year period. The carrying amount of the Company's investment in subsidiaries and amount due from subsidiaries recognised at the end of the reporting period are disclosed in Note 13 and Note 17 respectively.

4. Revenue

	Group	
	2019	2018
	SGD'000	SGD'000
Sale of goods - direct sales	222,262	226,593
Commissions from concessionaire sales	158,161	167,770
Consultancy and management service fees	788	647
Rental income	13,531	16,080
Revenue from theme park and education centre operations	—	42
Revenue from food and beverage operations	3,802	2,420
	<u>398,544</u>	<u>413,552</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

4. Revenue (cont'd)

	Sale of goods - direct sales		Commissions from concessionaire sales		Rental income		Food and beverage		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Primary geographical markets												
	201,697	203,202	116,229	116,413	7,969	10,412	3,802	2,420	551	361	330,248	332,808
	4,066	5,355	11,756	17,114	3,768	3,688	-	-	237	316	19,827	26,473
	16,157	17,688	29,807	33,358	1,794	1,980	-	-	-	12	47,758	53,038
	342	348	369	885	-	-	-	-	-	-	711	1,233
	222,262	226,593	158,161	167,770	13,531	16,080	3,802	2,420	788	689	398,544	413,552
Timing of transfer of goods or services												
	222,262	226,593	158,161	167,770	-	-	3,802	2,420	788	689	385,013	397,472
	-	-	-	-	13,531	16,080	-	-	-	-	13,531	16,080
	222,262	226,593	158,161	167,770	13,531	16,080	3,802	2,420	788	689	398,544	413,552

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

5. Finance income/costs

Finance income

Interest income on short-term deposits
Discount adjustments on rental deposit receivables

Group	
2019	2018
SGD'000	SGD'000
972	827
2,579	598
3,551	1,425

Finance costs

- Loans and borrowings
Discount adjustment on:
- Rental deposit payables
- Provision for restoration costs (Note 24)

Group	
2019	2018
SGD'000	SGD'000
(800)	(228)
(154)	(397)
(307)	(103)
(1,261)	(728)

6. Other income

Cash discount from suppliers
Promotion income
Income recognised from gift vouchers expired
Gain on disposal of property, plant and equipment
Gain on disposal of a subsidiary (Note 13)
Dividend income from investment securities
Exchange gain, net
Recoverable expense from sub-tenant
Portal usage/B2B income
Other sundry income

Group	
2019	2018
SGD'000	SGD'000
1,356	1,226
679	1,213
504	65
–	83
–	1,153
35	42
99	374
249	437
347	357
1,895	892
5,164	5,842

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

7. Employee related expense

	Group	
	2019	2018
	SGD'000	SGD'000
Wages, salaries and bonuses	48,653	52,010
Contribution to defined contribution plans	4,670	4,848
Net benefit expense from defined benefit plan (Note 22)	190	193
Other staff related expenses	9,564	9,821
	63,077	66,872

Included in employee related expense of the Group are remuneration of directors, chief executive officer and key management personnel as further disclosed in Note 28(b).

8. Loss before tax

The following items have been included in arriving at loss before tax:

	Group	
	2019	2018
	SGD'000	SGD'000
Audit fees:		
- Auditors of the Company	185	320
- Other auditors	325	329
Non-audit fees:		
- Auditors of the Company	7	7
- Other auditors	7	36
Total audit and non-audit fees	524	692
Depreciation and amortisation expenses		
- Depreciation of property, plant and equipment (Note 11)	24,335	29,234
- Amortisation of land use right (Note 12)	129	130
- Amortisation of intangible assets (Note 18)	234	257
	24,698	29,621
Rental expenses:		
- Minimum lease payments	101,255	113,138
- Contingent lease payments	2,528	1,744
- Land tax expense	2,958	1,261
- Amortisation of deferred lease expense (Note 17)	1,081	976
	107,822	117,119
Allowance/(write back of allowance) for doubtful trade and other receivables, net (Note 17):		
- Amount due from managed stores	(134)	283
- Amount due from an associate	-	24
- Other	1,074	(170)
	940	137

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

8. Loss before tax (cont'd)

	Group	
	2019	2018
	SGD'000	SGD'000
Directors' fees	315	350
Property, plant and equipment written off (Note 11)	5,255	9,651
Loss on disposal of property, plant and equipment	97	–
Impairment of property, plant and equipment (Note 11)	12,110	12,269
Reversal of impairment of property, plant and equipment for closed stores (Note 11)	(3,106)	(9,737)
Inventory shrinkages (Note 20)	444	1,407
Inventory written down (Note 20)	31	1,462
Provision for onerous contract, net (Note 24)	5,037	459
Utilities	13,474	14,295

9. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2019 and 2018 are as follows:

	Group	
	2019	2018
	SGD'000	SGD'000
Consolidated income statement:		
Current income tax		
- Current year	5,105	4,245
- Over provision in respect of previous years	(191)	(106)
- Withholding taxes	–	38
	4,914	4,177
Deferred income tax (Note 15)		
- Origination and reversal of temporary differences	(991)	(835)
- (Over)/under provision in respect of previous years	(998)	203
- Reversal of deferred tax in respect of previous years' tax losses and other temporary differences	1,371	–
	(618)	(632)
Income tax expense recognised in profit or loss	4,296	3,545

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

9. Income tax expense (cont'd)

(a) *Major components of income tax expense (cont'd)*

In the current financial year, the Group performed an assessment of the amount of sufficient taxable profit that would be available in future years, against which the deferred tax assets can be utilised. As a result of the assessment, the Group reversed deferred tax assets of SGD1,371,000 that were previously recognised relating to a subsidiary which has incurred losses.

(b) *Relationship between income tax expense and loss before tax*

Reconciliation between income tax expense and the product of loss before tax multiplied by the applicable corporate tax rates for the years ended 30 June 2019 and 2018 is as follows:

	Group	
	2019	2018
	SGD'000	SGD'000
Loss before tax	(30,317)	(40,386)
Tax at the domestic tax rates applicable to loss in the countries where the Group operates	(7,203)	(9,786)
Adjustments:		
Non-deductible expenses	6,269	7,927
Income not subject to taxation	(1,114)	(629)
Deferred tax assets not recognised	6,162	5,898
Under/(over)provision in respect of previous years:		
- Current tax	(191)	(106)
- Deferred tax	(998)	203
Withholding taxes	–	38
Reversal of deferred tax in respect of previous years' tax losses and other temporary differences	1,371	–
Income tax expense recognised in profit or loss	4,296	3,545

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

9. Income tax expense (cont'd)

(b) *Relationship between income tax expense and loss before tax (cont'd)*

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction. A summary of domestic tax rates by country where the Group operates is as follows:

	2019	2018
	%	%
Malaysia	24	24
Vietnam	20	20
Indonesia	25	25
Myanmar	25	25
Cambodia	20	20
Singapore	17	17
British Virgin Islands	Nil	Nil

10. Loss per share

Basic earnings per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the data used in the computation of basic earnings per share for the years ended 30 June:

	Group	
	2019	2018
Loss for the year attributable to owners of the Company (SGD'000)	(34,600)	(42,672)
Weighted average number of ordinary shares for basic earnings per share computation ('000)	673,800	673,800

There are no potential dilution effects on the ordinary shares of the Company. Accordingly, the basic and diluted earnings per share for the financial years ended 30 June 2019 and 2018 are the same.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

11. Property, plant and equipment

	Renovation	Land	Buildings	Furniture and equipment	Motor vehicles	Construction work-in- progress	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
2019							
Group							
Cost							
At 1 July 2018	148,230	3,194	29,001	98,335	1,206	4,163	284,129
Additions	11,713	–	5	5,555	164	534	17,971
Disposals	(2,322)	–	–	(2,468)	(153)	–	(4,943)
Reclassification	1,853	–	–	(1,184)	–	(669)	–
Written off	(15,622)	–	–	(8,328)	–	(469)	(24,419)
Reversal of provision for restoration cost	(2,097)	–	–	–	–	–	(2,097)
Exchange differences	(3,407)	10	(334)	(2,892)	(21)	415	(6,229)
At 30 June 2019	138,348	3,204	28,672	89,018	1,196	3,974	264,412
Accumulated depreciation and impairment loss							
At 1 July 2018	90,533	–	7,019	61,836	831	3,299	163,518
Depreciation for the year	13,291	–	1,067	9,851	126	–	24,335
Impairment loss	8,623	–	–	3,487	–	–	12,110
Reversal of impairment for closed stores	(2,345)	–	–	(292)	–	(469)	(3,106)
Disposals	(2,273)	–	–	(2,198)	(138)	–	(4,609)
Reclassification	(4)	–	–	4	–	–	–
Written off	(12,109)	–	–	(7,055)	–	–	(19,164)
Reversal of provision for restoration cost	(1,090)	–	–	–	–	–	(1,090)
Exchange differences	(1,469)	–	(141)	(1,548)	(6)	444	(2,720)
At 30 June 2019	93,157	–	7,945	64,085	813	3,274	169,274
Net carrying amount	45,191	3,204	20,727	24,933	383	700	95,138

Additions to renovation during the year include provision for restoration costs of SGD1,857,000 (2018: SGD1,539,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

11. Property, plant and equipment (cont'd)

	Renovation	Land	Buildings	Furniture and equipment	Motor vehicles	Construction work-in-progress	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
2018							
Group							
Cost							
At 1 July 2017	156,386	3,457	30,358	93,400	1,333	6,335	291,269
Additions	10,586	–	13	9,411	–	366	20,376
Disposals	(501)	–	–	(671)	(120)	–	(1,292)
Reclassification	999	–	6	1,130	–	(2,135)	–
Written off	(15,108)	–	–	(7,449)	–	(481)	(23,038)
Disposal of a subsidiary	(6,646)	–	–	(1,118)	–	–	(7,764)
Exchange differences	2,514	(263)	(1,376)	3,632	(7)	78	4,578
At 30 June 2018	148,230	3,194	29,001	98,335	1,206	4,163	284,129
Accumulated depreciation and impairment loss							
At 1 July 2017	83,304	–	6,088	51,786	839	3,789	145,806
Depreciation for the year	16,589	–	1,087	11,444	114	–	29,234
Impairment loss	7,485	–	–	4,784	–	–	12,269
Reversal of impairment for closed stores	(7,201)	–	–	(2,536)	–	–	(9,737)
Disposals	(501)	–	–	(411)	(119)	–	(1,031)
Written off	(8,068)	–	–	(4,840)	–	(479)	(13,387)
Disposal of a subsidiary	(1,847)	–	–	(482)	–	–	(2,329)
Exchange differences	772	–	(156)	2,091	(3)	(11)	2,693
At 30 June 2018	90,533	–	7,019	61,836	831	3,299	163,518
Net carrying amount							
At 1 July 2017	73,082	3,457	24,270	41,614	494	2,546	145,463
At 30 June 2018	57,697	3,194	21,982	36,499	375	864	120,611

Land

The Group owns 2 pieces of land with a total area of 2,981 square metres located in Tangerang Selatan, Banten, Indonesia with Building Use Rights (Hak Guna Bangunan or HGB). In 2018, the HGB expiring on 18 December 2020 has been renewed and extended to 18 December 2040. The other HGB will expire on 20 October 2028. Management believes they will be able to extend the land rights upon application given that such extension is legally permissible, and that the Group has been paying all applicable rents and taxes as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

11. Property, plant and equipment (cont'd)

Construction work-in-progress

Construction work-in-progress comprises ongoing renovation for new stores. These construction work-in-progress will be transferred to appropriate categories of property, plant and equipment when they are ready for their intended use.

Assets held under finance leases

During the financial year, the Group acquired motor vehicles with an aggregate cost of SGD164,000 (2018: furniture and fittings of SGD1,227,000, 1.7.2017: Nil) by means of finance leases. The cash outflow on acquisition of these assets amounted to SGD21,000 (2018: SGD308,000).

