PARKSON 百盛

PARKSON RETAIL ASIA LIMITED

annual report

2013

CONTENTS

CORPORATE **PROFILE**

ABOUT PARKSON RETAIL ASIA

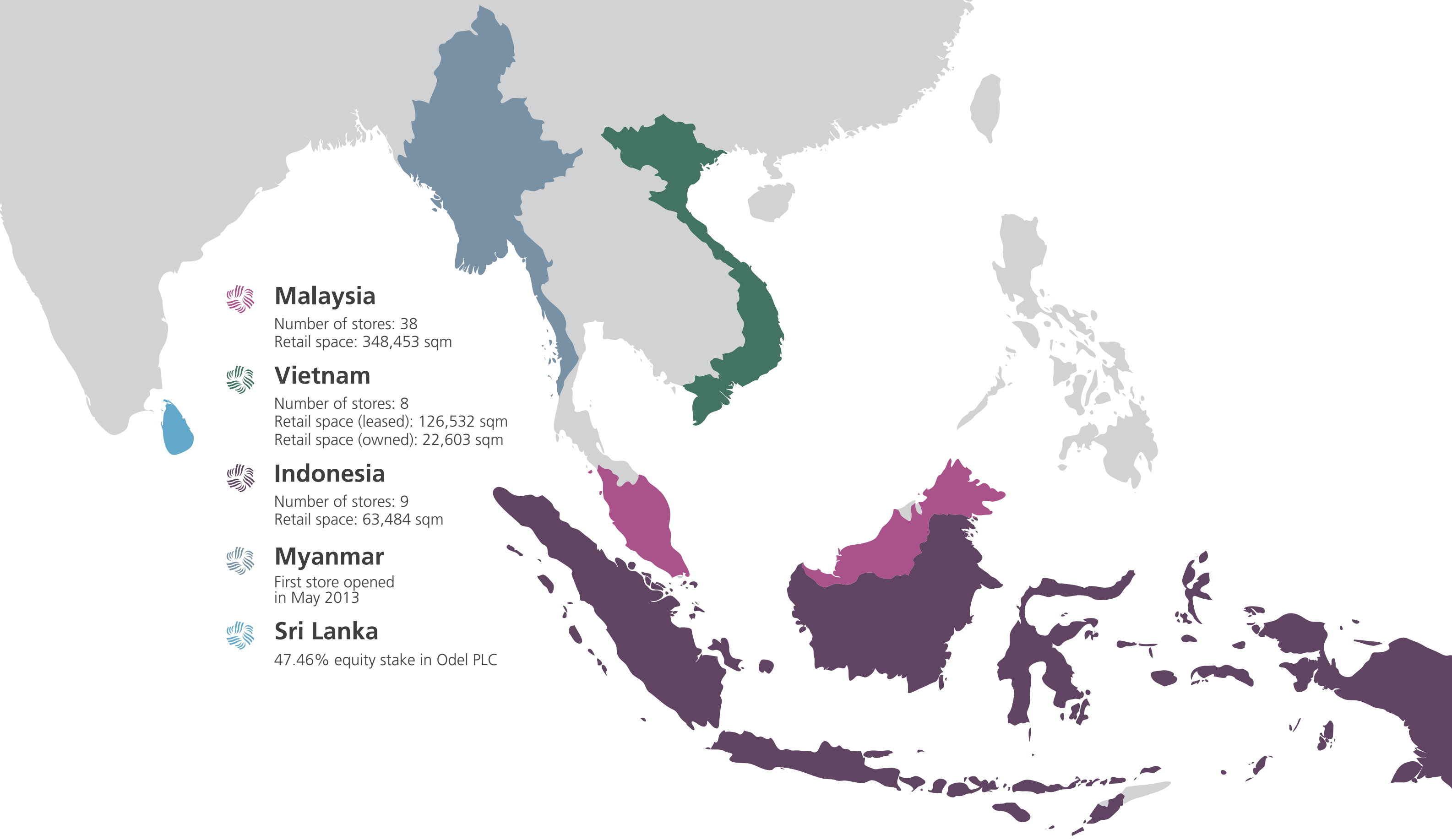
Parkson Retail Asia Limited ("Parkson" or the "Company") is a Southeast Asia-based department store operator with an extensive network of 56 stores (including one supermarket) as at 30 June 2013, spanning approximately 564,105 sqm of retail space across cities in Malaysia, Vietnam, Indonesia, and Myanmar. In May 2013, in line with its strategy of tapping on Asia's fastest growing markets, Parkson opened its first store in Yangon, Myanmar. Parkson also has a presence in Sri Lanka through the Company's equity stake of 47.46% in a leading retailer, Odel PLC, an upmarket fashion and lifestyle retailer.

Over the years, the Group has built up a solid reputation as Southeast Asia's leading department store retailer through its continuous innovation and collaboration with numerous international brands to offer consumers in the middle and upper-middle income segment a wide range of merchandise. Well-entrenched in Asia, Parkson is well-poised to harness the potential of the region's strong retail growth.

GEOGRAPHIC **FOOTPRINT**

Parkson's department store network comprises 56 stores (including one supermarket) in Malaysia, Vietnam, Indonesia and Myanmar, spanning 564,105 sqm of retail space.

Established in 1987, Parkson operates an efficient and competitive business model through a blend of concessionaire sales model, anchor tenant, customised product mix and state-of-the-art management tools. Parkson has the "first mover" advantage in the department store market in cities like Ho Chi Minh, Hanoi and Yangon, and operate in prime and strategic store locations in first and second-tier cities across Southeast Asia.



KEY MILESTONES

More than 20 YEARS of REGIONAL EXPANSION

2013

- Entered Myanmar with our first store of gross floor area of 4,000 sqm in FMI Centre, Yangon. In line with the Company's "first-mover" strategy, Parkson is the first modern retailer to tap on the underserved city

2012

- Entered Sri Lanka by acquiring a 47.46% equity stake in Odel PLC, Sri Lanka's leading fashion retailer listed on the Colombo Stock Exchange

2011

- **Listed on SGX-ST**
- Entered Indonesia by acquiring Centro department store network in Indonesia, Southeast Asia's fastest growing retail market

2007

- Opened Parkson Pavilion, the Company's flagship store in Malaysia. Parkson is one of the anchor tenants at Pavilion Kuala Lumpur
- Opened third store in Vietnam

2005

- Entered Vietnam through a store in Ho Chi Minh City at Saigon Tourist Plaza

2000

- Parkson opened its 26th store in Malaysia, consolidating its position as the nation's leading department store operator

1987

- The first Parkson store opened in Malaysia to offer families a one-stop shopping destination with products ranging from cosmetics and fragrance, fashion to home essentials and others

CHAIRMAN'S STATEMENT

With Parkson's strategic brand positioning in Asia, we believe we are well-placed to harness the rising consumption growth in this region.

I am pleased to present the Annual Report of Parkson Retail Asia Limited for the financial year ended 30 June 2013 ("FY2013").

When we opened our first store in Malaysia in 1987, we set our sights on being the leading department store retailer in Asia. Since then, our long-term strategy has always been geared towards achieving this vision.

With this end in mind, we have been diligently building up our reputation as a preferred and trusted department store retailer, and have established strong relations with brand principals over the years. The numerous accolades we have received over the years are evidence to this. In the last year, we continue to bag many accolades which attest to our capability and our reputation.

These include

i. Parkson – named the top 5 most valuable South East Asian Retail Brands 2013 by Interbrand, one of the world's largest branding consultancies,

ii. Parkson Pavillion Kuala Lumpur – awarded the "Best Department Store 2012/13" for the department store category by the Malaysia Retailers Association,

iii. Parkson – received Malaysia's Most Valuable Brands 2012 (top 10 ranking) award and

iv. Centro, our Indonesian retail operator, – received the Excellent Service Experience Award 2013 for the Department Store category by Carre CSSL in collaboration with Bisnis Indonesia, a leading business newspaper in Indonesia.

CHAIRMAN'S STATEMENT

We are today, together with our sister company, Hong Kong-listed Parkson Retail Group Limited, leading retailers in China, Malaysia, Vietnam and Sri Lanka with increasing presence in Indonesia and Myanmar.

The markets that Parkson has presence are the main engines of growth in South and Southeast Asia. We continue to see expanding of the middle income segment, rapid urbanisation and growing aspirations of the young demographic contributing strongly to the rising consumption growth in each of these markets.

Our retail presence in different countries across Asia allows us to be in a unique position of understanding the consumption pattern of the diverse consumers across different countries. Our strong branding and strategic positioning in Asia has enabled us to build up strong relations over the years with regional and international brands. Such a unique position enables us to continually introduce strong brand and product mix tailored to the different markets to fulfill the aspirations of our customers and maintain our relevance in each of the countries we are in.

Despite the challenges we faced this past year, particular in the last quarter, we remain committed to our growth strategy. Parkson will continue the hard work of improving store productivity and operating efficiency through continual remodelling and refurbishing of existing outlets, upgrading of brand mix and targeted promotional activities. At the same time, we stay steadfast to our expansion plans, with 10 new stores planned in the next financial year, to broaden our store network across the region. With Parkson's strategic brand positioning in Asia, we believe we are well-placed to harness the rising consumption growth in this region.

There have also been some management changes during the year. Datuk Cheng Yoong Choong has stepped down from his role as Group Managing Director as a result of his family commitments. As such, Datuk Cheng has been re-designated as Senior Advisor to me as the Chairman and the Board. I wish to, on behalf of the Board, express my heartfelt thanks to Datuk Cheng for his leadership and invaluable contributions over the years, in helping Parkson to become a leading regional retailer.

The Board has appointed Mr Toh Peng Koon to be the Chief Executive Officer of the Company to oversee our continuing expansion of our business in Asia. Having been with the Parkson Group for the past 25 years, Mr Toh is a veteran in the retail industry with a proven track record. He has been an integral part of Parkson's growth during those years as we established ourselves as the leading department store retailer in Malaysia. The Board welcomes Mr Toh and is fully confident that he will continue to grow the business regionally and to bring the Company to greater heights.

Finally, on behalf of the Board, I wish to thank all our stakeholders for their continued support for Parkson, since our successful listing on the SGX-ST in November 2011. Your contributions and support are important to Parkson's long-term success.

The Board is pleased to propose a first and final dividend of 2.7 Singapore cents per share for FY2013, subject to shareholders' approval at the forthcoming Annual General Meeting.

Tan Sri Cheng Heng Jem
Executive Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

By establishing our presence across the different major cities and towns in each of our markets, we continually reach out to our customers with a good offering, wider brand and product choices.

The Group achieved a record topline for FY2013 with Gross Sales Proceeds of S$1.109 billion and revenue of S$446.3 million. This is testament to the success of our growth strategy in expanding the number of stores in our existing markets and to enter into new markets to realise our vision of being a leading department store retailer in Asia. The Asia region, in particular Southeast Asia, continues to offer tremendous opportunity for a modern retailer, like Parkson, to harness the spending potential of the under-served growing middle-class consumers assisted by rapid urbanisation and growing aspirations of the young demographic.

However, in FY2013, we faced challenging environments in our markets. We encountered a tough retail environment in the final quarter of FY2013 for our Malaysia operations, where we experienced softening of consumer spending post-general election. There was also a drop in blended gross margin for our Malaysia operations due to increased promotions. In Vietnam, we faced similarly difficult retail conditions in FY2013. The economic slowdown in Vietnam impacted discretionary spending there adversely, resulting in relatively flat Same Store Sales Growth and profit contraction for our Vietnam operations. The weaker performance of our Malaysia and Vietnam operations coupled with incurrence of non-operational costs e.g. costs related to the e-commerce start-up, led to a 15.0% decline in our net profit to S$38.1 million. Nevertheless, we are not distracted by such periodical volatilities but are focused on the long-term trend of increasing consumption spending in Asia, in line with the rising economic wealth of the region.

CHIEF EXECUTIVE OFFICER'S STATEMENT

RETAIL FOOTPRINT

As at 30 June 2013, the Group operated 56 stores spanning a total retail space of approximately 564,000 sq.m.. These stores are located in:

– Malaysia with 38 stores, covering retail space of about 349,000 sq.m;

– Vietnam with 8 stores, covering retail space of about 149,000 sq.m;

– Indonesia with 9 stores, covering retail space of about 63,000 sq.m; and

– Myanmar with one store, covering retail space of about 3,000 sq.m.

In addition, the Group also has presence in Sri Lanka through its 47.46% shareholding in Odel PLC. Odel PLC operates 17 stores, covering a retail space of about 14,000 sq.m..

We established our presence in Myanmar in May 2013, with the opening of our first Parkson store, situated in FMI Centre in the Pabedan Township of Yangon. We are venturing into new ground in Indonesia with new stores planned outside of our traditional bases in the islands of Java and Bali. The tenancies for these new stores have been signed and the stores are planned to open in FY2014 in the towns of Medan and Pekanbaru on the Sumatra Island. In FY2015, we are also planning to open stores in the towns of Manado on the Sulawesi Island, and Balikpapan in Kalimantan.

This expansion plan is very much in line with our strategy to maintain and strengthen our position as a leading department store retailer in Asia. By establishing our presence across the different major cities and towns in each of our markets, we continually reach out to our customers with a good offering, wider brand and product choices.

SERVICE AT ITS BEST

The success of the Group is largely dependent on our staff. Recognising the importance of that, we continually upgrade the sales and service capabilities of the Parkson team. In FY2012/13, we implemented the Parkson Star Service e-Learning programme in Malaysia. This programme is developed exclusively for Parkson by a leading international training provider, with the aim to provide our customers with a thorough and thoughtful level of retail experience and to maintain Parkson's position as a preferred and trusted retailer. This programme will be progressively rolled out to our other operations outside of Malaysia in due course to enhance consistency in our sales and service standards.