The carrying amount of property, plant and equipment held under finance leases at the end of the reporting period were as follows:

	2019 SGD'000	2018 SGD'000	1.7.2017 SGD'000
Furniture and fittings	793	1,068	–
Motor vehicles	148	–	–
	941	1,068	–

Leased assets are pledged as security for the related finance lease liabilities.

Impairment of assets

During the financial year, the Group undertook an assessment on the viability of its underperforming stores. As a result of the assessment, the Group recorded impairment charges of SGD12,110,000 (2018: SGD12,269,000) in respect of property, plant and equipment of its underperforming stores.

Assets written off and reversal of impairment for closed stores

During the financial year, the Group wrote off the carrying amount of the property, plant and equipment in respect of closed stores in Malaysia amounting to SGD2,719,000 (2018: SGD8,525,000). Simultaneously, there was a reversal of impairment charge of SGD3,106,000 (2018: SGD9,737,000) that was previously recognised in respect of the said closed stores.

After offsetting the assets written off and reversal of impairment charge, the Group recorded a net reversal of impairment of SGD387,000 (2018: SGD1,212,000) in respect of closed stores in Malaysia due to depreciation of the assets during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

12. Land use right

	Group	
	2019	2018
	SGD'000	SGD'000
Cost		
At 1 July	8,739	8,934
Exchange differences	(192)	(195)
At 30 June	8,547	8,739
Accumulated amortisation		
At 1 July	1,242	1,136
Amortisation for the year	129	130
Exchange differences	(28)	(24)
At 30 June	1,343	1,242
Net carrying amount	7,204	7,497
Net carrying amount at 1 July 2017		7,798
Amount to be amortised:		
- Not later than one year	129	130
- Later than one year but not later than five years	517	520
- Later than five years	6,558	6,847
	7,204	7,497

The Group has a land use right over a plot of state-owned land in Hai Phong City, Vietnam where one of the Group's department stores resides. The land use right is not transferable and has a remaining tenure of 56 years and 6 months (2018: 57 years and 6 months, 1.7.2017: 58 years and 6 months).

13. Investments in subsidiaries

	Company		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Shares, at cost	210,477	199,903	198,540
Impairment losses	(38,815)	(38,815)	(33,442)
Exchange difference	(31,109)	(26,799)	(33,707)
	140,553	134,289	131,391

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. Investments in subsidiaries (cont'd)

The Company has the following subsidiaries as at 30 June:

Name of company	Principal activities	Principal place of business	Proportion of ownership interest		
			2019 %	2018 %	1.7.2017 %
Held by the Company					
Parkson Corporation Sdn Bhd ^(b) (2)	Operation of department stores	Malaysia	100	100	100
Centro Retail Pte Ltd ^(a)	Investment holding	Singapore	100	100	100
PT Tozy Sentosa ^(b)	Operation of department stores, and merchandising	Indonesia	100 ^(*)	100 ^(*)	100 ^(*)
Parkson Myanmar Co Pte Ltd ^(a)	Investment holding	Singapore	100	100	100
Parkson Yangon Co Ltd ^{(b)(3)}	Dormant	Myanmar	100 ^(**)	100 ^(**)	100 ^(**)
Held by Parkson Corporation Sdn Bhd					
Parkson Vietnam Co Ltd ^(b)	Retailing and operation of shopping centres	Vietnam	100	100	100
Parkson Haiphong Co Ltd ^(b)	Retailing and operation of shopping centres	Vietnam	100	100	100
Kiara Innovasi Sdn Bhd ^{(b)(4)}	Operation of a department store	Malaysia	100	100	60
Parkson Online Sdn Bhd ^(c)	Dormant	Malaysia	100	100	100
Parkson Cambodia Holdings Co Ltd ^(b)	Investment holding	British Virgin Islands	100	100	100
Parkson SGN Co Ltd ^(b)	Dormant	Vietnam	100	100	100
Parkson Edutainment World Sdn Bhd ^(b) (1)	Dormant	Malaysia	100	70	70
Parkson Lifestyle Sdn Bhd ^(b)	Trading of apparels and consumer products	Malaysia	100	100	100
Super Gem Resources Sdn Bhd ⁽⁵⁾	Trading of apparels and consumer products	Malaysia	—	—	70

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Principal place of business	Proportion of ownership interest		
			2019 %	2018	1.7.2017 %
Parkson Unlimited Beauty Sdn Bhd ^(b)	Distribution and sales of fragrance and beauty care products	Malaysia	100	100	100
Parkson Private Label Sdn Bhd ^(b)	Trading of apparels and consumer products	Malaysia	100	100	100
Solid Gatelink Sdn Bhd ^(b)	Operation of food and beverage business	Malaysia	100	100	100
Parkson Trends Sdn Bhd ^(b)	Trading of apparels and consumer products	Malaysia	100	100	100
Parkson Trading (Vietnam) Co Ltd ^(b)	Wholesaler of apparels and consumer products	Vietnam	100	100	100
Held by Parkson Vietnam Co Ltd					
Parkson Vietnam Management Services Co Ltd ^(b)	Management and consulting services on real estate, business and marketing in relation to department stores (commercial)	Vietnam	100	100	100
Held by Parkson Cambodia Holdings Co Ltd					
Parkson (Cambodia) Co Ltd ^(c)	Dormant	Cambodia	100	100	100
Held by Parkson Myanmar Co Pte Ltd					
Parkson Myanmar Investment Company Pte Ltd ^(a)	Investment holding	Singapore	70	70	70
Held by Parkson Myanmar Investment Company Pte Ltd					
Parkson Myanmar Asia Pte Ltd ^(a)	Investment holding	Singapore	100	100	100
Myanmar Parkson Company Limited ^(b)	Dormant	Myanmar	100 ^(***)	100 ^(***)	100 ^(***)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. Investments in subsidiaries (cont'd)

- (a) Audited by Ernst & Young LLP, Singapore
- (b) Audited by member firms of Ernst & Young Global in their respective countries
- (c) Not material to the Group and not required to be disclosed under SGX Listing Rule 717
- (*) 0.02% (2018: 0.02%) held via Centro Retail Pte Ltd
- (**) 5% (2018: 5%) held via Parkson Myanmar Co Pte Ltd
- (***) 10% (2018: 10%) held via Parkson Myanmar Asia Pte Ltd

Additional investments in subsidiaries

2019

- (1) On 30 August 2018, Parkson Corporation Sdn Bhd ("PCSB") completed the acquisition of the remaining 30% equity interest in Parkson Edutainment World Sdn Bhd ("PEW") for a total consideration of RM1. Following the completion of the acquisition, PEW became a wholly-owned indirect subsidiary of the Group.

The following summarises the effect of the change of the Group's ownership interest in PEW on the equity attributable to owners of the Company:

	<u>SGD'000</u>
Consideration paid for acquisition of non-controlling interests	–
Increase in equity attributable to non-controlling interests	2,826
Decrease in equity attributable to owners of the Company	<u>(2,826)</u>

- (2) On 28 September 2018, the Company subscribed for 32,000,000 new shares in its wholly-owned subsidiary, PCSB through capitalisation of the amount due from PCSB of RM32,000,000 (approximately SGD10,574,000). There is no change in the Company's ownership interest in PCSB.

2018

- (3) In June 2018, Parkson Yangon Co Ltd ("PYCL"), a wholly-owned subsidiary of the Company increased its paid up share capital from USD1,000,000 to USD2,000,000 by way of capitalising the amount due to the Company of SGD1,363,000.
- (4) On 17 April 2018, the Group acquired the remaining 40% equity interest in the subsidiary, Kiara Innovasi Sdn Bhd ("KISB") for a cash consideration of approximately RM67,000 (SGD23,000). Accordingly, KISB became a wholly owned subsidiary of the Group. The carrying value of the net assets of KISB at 17 April 2018 was SGD219,000 and the carrying value of the additional interest acquired was SGD88,000. The difference of SGD65,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Discount paid on acquisition of non-controlling interests" within equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. Investments in subsidiaries (cont'd)

Additional investments in subsidiaries (cont'd)

The following summarises the effect of the change of the Group's ownership interest in KISB on the equity attributable to owners of the Company:

	SGD'000
Consideration paid for acquisition of non-controlling interests	23
Decrease in equity attributable to non-controlling interests	(88)
Increase in equity attributable to owners of the Company	<u>65</u>

Disposal of a subsidiary

2018

- ⁽⁵⁾ On 22 June 2018, the Group disposed of its 70% equity interest in the subsidiary, Super Gem Resources Sdn Bhd ("SGR") to the non-controlling interests for a cash consideration of RM2,400,000 (SGD791,000).

The value of assets and liabilities of SGR as at 22 June 2018, and the effects of the disposal are as follows:

	2018 SGD'000
Property, plant and equipment	5,435
Prepayments	148
Intangible assets	7
Inventories	4,079
Trade and other receivables	1,537
Cash and cash equivalents	<u>306</u>
	11,512
Trade and other payables	(18,514)
Other liabilities	<u>(391)</u>
Carrying value of net liabilities	(7,393)
Cash consideration	791
Cash and cash equivalents of SGR	<u>(306)</u>
Net cash inflow on disposal of SGR as at 30 June 2018	<u>485</u>
Gain on disposal:	
Cash received	791
Net liabilities de-recognised	7,393
Non-controlling interest de-recognised	(2,218)
Impairment of advances to SGR prior to disposal	(4,664)
Reversal of translation reserve	<u>(149)</u>
Gain on disposal	<u>1,153</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. Investments in subsidiaries (cont'd)

Impairment

During the financial year, the Company carried out a review on the recoverable amount of its loss-making subsidiaries. A total impairment loss of SGD nil (2018: SGD5,373,000), representing the write-down of the investments to their recoverable amounts was recognised in the Company's income statement.

The impairment loss in the previous year was recognised in respect of the subsidiaries PT Tozy Sentosa ("PTTS") and Parkson Yangon Co Ltd ("PYCL"). The estimated recoverable amount of the investment in PTTS was determined based on value in use calculations. The pre-tax discount rate and long term growth rate used in the cash flow projections were 18% and 3.2% respectively. The investment in PYCL was fully impaired as it is not expected to generate future operating cash flows.

Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has no subsidiary that has material NCI as at 30 June 2019. Subsidiaries that have material NCI as at 30 June 2018 and 1 July 2017 are as follows:

Name of company	Principal place of business	Proportion of ownership interest held by NCI %	Loss allocated to NCI during the year SGD'000	Accumulated NCI balance sheet date SGD'000
30 June 2018				
Parkson Edutainment World Sdn Bhd	Malaysia	30	64	(2,908)
30 June 2017 / 1 July 2017				
Parkson Edutainment World Sdn Bhd	Malaysia	30	2,328	(2,697)
Super Gem Resources Sdn Bhd	Malaysia	30	812	(911)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. Investments in subsidiaries (cont'd)

Summarised financial information of subsidiaries with material NCI

Summarised financial information before intercompany eliminations of subsidiaries with material NCI at 30 June 2018 and 1 July 2017 are as follows:

	Parkson Edutainment World Sdn Bhd		Super Gem Resources Sdn Bhd	
	2018	1.7.2017	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000
Balance sheet				
Current				
Assets	45	119	–	4,982
Liabilities	(9,737)	(9,109)	–	(11,866)
	(9,692)	(8,990)	–	(6,884)
Non-current				
Assets	–	–	–	4,190
Liabilities	–	–	–	(343)
	–	–	–	3,847
Net liabilities	(9,692)	(8,990)	–	(3,037)
	Parkson Edutainment World Sdn Bhd		Super Gem Resources Sdn Bhd	
	2018	2017	2018	2017
	SGD'000	SGD'000	SGD'000	SGD'000
Statement of comprehensive income				
Revenue	42	347	–	9,750
Loss after tax, representing total comprehensive income	(213)	(7,760)	–	(2,707)
Other information				
Net cash flows used in operating activities	(213)	(1,744)	–	1,450

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

14. Investment in an associate

	Group		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Shares, at cost	–	–	–
Share of post-acquisition reserves	–	–	–
	–	–	–

Details of the associate are as follows:

Name of company	Principal activities	Principal place of business	Ownership interest		
			2019	2018	1.7.2017
			%	%	%
Held by Parkson Vietnam Co Ltd:					
Parkson Hanoi Co Ltd ^(a)	Dormant	Vietnam	45	45	45

^(a) Audited by Ernst & Young, Vietnam

Summarised financial information of the associate

The summarised financial information of the associate based on its IFRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Parkson Hanoi Co Ltd		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Balance sheet			
Current assets, representing total assets	395	452	439
Current liabilities, representing total liabilities	(15,303)	(15,682)	(16,010)
Net liabilities, representing deficit in equity	(14,908)	(15,230)	(15,571)
Proportion of the Group's ownership	45%	45%	45%
Group's share of net liabilities	(6,709)	(6,854)	(7,007)
Group's share of net liabilities not recognised	6,709	6,854	7,007
Group's carrying amount of the investment	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

14. Investment in an associate (cont'd)

Summarised financial information of the associate (cont'd)

	Parkson Hanoi Co Ltd	
	2019	2018
	SGD'000	SGD'000
Statement of comprehensive income		
Revenue	–	–
Loss after tax, representing total comprehensive income for the year	(12)	–
Proportion of the Group's ownership	45%	45%
Group's share of current year's unrecognised loss	(5)	–
Group's cumulative share of unrecognised losses	(831)	(826)

The Group's cumulative share of unrecognised losses at the end of the reporting period was SGD831,000 (2018: SGD826,000).

15. Deferred tax assets/(liabilities)

	Deferred tax assets		Deferred tax liabilities			
	Provisions	Deferred tax assets, total	Difference in depreciation for tax purposes	Unremitted foreign earnings	Deferred tax liabilities, total	Deferred tax, total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Group						
At 1 July 2017	5,887	5,887	(3,930)	(430)	(4,360)	1,527
Recognised in profit or loss	1,517	1,517	(885)	–	(885)	632
Exchange differences	198	198	(182)	(23)	(205)	(7)
At 30 June 2018	7,602	7,602	(4,997)	(453)	(5,450)	2,152
Recognised in profit or loss	(2,673)	(2,673)	3,291	–	3,291	618
Exchange differences	(199)	(199)	122	14	136	(63)
At 30 June 2019	4,730	4,730	(1,584)	(439)	(2,023)	2,707

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

15. Deferred tax assets/(liabilities) (cont'd)

	Unremitted foreign earnings, representing total deferred tax liabilities SGD'000
Company	
At 1 July 2017	(430)
Recognised in profit or loss	—
Exchange difference	(23)
At 30 June 2018	(453)
Recognised in profit or loss	—
Exchange difference	14
At 30 June 2019	(439)

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Presented after appropriate offsetting as follows:						
Deferred tax assets	3,146	2,605	1,957	—	—	—
Deferred tax liabilities	(439)	(453)	(430)	(439)	(453)	(430)
	<u>2,707</u>	<u>2,152</u>	<u>1,527</u>	<u>(439)</u>	<u>(453)</u>	<u>(430)</u>

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately SGD94,231,000 (2018: SGD74,823,000, 1.7.2017: SGD52,409,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date except for an amount of SGD62,365,000 (2018: SGD55,502,000, 1.7.2017: SGD40,380,000) which will expire in 2020-2024 (2018: 2019-2023, 1.7.2017: 2018-2022).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

16. Prepayments

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Current:						
Prepaid rental	502	1,389	3,379	–	–	–
Prepayment to suppliers	1,103	1,066	1,152	–	–	–
Others	767	630	490	13	12	13
	<u>2,372</u>	<u>3,085</u>	<u>5,021</u>	<u>13</u>	<u>12</u>	<u>13</u>
Non-current:						
Prepaid rental	625	1,075	1,974	–	–	–
Others	238	265	20	–	–	–
	<u>863</u>	<u>1,340</u>	<u>1,994</u>	<u>–</u>	<u>–</u>	<u>–</u>

17. Trade and other receivables

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Current:						
Trade receivables	4,158	4,820	3,473	–	–	–
Credit card receivables	6,290	4,263	1,258	–	–	–
Sales tax receivables	4,131	4,845	1,690	–	–	–
Sundry receivable from sale of gift vouchers	152	686	–	–	–	–
Other receivables	3,520	3,355	3,232	–	–	–
Advances to suppliers	2,155	1,405	1,415	–	–	–
Rental deposits	1,104	2,768	3,133	–	–	–
Other deposits	783	1,165	1,154	–	–	–
Deferred lease expenses	461	649	714	–	–	–
Amount due from subsidiaries (non-trade)	–	–	–	–	15,674	16,847
Amount due from ultimate holding company (non-trade)	–	–	35	–	–	–
Amount due from related companies (non-trade)	904	1,573	410	–	–	–
	<u>23,658</u>	<u>25,529</u>	<u>16,514</u>	<u>–</u>	<u>15,674</u>	<u>16,847</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

17. Trade and other receivables (cont'd)

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Non-current:						
Rental deposits	10,427	15,279	15,319	–	–	–
Other deposits	614	233	76	–	–	–
Amount due from subsidiaries (non-trade)	–	–	–	7,499	–	–
Deferred lease expenses	3,631	6,580	6,743	–	–	–
	14,672	22,092	22,138	7,499	–	–
Total trade and other receivables (current and non-current)	38,330	47,621	38,652	7,499	15,674	16,847
Add: Cash and short-term deposits (Note 21)	54,748	40,857	63,387	83	287	1,355
Less:						
Deferred lease expenses	(4,092)	(7,229)	(7,457)	–	–	–
Sales tax receivables	(4,131)	(4,845)	(1,690)	–	–	–
Advances to suppliers	(2,155)	(1,405)	(1,415)	–	–	–
Total financial assets carried at amortised cost	82,700	74,999	91,477	7,582	15,961	18,202

Trade receivables

Trade receivables comprise rental receivables and receivables from point redemption of an external loyalty programme. Trade receivables are non-interest bearing and are generally on 10 to 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables that are past due but not impaired

In 2018, the Group has trade receivables amounting to SGD2,080,000 (1.7.2017: SGD2,120,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2018	1.7.2017
	SGD'000	SGD'000
Less than 30 days	567	651
30 to 60 days	476	422
61 to 90 days	317	264
More than 90 days	720	783
	2,080	2,120

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

17. Trade and other receivables (cont'd)

Trade receivables (cont'd)

Trade and other receivables that are impaired

Trade and other receivables of the Group and Company that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Current						
Trade receivables - nominal amounts	1,031	748	419	–	–	–
Less: Allowance for impairment	(1,031)	(748)	(419)	–	–	–
	–	–	–	–	–	–
Other receivables - nominal amounts	755	756	801	–	–	–
Less: Allowance for impairment	(755)	(756)	(801)	–	–	–
	–	–	–	–	–	–
Other deposits - nominal amounts	10,967	10,637	11,240	–	–	–
Less: Allowance for impairment	(10,967)	(10,637)	(11,240)	–	–	–
	–	–	–	–	–	–
Amount due from managed stores - nominal amounts	4,099	4,463	4,271	–	–	–
Less: Allowance for impairment	(4,099)	(4,463)	(4,271)	–	–	–
	–	–	–	–	–	–
Amount due from an associate - nominal amounts	3,856	4,836	4,920	82	84	80
Less: Allowance for impairment	(3,856)	(4,836)	(4,920)	(82)	(84)	(80)
	–	–	–	–	–	–
Amount due from subsidiaries - nominal amounts	–	–	–	8,809	11,066	11,430
Less: Allowance for impairment	–	–	–	(8,809)	(6,473)	(6,468)
	–	–	–	–	4,593	4,962

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

17. Trade and other receivables (cont'd)

Trade and other receivables that are impaired (cont'd)

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Non-current						
Rental deposits - nominal amounts	3,630	3,657	3,696	–	–	–
Less: Allowance for impairment	(3,630)	(3,657)	(3,696)	–	–	–
	–	–	–	–	–	–
Loan to subsidiaries - nominal amounts	–	–	–	220	210	183
Less: Allowance for impairment	–	–	–	(220)	(210)	(183)
	–	–	–	–	–	–
Amount due from subsidiaries - nominal amounts	–	–	–	9,255	–	–
Less: Allowance for impairment	–	–	–	(1,857)	–	–
	–	–	–	7,398	–	–

Movement in allowance accounts:

	Trade receivables	Other receivables	Amount due from managed stores	Amount due from an associate	Rental deposits	Other deposits	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Group							
At 1 July 2017	419	801	4,271	4,920	3,696	11,240	25,347
Charge for the year	362	–	283	24	–	383	1,052
Write-back	(39)	–	–	–	–	(876)	(915)
Exchange differences	6	(45)	(91)	(108)	(39)	(110)	(387)
At 30 June 2018	748	756	4,463	4,836	3,657	10,637	25,097

	Due from an associate	Due from subsidiaries	Loan to subsidiaries	Total
	SGD'000	SGD'000	SGD'000	SGD'000
Company				
At 1 July 2017	80	6,468	183	6,731
Charge for the year	–	385	16	401
Exchange differences	4	(380)	11	(365)
At 30 June 2018	84	6,473	210	6,767

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

17. Trade and other receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses computed based on lifetime ECL are as follows:

	Trade receivables	Other receivables	Amount due from managed stores	Amount due from an associate	Rental deposits	Other deposits	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Group							
At 1 July 2018	748	756	4,463	4,836	3,657	10,637	25,097
Charge for the year	518	–	–	–	–	556	1,074
Write-back	–	–	(134)	–	–	–	(134)
Exchange differences	(235)	(1)	(230)	(980)	(27)	(226)	(1,699)
At 30 June 2019	1,031	755	4,099	3,856	3,630	10,967	24,338

	Due from an associate	Due from subsidiaries	Loan to subsidiaries	Total
	SGD'000	SGD'000	SGD'000	SGD'000
Company				
At 1 July 2018	84	6,473	210	6,767
Charge for the year	–	4,221	–	4,221
Exchange differences	(2)	(28)	10	(20)
At 30 June 2019	82	10,666	220	10,968

Credit card receivables

Credit card receivables are trade related, non-interest bearing and generally on 1 to 7 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables

Other receivables are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

17. Trade and other receivables (cont'd)

Rental deposits

Rental deposits are unsecured and non-interest bearing. Non-current amounts have a maturity ranging from 1 to 20 years (2018: 1 to 12 years, 1.7.2017: 1 to 22 years). Rental deposits are recognised initially at fair value. The difference between the fair value and the absolute deposit amount is recorded as deferred lease expenses.

In 2017, the Group carried out a review on the recoverable amount of its rental deposits and recognised an impairment loss of SGD3,231,000 in respect of rental deposit of a planned store in Cambodia. In 2018, the Group issued letter of termination of lease agreement due to prolonged delays in the completion and handing over the premises by the lessor. Although the Group is currently awaiting for arbitration to settle with the lessor (see Note 35), management is of the view that the termination notice served is valid and final and accordingly, no lease commitment has been included in Note 29(b).

Included in rental deposits as at 30 June 2019 is an amount of SGD327,000 relating to a department store at M Square which has ceased operations. The Group has served a notice of lease termination to the lessor of M Square and is currently in litigation with the lessor (see Note 35).