CHIEF EXECUTIVE OFFICER'S STATEMENT

LOOKING AHEAD

The continued economic expansion in the countries where the Group has presence augurs well for Parkson, as this will allow for the growth of an emerging middle class and hence, resulting in an increase in discretionary spending. For FY2014, we target to open 10 new stores spanning across the countries of Malaysia, Vietnam, Indonesia and Cambodia, with a total gross floor area of approximately 145,000 sq.m. This represents a significant 22% increase to our existing floor space. We believe that our store expansion strategy will allow us to harness the largely under-served middle to upper income segment of the retail market in these countries for which the leverage potential and rewards will be significant.

APPRECIATION

I wish to convey my personal thanks to Datuk Cheng Yoong Choong, with whom I had the privilege to work with for many years during his tenure at Parkson. I look forward to continue our relationship and to tap on his experience, albeit at the Board level. My sincere appreciation also goes to the management and staff of Parkson for their dedication and commitment in ensuring that Parkson remains a leading department store retailer in Asia. Lastly, I wish to thank all the other stakeholders for their continuing support.

Toh Peng Koon
Chief Executive Officer

FINANCIAL **HIGHLIGHTS**

	2009 SGD'000	2010 SGD'000	2011 SGD'000	2012 Restated SGD'000	**2013 SGD'000**	**CAGR[3] %**
Consolidated Income Statement						
Gross sales proceeds[1]	672,230	781,641	868,910	1,054,913	**1,108,965**	**13.3**
Revenue	301,229	332,959	367,314	433,475	**446,306**	**10.3**
Earnings before interest, tax, depreciation and amortisation	29,235	44,739	62,456	76,468	**66,898**	**23.0**
Profit for the year	12,137	22,443	35,821	44,805	**38,081**	**33.1**
Profit attributable to the owners of the Company	11,433	21,375	35,013	45,469	**39,638**	**36.5**
Basic and diluted earnings per share (cents)[2]	1.91	3.58	5.86	6.99	**5.85**	**32.3**
Consolidated Balance Sheet						
Total assets	259,525	293,972	286,274	416,624	**437,625**	
– Cash and cash equivalents	87,880	126,883	96,123	190,346	**176,830**	
Total liabilities	141,930	150,678	159,374	175,848	**179,754**	
Total equity	117,595	143,294	126,900	240,776	**257,871**	

Notes:

1. Gross sales proceeds represent the total of sales proceeds from direct sales and concessionaire sales, consultancy and management service fees and rental income.
2. The basic and diluted earnings per share for the financial years 2009 to 2011 are calculated by dividing the Group's profit for the respective years attributable to the owners of the Company by the pre-invitation share capital of 597,300,000 ordinary shares.
3. Compound Annual Growth Rate from 2009 to 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operational Results

The Group recorded Gross Sales Proceeds ("GSP") of S$1.109 billion for FY2013, representing a growth of 5.1% Year-on-Year ("YoY"). The components of GSP for FY2013 are as follows:

	Group	
	FY2013 S$'000	FY2012 S$'000 (Restated)
GSP		
Sale of goods – direct sales	223,358	217,912
Sale of goods – concessionaire sales	868,354	819,820
Total merchandise sales	1,091,712	1,037,732
Consultancy and management service fees	1,231	1,404
Rental income	16,022	15,777
Total GSP	1,108,965	1,054,913

The key contributors to the GSP growth for FY2013 are (i) Same Store Sales Growth ("SSSG") for Malaysia and Indonesia of 4.5% and 5.6% YoY respectively; and (ii) the inclusion of the sales performance of new stores during FY2013.

The Group generated total merchandise sales of S$1.092 billion for FY2013, with concessionaire sales contributing 79.5% and direct sales contributing the balance of 20.5%. By product segment, the Fashion & Apparel category constituted 54.4% of the total merchandise sales, the Cosmetic & Accessories category constituted 27.6%, the Household, Electrical Goods & Others category constituted 14.6% while the remaining balance of 3.4% came from the Groceries & Perishables category.

The merchandise gross margin (a combination of the commission from concessionaires and direct sales margin) for FY2013 declined by 70 bps YoY to 22.7% due in part to increased promotions in the Malaysia operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Results

Revenue and Other Income

The Group recorded a revenue of S$446.3 million for FY2013, representing an increase of 3.0% YoY. The increase in revenue is mainly a result of increase in commissions from concessionaire sales and direct sales revenue which is in line with the increase in GSP. The components of revenue for FY2013 are as follows:–

	Group	
	FY2013 S$'000	FY2012 S$'000
Revenue		
Sale of goods – direct sales	223,358	217,912
Commission from concessionaire sales	205,695	198,382
Consultancy and management service fees	1,231	1,404
Rental income	16,022	15,777
Total revenue	446,306	433,475

Other income for FY2013 declined by 38.7% YoY to S$5.8 million. Other income reduced mainly due to the absence of foreign exchange gain of S$2.5 million recorded in the preceding FY2012.

Expenses

For FY2013, total expenses of the Group increased by 5.3% YoY to S$405.9 million. Analysis of the major operating expense items for FY2013 is as follows:

Changes in merchandise inventories and consumables

Changes in merchandise inventories and consumables refer to the cost of direct sales. Cost of direct sales for FY2013 increased by 4.9% YoY to S$181.7 million. The increased promotions for the Malaysia operations contributed to the higher increase in cost of direct sales, relative to the variance in gross sales.

Employee benefits expense

Staff cost increased by 0.8% YoY to S$47.4 million for FY2013. The increase is attributed to the inclusion of staff costs for the new stores operating in FY2013 and for the e-commerce start-up, and yearly wage increment.

MANAGEMENT DISCUSSION AND ANALYSIS

As a percentage of revenue, the staff cost ratio declined by 30 bps YoY to 10.6% for FY2013. The decline is due to improved costs management where the Vietnam and Indonesia operations recorded lower staff costs.

Depreciation and amortisation expenses

Depreciation and amortisation increased by 4.5% YoY to S$19.6 million for FY2013. The increase is primarily due to the inclusion of the depreciation costs for the new stores operating in FY2013.

As a percentage of revenue, depreciation and amortization expenses ratio increased by 10 bps YoY to 4.4% for FY2013. The higher ratio is primarily due to depreciation on new stores operating in FY2013 but where the sales are lower at the start-up stages.

Promotional and advertising expenses

Promotional and advertising expenses declined by 22.4% to S$8.3 million for FY2013. The decline is largely due to aggressive cost recovery of the promotional and advertising expenses from business partners and lower spent in Vietnam due to the weak retail environment there.

As a percentage of revenue, promotional and advertising expenses ratio declined by 60 bps YoY to 1.9% for FY2013. The lower ratio is also largely due to cost recovery from business partners and lower spent in Vietnam.

Rental expenses

Rental expenses increased by 14.2% to S$101.0 million for FY2013. The increase is significantly due to the rental costs for the new stores opened in FY2013 and the inclusion of full period rental for the new stores opened in the preceding FY2012.

As a percentage of revenue, the rental expenses ratio increased by 220 bps YoY to 22.6% for FY2013. The higher ratio is significantly due to new stores that are paying base rentals in FY2013 but where the sales are lower at the start-up stages.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

Other expenses consist mainly of (a) selling and distribution expenses and (b) general and administrative expenses which increased by 0.9% YoY to S$47.4 million for FY2013. Other expenses increased only marginally, despite the opening of new stores and the incurrence of IPO expenses of S$2.1 million in the preceding FY2012, due to improved costs management.

As a percentage of revenue, the other expenses ratio declined by 20 bps YoY to 10.6% for FY2013. The lower ratio for FY2013 is significantly contributed by improved costs management in view of the tough trading conditions, especially in the Vietnam and Indonesia operations.

Profit Before Tax ("PBT")

For FY2013, PBT declined by 15.1% YoY to S$53.2 million. The factors contributing to the decline in PBT include lower SSSG especially for the Malaysia and Vietnam operations, decline in merchandise gross margin for the Malaysia operations resulting from increased promotions, the operating losses of the store located at Landmark 72, Hanoi and the incurrence of non-operational expenses. As a percentage of revenue, PBT ratio for FY2013 declined by 250 bps YoY to 11.9%.

Taxation

The Group effective tax rate for FY2013 remained flat YoY at 28.4%. The Group effective tax rate remained flat, despite the incurrence of full year operating losses of a store located at Landmark 72, Hanoi which are not allowed for set-off against the taxable profits of other Group companies, due to the under-provision of deferred tax assets in prior years that is recognised in FY2013.

Net Profit

Net profit for FY2013 was lower by 15.0% YoY at S$38.1 million. As a percentage of revenue, the net profit ratio for FY2013 declined by 180 bps YoY to 8.5%.

Review of Financial Resources

The Group's financial position remained healthy, with a working capital of S$100.7 million and equity attributable to owners of the Company of S$255.4 million as at 30 June 2013. The Group generated strong net cash from operations for FY2013 of S$49.8 million despite being faced with a challenging environment. The Group's cash balance as at 30 June 2013 was strong at S$176.8 million.

Store Openings

The Group opened 3 new stores during FY2013 with total gross floor area of approximately 24,263 square meters. The stores opened are in the cities of Kuching, Malaysia in November 2012, in Surakarta, Indonesia also in November 2012 and in Yangon, Myanmar in May 2013.

CSR PROGRAMME

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Parkson is a responsible business that is conscious about respecting the environment, community and people when it conducts its business. Built into our core values, Parkson is deeply involved in a wide range of Corporate Social Responsible (CSR) programmes in the markets we operate. These activities range from tree planting to fund-raising through a calligraphy sale. Not only we encourage our staff to participate in these initiatives, we also get our customers involved in some activities. The need to give back and to help the underprivileged in our society is entrenched in Parkson's culture.

MALAYSIA

In Malaysia, the Parkson Cares initiative is the umbrella under which our many CSR efforts are carried out. Through the initiative, we launched the Educare programme in 2001. Parkson believes that no child should be denied an education because of his/her economic status. Through Educare, Parkson provides needy students with the essential items needed for school.

Through a similar programme to Educare, Parkson Cares and Lion-Parkson Foundation collaborated with Siri Jayanti Association and Yayasan Maha Karuna help to send needy kids to school with the right essentials like shoes, stationery and uniforms. For both programmes, an in-store awareness campaign was set up and our customers were encouraged to participate through donating items.

In 2012, our staff participated in the World Vision Malaysia – 30 Hours Famine Fund, to raise money for needy children and families in Sabah. This was an enriching and meaningful experience for many of the staff participants as the programme allows participants to have an opportunity to get a first-hand simulated experience of living life in dire conditions through various Famine Challenges and educational movies.

Every year, Parkson takes part in the Chinese New Year Calligraphy Sale for Charity project, which raises funds to buy educational materials for selected schools. This is the third year that we have participated in this project.

To commemorate Earth Day, Parkson & Estee Lauder Earth Month collaboration raised funds for the conservation of the Belum-Temengor Forest Complex in Perak.

In total, RM979,000 was raised for good causes through the CSR initiatives in Malaysia.

CSR PROGRAMME

VIETNAM

Parkson Educare was launched in 2008 in Vietnam. The programme has since benefitted more than 19,500 students through scholarships, which totaled approximately VND11 billion. This year, Parkson Vietnam donated new equipment for the libraries of four elementary schools in the rural parts of the country.

The "Parkson Go Green" programme is a core part of our CSR activity in Vietnam with the objective of protecting the environment. This year, this initiative raised nearly VND500 million for an environment protection fund that seeks to preserve mangrove swamps. Through the "Parkson Go Green" programme, activities such as "No Bag Day" where customers were encouraged to bring their own shopping bags on Saturday, and tree planting were organised.

Beginning in 2010, Parkson Vietnam actively runs charity initiatives during the Christmas season. The main objective of the Christmas charity initiative was to share, care & give to the less fortunate children. To date, about 5,700 gifts, valued at approximately VND1.5 billion, have been gifted to orphaned and handicapped children in selected charities in Ho Chi Minh, Hanoi and Hai Phong.

For Christmas 2012, Parkson Vietnam launched the "Be Santa Claus" programme. In this initiative, Parkson's customers, tenants, promoters and staff were encourage to fulfill the wishes of more than 2,000 less fortunate children who had sent their Christmas wishes to Parkson on wish cards. The response was highly positive with as many as over 3,000 gifts sent to the children on Christmas Eve.

INDONESIA

In Indonesia, similar to the Parkson Educare programme, the Centro stores launched a Centro Educare initiative to provide needy students with essential items for school. Our customers were encouraged to donate a school package consisting of stationery, a bag and a lunch box through the promotion of this project in our stores. The programme received positive response from customers, suppliers and staff. A total of 1,042 school packages were donated and distributed to needy students in public elementary schools in Jakarta, Yogjakarta, Surabaya, Bali and Solo.

BOARD OF **DIRECTORS**

Tan Sri Cheng Heng Jem

Executive Director

Tan Sri Cheng Heng Jem was appointed as a Director of the Company on 31 March 2011. He was previously the Non-Executive Chairman of the Company and a member of the Remuneration Committee ("RC"). Subsequent to his re-designation as Executive Chairman on 31 May 2013, he relinquished his position as a member of the RC and became a member of the Nominating Committee ("NC").

Tan Sri Cheng has more than 40 years of experience in the business operations of The Lion Group, which is a Malaysian based diversified business group (which includes our Company) engaged in a variety of businesses encompassing retail, property development, mining, oil and gas, steel, agriculture and computer. 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 also 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 Malaysia") and the Executive Director and Chairman of Parkson Retail Group Limited ("PRGL"), a subsidiary of PHB, listed on The Stock Exchange of Hong Kong Limited. Tan Sri Cheng is currently the Chairman and Managing Director of Lion Corporation Berhad and the Chairman of Lion Diversified Holdings Berhad and Lion Forest Industries Berhad, all of which are public companies listed on the Main Market of Bursa Malaysia. He also sits on the board of Lion Teck Chiang Limited and Lion Asiapac Limited, both of which are public companies listed on SGX-ST.

Tan Sri Cheng previously served as the President of both The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM") and The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor ("KLSCCCI") and is now a Life Honorary President of ACCCIM and an Honorary President of KLSCCCI.

Mr Toh Peng Koon

Executive Director, Chief Executive Officer

Mr Toh Peng Koon was appointed as a Director of the Company on 31 March 2011. He was appointed as the Chief Executive Officer of the Company on 9 May 2013.

He also oversees our Malaysian and Indonesian operations as the Chief Executive Officer – Malaysia and President Director – Indonesia. Mr Toh joined our Malaysian subsidiary, Parkson Corporation Sdn Bhd ("PCSB"), in 1988 and has held various positions including as General Manager, Chief Operating Officer and Chief Executive Officer and has been instrumental in the growth of our retail business in Malaysia.

Mr Toh has served in various capacities for the Malaysia Retailers Association, including as the President for eight years and as the Deputy President for four years. Mr Toh was also previously the Deputy Chairman of the Commerce Committee of ACCCIM.

Mr Toh holds a Bachelor of Science (Mathematics) degree from Universiti Sains Malaysia.

Datuk Cheng Yoong Choong

Non-Independent, Non-Executive Director

Datuk Cheng Yoong Choong was appointed as a Director of the Company on 31 March 2011 and was last re-elected on 31 October 2012. He was previously the Group Managing Director of the Company and a member of the NC. He relinquished both positions on 31 May 2013 and was re-designated as a Non-Executive Director and Senior Advisor to the Chairman and the Board, and became a member of the RC.

Datuk Cheng began his career at PCSB since 1987, holding various positions including as Chief Operating Officer and General Manager of Merchandising Department. He is also a Non-Executive Director and Senior Advisor to the Board of PRGL and a Non-Executive Director of Odel PLC, listed on the Colombo Stock Exchange.

Datuk Cheng previously served as Chairman of the Malaysia Retailers Association and was a member of the Executive Board of the Intercontinental Group of Department Stores. Datuk Cheng holds a Bachelor of Science degree in Business Administration and a Master of Business Administration degree, both from the University of San Francisco.

Mr Tan Siang Long

Non-Independent, Non-Executive Director

Mr Tan Siang Long was appointed as a Director of the Company on 14 June 2011 and was last re-elected on 31 October 2012. He is a member of the Audit Committee.

Mr Tan was a nominee of our shareholder, PT Mitra Samaya ("MS"). MS was previously our substantial shareholder but has ceased to be a substantial shareholder on 18 September 2012.

Mr Tan has broad experience in the retail industry. He was the Chief Information Officer of PT Monica Hijaulestari ("MHL") since 2006, responsible for its computer and software information systems and supply chain support services. MHL is an operator of specialty stores including "The Body Shop" in Indonesia. Prior to that, he was a director of Trimega Business Concepts Pte Ltd and PT Valutrada Indonesia, which were involved in the retail business. Mr Tan has also worked for PT Matahari Putra Prima, a retail company listed on the Jakarta Stock Exchange, which previously operated the "Matahari" department stores in Indonesia. Mr Tan is currently the Chief Operating Officer of MHL.

Mr Tan obtained his GCE "A" Level certificate from Raffles Junior College, Singapore and has attended the Stanford–National University of Singapore Executive Program.

Mr Wee Kheng Jin

Independent, Non-Executive Director

Mr Wee Kheng Jin was appointed as a Director of the Company on 28 September 2011.

Mr Wee has more than 33 years of financial experience in a broad range of industries including banking, construction, hospitality services and real estate development. Mr Wee has previously worked at Citibank NA and Citicorp Investment Bank Singapore Limited in various senior positions. He is currently an Executive Director of Far East Organization and a Non-Executive Director of Tung Lok Restaurants (2000) Ltd and Yeo Hiap Seng Limited.

Mr Wee holds a Bachelor of Accountancy degree from the University of Singapore and is a member of the Institute of Certified Public Accountants of Singapore.

Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin

Independent, Non-Executive Director

Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin was appointed as a Director of the Company on 28 September 2011 and was last re-elected on 31 October 2012. He is the Chairman of the Audit Committee and Nominating Committee, and a member of the Remuneration Committee.

Gen (R) Tan Sri Dato' Seri Mohd. Zahidi served the Malaysian Armed Forces for 37 years, holding many key appointments. He was the Chief of Defence Force with the rank of General from January 1999 until his retirement in April 2005. Gen (R) Tan Sri Dato' Seri Mohd. Zahidi currently serves as the audit chairman of a listed company in Malaysia, Genting Plantations Berhad. He is also the Chairman of the board of directors of Affin Holdings Bhd, a listed financial group holding company in Malaysia.

Gen (R) Tan Sri Dato' Seri Mohd. Zahidi is a graduate of the Senior Executive Program in National and International Security from Harvard University. He also holds a Master of Science (Defence and Strategic Studies) degree from Quaid-I-Azam University in Islamabad, Pakistan.

BOARD OF DIRECTORS

Mr Tan Soo Khoon

Independent, Non-Executive Director

Mr Tan Soo Khoon was appointed as a Director of the Company on 28 September 2011. He is the Chairman of the Remuneration Committee and a member of the 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 was in charge of overseeing the growth of the company. Mr Tan is also the Non-Executive Chairman of St James Holdings Ltd and an independent director of Metro Holdings Limited.

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 appointed as the Speaker of Parliament from 1989 to 2002. Currently, Mr Tan is also Singapore's non-resident ambassador to the Czech Republic.

Mr Michel Grunberg

Independent, Non-Executive Director

Mr Michel Grunberg was appointed as a Director of the Company on 28 September 2011. He is a member of the Nominating Committee.

He has more than 35 years of business and work experience in the retail industry. In particular, Mr Grunberg has worked with the Estee Lauder Group in senior capacities worldwide, including Europe, the Middle East, Africa and the Asia-Pacific Region. Notably, from 2000 to 2007, he served as the Senior Vice President & Regional Head of the Asia-Pacific Region, working in both Singapore and China. Since 2008, he has been a non-executive director of C.K. Tang Ltd., a retail company which operates the Tangs department stores in Singapore. Mr Grunberg also owns a business consultancy, MG Consultancy Pte Ltd.

Mr Grunberg holds a Masters in Business Administration degree in Industrial Administration from Bosphorus University in Istanbul, Turkey and a Bachelor of Arts degree in Industrial Administration from Robert College in Istanbul, Turkey.

KEY MANAGEMENT

Mr Toh Peng Koon
Chief Executive Officer

Mr Toh Peng Koon is the Chief Executive Officer of the Company. He is also an Executive Director of the Company. Details of his working experience are set out under the section on the Board of Directors.

Mr Tham Tuck Choy
Chief Executive Officer of Vietnam, Myanmar and Cambodia operations

Mr Tham Tuck Choy is the Chief Executive Officer of our Vietnam, Myanmar and Cambodia operations. Mr Tham joined PCSB since 1987, as Merchandising Manager and General Manager. In January 2005, Mr Tham was appointed as the Chief Operating Officer of our Vietnam operations and was subsequently appointed as the Chief Executive Officer of Parkson Vietnam. Prior to joining PCSB, Mr Tham worked for the Emporium group of companies which operated supermarkets and department stores in Malaysia.

Mr Tham obtained a Malaysia Certificate of Education from Catholic High School, Malaysia.

Mr Raymond Teo Kheng San
Chief Operating Officer of Malaysian operations

Mr Raymond Teo Kheng San is the Chief Operating Officer of our Malaysian operations. Mr Teo has over 33 years of experience in the retail industry. He previously worked for Emporium Supermarket Holdings Bhd and Vincci Department Store. He has worked with our Malaysian operations since 1988 and has held several positions, including as Operations Manager, General Manager (in charge of the merchandising and marketing departments), Senior General Manager and since January 2011, Chief Operating Officer in charge of the merchandising, marketing and operations departments.

Mr Teo obtained a Malaysia Certificate of Education from SM La Salle, Malaysia and a General Certificate of Education from Tunku Abdul Rahman College, Malaysia.

Mr Fandawan Ramali
Chief Operating Officer of Indonesian operations

Mr Fandawan Ramali is the Chief Operating Officer of our Indonesian operations. Mr Ramali has over 30 years of experience in the retail industry. He has previously worked for PT Matahari Putra Prima, a retail company listed on the Jakarta Stock Exchange and was also previously in charge of a representative office of The Continuity Company, a British retail company, in Indonesia. He was employed by PT Tozy Bintang Sentosa between 1996 and 2003 and by our Indonesian subsidiary, PT Tozy Sentosa, since 2003.

Mr Ramali holds a Bachelor of Business Administration degree from the Catholic University of Parahyangan Bandung, Indonesia.

KEY MANAGEMENT

Mr Koh Huat Lai
Chief Financial Officer

Mr Koh Huat Lai is the Chief Financial Officer of the Company. Mr Koh has over 20 years of financial experience in companies involved in a variety of industries including hospitality services, property development, construction and semiconductor. He has previously worked for KPMG and Hotel Properties Ltd in Singapore. Prior to joining the Company, Mr Koh was with Mulpha International Bhd, a listed company in Malaysia where his last held position was as the General Manager, Finance and Company Secretary.

Mr Koh holds a Bachelor of Commerce degree from the University of New South Wales, Australia and is a certified accountant with the Malaysian Institute of Accountants and CPA Australia.

Ms Lee Sook Beng
Chief Auditor

Ms Lee Sook Beng is the Chief Auditor of the Company. Ms Lee has over 23 years of experience in accounting and audit functions in the retail industry. She has worked as an accountant at PCSB, in charge of general ledger section in the Head Office Accounts Department and at RA-PPB (Tops) Retail Sdn Bhd (Tops Supermarket chain) where she was a Category Manager in the merchandising department with responsibility over imports. From 2000 to May 2011, Ms Lee then worked at PRGL, where she was the Chief Auditor in charge of audit for all the Parkson stores in China. Since May 2011, Ms Lee has been the Chief Auditor for all our stores in Malaysia, Indonesia, Vietnam and Myanmar.

Ms Lee obtained a Certificate from the Institute of Chartered Secretaries and Administrators in the United Kingdom.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Executive Directors
Tan Sri Cheng Heng Jem (Executive Chairman)
Toh Peng Koon (Chief Executive Officer)

Non-Executive Non-Independent Directors
Datuk Cheng Yoong Choong
(Senior Advisor to the Chairman and the Board)
Tan Siang Long

Independent Directors
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin
Tan Soo Khoon
Michel Grunberg
Wee Kheng Jin

AUDIT COMMITTEE

Chairman
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin
(Lead Independent Director)

Members
Tan Soo Khoon
Tan Siang Long

NOMINATING COMMITTEE

Chairman
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin

Members
Michel Grunberg
Tan Sri Cheng Heng Jem

REMUNERATION COMMITTEE

Chairman
Tan Soo Khoon

Members
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin
Datuk Cheng Yoong Choong

COMPANY SECRETARIES

Ang Siew Koon (ACIS)
Teo Meng Keong (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
63 Cantonment Road
Singapore 089758

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in-charge: Mr Philip Ng Weng Kwai
(Since the financial year ended 30 June 2013)

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay #13-01
HSBC Building
Singapore 049320

CIMB Bank Berhad
5th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia

Bank Permata
PermataBank Tower I
Jl. Jend. Sudirman Kav. 27
Jakarta 12920
Indonesia

Vietnam International Bank
Sailing Tower Building
111A Pasteur Street
Ben Nghe Ward, District 1
Ho Chi Minh City
Vietnam

WEBSITE

www.parkson.com.sg

The initial public offering of the Company's shares was sponsored by the Hongkong and Shanghai Banking Corporation Limited, Singapore ("HSBC"). The Joint Bookrunners and Joint Underwriters were HSBC and CIMB Securities (Singapore) Pte Ltd, and the Co-Lead Manager was CLSA Singapore Pte. Ltd.

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance and is committed to attaining a high standard of corporate governance practices.

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 2005 ("the Code"), and where applicable, the Listing Manual of the SGX-ST (the "Listing Manual"). The Code was revised in May 2012 and the revised Code takes effect in respect of annual reports relating to financial years commencing from 1 November 2012. Nonetheless, we have, as far as practicable, endeavoured to comply with the revised Code during the financial year ended 30 June 2013 ("FY2013").

In the opinion of the Board, the Company has generally complied with all of the provisions set out in the Code during FY2013.

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 success of the company. The Board works with Management to achieve this and Management remains accountable to the Board.

The Board reviews the business plans, assesses the key risks presented by Management and also assesses the adequacy of internal controls and the financial performance of the Company. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance with relevant regulations. All Board members bring their independent judgment, diversified knowledge and experience to review and approve Management's plans on issues relating to strategy, performance, resources and standards of conduct.