Rental deposits denominated in foreign currencies are as follows:

	Group		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
United States Dollar	2,992	2,753	3,076

Other deposits (current)

Included in other deposits is an amount of SGD9,954,000 (2018: SGD10,179,000, 1.7.2017: SGD10,406,000) paid by Parkson Vietnam Co Ltd to the individual owners of two Vietnamese companies as well as to one of these Vietnamese companies for the purpose of acquiring the share capital of these two Vietnam companies. These companies own Parkson department stores in Vietnam operated and managed by Parkson Vietnam Management Services Co Ltd, pursuant to management agreements entered into with these companies ("managed stores"). These deposits are non-interest bearing and secured by collateral over the charter capital of the respective companies and assets created with such amounts provided.

These deposits have been fully impaired in the previous year as the managed stores have been persistently making losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

17. Trade and other receivables (cont'd)

Amount due from managed stores

These balances are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

During the financial year, the Group carried out a review on the recoverable amount of these balances. An impairment loss of SGD nil (2018: SGD283,000) was recognised in profit or loss for the financial year ended 30 June 2019. The Group wrote back impairment loss of SGD134,000 (2018: SGD nil) during the year due to receipt of the outstanding amount.

Deferred lease expenses (current and non-current)

Deferred lease expenses relate to differences between the fair value of non-current rental deposits recognised on initial recognition and the absolute deposit amounts, which are amortised on a straight-line basis over the remaining lease terms ranging from 1 to 14 years (2018: 1 to 12 years, 1.7.2017: 1 to 22 years). The amortisation of deferred lease expense amounted to SGD1,081,000 (2018: SGD976,000) for the year.

Amounts due from ultimate holding company / related companies / subsidiaries / associate / loan to subsidiaries

Amounts due from subsidiary of SGD2,718,000 (2018: Nil; 1.7.2017: Nil) are unsecured, bear interest at rates ranging from 8.29% to 8.61% per annum and are repayable from 2022 to 2024. All other balances are unsecured and non-interest bearing. The amounts due from related companies are repayable on demand. The amounts due from subsidiaries are repayable when their cash flows permit but are not expected to be repaid in the next twelve months. Related companies refer to companies within the Parkson Holdings Berhad Group.

During the financial year, the Group carried out a review on the recoverable amount of balance due from its loss-making associate. An impairment loss of SGD nil (2018: SGD24,000) was recognised in profit or loss for the year.

Similarly, the Company reviewed the recoverable amount of balances due from its loss-making subsidiaries and recognised impairment losses of SGD4,221,000 (2018: SGD401,000) in profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

18. Intangible assets

	Customer relationship	Goodwill	Club memberships	Software	Licensing fee	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Group						
Cost						
At 1 July 2017	1,150	4,242	81	2,378	753	8,604
Additions	–	–	–	110	156	266
Write-off	(1,062)	–	–	–	–	(1,062)
Disposal of a subsidiary	–	–	–	(10)	–	(10)
Exchange differences	(88)	(322)	4	(62)	41	(427)
At 30 June 2018 and 1 July 2018	–	3,920	85	2,416	950	7,371
Additions	–	–	–	36	–	36
Exchange differences	–	11	(2)	(38)	(28)	(57)
At 30 June 2019	–	3,931	83	2,414	922	7,350
Accumulated amortisation and impairment loss						
At 1 July 2017	1,150	4,242	20	1,568	503	7,483
Amortisation for the year	–	–	–	210	47	257
Write-off	(1,062)	–	–	–	–	(1,062)
Disposal of a subsidiary	–	–	–	(3)	–	(3)
Exchange differences	(88)	(322)	1	(15)	39	(385)
At 30 June 2018 and 1 July 2018	–	3,920	21	1,760	589	6,290
Amortisation for the year	–	–	–	186	48	234
Exchange differences	–	11	–	(29)	(17)	(35)
At 30 June 2019	–	3,931	21	1,917	620	6,489
Net carrying amount						
At 1 July 2017	–	–	61	810	250	1,121
At 30 June 2018	–	–	64	656	361	1,081
At 30 June 2019	–	–	62	497	302	861

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

18. Intangible assets (cont'd)

Software has a remaining amortisation period of 1 to 7 years (2018: 1 to 7 years, 1.7.2017: 1 to 7 years).

Licensing fee relates to payment in respect of the Group's exclusive right to develop and operate the following business:

- Bakery stores using the Hogan trademark and technical know-how in Malaysia with an average remaining amortisation period of 6 years (2018: 7 years, 1.7.2017: 8 years).

19. Investment securities

a) Financial instruments as at 30 June 2019

	Group
	2019
	SGD'000
Non-current:	
<i>At fair value through other comprehensive income</i>	
Equity securities (unquoted)	
- Lion Insurance Company Limited	916

The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation. The Group recognised a dividend of SGD35,000 from the investee during the year.

b) Financial instruments as at 30 June 2018 and 1 July 2017

	Group	
	2018	1.7.2017
	SGD'000	SGD'000
Non-current:		
<i>Available-for-sale financial assets:</i>		
Equity securities (unquoted), at cost	79	75

The unquoted equity securities have been classified and measured at fair value through other comprehensive income from 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

20. Inventories

Balance sheet:

Merchandise inventories
Consumables

Group		
2019	2018	1.7.2017
SGD'000	SGD'000	SGD'000
53,100	58,226	71,322
222	–	13
53,322	58,226	71,335

Income statement:

Inventories recognised as an expense in changes in merchandise inventories and consumables
Inclusive of the following charge:
- Inventory shrinkages
- Inventories written down

Group	
2019	2018
SGD'000	SGD'000
169,754	177,585
444	1,407
31	1,462

21. Cash and short-term deposits

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Cash and bank balances	15,888	19,085	34,153	83	287	1,355
Short-term deposits placed with						
- licensed banks	25,764	11,632	11,591	–	–	–
- finance institutions	13,096	10,140	17,643	–	–	–
Cash and short-term deposits	54,748	40,857	63,387	83	287	1,355

Cash at banks earn interest at floating rates based on daily bank deposits rates. Short-term deposits earn interests at the respective short-term deposit rates. The weighted average effective interest rate for the Group as at 30 June 2019 was 3.17% (2018: 3.37%, 1.7.2017: 3.27%) per annum.

Short-term deposits of SGD1,637,000 (2018: SGD676,000, 1.7.2017: Nil) are pledged to a bank for facilities granted to a subsidiary (Note 25).

Cash and short-term deposits denominated in foreign currencies are as follows:

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Singapore Dollar	49	107	283	49	107	283
United States Dollar	202	294	270	13	102	121

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

22. Trade and other payables

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Current:						
Trade payables	140,116	147,703	160,610	–	–	–
Payables to suppliers of property, plant and equipment	986	2,321	3,270	–	–	–
Other payables	11,854	11,080	16,467	462	697	573
Sales tax payables	315	1,153	2,344	–	–	–
Rental deposits	693	1,769	825	–	–	–
Deferred lease income	22	64	211	–	–	–
Amount due to ultimate holding company (non-trade)	96	3	5	67	–	–
Amounts due to related companies (non-trade)	1,518	854	911	608	449	243
Amount due to an associate	7	7	1	–	–	–
Amount due to corporate shareholders	–	1,039	1,910	–	–	–
Amount due to subsidiary	–	–	–	59	22	27
Renovation incentive	–	448	157	–	–	–
	155,607	166,441	186,711	1,196	1,168	843
Non-current:						
Rental deposits	2,252	3,138	4,355	–	–	–
Deferred lease income	254	257	123	–	–	–
Provision for severance allowance	28	33	108	–	–	–
Defined benefit plan	940	834	831	–	–	–
Renovation incentive	383	1,854	683	–	–	–
	3,857	6,116	6,100	–	–	–
Total trade and other payables (current and non-current)	159,464	172,557	192,811	1,196	1,168	843
Add:						
Other liabilities (Note 23)	19,787	12,832	13,133	267	–	–
Loans and borrowings (Note 25)	16,003	3,877	–	7,369	–	–
Less:						
Sales tax payables	(315)	(1,153)	(2,344)	–	–	–
Deferred lease income	(276)	(321)	(334)	–	–	–
Defined benefit plan	(940)	(834)	(831)	–	–	–
Provision for severance allowance	(28)	(33)	(108)	–	–	–
Renovation incentive	(383)	(2,302)	(840)	–	–	–
Total financial liabilities carried at amortised cost	193,312	184,623	201,487	8,832	1,168	843

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

22. Trade and other payables (cont'd)

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Other payables

Other payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Other payables denominated in foreign currencies as at 30 June are as follows:

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Current:						
Singapore Dollar	9	107	278	–	107	278

Amounts due to ultimate holding company / associate / related companies / corporate shareholders / subsidiary

These balances are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Rental deposits (current and non-current)

Rental deposits are unsecured and non-interest bearing. Rental deposits have maturity ranging from 1 to 14 years (2018: 1 to 12 years, 1.7.2017: 1 to 13 years). The rental deposits are recognised initially at fair value. The difference between the fair value and the absolute deposit amount is recorded in deferred lease income.

Rental deposits denominated in foreign currencies as at 30 June are as follows:

	Group		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
United States Dollar	52	77	107

Deferred lease income (current and non-current)

Deferred lease income relate to differences between the fair value of non-current rental deposits recognised on initial recognition and the absolute deposit amount, which is amortised on a straight-line basis over the remaining lease terms ranging from 1 to 14 years (2018: 1 to 12 years, 1.7.2017: 1 to 13 years). The amortisation of deferred lease income amounted to SGD104,000 (2018: SGD176,000) for the year and has been included as part of rental income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

22. Trade and other payables (cont'd)

Defined benefit plan

The Group makes provision for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labour Law No.13/2003. The principal assumptions used in determining post-employment obligations for the Group's defined benefit plan for the financial year ended 30 June 2019 are as follows:

Annual discount rate:	8% (2018: 8.31%, 1.7.2017: 8.00%)
Future annual salary increment:	8% (2018: 8.00%, 1.7.2017: 8.00%)
Retirement age:	55 years of age (2018: 55 years of age, 1.7.2017: 55 years of age)

The following table summarises the components of net employee benefits expense recognised in the consolidated income statement:

	Group	
	2019	2018
	SGD'000	SGD'000
Current service cost	110	113
Interest cost on benefit obligations	69	63
Expected return on planned assets	11	17
Net benefit expense recognised in profit or loss	190	193

The estimated liabilities for employee benefits are as follows:

	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Defined benefit obligations	940	834	861
Fair value of planned assets	–	–	(30)
	940	834	831

Changes in the present value of the defined benefit obligations are as follows:

	Group	
	2019	2018
	SGD'000	SGD'000
Benefits obligations at 1 July	834	831
Recognised in profit or loss	190	193
Recognised in other comprehensive income	(76)	(125)
Payment from the plan	(14)	–
Exchange difference	6	(65)
Benefits obligations at 30 June	940	834

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

22. Trade and other payables (cont'd)

Renovation incentive

This refers to cash incentive received from landlord related to renovation costs of certain stores. The amount is amortised to profit or loss on a straight line basis over the same period as the depreciation of the related renovation costs.

23. Other liabilities, contract liabilities

(a) Other liabilities

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Current:						
Accrued operating expenses	15,210	8,886	7,137	–	–	–
Accrued staff costs	457	438	343	–	–	–
Accrued expenses for additions to property, plant and equipment	2,199	2,375	3,500	–	–	–
Accrued interest on loans from ultimate holding company	455	–	–	267	–	–
Others	1,466	1,133	2,153	–	–	–
Total accruals	19,787	12,832	13,133	267	–	–
Deferred revenue from gift cards/vouchers sold (i)	–	11,730	8,440	–	–	–
Deferred revenue from customer loyalty award (ii)	–	2,995	3,328	–	–	–
Accrued rent	1,936	1,694	1,737	–	–	–
	21,723	29,251	26,638	267	–	–
Non-current:						
Accrued rent	19,651	21,288	17,418	–	–	–
Total other liabilities (current and non-current)	41,374	50,539	44,056	267	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

23. Other liabilities, contract liabilities (cont'd)

(a) Other liabilities (cont'd)

- (i) As a result of the adoption of SFRS(I) 15, deferred revenue from gift cards/vouchers sold is included in contract liabilities from 1 July 2018.