The Board has delegated specific responsibilities to three Board committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, to assist the Board in its discharge of its oversight functions. The Board accepts that while these Board committees have the authority to examine specific issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The Board meets at least four times a year. Fixed meetings are scheduled at the end of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. The Company's Articles of Association provide 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

CORPORATE GOVERNANCE REPORT

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 FY2013 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 Director								
Tan Sri Cheng Heng Jem	C	5/5	–	–	–	–	M	1/1
Toh Peng Koon	M	5/5	–	–	–	–	–	–
Non-executive Non-independent Director								
Datuk Cheng Yoong Choong	M	5/5	–	–	M	2/2	–	–
Tan Siang Long	M	5/5	M	4/4	–	–	–	–
Independent Directors								
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin	M	4/5	C	3/4	C	1/2	M	1/1
Wee Kheng Jin	M	5/5	–	–	–	–	–	–
Tan Soo Khoon	M	5/5	M	4/4	–	–	C	1/1
Michel Grunberg	M	4/5	–	–	M	2/2	–	–

Legend:

C – Chairman

M – Member

A formal letter will be given to each new Director upon his appointment, setting out the Director's duties and obligations. Incoming Directors, when appointed, will receive an orientation that includes briefings by the Management on the Group's structure, businesses, operations, and policies. All Directors are also given the opportunity to visit the Group's operational facilities and meet with the Management.

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 has been approved by the Board and provided to each Director. The manual also contains guidelines on approval limits 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. In this regard, the matters specifically reserved for the Board's consideration and decision include, among others:

- formulation of strategy;
- capital expenditure, acquisitions and disposals in excess of the approval limits;

CORPORATE GOVERNANCE REPORT

- interested person transactions that would require the approval of shareholders of the Company; and
- any matter that would have a material effect on the Group's financial position, liabilities, future strategy or reputation.

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.

During FY2013, a training session was conducted by an external consultant on Directors' Duties. All the Directors attended the training session.

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. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises eight members, six of whom are non-executive Directors. Four of the non-executive Directors, making up half of the Board, are independent i.e., they have no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from the Management. The other two non-executive Directors who are non-independent are Datuk Cheng Yoong Choong and Mr Tan Siang Long.

The independence of each Director is reviewed annually by the Nominating Committee. The Nominating Committee adopts the definition in the revised Code as to what constitutes independence in its review. The Board and the Nominating Committee are of the view that Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin, Mr Wee Kheng Jin, Mr Tan Soo Khoon and Mr Michel Grunberg are independent.

As half of the Board is independent, the Board and the Nominating Committee are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs.

The Board and the Nominating Committee review the size of the Board on an annual basis. Based on the latest review, the Board and the Nominating Committee consider 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.

CORPORATE GOVERNANCE REPORT

The Board and the Nominating Committee are also of the view that the current Board comprises Directors, who as a group, provide an appropriate balance and diversity of skills, experience and knowledge of the Group as well as core competencies such as accounting and finance, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. Profiles of the Directors are set out in the "Board of Directors" section in this Annual Report.

Although all Directors have an equal responsibility for the Company's operations, the role of the independent, non-executive Directors is particularly important in ensuring that the strategies proposed by the 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.

Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin, the lead independent non-executive Director, leads and co-ordinates the activities of the non-executive Directors and provides assistance to the non-executive Directors to constructively challenge and help develop proposals on strategy, review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure that there is a balance of power, increased accountability and greater capacity of the Board for independent decision making. Tan Sri Cheng Heng Jem, the Executive Chairman, 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 is also responsible for leading the Board and facilitating its effectiveness and ensuring the Board Meetings are held as and when necessary. He also approves the agenda of each Board meeting in consultation with the Group Managing Director and the Chief Executive Officer. 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. Mr Toh Peng Koon, the Chief Executive Officer, is responsible for the expansion of the Group's retail business and the day-to-day operations of the Group.

The Board has appointed Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin to act as the lead independent Director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, Executive Directors and Chief Financial Officer has failed to provide satisfactory resolution or when such contact is inappropriate.

CORPORATE GOVERNANCE REPORT

Principle 4: Board membership
There should be a formal and transparent process for the appointment of new directors to the Board.

The Nominating Committee has been constituted to make recommendations to the Board on matters relating to board appointments. It comprises the following three Directors, the majority of whom, including the chairman of the Nominating Committee, are independent:

Independent Directors
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin (Chairman)
Michel Grunberg

Executive Director
Tan Sri Cheng Heng Jem

The Nominating Committee 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:

- making recommendations to the Board on all board appointments and candidates for senior management positions;
- making recommendations to the Board on the review of board succession plans for Directors, in particular, the Chairman and the Chief Executive Officer;
- determining annually, and as and when circumstances require, if a Director is independent; and
- deciding if the Director is able to and has been adequately carrying out his duties as a Director.

The Nominating Committee has 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 the need be, through external consultants will have their profile submitted to the Nominating Committee for screening and selection. The Nominating Committee will meet with the selected candidate to assess his/her suitability, before making recommendation to the Board for its approval.

The Nominating Committee ensures that Directors appointed to the Board possess the background, experience and knowledge relevant to the industry, as well as business, finance and management skills critical to the Company's businesses. In the event that a Director has multiple board representations or other principal commitments, the Nominating Committee will determine whether or not a director is able to and has been adequately carrying out his/her duties as Director of the Company. Also, the Nominating Committee determines whether or not a Director is independent, by taking into account the relationship a director may have with the Company and its related companies. Such measures enable the Board to have an independent and objective perspective so as to allow balanced and well-considered decisions to be made.

CORPORATE GOVERNANCE REPORT

Despite some of the Directors having multiple board representations, the Nominating Committee is of the view that each of these Directors is able to and has adequately carried out his duties as a Director of the Company in FY2013, and has given sufficient time and attention to the affairs of the Company.

The Company's Articles of Association provides that at each annual general meeting (the "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 therefore retire from office and stand for re-election at least once every three years.

Tan Sri Cheng Heng Jem attained the age of 70 during the financial year ended 30 June 2013. Pursuant to Section 153 of the Companies Act, Cap. 50, Tan Sri Cheng has submitted himself for re-appointment at the forthcoming Annual General Meeting. In accordance with Article 91 of the Articles of Association of the Company, Mr Toh Peng Koon, Mr Tan Soo Khoon, and Mr Michel Grunberg will retire at the forthcoming AGM. All the 3 retiring Directors have submitted themselves for re-election. In this regard, the Nominating Committee, having considered the attendance and participation of Tan Sri Cheng and the retiring Directors at the Board and Board committee meetings, in particular, their contribution to the business and operations of the Company, has recommended their reappointment/re-election. The Board has concurred with the Nominating Committee's recommendation.

Principle 5: Board Performance
There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Chairman of the Board will give feedback to the Nominating Committee on the appointment of new Directors or retirement or resignation of existing Directors, following the outcome of an annual performance evaluation of individual Directors, and the Nominating Committee will take into consideration his views in this regard.

The Board has implemented a process for assessing the effectiveness of the Board through a confidential questionnaire (covering areas such as the effectiveness of the Board in its monitoring role and the ability to attain the strategic and long-term objectives set out by the Board, including the enhancement of shareholders' value) which is completed by each Director individually. The performance criteria have been endorsed by the Nominating Committee 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 is submitted to the Nominating Committee and then presented to the Board.

CORPORATE GOVERNANCE REPORT

Principle 6: Access to Information
In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

Directors are furnished with complete and adequate information from the Management about the Group. Information provided includes board papers and related materials, relevant background or explanatory information relating to the business to be discussed at Board meetings, copies of disclosure documents and financial statements. The Directors are also provided with the contact details of the Management to provide for and facilitate separate and independent access by the Directors, and to facilitate timely responses from the Management in the event the Directors have further enquiries or need to request for additional information to make informed decisions.

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

All Directors have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends all meetings of the Board and ensures that the Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Audit Committee, Nominating Committee and Remuneration Committee. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its committees and between Management and the non-executive Directors.

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

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 Remuneration Committee 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 Remuneration Committee, are independent:

Non-Executive Independent Directors
Tan Soo Khoon (Chairman)
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin

Non-Executive Director
Datuk Cheng Yoong Choong

CORPORATE GOVERNANCE REPORT

The Remuneration Committee 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 the executive Directors and Management's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Principle 8: Level and Mix of Remuneration

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured to link rewards to corporate and individual performance.

As noted above, one of the responsibilities of the Remuneration Committee is 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 key management personnel. All aspects of remuneration, including but not limited to the Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered by the Remuneration Committee.

The Remuneration Committee periodically considers and reviews remuneration packages in order to maintain their attractiveness, so as to retain and motivate the Directors and key executives, and to align the interests of the Management with that of the shareholders through, among others, participation in the Parkson Retail Asia Limited Employee Share Option Scheme (the "ESOS") or other share plans that may be implemented by the Group.

If a member of the Remuneration Committee has an interest in a matter being reviewed or considered by the Remuneration Committee, he must abstain from deliberating and voting on that matter.

Mr Toh Peng Koon is paid based on his service agreement with the Company, as disclosed in the Company's prospectus dated 27 October 2011, and which is valid for an initial period of three years commencing from the date of listing of the Company on the SGX-ST, being 3 November 2011. He is generally bound by confidentiality obligations and is required to observe non-compete restrictions pursuant to which he has covenanted not to be employed in or carry on business in competition with our Group or solicit the senior employees, suppliers, customers, officers, agents or consultants of our Group in countries in which our Group has carried on business for 12 months after the date of cessation of employment under his service agreement.

The Directors are paid fixed fees, which are determined by the Board, appropriate to the level of their contributions, taking into account factors such as effort and time spent and the responsibilities of each independent Director or non-executive Director. The Remuneration Committee is also mindful of not over-compensating the non-executive Directors

CORPORATE GOVERNANCE REPORT

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 independent Directors and the non-executive Directors do not receive any other remuneration from the Company for their board service.

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 Remuneration Committee had recommended to the Board an amount of S$460,000 as the total Directors' fees to be paid for FY2014. 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 policy, 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 executives, and performance.

A breakdown, showing the level and mix of each individual Director's remuneration for FY2013 is as follows:

	Fee %	Salary %	Variable Bonus %	Benefits in kind %	Total %	Total S$'000
Executive Directors						
Tan Sri Cheng Heng Jem*	100	–	–	–	100	55
Toh Peng Koon	15	44	32	9	100	368
Non-Executive Directors						
Datuk Cheng Yoong Choong**	6	19	59	16	100	958
Tan Siang Long	100	–	–	–	100	60
Gen (R) Tan Sri Dato Seri Mohd Zahidi bin Haji Zainuddin	100	–	–	–	100	65
Wee Kheng Jin	100	–	–	–	100	55
Tan Soo Khoon	100	–	–	–	100	60
Michel Grunberg	100	–	–	–	100	55
						1,676

* Tan Sri Cheng Heng Jem was re-designated from a non-executive director to an executive director with effect from 31 May 2013

** Datuk Cheng Yoong Choong was re-designated from an executive director to a non-executive director with effect from 31 May 2013

CORPORATE GOVERNANCE REPORT

A breakdown, showing the level and mix of the top key executives' (who are not the Director or the Chief Executive Officer) remuneration (in bands of S$250,000) for FY2013 is as follows:

	Salary %	Variable Bonus %	Benefits in kind %	Total %
Key Executives				
Band A[(1)]				
Tham Tuck Choy	56	23	21	100
Raymond Teo Kheng San	51	40	9	100
Fandawan Ramali	80	16	4	100
Koh Huat Lai	70	18	12	100
Lee Sook Beng	53	17	30	100

Notes:

(1) Band A refers to remuneration at or below the equivalent of S$250,000.

For FY2013, the aggregate total remuneration paid to the top 5 key management personnel amounted to S$955,255.

Ms Cheng Hui Yen, Natalie, who is the daughter of Tan Sri Cheng Heng Jem and the cousin of Datuk Cheng Yoong Choong, has an employment relationship with a subsidiary of the Company, and has received remuneration (comprising salary, bonus and benefits-in-kind) within the band from S$50,000 to S$99,999 during FY2013. The basis for determining her remuneration was the same as the basis for determining the remuneration of unrelated 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 2013, no options under the ESOS have been granted.

The main features of the ESOS are as follows:

(a) The executive and non-executive Directors and confirmed employees of the Group shall be eligible to participate in the ESOS at the absolute discretion of the Remuneration Committee.

(b) The aggregate number of shares over which the Remuneration Committee 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 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 as well as the quarterly and annual financial statements announcement.

The 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 to facilitate effective discussion and decision-making.

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements.

CORPORATE GOVERNANCE REPORT

Principle 11: Audit Committee
The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises the following three Directors, all of whom are non-executive and the majority of whom, including the chairman of the Audit Committee, are independent:

Non-Executive Independent Directors
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin (Chairman)
Tan Soo Khoon

Non-Executive Non- Independent Director
Tan Siang Long

The Audit Committee 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 judgments to ensure the integrity of the financial statements and any formal announcements relating to financial performance;
- reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- reviewing the adequacy of the Group's internal controls comprising internal financial controls, operational and compliance controls, including procedures for entering into hedging transactions, and risk management policies and systems established by the 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, his evaluation of the system of internal accounting controls;
- 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 auditors and internal auditors, 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.

CORPORATE GOVERNANCE REPORT

In addition to the duties listed above, the Audit Committee 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 Audit Committee is also authorised by the Board to investigate any matter within its terms of reference and has full access to, and co-operation of the 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.

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

Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin currently serves as the chairman of the audit committee of a company listed on Bursa Malaysia, Genting Plantations Berhad and Mr Tan Soo Khoon has been the managing director of the watch distribution company, Crystal Time (S) Pte Ltd, since 1978. One of the Audit Committee members, Mr Tan Siang Long is knowledgeable about information technology (IT) systems and controls and possesses relevant experience to assess IT-related matters, in addition to his experience in the retail industry.