	Group	
	2019 SGD'000	2018 SGD'000
At 1 July	11,730	8,440
Arising during the year	22,732	27,333
Recognised as revenue	(24,830)	(24,491)
Exchange differences	(358)	448
At 30 June	9,274	11,730

- (ii) As a result of the adoption of SFRS(I) 15, deferred revenue from customer loyalty award is included in contract liabilities from 1 July 2018.

The deferred revenue from customer loyalty award is estimated based on the amount of bonus points outstanding at the reporting date that are expected to be redeemed before expiry. The movement in the deferred revenue is as follows:

	Group	
	2019 SGD'000	2018 SGD'000
At 1 July	2,995	3,328
Additions, net	2,650	82
Recognised as revenue	(2,874)	(196)
Exchange differences	(103)	(219)
At 30 June	2,668	2,995

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

23. Other liabilities, contract liabilities (cont'd)

(b) Contract liabilities

	Group		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Deferred revenue from:			
Gift cards/vouchers sold	9,274	–	–
Customer loyalty award	2,668	–	–
	11,942	–	–

Contract liabilities relate to the Group's obligation to transfer goods to customers for which the Group has received advances from customers for the sale of gift cards/vouchers and under the customer loyalty programme.

Contract liabilities are recognised as revenue as the Group performs under the contract. The movement in contract liabilities is included in Note 23(a)(i) and (ii) above.

24. Provisions

	Group		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Current:			
Provision for restoration costs	245	432	760
Provision for onerous contract	3,045	1,515	992
Others	3	94	23
	3,293	2,041	1,775
Non-current:			
Provision for restoration costs	7,401	7,658	10,859
Provision for onerous contract	3,474	–	–
	10,875	7,658	10,859
Total provisions (current and non-current)	14,168	9,699	12,634

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

24. Provisions (cont'd)

Provision for restoration costs (current and non-current)

	Group	
	2019	2018
	SGD'000	SGD'000
At 1 July	8,090	11,619
Additions (Note 11)	1,857	1,539
Reversal against property, plant and equipment	(1,007)	–
Charge to profit or loss, net	193	–
Utilisation	(1,559)	(627)
Reclassification to accrued rent (non-current)	–	(4,470)
Discount adjustment	307	103
Exchange differences	(235)	(74)
At 30 June	<u>7,646</u>	<u>8,090</u>

Provision for onerous contract (current and non-current)

	Group	
	2019	2018
	SGD'000	SGD'000
At 1 July	1,515	992
Additions	6,505	1,477
Reversal upon recognition of lease expense	(1,468)	(1,018)
Exchange difference	(33)	64
At 30 June	<u>6,519</u>	<u>1,515</u>

Provision for onerous contract represents the unavoidable operating lease expense of loss-making stores.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

25. Loans and borrowings

	Group		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Current			
Bank overdraft	158	152	–
Banker's acceptance	2,457	1,718	–
Finance leases	259	459	–
Loan from owner of a managed store (Vietnam)	1,278	1,306	–
	4,152	3,635	–
Non-current			
Finance leases	108	242	–
Loans from ultimate holding company	11,743	–	–
	11,851	242	–
Total loans and borrowings	16,003	3,877	–
	Company		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Non-current			
Loans from ultimate holding company	7,369	–	–
Total loans and borrowings	7,369	–	–

Bank overdraft and banker's acceptance

The bank borrowings are secured by short-term deposits of SGD1,637,000 (2018: SGD676,000) (Note 21) and a corporate guarantee from a subsidiary.

Bank overdraft bears interest at Base Lending Rate ("BLR") + 1.0% per annum. Banker's acceptance bears interest at 0.75% per annum. These facilities are subject to yearly review and are repayable on demand.

Finance leases

Finance leases are secured by a charge over the leased assets (Note 11) and corporate guarantee from the Company. The effective interest rate for these leases range from 2.37% to 7.13% (2018: 7.13%) per annum, repayable within 3 years (2018: 2 years).

Loan from owner of a managed store (Vietnam)

Loan from owner of a managed store is unsecured and expected to be repaid in 2020. The loan bears interest at 7% per annum.

Loans from ultimate holding company

The loans from ultimate holding company are unsecured, bear interest at 7% per annum and are repayable in 2022, the third anniversary of drawdown date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

25. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	2018 SGD'000	Cash flows SGD'000	Non-cash changes			2019 SGD'000
			Acquisition	Exchange movement	Other	
	SGD'000	SGD'000	SGD'000	SGD'000		SGD'000
Banker's acceptance	1,718	793	–	(54)	–	2,457
Loan from owner of a managed store (Vietnam)	1,306	–	–	(28)	–	1,278
Loans from ultimate holding company	–	11,743	–	–	–	11,743
Finance leases						
- Current	459	(458)	35	(11)	234	259
- Non-current	242	–	108	(8)	(234)	108
Total	3,725	12,078	143	(101)	–	15,845

	1.7.2017 SGD'000	Cash flows SGD'000	Non-cash changes			30.6.2018 SGD'000
			Acquisition	Exchange movement	Other	
	SGD'000	SGD'000	SGD'000	SGD'000		SGD'000
Banker's acceptance	–	1,718	–	–	–	1,718
Loan from owner of a managed store (Vietnam)	–	1,306	–	–	–	1,306
Finance leases						
- Current	–	(218)	677	–	–	459
- Non-current	–	–	242	–	–	242
Total	–	2,806	919	–	–	3,725

The 'Other' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

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For the financial year ended 30 June 2019

26. Share capital and treasury shares

(a) Share capital

	Company					
	2019		2018		1.7.2017	
	No. of shares '000	SGD'000	No. of shares '000	SGD'000	No. of shares '000	SGD'000
Issued and fully paid ordinary shares:						
At 1 July and 30 June	677,300	231,676	677,300	231,676	677,300	231,676

The ordinary shares of the Company have no par value. All issued ordinary shares are fully paid. The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

(b) Treasury shares

	Company					
	2019		2018		1.7.2017	
	No. of shares '000	SGD'000	No. of shares '000	SGD'000	No. of shares '000	SGD'000
At 1 July and 30 June	(3,500)	(549)	(3,500)	(549)	(3,500)	(549)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

27. Other reserves

	Note	Group			Company		
		2019	2018	1.7.2017	2019	2018	1.7.2017
		SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Foreign currency translation reserve	(a)	(52,409)	(52,173)	(52,376)	(47,891)	(43,284)	(51,046)
Capital redemption reserve	(b)	1	1	1	—	—	—
Acquisition reserve	(c)	(2,762)	64	—	—	—	—
Capital contribution from ultimate holding company	(d)	9,959	9,959	9,959	—	—	—
Fair value reserve		838	—	—	—	—	—
Merger reserve	(e)	(123,753)	(123,753)	(123,753)	—	—	—
		(168,126)	(165,902)	(166,169)	(47,891)	(43,284)	(51,046)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

27. Other reserves (cont'd)

(a) *Foreign currency translation reserve*

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of the Company and subsidiaries whose functional currencies are different from that of the Company and Group's presentation currency. The movement in the foreign currency translation reserve is as follows:

	Group			Company		
	2019	2018	1.7.2017	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
At 1 July	(52,173)	(52,376)	(49,724)	(43,284)	(51,046)	(42,472)
Foreign currency translation difference	(236)	203	(2,652)	(4,607)	7,762	(8,574)
At 30 June	(52,409)	(52,173)	(52,376)	(47,981)	(43,284)	(51,046)

(b) *Capital redemption reserve*

Capital redemption reserve arose from redemption of preference shares of PCSB in previous years.

(c) *Acquisition reserve*

Acquisition reserve represents the discount on acquisition of 30% non-controlling interests of Parkson Edutainment World Sdn Bhd during the year and 40% non-controlling interests of Kiara Innovasi Sdn Bhd in the previous year.

(d) *Capital contribution from ultimate holding company*

Capital contribution from ultimate holding company represents the equity-settled share options granted by PHB to eligible employees of the Group. This capital contribution is made up of the cumulative value of services received from eligible employees recorded on grant of share options under the Executive Share Option Scheme of PHB ("PHB ESOS") for eligible employees of the Group.

The Company had on 12 October 2011 adopted its own employee share option scheme ("Parkson Retail ESOS") representing equity-settled share options of the Company which can be granted to executives and non-executive directors and eligible employees of the Group at the absolute discretion of the Company. As at 30 June 2019, no options under the Parkson Retail ESOS have been granted. Due to the adoption of the Parkson Retail ESOS, the options held by the eligible employees of the Group under the PHB ESOS were terminated on 31 May 2012 in accordance with the relevant Bylaw of the PHB ESOS which do not allow participation in other company's option scheme. Accordingly, the exercise period for the options under the PHB ESOS granted to the employees of the Group that were due to expire on 6 May 2013 were terminated on 31 May 2012.

(e) *Merger reserve*

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the "pooling of interest method".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

28. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2019	2018
	SGD'000	SGD'000
Sale of gift vouchers to immediate holding company	10	2
Sale of gift vouchers to director related companies:		
- Lion Group Management Services Sdn Bhd	44	41
- Posim Petroleum Marketing Sdn Bhd	118	137
	162	178
Sale of gift vouchers to subsidiary of the ultimate holding company:		
- Prestasi Serimas Sdn Bhd	–	159
Sale of goods and services to subsidiaries of the ultimate holding company:		
- Prestasi Serimas Sdn Bhd	54	–
- Ombrello Resources Sdn Bhd	62	–
	116	–
Purchase of goods and services from director related companies:		
- Secom (Malaysia) Sdn Bhd	367	289
- Posim Marketing Sdn Bhd	357	248
- Posim EMS Sdn Bhd	8	–
- WatchMart (M) Sdn Bhd	166	214
- Lion Trading & Marketing Sdn Bhd	13	–
- PT Monica Hijaulestari	648	2,290
- Brands Pro Management Sdn Bhd	132	218
	1,691	3,259
Purchase/(return) of goods and services from subsidiaries of the ultimate holding company:		
- Park Avenue Fashion Sdn Bhd	–	3
- Parkson Branding Sdn Bhd	3,180	2,867
- Watatime (M) Sdn Bhd	303	255
- Parkson Fashion Sdn Bhd	208	251
- Valino International Apparel Sdn Bhd	1,256	1,396
- Daphne Malaysia Sdn Bhd	258	–
- Prestasi Serimas Sdn Bhd	328	35
- Parkson Branding Sdn Bhd	–	(214)
- Watatime (M) Sdn Bhd	–	(519)
- Valino International Apparel Sdn Bhd	–	(972)
	5,533	3,102

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

28. Related party transactions (cont'd)

(a) *Sale and purchase of goods and services (cont'd)*

	Group	
	2019	2018
	SGD'000	SGD'000
Received/receivable from director related company for bonus points redemption by cardholders:		
- Bonuskad Loyalty Sdn Bhd	3,692	3,819
Marketing fee expense to director related company for bonus points issued:		
- Bonuskad Loyalty Sdn Bhd	3,121	3,334
Rental of office space from director related company:		
- Visionwell Sdn Bhd	201	210
Rental of retail space from subsidiary of the ultimate holding company:		
- Festival City Sdn Bhd	93	–
Rental of retail space to subsidiary of the ultimate holding company:		
- Prestasi Serimas Sdn Bhd	137	383
Royalty expense to subsidiary of the ultimate holding company:		
- Smart Spectrum Limited	163	179
Service charge income from subsidiary of the ultimate holding company:		
- Parkson Credit Sdn Bhd	10	12
Management fee income from subsidiary of the ultimate holding company:		
- Festival City Sdn Bhd	551	313
Purchase of property, plant and equipment from director related company:		
- Lion Steelworks Sdn Bhd	1	53
Disposal of property, plant and equipment to subsidiary of the ultimate holding company:		
- Valino International Apparel Sdn Bhd	–	168

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

28. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

	Group	
	2019 SGD'000	2018 SGD'000
Directors' fees	315	350
Short-term employee benefits	2,242	2,235
Contribution to defined contribution plans	33	51
	<u>2,590</u>	<u>2,636</u>
Comprise amounts paid to:		
Directors of the Company	315	350
Chief Executive of the Company	1,285	1,520
Other key management personnel	990	766
	<u>2,590</u>	<u>2,636</u>

No employee share options were granted to key management personnel.

29. Commitments

(a) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		
	2019 SGD'000	2018 SGD'000	1.7.2017 SGD'000
Capital commitments in respect of property, plant and equipment	3,737	5,665	12,796

(b) *Operating lease commitments – as lessee*

In addition to the land use right disclosed in Note 12, the Group has entered into commercial leases on certain department stores. These leases have remaining lease terms of between 1 and 14 years (2018: 1 and 12 years) with terms of renewal included in the contracts and there are no restrictions placed upon the Group by entering into these lease agreements.

In addition to the above, the annual contingent rental amount is chargeable on a percentage of the respective stores' turnover or profit, where appropriate, as stated in the relevant lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

29. Commitments (cont'd)

(b) *Operating lease commitments – as lessee (cont'd)*

Minimum lease payments, contingent rental payments and amortisation of the land use right recognised as expense in profit or loss for the financial years ended 30 June 2019 and 2018 are disclosed in Note 8.

Future minimum rental payable under non-cancellable operating leases (excluding land use right) at the end of the reporting period are as follows:

	Group	
	2019	2018
	SGD'000	SGD'000
Not later than one year	72,308	85,823
Later than one year and not later than five years	242,153	286,852
Later than five years	173,966	250,501
	<u>488,427</u>	<u>623,176</u>

(c) *Operating lease commitments – as lessor*

The Group has entered into commercial subleases on its department stores. These non-cancellable subleases have remaining lease terms of between 1 and 14 years (2018: 1 and 12 years) with terms of renewal included in the contracts.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2019	2018
	SGD'000	SGD'000
Not later than one year	1,930	6,683
Later than one year and not later than five years	8,338	9,089
Later than five years	7,676	9,705
	<u>17,944</u>	<u>25,477</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

29. Commitments (cont'd)

(d) *Finance lease commitments – as lessee*

The Group acquired property, plant and equipment by means of finance leases (Note 11).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Minimum lease payments			
Not later than one year	268	494	–
Later than one year and not later than five years	123	247	–
Total minimum lease payments	391	741	–
Less: Amounts representing finance charges	(24)	(40)	–
Present value of minimum lease payments	367	701	–
Present value of payments			
Not later than one year	259	459	–
Later than one year and not later than five years	108	242	–
	367	701	–

30. Contingent liabilities

The Company has provided a corporate guarantee to a financial institution for bank borrowings of SGD1,637,000 (2018: SGD919,000, 1.7.2017: Nil) taken by a subsidiary (Note 25).

The Company has also agreed to provide continuing financial support to certain subsidiaries.

31. Segment information

The Group has two operating segments - the operation and management of (i) retail stores and (ii) food and beverage. For management purposes, the Group is organised into business units based on the geographical location of customers and assets, and has five reportable segments as follows:

- (a) Malaysia
- (b) Vietnam
- (c) Indonesia
- (d) Myanmar
- (e) Cambodia

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Certain expenses are managed on a group basis and are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

31. Segment information (cont'd)

	Retail stores					Food and beverage operations			
	Malaysia	Vietnam	Indonesia	Myanmar	Cambodia	Malaysia	Adjustments and eliminations	Note	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000		SGD'000
2019									
Revenue:									
Sales to external customers	326,237	19,827	47,758	711	–	4,011	–		398,544
Segment results:									
Depreciation and amortisation expenses	(19,935)	(1,070)	(3,240)	(39)	–	(414)	–		(24,698)
(Allowance)/write back of allowance for doubtful trade and other receivables									
- Amount due from managed stores	–	134	–	–	–	–	–		134
- Others	(1,182)	108	–	–	–	–	–		(1,074)
Rental expenses	(68,992)	(14,972)	(21,693)	(1,344)	–	(821)	–		(107,822)
Impairment of property, plant and equipment	(10,362)	–	(1,507)	–	–	(241)	–		(12,110)
Reversal of impairment of PPE for closed stores	3,106	–	–	–	–	–	–		3,106
Finance income	3,064	196	291	–	–	–	–		3,551
Finance costs	(677)	(228)	(86)	–	–	–	(270)		(1,261)
Income tax expense	(2,877)	(1,419)	–	–	–	–	–		(4,296)
Segment loss	(4,723)	(10,133)	(8,614)	(1,460)	(271)	(4,096)	(5,316)	A	(34,613)
Assets:									
Additions to non-current assets	14,447	551	2,800	–	–	210	–		18,008
Segment assets	177,154	31,007	44,495	1,133	1,484	2,790	118		258,181
Segment liabilities	166,262	20,924	37,650	665	2,256	6,362	9,271		243,390

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

31. Segment information (cont'd)

	Retail stores					Food and beverage operations			
	Malaysia	Vietnam	Indonesia	Myanmar	Cambodia	Malaysia	Adjustments and eliminations	Note	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000		SGD'000
2018									
Revenue:									
Sales to external customers	330,076	26,473	53,038	1,233	–	2,690	42		413,552
Segment results:									
Depreciation and amortisation expenses	(22,004)	(1,997)	(4,616)	(210)	–	(794)	–		(29,621)
(Allowance)/write back of allowance for doubtful trade and other receivables									
- Amount due from managed stores	–	(283)	–	–	–	–	–		(283)
- Amount due from an associate	–	(24)	–	–	–	–	–		(24)
- Others	(695)	(50)	–	–	–	–	–		(745)
Rental expenses	(75,702)	(14,844)	(23,154)	(1,879)	–	(1,296)	(244)		(117,119)
Impairment of property, plant and equipment	(7,287)	(403)	(3,470)	(1,109)	–	–	–		(12,269)
Reversal of impairment of PPE for closed stores	9,737	–	–	–	–	–	–		9,737
Finance income	973	189	249	–	1	7	6		1,425
Finance costs	(559)	(66)	(103)	–	–	–	–		(728)
Income tax expense	(3,289)	(218)	(38)	–	–	–	–		(3,545)
Segment loss	(13,998)	(5,148)	(9,857)	(2,540)	(293)	(5,883)	(6,212)	A	(43,931)
Assets:									
Additions to non-current assets	18,692	67	1,014	82	–	787	–		20,642
Segment assets	196,111	36,655	45,663	2,261	1,419	3,324	348		285,781
Segment liabilities	177,603	18,950	29,438	1,691	2,116	2,629	4,698		237,125
1.7.2017									
Assets:									
Additions to non-current assets	37,622	371	10,060	1,398	1,799	4,688	51		55,989
Segment assets	213,612	40,479	71,260	5,787	1,905	5,785	1,487		340,315
Segment liabilities	176,359	17,096	45,739	2,615	2,309	2,924	2,973		250,015

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

31. Segment information (cont'd)

Note Nature of adjustments to arrive at amounts reported in the consolidated financial statements

Adjustments and eliminations include the operations of theme park, education centre businesses in Malaysia and investment holding.

- A The following items are added to/(deducted from) the segment loss to arrive at "loss for the year" presented in the consolidated income statement:

	Group	
	2019	2018
	SGD'000	SGD'000
Corporate expenses	(5,491)	(5,999)
Net profit/(loss) from theme park and education centre operations	175	(213)
	(5,316)	(6,212)

Non-current assets information based on the geographical locations of customers and assets are as follows:

	Group		
	2019	2018	1.7.2017
	SGD'000	SGD'000	SGD'000
Malaysia	59,192	81,909	92,695
Vietnam	17,544	18,807	21,627
Indonesia	26,467	28,426	38,709
Myanmar	–	47	1,351
	103,203	129,189	154,382

Non-current assets information presented above consist of property, plant and equipment, land use right and intangible assets as presented in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

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32. Fair value of assets and liabilities

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assets measured at fair value

	Significant unobservable inputs (Level 3) 2019 SGD'000
Group	
<i>Assets measured at fair value</i>	
<u>Financial assets</u>	
Equity securities at FVOCI	
- Unquoted equity securities	916

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

	Valuation techniques	Unobservable inputs
Fair value measurements at FVOCI		
Unquoted equity securities	Dividend discount approach	Cost of equity (4%) Dividend yield (32% to 40%)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

32. Fair value of assets and liabilities (cont'd)

Assets measured at fair value (cont'd)

A significant increase or decrease in the cost of equity would result in a significantly lower or higher fair value measurement.

The following table shows the impact on the Level 3 fair value measurement of assets that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	Carrying amount	2019 Effect of reasonably possible alternative assumptions Other comprehensive income
	SGD'000	SGD'000
Recurring fair value measurements		
Financial assets at FVOCI		
Unquoted equity securities	916	44

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the cost of equity used in the fair value measurement by increasing and decreasing the assumption by 5%.

The following table presents the reconciliation for the assets measured at fair value based on significant unobservable inputs (Level 3):

	2019 SGD'000
	Financial assets at FVOCI
	Unquoted equity securities
Opening balance	1,090
Loss for the period included in other comprehensive income	(173)
Exchange difference	(1)
Closing balance	916

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

32. Fair value of assets and liabilities (cont'd)

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

Current trade and other receivables (Note 17), Cash and short-term deposits (Note 21), Current trade and other payables (Note 22), Other liabilities (Note 23) and Loans and borrowings (Note 25)

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values due to their short term nature.

Non-current rental deposits receivables (Note 17) and Non-current rental deposits payables (Note 22)

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values. The fair values of these financial assets and liabilities are calculated by discounting future cash flows at incremental market rates.

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk, credit risk and foreign currency risk. The management reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no trading in derivative for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies, and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks throughout the years under review.