The Audit Committee held four meetings in FY2013. These meetings were attended by the Chief Executive Officer of Vietnamese, Myanmar and Cambodian operations, the Chief Financial Officer, the Chief Auditor, the Compliance Officer and the Legal Manager at the invitation of the Audit Committee. The Group's external auditors were also present at relevant junctures during some of these meetings. The Audit Committee has also met the external auditors, without the presence of the Management, twice in February 2013 and August 2013.

The Audit Committee also reviewed the Group's full-year results announcement, the financial statements of the Company and the consolidated financial statements of the Group for FY2013 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. The policy provides channels through which staff can raise concerns on financial reporting improprieties and other matters. Further to that, the Group has also put in place a code of ethics with its suppliers, and has placed boxes in strategic locations within the department stores for customers to provide their feedback.

The Audit Committee has reviewed non-audit services provided by the external auditors, Ernst & Young LLP, for FY2013, and is of the opinion that the provision of such services did not affect the independence or objectivity of the external auditors. The external auditors have affirmed their independence in this respect.

CORPORATE GOVERNANCE REPORT

The aggregate amount of fees paid/payable by the Group to the Company's external auditors are as follows:

	Financial year ended 30 June 2013	
	S$'000	**Percentage %**
Audit services	95	100.0
Non-audit services	–	–
	95	100.0

The Audit Committee had recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming AGM.

The Company has complied with Rules 712 and Rule 715 or 716 in relation to its auditors.

The Audit Committee 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 auditors and opportunities to attend external seminars at the Company's expense.

Principle 12: Internal Controls
The Board should ensure that Management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets.

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 the senior management.

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

The Board has received assurances from both the Chief Executive Officer and Chief Financial Officer as follows:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances;

(b) Management is responsible for establishing and maintaining internal controls;

CORPORATE GOVERNANCE REPORT

(c) Management has disclosed to the Group's external auditors and the Audit Committee all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data; and

(d) that they are not aware of any significant weaknesses in the internal controls of the Group.

The Board, with the concurrence of the Audit Committee, is of the opinion that, based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management, the various Board committees and the Board, the system of internal controls in place is adequate in addressing the financial, operational and compliance risks of the Group, as at 30 June 2013. 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 13: Internal Audit
The company should establish an internal audit function that is independent of the activities it audits.

The internal audit department is a department independent of Management. Ms Lee Sook Beng, the Chief Auditor, has a direct and primary reporting line to the chairman of the Audit Committee, with administrative reporting to the Chief Executive Officer. The relevant qualifications and experience of Ms Lee are set out in the "Key Management" section of this Annual Report.

The internal audit team, which is independent of the Company'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 Chief Auditor formulates the annual internal audit plan and procedures and 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 Audit Committee on any key findings and progress of the internal audit process. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board. The Audit Committee reviews and ensures the adequacy of the internal audit function at least annually.

Based on the last review, the Audit Committee is satisfied that the internal audit function is adequately resourced, with appropriate standing within the Company.

CORPORATE GOVERNANCE REPORT

Principal 14: Communications with Shareholders
Companies should engage in regular, effective and fair communication with shareholders.

The Group values dialogue with its shareholders. The Group 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 Group'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. Briefings for the half year and full year results are conducted for analysts and institutional investors, 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.

Principle 15: Greater Shareholder Participation
Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Group believes in encouraging greater shareholder participation at general meetings. Shareholders have the opportunity to participate effectively and to vote at general meetings. A shareholder may either vote in person or in absentia through the appointment of not more than two proxies to vote on his behalf at the meeting by sending in the proxy form(s) within 48 hours of the general meeting.

At general meetings, shareholders are given the opportunity to participate in the question and answer session.

The external auditors are present at the AGM to address shareholders' queries on the conduct of the audit and the preparation and content of the auditors' report. The Executive Directors and the chairpersons of the Audit, Nominating and Remuneration Committees, or members of the respective Board committees standing in for them, are present at the AGM, to address shareholders' queries.

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

The results of the vote for all the resolutions raised during the AGM will be announced via SGXNET.

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 the Management, and will make such minutes available to shareholders upon their request.

CORPORATE GOVERNANCE REPORT

DEALING 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 takes 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.

STATUS REPORT ON USE OF IPO PROCEEDS

The Group had successfully raised net proceeds of S$72.4 million from its initial public offering of 80,000,000 new ordinary shares at S$0.94 each on 3 November 2011. To date, the Company has utilized:

- S$5.5 million for the purpose of store openings in Indonesia;
- S$12.4 million to subscribe for the rights issue of shares in an associate company, Odel PLC; and
- S$2.6 million as capital contribution to a joint-venture company established to operate department stores in Myanmar.

These amounts were utilised in accordance with the stated use as disclosed in the Company's prospectus dated 27 October 2011 and the announcement on 3 December 2012 pertaining to the revision in utilisation of the IPO proceeds.

The Company will make periodic announcements on the use of the balance net proceeds, as and when the funds are materially disbursed.

INTERESTED PERSON TRANSACTIONS (IPTs)

All IPTs will be documented and submitted quarterly to the Audit Committee 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.

CORPORATE GOVERNANCE REPORT

The Audit Committee has reviewed the IPTs for FY2013. The aggregate value of the IPTs between the Group and the interested persons for FY2013 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year 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 Corporation Berhad Group(1)	–	369
Lion Forest Industries Berhad Group(2)	–	710
Parkson Holdings Berhad Group(3)	192	1,950
Secom (Malaysia) Sdn Bhd(4)	–	267
Bonuskad Loyalty Sdn Bhd(5)	–	7,446
WatchMart (M) Sdn Bhd(6)	–	237
PT Monica Hijaulestari(7)	–	3,923
PT Tozy Bintang Sentosa(8)	–	300

Notes:

(1) Purchases of equipment, furniture and fittings from Lion Trading & Marketing Sdn Bhd and sales of gift vouchers to Megasteel Sdn Bhd.

(2) Purchases of building materials from Posim Marketing Sdn Bhd and purchases of light fittings and procurement of energy conservation services from Posim EMS Sdn Bhd.

(3) (i) Royalty expenses payable to Smart Spectrum Limited totaling S$0.192 million;

(ii) Rental of retail space from Festival City Sdn Bhd and concessionaire agreements with Park Avenue Fashion Sdn Bhd totaling S$1.950 million

(4) Purchase of security equipment and procurement of security services

(5) Marketing fees payable for the bonus points issued and amounts receivable for points redemption made by cardholders from November 2012 to financial year end

(6) Purchase of merchandise

(7) Purchases of "The Body Shop" products

(8) Rental of office and warehouse

DIRECTORS' REPORT

The directors are pleased to present their report 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 2013.

Directors

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

Tan Sri Cheng Heng Jem
Datuk Cheng Yoong Choong
Toh Peng Koon
Tan Siang Long
Wee Kheng Jin
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin
Tan Soo Khoon
Michel Grunberg

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 object 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' 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:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Tan Sri Cheng Heng Jem	500,000	500,000	457,933,300	457,933,300
Datuk Cheng Yoong Choong	300,000	300,000	–	–
Toh Peng Koon	150,000	90,000	–	–
Tan Siang Long	60,000	60,000	–	–
Wee Kheng Jin	60,000	60,000	–	–
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin	60,000	60,000	–	–
Michel Grunberg	60,000	60,000	–	–
Tan Soo Khoon	60,000	60,000	–	–

DIRECTORS' REPORT

Name of director	Direct interest At the beginning of financial year	Direct interest At the end of financial year	Deemed interest At the beginning of financial year	Deemed interest At the end of financial year
Ordinary shares of the ultimate holding company (Parkson Holdings Berhad ("PHB"))				
Tan Sri Cheng Heng Jem	218,439,012	218,439,012	300,330,856	300,324,984
Datuk Cheng Yoong Choong	2,964,350	2,964,350	–	–
Ordinary shares of a related corporation (Parkson Retail Group Limited ("PRGL"))				
Tan Sri Cheng Heng Jem	–	–	1,448,270,000	1,448,270,000
Datuk Cheng Yoong Choong	800,000	800,000	–	–
Options to subscribe for the ordinary shares of a related corporation under the PRGL Share Option Scheme				
Datuk Cheng Yoong Choong	1,125,000	2,250,000	–	–

The direct interest of the directors in shares of the Company arose in connection with the listing of the Company on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 3 November 2011. The directors were offered reserved shares at a price of S$0.94 per share for which the directors subscribed accordingly.

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 20.2% and an indirect interest in 27.8% of the voting shares of PHB, and as such by virtue of his control of the exercise of not less than 20.0% 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 was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2013.

DIRECTORS' REPORT

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' contractual benefits

Other than remunerations and fees as disclosed in this financial statements and in the financial statements of related corporations in their capacity as employees or directors, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

No options were issued by the Company or its subsidiaries during the financial year. As at 30 June 2013, there were no options on the unissued shares of the Company or its subsidiaries which were outstanding.

Audit committee

The Audit Committee ("AC") comprises Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin, Tan Siang Long and Tan Soo Khoon. The chairman of the AC is Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin. 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, Chapter 50, the Listing Manual of SGX-ST, and the Code of Corporate Governance 2005. 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

Toh Peng Koon
Director

Singapore
23 September 2013

STATEMENT BY DIRECTORS

We, Tan Sri Cheng Heng Jem and Toh Peng Koon, being two of the directors of Parkson Retail Asia Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Tan Sri Cheng Heng Jem
Director

Toh Peng Koon
Director

Singapore
23 September 2013

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013
To the Members of Parkson Retail Asia Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Parkson Retail Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 47 to 133, which comprise the balance sheets of the Group and the Company as at 30 June 2013, the statement of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013
To the Members of Parkson Retail Asia Limited

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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 the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
23 September 2013

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013
(Amounts expressed in Singapore Dollars)

	Note	2013 SGD'000	2012 SGD'000 (Restated)
Revenue	4	**446,306**	433,475
Other items of income			
Finance income	5	**6,239**	5,362
Other income	6	**5,760**	9,398
Items of expense			
Changes in merchandise inventories and consumables		**(181,731)**	(173,186)
Employee benefits expense	7	**(47,422)**	(47,064)
Depreciation and amortisation expenses		**(19,610)**	(18,763)
Promotional and advertising expenses		**(8,307)**	(10,711)
Rental expenses		**(101,049)**	(88,467)
Finance costs	5	**(371)**	(468)
Other expenses		**(47,393)**	(46,977)
Share of results of an associate		**734**	–
Profit before tax	8	**53,156**	62,599
Income tax expense	9	**(15,075)**	(17,794)
Profit for the year		**38,081**	44,805
Profit for the year attributable to:			
Owners of the Company		**39,638**	45,469
Non-controlling interests		**(1,557)**	(664)
		38,081	44,805
Earnings per share attributable to owners of the Company (cents per share)			
Basic and diluted	10	**5.85**	6.99

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 2013
(Amounts expressed in Singapore Dollars)

	2013 SGD'000	2012 SGD'000
Profit for the year	**38,081**	44,805
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(1,807)**	(3,390)
Total comprehensive income for the year	**36,274**	41,415
Attributable to:		
Owners of the Company	**37,880**	42,054
Non-controlling interests	**(1,606)**	(639)
	36,274	41,415

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

BALANCE SHEETS

AS AT 30 JUNE 2013
(Amounts expressed in Singapore Dollars)

	Note	Group 2013 SGD'000	Group 2012 SGD'000 (Restated)	Company 2013 SGD'000	Company 2012 SGD'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**77,046**	79,502	**–**	–
Land use right	14	**8,173**	8,494	**–**	–
Investments in subsidiaries	11	**–**	–	**153,122**	155,506
Investment in an associate	12	**27,611**	–	**27,157**	–
Deferred tax assets	15	**2,080**	594	**–**	–
Other receivables	16	**23,823**	24,091	**20,311**	–
Prepayments		**18,586**	14,167	**–**	–
Intangible assets	17	**7,205**	7,513	**–**	–
Derivatives	18	**21**	21	**–**	–
Investment securities	19	**93**	93	**–**	–
		164,638	134,475	**200,590**	155,506
Current assets					
Inventories	20	**58,209**	58,231	**–**	–
Trade and other receivables	16	**29,130**	29,311	**25,320**	33,957
Prepayments		**4,785**	3,035	**–**	–
Tax recoverable		**4,033**	1,226	**–**	–
Cash and short-term deposits	21	**176,830**	190,346	**21,373**	77,111
		272,987	282,149	**46,693**	111,068
Total assets		**437,625**	416,624	**247,283**	266,574
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	22	**147,515**	143,656	**581**	16,200
Other liabilities	23	**23,256**	23,234	**–**	–
Loans and borrowings	24	**–**	61	**–**	–
Tax payable		**1,529**	1,329	**–**	–
		172,300	168,280	**581**	16,200
Net current assets		**100,687**	113,869	**46,112**	94,868
Non-current liabilities					
Other payables	22	**7,299**	7,020	**–**	–
Deferred tax liabilities	15	**155**	548	**–**	–
		7,454	7,568	**–**	–
Total liabilities		**179,754**	175,848	**581**	16,200
Net assets		**257,871**	240,776	**246,702**	250,374

BALANCE SHEETS

AS AT 30 JUNE 2013
(Amounts expressed in Singapore Dollars)

		Group		Company	
	Note	2013	2012	2013	2012
		SGD'000	SGD'000	SGD'000	SGD'000
Equity attributable to owners of the Company					
Share capital	25	**231,676**	231,676	**231,676**	231,676
Other reserves	26	**(137,905)**	(136,147)	**(4,250)**	(2,526)
Retained earnings		**161,614**	142,295	**19,276**	21,224
		255,385	237,824	**246,702**	250,374
Non-controlling interests		**2,486**	2,952	**–**	–
Total equity		**257,871**	240,776	**246,702**	250,374
Total equity and liabilities		**437,625**	416,624	**247,283**	266,574

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 2013
(Amounts expressed in Singapore Dollars)

	Equity, total SGD'000	Attributable to owners of the Company				Non-controlling interests SGD'000
		Equity attributable to owners of the Company, total SGD'000	Share capital (Note 25) SGD'000	Retained earnings SGD'000	Other reserves (Note 26) SGD'000	
Group						
Opening balance at 1 July 2012	240,776	237,824	231,676	142,295	(136,147)	2,952
Profit for the year	38,081	39,638	–	39,638	–	(1,557)
Other comprehensive income						
Foreign currency translation, representing total other comprehensive income for the year	(1,807)	(1,758)	–	–	(1,758)	(49)
Total comprehensive income for the year	36,274	37,880	–	39,638	(1,758)	(1,606)
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 27)	(20,319)	(20,319)	–	(20,319)	–	–
Contributions by non-controlling interests	1,140	–	–	–	–	1,140
Total transactions with owners in their capacity as owners	(19,179)	(20,319)	–	(20,319)	–	1,140
Closing balance at 30 June 2013	257,871	255,385	231,676	161,614	(137,905)	2,486

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013
(Amounts expressed in Singapore Dollars)

		Attributable to owners of the Company				
	Equity, total SGD'000	**Equity attributable to owners of the Company, total SGD'000**	**Share capital (Note 25) SGD'000**	**Retained earnings SGD'000**	**Other reserves (Note 26) SGD'000**	**Non-controlling interests SGD'000**
Group						
Opening balance at 1 July 2011	126,900	123,317	159,279	96,826	(132,788)	3,583
Profit for the year	44,805	45,469	–	45,469	–	(664)
Other comprehensive income						
Foreign currency translation, representing total other comprehensive income for the year	(3,390)	(3,415)	–	–	(3,415)	25
Total comprehensive income for the year	41,415	42,054	–	45,469	(3,415)	(639)
Contributions by and distributions to owners						
Grant of equity-settled share options to employees	56	56	–	–	56	–
Contributions by non-controlling interests	1,323	–	–	–	–	1,323
Dividends paid to non-controlling interests (Note 27)	(1,315)	–	–	–	–	(1,315)
Issuance of ordinary shares pursuant to the Group's initial public offering ("IPO")	75,200	75,200	75,200	–	–	–
Share issuance expense pursuant to the Group's IPO	(2,803)	(2,803)	(2,803)	–	–	–
Total transactions with owners in their capacity as owners	72,461	72,453	72,397	–	56	8
Closing balance at 30 June 2012	240,776	237,824	231,676	142,295	(136,147)	2,952

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013
(Amounts expressed in Singapore Dollars)

	Equity, total SGD'000	Share capital (Note 25) SGD'000	Retained earnings SGD'000	Other reserves (Note 26) SGD'000
Company				
Opening balance at 1 July 2012	**250,374**	**231,676**	**21,224**	**(2,526)**
Profit for the year	**18,371**	**–**	**18,371**	**–**
Other comprehensive income				
Foreign currency translation, representing total other comprehensive income for the year	**(1,724)**	**–**	**–**	**(1,724)**
Total comprehensive income for the year	**16,647**	**–**	**18,371**	**(1,724)**
Distributions to owners				
Dividends on ordinary shares (Note 27), representing total transactions with owners in their capacity as owners	**(20,319)**	**–**	**(20,319)**	**–**
Total transactions with owners in their capacity as owners	**(20,319)**	**–**	**(20,319)**	**–**
Closing balance at 30 June 2013	**246,702**	**231,676**	**19,276**	**(4,250)**
Opening balance at 1 July 2011	159,406	159,279	(82)	209
Profit for the year	21,306	–	21,306	–
Other comprehensive income				
Foreign currency translation, representing total other comprehensive income for the year	(2,735)	–	–	(2,735)
Total comprehensive income for the year	18,571	–	21,306	(2,735)
Contribution by owners				
Issuance of ordinary shares pursuant to the IPO	75,200	75,200	–	–
Share issuance expense pursuant to the IPO	(2,803)	(2,803)	–	–
Total transactions with owners in their capacity as owners	72,397	72,397	–	–
Closing balance at 30 June 2012	250,374	231,676	21,224	(2,526)

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 2013
(Amounts expressed in Singapore Dollars)

	Note	2013 SGD'000	2012 SGD'000
Operating activities			
Profit before tax		**53,156**	62,599
Adjustments for:			
Depreciation of property, plant and equipment	13	**18,905**	18,270
Amortisation of intangible assets	17	**574**	360
Amortisation of land use right	14	**131**	133
(Write-back)/allowance for doubtful trade and other receivables, net		**(108)**	94
Write down of inventories	20	**–**	283
Inventory shrinkage	20	**2,380**	834
Unrealised exchange loss/(gain)		**584**	(2,320)
Net benefit (income)/expense from defined benefit plan	22	**(554)**	667
Property, plant and equipment written off		**194**	43
Gain on disposal of property, plant and equipment		**(12)**	(35)
Grant of equity-settled share options to employees		**–**	56
Amortisation of deferred lease expense	16	**1,043**	911
Amortisation of deferred lease income	22	**(500)**	(222)
Income from expired gift vouchers		**(1,045)**	(1,031)
Share of results of an associate		**(734)**	–
Dividend income from investment securities		**(84)**	–
Finance costs		**371**	468
Finance income		**(6,239)**	(5,362)
Operating cash flows before changes in working capital		**68,062**	75,748
Changes in working capital:			
Decrease/(increase) in:			
Inventories		**(2,084)**	(8,927)
Trade and other receivables		**2,719**	(9,664)
Prepayments		**(9,279)**	(11,217)
Increase/(decrease) in:			
Trade and other payables		**3,538**	26,414
Other liabilities		**944**	(2,458)
Cash flows from operations		**63,900**	69,896
Interest received		**4,966**	3,325
Interest paid		**(10)**	(94)
Income taxes paid		**(19,012)**	(19,736)
Net cash flows from operating activities		**49,844**	53,391

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013
(Amounts expressed in Singapore Dollars)

	Note	2013 SGD'000	2012 SGD'000
Investing activities			
Proceeds from disposal of property, plant and equipment		**33**	93
Purchase of property, plant and equipment	A	**(17,004)**	(28,229)
Additions to intangible assets		**(517)**	(726)
Investment in an associate		**(27,364)**	–
Dividend income from investment securities		**84**	–
Dividend income from an associate		**280**	–
Net cash flows used in investing activities		**(44,488)**	(28,862)
Financing activities			
Proceeds from issuance of ordinary shares pursuant to the Group's IPO		**–**	75,200
Share issuance expense pursuant to the Group's IPO		**–**	(2,803)
Repayment of finance lease obligations		**(5)**	(9)
Dividends paid to non-controlling interests	27	**–**	(1,315)
Dividends paid on ordinary shares	27	**(20,319)**	–
Contributions by non-controlling interests		**1,140**	1,323
Net cash flows (used in)/generated from financing activities		**(19,184)**	72,396
Net (decrease)/increase in cash and cash equivalents		**(13,828)**	96,925
Effect of exchange rate changes on cash and cash equivalents		**368**	(1,730)
Cash and cash equivalents at 1 July		**190,290**	95,095
Cash and cash equivalents at 30 June	21	**176,830**	190,290

Note to the consolidated statement of cash flows

A. Property, plant and equipment

	Note	2013 SGD'000	2012 SGD'000
Current year additions to property, plant and equipment	13	**17,851**	28,525
Less: Payable to creditors	22	**(1,341)**	(494)
		16,510	28,031
Add: Payments for prior year purchase		**494**	198
Net cash outflow for purchase of property, plant and equipment		**17,004**	28,229

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 2013

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;

– TD Plaza Building, Cat Bi T Junction Urban Area, Hai Phong City, Vietnam;

– Hung Vuong Plaza, No. 126 Hung Vuong Street, Ward 12, District 5 Ho Chi Minh City, Vietnam;

– Viet Tower Building, 198B Tay Son Street, Dong Da District, Hanoi, Vietnam;

– Jl. Prof. Dr. Satrio Blok A/35, Sentosa Building Sector VII Bintaro Jaya, Tangerang, Banten, Indonesia; and

– No.380 Bogyoke Aung San Road, FMI Centre, Pabedan Township, Yangon, Myanmar.

The immediate holding company is East Crest International Limited ("ECIL"), a company incorporated in the British Virgin Islands. The ultimate holding company is Parkson Holdings Berhad ("PHB"), 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 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 ("FRS").

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

The financial statements are presented in Singapore Dollars ("SGD"). All values in the table are rounded to the nearest thousand (SGD'000) as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 July 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Revised FRS 19 *Employee Benefits*	1 January 2013
Amendments to FRS 101 – *Government Loans*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Improvements to FRSs 2012	
– Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
– Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
– Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
– Amendments to FRS 34 *Interim Financial Reporting*	1 January 2013
– Amendments to FRS 101 First-time Adoption of International Financial Reporting Standards	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 – *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 *Separate Financial Statements* and FRS 28 *Investments in Associates and Joint Ventures: Mandatory Effective Date*	1 January 2014
Amendments to FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2014
Amendments to FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interests in Other Entities* and FRS 27 *Separate Financial Statements: Investment Entities*	1 January 2014
Amendments to FRS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

Except for FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 112 is described below.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.4 Basis of consolidation

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(a) Basis of consolidation (Continued)

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.

(b) Business combinations

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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(b) Business combinations (Continued)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) 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.

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(a). 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.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. 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. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as merger reserve. The income statements and statements of comprehensive income reflect the results of the Company and its subsidiaries for the entire periods under review.

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, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

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.

(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 determined.

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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated and separate 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.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to the non-controlling interest and are not recognised in profit or loss. For partial disposal of associate that is foreign operation, the proportionate share of the accumulated differences is reclassified to profit or loss.

For separate financial statement of the Company, the assets and liabilities are translated into SGD at the rate of exchange ruling at the end of the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

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 are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Buildings	25 years
Renovation	2 – 10 years
Furniture, fittings and equipment	1 – 10 years
Motor vehicles	4 – 7 years

Capital work-in-progress is not depreciated as it is 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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets

(a) *Goodwill*

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 each of 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 unit to which goodwill has 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 relates. 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.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the exchange rates prevailing at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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 derecognised.

(i) Club memberships

Club memberships which 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 which were acquired separately are amortised on a straight-line basis over their estimated useful lives of 8 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(b) Other intangible assets (Continued)

(iv) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures for online retail website are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected usage (i.e. 3 years) on a straight line basis.

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. 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 to sell 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 group 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets (Continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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.

2.11 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. 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. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.12 Associate (Continued)

The profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associate is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associate.

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 its associates. 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.

For publicly listed associated company, it would not be practicable to ensure that their results are released prior to the results of the Group. Therefore, the Group accounts for its share of the results of its publicly listed associated company based on publicly-announced financial statements for the twelve months period ended 31 March 2013. This is applied on a consistent basis and adjustments are made for any significant events that occur between 1 April 2013 to 30 June 2013. As such, the Group will account for the results of publicly listed associated company with a time lag of 3 months.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.13 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.14 Financial assets

Initial recognition and measurement

Financial assets 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of the financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.14 Financial assets (Continued)

Subsequent measurement (Continued)

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.14 Financial assets (Continued)

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.15 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

2. Summary of significant accounting policies (Continued)

2.15 Impairment of financial assets (Continued)

(a) *Financial assets carried at amortised cost (Continued)*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.15 Impairment of financial assets (Continued)

(c) Available-for-sale financial assets (Continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits that are readily convertible to known amount of cash and which 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.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Merchandise and consumables: purchase costs on a weighted average basis derived using the Retail Inventory 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.18 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.

2.19 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, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.20 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) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(c) *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 as income or expense when the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed 10% of the defined benefit obligation at that date. These gains or losses in excess of the 10% corridor are amortised on a straight-line basis over the expected average remaining service years of the covered employees.

The unvested past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested, immediately following the introduction of, or changes to, the employee benefit programme, past service costs are recognised immediately.

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 plus any actuarial gains and losses not recognised, reduced by past service costs not yet recognised.

2. Summary of significant accounting policies (Continued)

2.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(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 an 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 where the Group retains 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 2.22(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 2013

2. Summary of significant accounting policies (Continued)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for concessionaire sales of which it generates commission income. The following specific recognition criteria must also be met before revenue is recognised:

(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.

(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. Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (Continued)

2.22 Revenue (Continued)

(e) Revenue from customer loyalty award

The Group operates the Elite Card and Centro Friends loyalty programmes, which allow 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 a liability (deferred revenue) 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.

(f) Interest income

Interest income is recognised using the effective interest method.

(g) Royalty income

Royalty income is recognised on an accrual basis over the life of the royalty agreements.

(h) Promotion income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.23 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.

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 and associate, 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 income tax assets are recognised for all deductible temporary differences, 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 accounting profit nor taxable profit or loss; and

2. Summary of significant accounting policies (Continued)

2.23 Taxes (Continued)

(b) Deferred tax (Continued)

– In respect of deductible temporary differences associated with investments in subsidiaries and associate, 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 and loss is recognised outside profit and 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.23 Taxes (Continued)

(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 taxation authority is included as part of trade and other receivables or trade and other payables in the balance sheet.

2.24 Segment reporting

The Group has a single operating segment, which is the operation and management of department stores. For management purposes, the Group is organised into business units based on the geographical location of customers and assets which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (Continued)

2.26 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.

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. However, uncertainty about these assumptions and estimates could result in outcomes that could 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

No critical judgements were made by management in the process of applying the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

3. Significant accounting estimates and judgements (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was 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 assumptions when they occur.