(a) **Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities and to maintain sufficient levels of cash including short term deposits to meet its working capital requirements. The ultimate holding company, Parkson Holdings Berhad, has agreed to provide financial support for the next twelve months from the date of the financial statements to enable the Group to meet its financial obligations as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

33. Financial risk management objectives and policies (cont'd)

(a) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities

The tables below summarise the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less SGD'000	One to five years SGD'000	Over five years SGD'000	Total SGD'000
Group				
30 June 2019				
<i>Financial assets</i>				
Trade and other receivables	16,911	7,959	4,885	29,755
Investment securities	–	–	916	916
Cash and short-term deposits	54,748	–	–	54,748
Total undiscounted financial assets	71,659	7,959	5,801	85,419
<i>Financial liabilities</i>				
Trade and other payables	155,270	2,668	–	157,938
Other liabilities	19,787	–	–	19,787
Loans and borrowings	4,982	13,319	–	18,301
Total undiscounted financial liabilities	180,039	15,987	–	196,026
Total net undiscounted financial (liabilities)/ assets	(108,380)	(8,028)	5,801	(110,607)
30 June 2018				
<i>Financial assets</i>				
Trade and other receivables	18,630	4,935	15,217	38,782
Investment securities	–	–	79	79
Cash and short-term deposits	40,857	–	–	40,857
Total undiscounted financial assets	59,487	4,935	15,296	79,718
<i>Financial liabilities</i>				
Trade and other payables	164,776	3,953	–	168,729
Other liabilities	12,832	–	–	12,832
Loans and borrowings	3,757	247	–	4,004
Total undiscounted financial liabilities	181,365	4,200	–	185,565
Total net undiscounted financial (liabilities)/ assets	(121,878)	735	15,296	(105,847)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

33. Financial risk management objectives and policies (cont'd)

(a) Liquidity risk (cont'd)

	One year or less SGD'000	One to five years SGD'000	Over five years SGD'000	Total SGD'000
Group				
1.7.2017				
Financial assets				
Trade and other receivables	14,110	4,718	17,970	36,798
Derivatives	–	–	17	17
Investment securities	–	–	75	75
Cash and short-term deposits	63,387	–	–	63,387
Total undiscounted financial assets	77,497	4,718	18,062	100,277
Financial liabilities				
Trade and other payables	183,999	5,176	–	189,175
Other liabilities	13,290	–	–	13,290
Total undiscounted financial liabilities	197,289	5,176	–	202,465
Total net undiscounted financial (liabilities)/ assets	(119,792)	(458)	18,062	(102,188)
	One year or less SGD'000	One to five years SGD'000	Total SGD'000	
Company				
30 June 2019				
Financial assets				
Trade and other receivables	363	8,213	8,576	
Cash and short-term deposits	83	–	83	
Total undiscounted financial assets	446	8,213	8,659	
Financial liabilities				
Trade and other payables	1,196	–	1,196	
Other liabilities	267	–	267	
Loans and borrowings	516	8,396	8,912	
Total undiscounted financial liabilities	1,979	8,396	10,375	
Total net undiscounted financial liabilities	(1,533)	(183)	(1,716)	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

33. Financial risk management objectives and policies (cont'd)

(a) *Liquidity risk (cont'd)*

	One year or less SGD'000
Company	
30 June 2018	
<i>Financial assets</i>	
Trade and other receivables	15,674
Cash and short-term deposits	287
Total undiscounted financial assets	<u>15,961</u>
 <i>Financial liabilities</i>	
Trade and other payables, representing total undiscounted financial liabilities	1,168
Total net undiscounted financial assets	<u>14,793</u>
	One year or less SGD'000
1 July 2017	
<i>Financial assets</i>	
Trade and other receivables	16,847
Cash and short-term deposits	1,355
Total undiscounted financial assets	<u>18,202</u>
 <i>Financial liabilities</i>	
Trade and other payables, representing total undiscounted financial liabilities	843
Total net undiscounted financial assets	<u>17,359</u>

(b) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

33. Financial risk management objectives and policies (cont'd)

(b) **Credit risk (cont'd)**

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments when they fall due and there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Information regarding the loss allowance provision is disclosed in Note 17.

Excessive risk concentration and exposure to credit risk

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties of similar characteristics.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit loss determined using lifetime ECL is represented by the carrying amount of each class of financial assets recognised on the balance sheets.

Credit risk concentration profile

The Group engages solely in the operation and management of retail stores in Malaysia, Vietnam and Indonesia. The Group has ceased operations of the Myanmar store during the year.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

33. Financial risk management objectives and policies (cont'd)

(c) *Foreign currency risk*

The Group's operations are primarily conducted in Malaysia, Vietnam and Indonesia in Malaysian Ringgit ("RM"), Vietnamese Dong ("VND") and Indonesian Rupiah ("IDR") respectively.

The Group's entities hold cash and short-term deposits denominated in foreign currencies for working capital purposes and have transactional currency exposures arising from purchases that are denominated in foreign currencies. In addition, the Group's entities also receive/pay certain rental deposits from/to their tenants/landlords which are denominated in foreign currencies. At the end of the reporting period, such foreign currency denominated balances are mainly in United States Dollar ("USD").

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

		Group	
		2019	2018
		SGD'000	SGD'000
		Loss before tax	Loss before tax
USD against VND	- strengthened 3%	(138)	(116)
	- weakened 3%	138	116
USD against RM	- strengthened 3%	(1)	(4)
	- weakened 3%	1	4

34. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2019 and 30 June 2018. The Group is dependent on the financial support from the ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

35. Status of litigations

(i) Parkson (Cambodia) Co Ltd ("PCCO")

On 15 November 2018, the Group's subsidiary, PCCO commenced arbitration proceedings under Singapore International Arbitration Centre inter alia, claiming sums aggregating USD4,829,102 relating to a planned store in Cambodia (Note 17). On 12 December 2018, the lessor claimed against PCCO in the Phnom Penh Municipal Court of First Instance (Case No. 2577) inter alia claiming USD12,440,000 in damages from PCCO. PCCO is currently applying to the Cambodian Appellate Court to challenge the jurisdiction of the Phnom Penh Court of First Instance to hear Case No. 2577.

The Company has been advised that PCCO has a better than even chance to recover the Advance Rental and Security Deposit amounting to USD4,488,500 and that it has a good defence to the lessor's claims in Case No. 2577.

(ii) Parkson Corporation Sdn Bhd ("PCSB")

Subsequent to year end, PCSB received a Statutory Notice pursuant to Section 466(1)(a) of the Companies Act 2016 of Malaysia (the "Notice") from Millennium Mall Sdn Bhd ("MMSB"), the lessor of M Square claiming for RM1.5 million in alleged outstanding rental and late payment charges. In response to the Notice, PCSB has filed a Fortuna injunction on 29 July 2019, to restrain any filing of a winding up petition. Subsequently, PCSB has also received a legal letter of demand from MMSB alleging wrongful termination of the said lease and claiming an aggregate amount of approximately RM77.9 million in respect of primarily reinstatement as well as other charges.

On 27 September 2019, the High Court had decided in favour of PCSB and inter alia, ordered an injunction restraining MMSB from acting on the Section 466 Notice and restraining MMSB from filing a winding up petition and ordered MMSB to reimburse/pay PCSB an amount of RM10,000 for legal costs. On 1 October 2019, MMSB has filed an appeal against the decision of the High Court. PCSB intends to oppose the appeal vigorously.

The Group has been advised that it has a good chance to successfully dispute and contest the lessor's said letter of demand as the claimed amount is inflated and that there is also amount owing by the lessor to PCSB (Note 17).

36. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 7 October 2019.

SHAREHOLDING STATISTICS

AS AT 18 SEPTEMBER 2019

NUMBER OF SHARES ISSUED (EXCLUDING TREASURY SHARES) : 673,800,000
 NUMBER/PERCENTAGE OF TREASURY SHARES : 3,500,000 / 0.52%
 CLASS OF SHARES : ORDINARY SHARES
 VOTING RIGHTS : ONE (1) VOTE PER SHARE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1 - 99	1	0.09	5	0.00
100 - 1,000	66	6.29	45,787	0.01
1,001 - 10,000	239	22.76	1,458,875	0.22
10,001 - 1,000,000	716	68.19	76,108,534	11.29
1,000,001 and above	28	2.67	596,186,799	88.48
TOTAL	1,050	100.00	673,800,000	100.00

TWENTY LARGEST SHAREHOLDERS

NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
UOB KAY HIAN PTE LTD	479,479,500	71.16
HSBC (SINGAPORE) NOMINEES PTE LTD	33,225,700	4.93
MERRILL LYNCH (SINGAPORE) PTE LTD	12,839,500	1.91
DBS NOMINEES PTE LTD	7,183,300	1.07
ABN AMRO CLEARING BANK N.V.	7,143,400	1.06
CITIBANK NOMINEES SINGAPORE PTE LTD	6,935,433	1.03
PHILLIP SECURITIES PTE LTD	5,006,300	0.74
THOMAS TAN SOON SENG (THOMAS CHEN SHUNCHENG)	4,745,000	0.70
GOH BEE LAN	3,660,000	0.54
CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	3,621,000	0.54
RAFFLES NOMINEES (PTE) LIMITED	2,745,500	0.41
LEONG MUN SUM @ LEONG HENG WAN	2,458,700	0.36
OCBC SECURITIES PRIVATE LTD	2,440,000	0.36
TAN YONG NEE	2,300,000	0.34
OCBC NOMINEES SINGAPORE PTE LTD	2,275,900	0.34
MAYBANK KIM ENG SECURITIES PTE. LTD	2,013,666	0.30
UNITED OVERSEAS BANK NOMINEES PTE LTD	1,953,200	0.29
LEE CHOON YONG	1,800,000	0.27
TOH SIEW NGOH	1,700,000	0.25
MD YOUSUF	1,631,300	0.24
TOTAL	585,157,399	86.84

SHAREHOLDING STATISTICS

AS AT 18 SEPTEMBER 2019

Register of Substantial Shareholders

	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
East Crest International Limited	457,933,300	67.963	-	-
Parkson Holdings Berhad ⁽¹⁾	-	-	457,933,300	67.963
Lion Industries Corporation Berhad ⁽²⁾	-	-	457,933,300	67.963
Tan Sri Cheng Heng Jem ⁽³⁾	500,000	0.074	457,933,300	67.963
Golden Eagle International Retail Group Limited ⁽⁴⁾	33,068,700	4.908	913,300	0.135
GEICO Holdings Limited ⁽⁵⁾	-	-	33,982,000	5.043
WANG Dorothy S L ⁽⁶⁾	-	-	33,982,000	5.043
WANG Janice S Y ⁽⁶⁾	-	-	33,982,000	5.043
WANG Vivine H ⁽⁷⁾	-	-	33,982,000	5.043
WANG Hung Roger ⁽⁷⁾	-	-	33,982,000	5.043

Notes:-

- (1) Parkson Holdings Berhad ("PHB") is the sole shareholder of East Crest International Limited ("ECIL"), and is deemed to be interested in the Shares held by ECIL by virtue of Section 7(4) of the Companies Act.
- (2) Lion Industries Corporation Berhad ("LICB") holds, directly and indirectly, not less than 20% of the voting shares in PHB, which is the sole shareholder of ECIL. As such, LICB is deemed to be interested in the Shares held by ECIL by virtue of Section 7(A) of the Companies Act.
- (3) Tan Sri Cheng Heng Jem holds, directly and indirectly, not less than 20% of the voting shares in PHB, which is the sole shareholder of ECIL. As such, Tan Sri Cheng Heng Jem is deemed to be interested in the Shares held by ECIL by virtue of Section 7(4A) of the Companies Act.
- (4) Golden Eagle International Retail Group Limited ("GEIR") by itself and through its indirect non-wholly owned subsidiary holds an aggregate of more than 5% of the shares in the Company.
- (5) GEICO Holdings Limited ("GEICO"), is the sole shareholder of GEIR, and is deemed to be interested in the Shares held by GEIR by virtue of Section 7(4) of the Companies Act.
- (6) WANG Dorothy S L and WANG Janice S Y are the beneficiaries of The 2004 RVJD Family Trust, the family trust of Mr WANG Hung Roger, which holds the entire shareholding in GEICO, and they are deemed to be interested in the Shares held by GEIR by virtue of Section 7(4) of the Companies Act.
- (7) WANG Vivine H and WANG Hung Roger are the settlors of The 2004 RVJD Family Trust, the family trust of Mr WANG Hung Roger, which holds the entire shareholding in GEICO, and they are deemed to be interested in the Shares held by GEIR by virtue of Section 7(4) of the Companies Act.