(a) Taxes

Significant estimation is involved in determining the provision for income taxes. 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. Details of income tax expense are disclosed in Note 9. The carrying amount of tax recoverable as at 30 June 2013 was SGD4,033,000 (2012: SGD1,226,000). The carrying amount of tax payable as at 30 June 2013 was SGD1,529,000 (2012: SGD1,329,000). The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 30 June 2013 were SGD2,080,000 (2012: SGD594,000) and SGD155,000 (2012: SGD548,000) respectively.

(b) Customer loyalty award

The Group allocates the consideration received from the sale of goods to the goods sold and the points issued under its loyalty programmes. The consideration allocated to the points issued is measured at their fair value. Fair value is determined inter alia by the following factors:

– the range of merchandise available to the customers;

– the prices at which the Group sells the merchandise which can be redeemed and the discounts available for these merchandise;

– changes in the popularity of the programmes; and

– changing patterns in the redemption rates.

Details of deferred revenue from customer loyalty award are disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

3. Significant accounting estimates and judgements (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(c) Defined benefit plans

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making certain assumptions which include discount rates, future salary increases and retirement age. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are sensitive to changes in these assumptions. Further details are provided in Note 22.

(d) Useful lives of intangible assets

The cost of intangible assets (excluding goodwill) are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these intangible assets to be within 3 to 99 years. Management estimates the useful lives of these intangible assets based on historical experience of the actual useful lives of assets with similar nature and functions, as well as the economic environment and the expected use of the assets acquired. Changes in the market demand or technological developments could impact the economic useful lives of these assets; therefore, future amortisation expenses could be revised. The carrying amount of the Group's intangible assets (excluding goodwill) at the end of the reporting period was SGD1,963,000 (2012: SGD1,965,000).

(e) Development costs

Development costs are capitalised in accordance with the accounting policy in Note 2.8(b)(iv). Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, which is when the online retail website has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the online retail website, discount rates to be applied and the expected period of benefits. The carrying amount of development costs capitalised at the end of the reporting period was nil (2012: SGD470,000).

(f) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit, 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 Group's goodwill at the end of the reporting period was SGD5,242,000 (2012: SGD5,548,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

4. Revenue

	Group	
	2013	2012
	SGD'000	SGD'000 (Restated)
Sale of goods – direct sales	**223,358**	217,912
Commissions from concessionaire sales	**205,695**	198,382
Consultancy and management service fees	**1,231**	1,404
Rental income	**16,022**	15,777
	446,306	433,475

5. Finance income/costs

	Group	
	2013	2012
	SGD'000	SGD'000
Finance income		
Interest income on:		
– Short-term deposits	**5,374**	4,224
– Rental deposits receivables	**865**	1,138
	6,239	5,362
Finance costs		
Interest expense on:		
– Bank overdrafts	**10**	4
– Rental deposit payables	**323**	423
– Others	**38**	41
	371	468

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

6. Other income

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
		(Restated)
Cash discount from suppliers	**1,419**	1,433
Promotion income	**1,008**	700
Royalty income	**–**	339
Income from expired gift vouchers	**1,045**	1,031
Gain on disposal of property, plant and equipment	**12**	35
Foreign exchange gain, net	**–**	2,569
Dividend income	**84**	–
Others	**2,192**	3,291
	5,760	9,398

7. Employee benefits expense

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
		(Restated)
Wages, salaries and bonuses	**36,796**	34,245
Contribution to defined contribution plans	**3,298**	3,062
Grant of equity-settled share options to employees	**–**	56
Net benefit (income)/expense from defined benefit plan (Note 22)	**(554)**	667
Other staff related expenses	**7,882**	9,034
	47,422	47,064

Included in employee benefits expense of the Group are remuneration of directors and key management personnel as further disclosed in Note 28(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

8. Profit before tax

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

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
		(Restated)
Audit fees:		
– Auditors of the Company	**95**	82
– Other auditors	**328**	248
Non-audit fees:		
– Auditors of the Company	**–**	174
– Other auditors	**82**	583
Total audit and non-audit fees	**505**	1,087
Depreciation of property, plant and equipment (Note 13)	**18,905**	18,270
Amortisation of land use right (Note 14)	**131**	133
Amortisation of intangible assets (Note 17)	**574**	360
Property, plant and equipment written off	**194**	43
Share issuance expense pursuant to the Group's IPO (excluding non-audit fees paid to auditors)	**–**	1,301
Write down of inventories (Note 20)	**–**	283
Inventory shrinkages (Note 20)	**2,380**	834
(Write-back)/allowance for doubtful trade and other receivables, net (Note 16)	**(108)**	94
Gain on disposal of property, plant and equipment	**12**	35
Exchange (gain)/loss:		
– Realised	**(372)**	(249)
– Unrealised	**584**	(2,320)
Operating lease expense (Note 29(b)):		
– Minimum lease payments	**96,648**	87,284
– Contingent lease payments	**3,358**	272
– Amortisation of deferred lease expense	**1,043**	911

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

9. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2013 and 2012 are as follows:

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Consolidated income statement:		
– Current income taxation	**17,020**	17,947
– (Over)/under provision in respect of previous years	**(102)**	242
– Withholding taxes relating to foreign sourced income	**79**	–
	16,997	18,189
Deferred income tax		
– Origination and reversal of temporary differences	**(558)**	(317)
– Over provision in respect of previous years	**(1,364)**	(78)
	(1,922)	(395)
Income tax expense recognised in profit or loss	**15,075**	17,794

(b) Relationship between income tax expense and accounting profit

A reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the years ended 30 June 2013 and 2012 is as follows:

Profit before tax	**53,156**	62,599
Tax at the domestic tax rates applicable to profits in the countries where the Group operates	**13,992**	15,384
Adjustments:		
– Non-deductible expenses	**4,618**	4,025
– Income not subject to taxation	**(3,423)**	(1,651)
– Effect of tax exemption	**(451)**	(531)
– Deferred tax assets not recognised	**1,709**	348
– (Over)/under provision of current tax in respect of previous years	**(102)**	242
– Over provision of deferred tax in respect of previous years	**(1,364)**	(78)
– Withholding taxes relating to foreign sourced income	**79**	–
– Others	**17**	55
Income tax expense recognised in profit or loss	**15,075**	17,794

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

9. Income tax expense (Continued)

(b) Relationship between income tax expense and accounting profit (Continued)

Parkson Corporation Sdn Bhd ("PCSB"), Kiara Innovasi Sdn Bhd ("Kiara Innovasi") and Parkson Online Sdn Bhd ("POSB")

The above companies are incorporated in Malaysia and are subjected to a tax rate of 25% for the financial year ended 30 June 2013 (2012: 25%).

Parkson Vietnam Co Ltd ("Parkson Vietnam"), Parkson Haiphong Co Ltd ("Parkson Haiphong"), Parkson Vietnam Management Services Co Ltd ("Vietnam Management") and Parkson Hanoi Co Ltd ("Parkson Hanoi")

The statutory Corporate Income Tax ("CIT") rate applicable to the above companies is 25%. Parkson Haiphong is entitled to an exemption from CIT for 2 years commencing from the first year in which a taxable profit is earned, and a 50% reduction of the applicable tax rate for the following 3 years. Parkson Haiphong is subjected to a tax rate of 25% for the financial year ended 30 June 2013 (2012: 12.5 %) as the entitlement for the 50% reduction of the applicable tax rate has ended.

Parkson Vietnam, Vietnam Management and Parkson Hanoi are subjected to a tax rate of 25% for the financial year ended 30 June 2013 (2012: 25%).

PT. Tozy Sentosa

The above company is incorporated in Indonesia and is subjected to a tax rate of 25% for the financial year ended 30 June 2013 (2012: 25%).

Parkson Retail Asia Limited, Centro Retail Pte Ltd, Parkson Myanmar Pte Ltd, Parkson Myanmar Investment Co Pte Ltd and Parkson Myanmar Asia Pte Ltd

The above companies are incorporated in Singapore and are subjected to a tax rate of 17% for the financial year ended 30 June 2013 (2012: 17%).

Parkson Cambodia Holdings Co Ltd

The above company is incorporated in the British Virgin Islands and not required to pay taxes.

Parkson (Cambodia) Co Ltd

The above company is incorporated in Cambodia and is subjected to a tax rate of 20% for the financial year ended 30 June 2013 (2012: 20%).

9. Taxation (Continued)

(b) Relationship between income tax expense and accounting profit (Continued)

Myanmar Parkson Company Ltd

The above company is incorporated in Myanmar during the financial year ended 30 June 2013 and is subjected to a tax rate of 25%.

10. Earnings per share

Basic earnings per share is calculated by dividing the profit 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 profit and share data used in the computation of basic earnings per share for the years ended 30 June:

	Group	
	2013	**2012**
Profit for the year attributable to owners of the Company (SGD'000)	**39,638**	45,469
Weighted average number of ordinary shares for basic earnings per share computation ('000)	**677,300**	650,415

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 2013 and 2012 are the same.

11. Investments in subsidiaries

	Company	
	2013	**2012**
	SGD'000	**SGD'000**
Shares, at cost	**155,506**	155,506
Exchange difference	**(2,384)**	–
	153,122	155,506

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

11. Investments in subsidiaries (Continued)

The Company has the following subsidiaries as at 30 June:

Name of company	Principal activities	Country of incorporation	Ownership interest 2013 %	2012 %
Held by the Company				
Parkson Corporation Sdn Bhd[(b)]	Operation of department stores	Malaysia	**100**	100
Centro Retail Pte Ltd[(a)]	Investment holding	Singapore	**100**	100
PT. Tozy Sentosa[(b)]	Operation of department stores, supermarkets and merchandising	Republic of Indonesia	**100[(*)]**	100[(*)]
Parkson Myanmar Co Pte Ltd[(a)(1)]	Investment holding	Singapore	**100**	–
Held by Parkson Corporation Sdn Bhd				
Parkson Vietnam Co Ltd[(b)]	Retailing and operation of a modern shopping centre	Socialist Republic of Vietnam	**100**	100
Parkson Haiphong Co Ltd[(b)]	Upgrade and leasing of retail space for establishment of a modern department store	Socialist Republic of Vietnam	**100**	100
Kiara Innovasi Sdn Bhd[(b)]	Operation of department stores	Malaysia	**60**	60
Parkson Online Sdn Bhd[(b)]	Online retailing	Malaysia	**100**	100
Parkson Cambodia Holdings Co Ltd[(b)]	Investment holding	British Virgin Islands	**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)	Socialist Republic of Vietnam	**100**	100
Parkson Hanoi Co Ltd[(b)]	Retailing and operation of modern shopping centres	Socialist Republic of Vietnam	**70**	70

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

11. Investments in subsidiaries (Continued)

Name of company	Principal activities	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %
Held by Parkson Cambodia Holdings Co Ltd				
Parkson (Cambodia) Co Ltd[b]	Operation of department stores	Kingdom of Cambodia	**100**	100
Held by Parkson Myanmar Co Pte Ltd				
Parkson Myanmar Investment Company Pte Ltd [a][2]	Investment holding	Singapore	**70**	–
Held by Parkson Myanmar Investment Company Pte Ltd				
Parkson Myanmar Asia Pte Ltd[a][3]	Investment holding	Singapore	**100**	–
Myanmar Parkson Company Limited[c][4]	Retailing and operation of a modern shopping centre	Republic of the Union of Myanmar	**100**[**]	–

(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

(1) Incorporated on 25 July 2012 with a paid-up share capital of SGD1

(2) Incorporated on 19 December 2012 with an initial paid-up share capital of USD3. The paid-up share capital was subsequently increased to USD3,000,000 on 15 February 2013

(3) Incorporated on 19 December 2012 with an initial paid-up share capital of USD1. The paid-up share capital was subsequently increased to USD30,001 on 15 February 2013

(4) Incorporated on 1 April 2013 with a paid-up share capital of USD300,000

(*) 27.78% is held via Centro Retail Pte Ltd

(**) 10% is held via Parkson Myanmar Asia Pte Ltd

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

12. Investment in an associate

	Group		Company	
	2013	2012	2013	2012
	SGD'000	SGD'000	SGD'000	SGD'000
Shares, at cost	**27,157**	–	**27,157**	–
Share of post-acquisition reserves	**454**	–	**–**	–
	27,611	–	**27,157**	–
Fair value of investment in an associate for which there is published price quotation	**28,852**	–	**28,852**	–

Details of the associate are as follows:

Name of company	Principal activities	Country of incorporation	Ownership interest	
			2013	2012
			%	%
Odel PLC[(a)]	Retailing and operation of modern shopping centres	Sri Lanka	**47.46**	–

(a) Audited by Ernst & Young, Sri Lanka

The Group acquired a total of 60,625,000 shares or 41.82% of the issued and paid up share capital in Odel PLC ("Odel") at LKR23.50 per share from Otara Del Gunewardene, Ruchi Hubert Gunewardene and Ajit Damon Gunewardene (collectively, the "Gunewardene Family") for a total consideration of approximately LKR1,424.7 million or SGD13.6 million on 31 July 2012 ("Completion Date"). In addition, the Group purchased a further 525,896 shares or 0.37% of the issued and paid up share capital of Odel at a weighted average price of LKR 23.46 per share for a consideration of approximately LKR12.3 million or SGD0.12 million in the open market. As a result, the Group held a 42.19% equity stake in Odel as at the Completion Date.