Percentage of Shareholding in the Hands of Public

As at 18 September 2019, 26.90% of the issued share capital of the Company was held in the hands of the public (based on the information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Parkson Retail Asia Limited ("**the Company**") will be held at the Crowne Plaza Changi Airport, Alstonia, Level 2, 75 Airport Boulevard, Singapore 819664, on Thursday, 31 October 2019 at 2.00pm for the purposes of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company together with the Directors' Statement and Auditor's Report of the Company for the financial year ended 30 June 2019.
(Resolution 1)
2. To re-elect Ms Cheng Hui Yuen Vivien who is retiring pursuant to Article 91 of the Constitution of the Company.
(Resolution 2)
3. To record the retirement of Mr Tan Soo Khoon who is retiring pursuant to Article 91 of the Constitution of the Company.
Mr Tan Soo Khoon, upon his retirement at the conclusion of the Annual General Meeting, shall cease to be the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.
4. To approve the payment of Directors' fees of up to S\$350,000 for the financial year ending 30 June 2020, payable quarterly in arrears (30 June 2019: S\$350,000).
(Resolution 3)
5. To re-appoint Messrs Ernst & Young LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 4)
6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to issue shares

"That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:-

- (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

Provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company's total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares and subsidiary holdings is based on the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

[see explanatory note (i)]

(Resolution 5)

NOTICE OF ANNUAL GENERAL MEETING

8. Authority to issue shares under the Parkson Retail Asia Limited Employee Share Option Scheme

“That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Parkson Retail Asia Limited Employee Share Option Scheme (“**the Scheme**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[see explanatory note (ii)]

(Resolution 6)

9. Proposed Renewal of the General Mandate for Interested Person Transactions

That:-

- (a) approval be and is hereby given for the Company, its subsidiaries and associated companies which fall within the definition of “entities at risk” under Chapter 9 of the Listing Manual of the SGX-ST or any of them to enter into any transaction falling within the categories of interested person transactions set out in the Company’s circular to Shareholders dated 16 October 2019 (the “**Circular**”), with any party who is of the class or classes of interested persons described in the Circular, provided that such transaction is made on normal commercial terms and is not prejudicial to the Company and its minority shareholders, and is entered into in accordance with the review procedures for interested person transactions as set out in the Circular (such shareholders’ general mandate hereinafter called the “**IPT Mandate**”);
- (b) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or until the date on which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier;
- (c) the audit committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and
- (d) the Directors and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the IPT Mandate.

[see explanatory note (iii)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

10. Proposed Renewal of the Share Purchase Mandate

That:-

- (a) for the purposes of the Companies Act, the authority be and is hereby conferred on the Directors to exercise all the powers of the Company to purchase or otherwise acquire fully paid issued ordinary shares in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market purchase(s) on the SGX-ST; and/or
 - (ii) off-market purchase(s) if effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);
- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting of the Company is held or is required by law to be held; or
 - (ii) the date on which purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; and
- (c) the Directors and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the Share Purchase Mandate.

For the purposes of this Ordinary Resolution 8:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five (5) market days, on which transactions in the Shares on the SGX-ST were recorded, before the day on which a market purchase was made by the Company or, as the case may be, the date of the announcement of the offer pursuant to an off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant period of five (5) market days;

“**Maximum Limit**” means that number of issued Shares representing ten per cent. (10%) of the total number of Shares excluding treasury shares and subsidiary holdings as at the last Annual General Meeting or as at the date of the passing of this Resolution (whichever is the higher); and

NOTICE OF ANNUAL GENERAL MEETING

“Maximum Price”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:-

- (a) in the case of an on-market purchase of a Share, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and
- (b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, one hundred and ten per cent. (110%) of the Average Closing Price of the Shares.

[see explanatory note (iv)]

(Resolution 8)

On behalf of the Board

Tan Sri Cheng Heng Jem
Executive Chairman

Dated: 16 October 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Ordinary Resolution 5 proposed under Agenda 7 above, if passed, will authorise and empower the Directors of the Company from the date of this Annual General Meeting to the next Annual General Meeting to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting.
- (ii) Ordinary Resolution 6 proposed under Agenda 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (iii) Ordinary Resolution 7 proposed under Agenda 9 above, if passed, will authorise and empower the Directors to enter into the mandated interested person transactions as described in the Circular. Such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting of the Company is or is required by law to be held, whichever is the earlier. Please refer to the Circular for further details.
- (iv) Ordinary Resolution 8 proposed under Agenda 10 above, if passed, will authorise and empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of market purchases or off-market purchases) Shares of the Company on the terms of the Share Purchase Mandate as set out in the Circular. Such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting of the Company is or is required by law to be held, whichever is the earlier. The Company currently intends to use internal sources of funds to finance the purchase or acquisition of its Shares. Please refer to the Circular for further details.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote in his stead at the Annual General Meeting.
2. A member who is a relevant intermediary (as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore) is entitled to appoint more than two proxies to attend, speak and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such relevant intermediary appoints more than two proxies, please annex, to the form of proxy, the name, address, NRIC/Passport Number, number and class of shares in relation to which each proxy has been appointed.
3. A proxy need not be a member of the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) or proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company(or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

DISCLOSURE OF INFORMATION ON DIRECTOR(S) SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following are the information relating to the director seeking re-election at the forthcoming Annual General Meeting as recommended by the Nominating Committee (“**NC**”) and the Board, as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

MS CHENG HUI YUEN, VIVIEN	
Date of Appointment	18 September 2015
Date of last re-appointment	31 October 2017
Age	30
Country of principal residence	Malaysia
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Ms Cheng is the daughter of Tan Sri Cheng Heng Jem, the Executive Chairman who is a substantial shareholder of the Company through his direct and deemed interest in Parkson Holdings Berhad. Ms Cheng has been mentored and guided by Tan Sri Cheng since she joined the Lion Group in 2012 after her graduation from the university. She has accumulated vast experience in business development, branding and merchandising. The Board opined that Ms Cheng’s skill set and experience are relevant to the Company and recommended her re-election.
Whether appointment is executive, and if so, the area of responsibility	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director
Professional qualifications	Bachelor of Engineering in Environmental Engineering from the University of Science and Technology Beijing, People’s Republic of China.
Working experience and occupation(s) during the past 10 years	Since 2012 (upon graduation from university) – Present: General Manager of the Lion Group in-charge of the Business Development of the Parkson Branding Division. 18 Sep 2015 – Present: Executive Director of Parkson Retail Asia Limited
Shareholding interest in the listed issuer and its subsidiaries	Nil

DISCLOSURE OF INFORMATION ON DIRECTOR(S) SEEKING RE-ELECTION

MS CHENG HUI YUEN, VIVIEN	
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes. Ms Cheng is the daughter of Tan Sri Cheng Heng Jem, the Executive Chairman of the Company.
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9) Past (for the last 5 years) Present	<u>Past</u> Nil <u>Present</u> Gema Binari Sdn Bhd Giftmate Sdn Bhd M3C Communications Sdn Bhd Parkson Private Label Sdn Bhd Ohla Restaurant Sdn Bhd (In creditors' voluntary winding up) Ombrello Resources Sdn Bhd Park Avenue Fashion Sdn Bhd Parkson Branding (L) Limited (Struck off on 06 July 2019) Parkson Branding Sdn Bhd Parkson Corporation Sdn Bhd Parkson Edutainment World Sdn Bhd Parkson Fashion Sdn Bhd Parkson Lifestyle Sdn Bhd Parkson Myanmar Co Pte Ltd Parkson Retail Asia Limited Parkson SGN Co Ltd Parkson Trends Sdn Bhd ParksonTSN Holdings Co Ltd Parkson Unlimited Beauty Sdn Bhd Parkson Vietnam Co Ltd Parkson Vietnam Investment Holdings Co Ltd Parkson Vietnam Management Services Co Ltd Prestasi Serimas Sdn Bhd Providence Club KL Sdn Bhd (In creditors' voluntary winding up) Solid Gatelink Sdn Bhd Solid Green Properties Sdn Bhd

DISCLOSURE OF INFORMATION ON DIRECTOR(S) SEEKING RE-ELECTION

MS CHENG HUI YUEN, VIVIEN	
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.	
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against her or against a partnership of which she was a partner at the time when she was a partner or at any time within 2 years from the date she ceased to be a partner?	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which she was a director or an equivalent person or a key executive, at the time when she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
c) Whether there is any unsatisfied judgment against her?	No
d) Whether she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which she is aware) for such purpose?	No
e) Whether she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which she is aware) for such breach?	No
f) Whether at any time during the last 10 years, judgment has been entered against her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or she has been the subject of any civil proceedings (including any pending civil proceedings of which she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No

DISCLOSURE OF INFORMATION ON DIRECTOR(S) SEEKING RE-ELECTION

MS CHENG HUI YUEN, VIVIEN		
g)	Whether she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
h)	Whether she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
i)	Whether she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining her from engaging in any type of business practice or activity?	No
j)	Whether she has ever, to her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when she was so concerned with the entity or business trust?	No
k)	Whether she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

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PARKSON RETAIL ASIA LIMITED

Company Registration No. 201107706H
(Incorporated In Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

Important

1. For investors who have used their CPF monies to buy Parkson Retail Asia Limited's shares, this Report is forwarded to them at the request of the CPF Agent Banks and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. Relevant intermediaries (as defined in Section 181(6) of the Companies Act, Chapter 50 of Singapore), should refer to Note 3 to the Proxy Form on the reverse.

I/We, _____ NRIC/ Passport No. _____

of _____

being a member/members of Parkson Retail Asia Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings (Ordinary Shares)	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings (Ordinary Shares)	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at the Crowne Plaza Changi Airport, Alstonia, Level 2, 75 Airport Boulevard, Singapore 819664, on Thursday, 31 October 2019 at 2.00pm and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	For*	Against*	Abstain*
1	To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2019 together with the Directors' Statement and Auditor's Report thereon			
2	To re-elect Ms Cheng Hui Yuen Vivien as a Director			
3	To approve the payment of Directors' fees of up to S\$350,000 for the financial year ending 30 June 2020, payable quarterly in arrears			
4	To re-appoint Messrs Ernst & Young LLP as Auditor			
5	To authorise the Directors to issue new shares			
6	To authorise the Directors to issue new shares under the Parkson Retail Asia Limited Employee Share Option Scheme			
7	To approve the renewal of the General Mandate for Interested Person Transactions			
8	To approve the renewal of the Share Purchase Mandate			

*** If you wish to exercise all your votes "For", "Against" or "Abstain" please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.**

Dated this _____ day of _____ 2019

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Total number of Ordinary Shares in:	No. of Ordinary Shares
(a) CDP Register	
(b) Register of Members	

Delete where inapplicable



Notes:

1. Except for a member of the Company who is a relevant intermediary (as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act")), a member of the Company entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend, speak and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. Pursuant to Section 181(1C) of the Companies Act, a member who is entitled to attend, speak and vote at the Annual General Meeting and is a relevant intermediary is entitled to appoint more than two proxies to exercise all or any of its rights to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such relevant intermediary appoints more than two proxies, please annex, to the form of proxy, the name, address, NRIC/Passport Number, number and class of shares in relation to which each proxy has been appointed.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer on behalf of the corporation.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with the constitutional documents of the corporation and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Singapore Share Registrar, B.A.C.S. Private Limited of 8 Robinson Road, #03-00, ASO Building, Singapore 048544 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.

Fold along this line

Affix Postage Stamp

Parkson Retail Asia Limited
c/o The Share Registrar
B.A.C.S. Private Limited
8 Robinson Road
#03-00, ASO Building
Singapore 048544

This flap for sealing

7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where, in the Company's opinion, the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies, or if the instrument of proxy is not submitted on time and in accordance with Note 6 above. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register seventy-two (72) hours before the time set for the Annual General Meeting.
10. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend, speak and cast his vote(s) at the Annual General Meeting in person if he is appointed as a proxy. CPF Investors and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF Agent Banks and/or SRS Operators to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF Investors and SRS Investors shall be precluded from attending the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) or proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company(or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