Pursuant to the aforementioned acquisition of shares, the Group was required under the Sri Lanka Company Take-Overs and Mergers Code 1995 (As amended in 2003) to make a mandatory offer ("Offer") for all the remaining shares in Odel at LKR23.50 per share being the highest price at which the Group has acquired the shares of Odel within the twelve-month period prior to the Completion Date. The total number of shares accepted as at the close of the Offer on 11 September 2012 was 3,424,536 shares, representing 2.36% of the issued and paid up share capital of Odel. This has increased the Group's shareholding in Odel to 64,575,432 shares, representing 44.55% of the issued and paid up share capital of Odel.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

12. Investment in an associate (Continued)

On 10 December 2012, Odel undertook a one-for-one rights issue of shares at LKR20.00 per share ("Odel Rights Issue") and raised approximately LKR2,543.6 million or SGD24 million to fund the development and expansion of Odel in Sri Lanka. As part of the Odel Rights Issue, the Group had subscribed for its full entitlement of 64,575,432 new ordinary shares in Odel for a sum of approximately LKR1,291.5 million or SGD12.2 million.

The Group now owns a total of 129,150,864 shares, representing approximately 47.46% of the issued and paid-up share capital of Odel.

The Group recognises its share of the associate's results based on the associate's audited financial statements drawn up to the most recent reporting date, which is 31 March 2013. The associated company, being listed on the Colombo Stock Exchange, is unable to release information other than those publicly published.

The summarised financial information of the associate as at 31 March 2013, not adjusted for the proportion of ownership interest held by the Group and Company, is as follows:

	2013 SGD'000
Assets and liabilities:	
Total assets	62,254
Total liabilities	12,819
Results:	
Revenue	43,622
Profit for the year	1,514

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

13. Property, plant and equipment

	Renovation SGD'000	Buildings SGD'000	Furniture and equipment SGD'000	Motor vehicles SGD'000	Capital work-in-progress SGD'000	Total SGD'000
2013						
Group						
Cost						
At 1 July 2012	**72,885**	**19,961**	**64,482**	**1,750**	**1,131**	**160,209**
Additions	**8,380**	**406**	**6,909**	**–**	**2,156**	**17,851**
Disposals	**(12)**	**–**	**(397)**	**(28)**	**–**	**(437)**
Reclassification	**543**	**–**	**393**	**–**	**(936)**	**–**
Transfer to intangible asset (Note 17)	**–**	**–**	**(142)**	**–**	**–**	**(142)**
Written off	**(3,214)**	**–**	**(7,236)**	**(39)**	**–**	**(10,489)**
Exchange differences	**(559)**	**(445)**	**103**	**(18)**	**(25)**	**(944)**
At 30 June 2013	**78,023**	**19,922**	**64,112**	**1,665**	**2,326**	**166,048**
Accumulated depreciation						
At 1 July 2012	**36,548**	**4,030**	**39,342**	**787**	**–**	**80,707**
Depreciation for the year	**9,648**	**1,130**	**7,887**	**240**	**–**	**18,905**
Disposals	**(1)**	**–**	**(388)**	**(27)**	**–**	**(416)**
Transfer to intangible asset (Note 17)	**–**	**–**	**(32)**	**–**	**–**	**(32)**
Written off	**(3,158)**	**–**	**(7,098)**	**(39)**	**–**	**(10,295)**
Exchange differences	**81**	**(96)**	**150**	**(2)**	**–**	**133**
At 30 June 2013	**43,118**	**5,064**	**39,861**	**959**	**–**	**89,002**
Net carrying amount	**34,905**	**14,858**	**24,251**	**706**	**2,326**	**77,046**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

13. Property, plant and equipment (Continued)

	Renovation SGD'000	Buildings SGD'000	Furniture and equipment SGD'000	Motor vehicles SGD'000	Capital work-in-progress SGD'000	Total SGD'000
2012						
Group						
Cost						
At 1 July 2011	55,685	19,661	56,908	1,673	1,983	135,910
Additions	9,676	–	9,996	337	8,516	28,525
Disposals	(1)	–	(168)	(232)	–	(401)
Reclassification	9,312	–	8	–	(9,320)	–
Written off	(638)	–	(1,095)	–	–	(1,733)
Exchange differences	(1,149)	300	(1,167)	(28)	(48)	(2,092)
At 30 June 2012	72,885	19,961	64,482	1,750	1,131	160,209
Accumulated depreciation						
At 1 July 2011	28,550	3,290	33,532	763	–	66,135
Depreciation for the year	9,442	684	7,895	249	–	18,270
Disposals	–	–	(135)	(208)	–	(343)
Written off	(632)	–	(1,058)	–	–	(1,690)
Exchange differences	(812)	56	(892)	(17)	–	(1,665)
At 30 June 2012	36,548	4,030	39,342	787	–	80,707
Net carrying amount	36,337	15,931	25,140	963	1,131	79,502

Assets held under finance leases

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

	Group 2013 SGD'000	Group 2012 SGD'000
Motor vehicles	–	22

The above assets were pledged as security for the related finance leases as at 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

13. Property, plant and equipment (Continued)

Capital work-in-progress

Capital work-in-progress includes ongoing renovation for department stores. These capital work-in-progress will be transferred to appropriate categories of property, plant and equipment when they are ready for their intended use.

14. Land use right

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Cost		
At 1 July	**8,963**	8,828
Exchange differences	**(200)**	135
At 30 June	**8,763**	8,963
Accumulated amortisation		
At 1 July	**469**	330
Amortisation for the year	**131**	133
Exchange differences	**(10)**	6
At 30 June	**590**	469
Net carrying amount	**8,173**	8,494
Amount to be amortised:		
– Not later than one year	**131**	133
– Later than one year but not later than five years	**523**	532
– Later than five years	**7,519**	7,829
	8,173	8,494

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 62 years and 6 months (2012: 63 years and 6 months).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

15. Deferred tax assets/liabilities

	At 1 July 2011 SGD'000	Recognised in profit or loss SGD'000	Exchange differences SGD'000	At 30 June 2012 SGD'000	Recognised in profit or loss SGD'000	Exchange differences SGD'000	At 30 June 2013 SGD'000
Group							
Deferred tax assets:							
Difference in depreciation for tax purposes	6	569	76	651	5	(33)	**623**
Provision	1,508	273	(21)	1,760	1,897	(4)	**3,653**
	1,514	842	55	2,411	1,902	(37)	**4,276**
Deferred tax liabilities:							
Difference in depreciation for tax purposes	(1,572)	(518)	30	(2,060)	12	(23)	**(2,071)**
Others	(385)	71	9	(305)	8	17	**(280)**
	(1,957)	(447)	39	(2,365)	20	(6)	**(2,351)**
	(443)	395	94	46	1,922	(43)	**1,925**

	Group 2013 SGD'000	Group 2012 SGD'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	**2,080**	594
Deferred tax liabilities	**(155)**	(548)
	1,925	46

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately SGD8,228,000 (2012: SGD1,392,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

15. Deferred tax assets/liabilities (Continued)

Tax consequences of proposed dividend

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 27).

16. Trade and other receivables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	SGD'000	**SGD'000 (Restated)**	**SGD'000**	**SGD'000**
Current:				
Trade receivables	**2,112**	2,634	**–**	–
Credit card receivables	**6,879**	6,125	**–**	–
Other receivables:				
– VAT receivables	**713**	1,985	**–**	–
– Redemption of gift vouchers and merchandise	**143**	95	**–**	–
– Others	**5,444**	5,458	**37**	181
Rental deposits	**2,192**	1,330	**–**	–
Other deposits	**10,771**	10,977	**–**	–
Deferred lease expense	**590**	545	**–**	–
Amount due from subsidiaries (non-trade)	**–**	–	**25,281**	33,776
Amount due from ultimate holding company (non-trade)	**14**	14	**–**	–
Amount due from related companies (non-trade)	**270**	148	**–**	–
Amount due from an associate	**2**	–	**2**	–
	29,130	29,311	**25,320**	33,957

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

16. Trade and other receivables (Continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	SGD'000	**SGD'000 (Restated)**	**SGD'000**	**SGD'000**
Non-current:				
Rental deposits	**11,352**	11,561	**–**	–
Deferred lease expenses	**11,907**	12,145	**–**	–
Other deposits	**564**	385	**–**	–
Loans to subsidiaries (non-trade)	**–**	–	**20,311**	–
	23,823	24,091	**20,311**	–
Total trade and other receivables (current and non-current)	**52,953**	53,402	**45,631**	33,957
Add: Cash and short-term deposits (Note 21)	**176,830**	190,346	**21,373**	77,111
Less: Deferred lease expenses	**(12,497)**	(12,690)	**–**	–
Total loans and receivables	**217,286**	231,058	**67,004**	111,068

Trade receivables

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

The Group has trade receivables amounting to SGD1,647,000 (2012: SGD1,839,000) 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	
	2013	**2012**
	SGD'000	**SGD'000**
Less than 30 days	**448**	983
30 to 60 days	**80**	178
61 to 90 days	**92**	65
More than 90 days	**1,027**	613
	1,647	1,839

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

16. Trade and other receivables (Continued)

Trade and other receivables (current) that are impaired

The Group's trade and other receivables 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	
	2013	**2012**
	SGD'000	**SGD'000**
Trade and other receivables – nominal amounts	**358**	471
Less: Allowance for impairment	**(358)**	(471)
	–	–
Movement in allowance accounts:		
At 1 July	**471**	380
Charge for the year	**64**	267
Write back	**(172)**	(173)
Exchange differences	**(5)**	(3)
At 30 June	**358**	471

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 and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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 2013

16. Trade and other receivables (Continued)

Rental deposits

Rental deposits are unsecured and non-interest bearing. Non-current amounts have a maturity ranging from 1 to 17 years (2012: 2 to 18 years). The 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.

There are no rental deposits that are impaired as at the end of the financial years ended 30 June 2013 and 2012.

Rental deposits denominated in foreign currencies are as follows:

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
United States Dollar	**6,258**	9,911

Other deposits (current)

Included in "Other deposits" are deposits amounting to SGD10,093,000 (2012: SGD10,323,000) paid by Parkson Vietnam to the individual owners of two Vietnamese companies as well as to one of the Vietnamese companies for the purpose of acquiring the share capital of these two Vietnam companies. These companies own three Parkson department stores in Vietnam operated and managed by Parkson Vietnam Management Services Co Ltd, pursuant to management agreements entered into with these companies. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

16. Trade and other receivables (Continued)

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 amount, which are amortised on a straight-line basis over the remaining lease terms ranging from 1 to 17 years (2012: 2 to 18 years).

The movement in deferred lease expenses is as follows:

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
At 1 July	**12,690**	10,663
Additions during the year	**1,029**	2,918
Recognised in profit or loss	**(1,043)**	(911)
Exchange differences	**(179)**	20
At 30 June	**12,497**	12,690

Amounts due from ultimate holding company/related companies/subsidiaries

The outstanding balances are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash. Related companies refer to companies within the Parkson Holdings Berhad Group.

Loans to subsidiaries

The outstanding balances are non-trade related, unsecured, repayable upon demand and are to be settled in cash. The settlement of loans to subsidiaries is not likely to occur in the foreseeable future. The loans to subsidiaries are non-interest bearing except for loan to one of the subsidiaries amounting to SGD13,359,000 (2012: nil), which bears interest at 7.95% (2012: nil) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

17. Intangible assets

	Customer relation-ships SGD'000	Goodwill SGD'000	Club member-ships SGD'000	Software SGD'000	Deferred develop-ment costs SGD'000	Total SGD'000
Group						
Cost						
At 1 July 2011	1,536	5,649	117	–	–	7,302
Additions	–	–	–	256	470	726
Exchange differences	(38)	(101)	(16)	–	–	(155)
At 30 June 2012 and 1 July 2012	1,498	5,548	101	256	470	7,873
Additions	–	–	–	517	–	517
Reclassification	–	–	–	470	(470)	–
Transfer from property, plant and equipment	–	–	–	142	–	142
Exchange differences	(77)	(306)	–	(11)	–	(394)
At 30 June 2013	**1,421**	**5,242**	**101**	**1,374**	**–**	**8,138**
Accumulated amortisation and impairment						
At 1 July 2011	–	–	–*	–	–	–*
Additions	312	–	26	22	–	360
At 30 June 2012 and 1 July 2012	312	–	26	22	–	360
Additions	287	–	–	287	–	574
Transfer from property, plant and equipment	–	–	–	32	–	32
Exchange differences	(31)	–	–	(2)	–	(33)
At 30 June 2013	**568**	**–**	**26**	**339**	**–**	**933**
Net carrying amount						
At 30 June 2012	1,186	5,548	75	234	470	7,513
At 30 June 2013	**853**	**5,242**	**75**	**1,035**	**–**	**7,205**

* *This amount is less than SGD1,000*

Customer relationships

Customer relationships arise from the Centro Friends loyalty programme that was acquired in a business combination. As disclosed in Note 2.8(b)(ii), customer relationships will be amortised over their estimated useful lives of 5 years and the remaining useful lives is 3 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

17. Intangible assets (Continued)

Deferred development costs

Deferred development costs relate to the development costs for the online retail website. All research and development costs that are not eligible for capitalisation have been recognised in profit or loss. The online retail website has been completed and reclassified to software during the financial year ended 30 June 2013.

Amortisation expense

The amortisation of customer relationships, club memberships and software is included in the "Depreciation and amortisation expenses" line item in profit or loss.

Impairment testing of goodwill

Intangibles acquired through business combinations have been allocated to the cash-generating unit ("CGU") which is also the reportable geographical segment in Indonesia as described in Note 31. The operations in the Indonesia geographical segment are managed by one of the Company's subsidiary, PT Tozy Sentosa. The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are 11.0% (2012: 11.0%) and 4.3% (2012: 4.8%) respectively.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on past performances and the expectation of market developments.

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industry relevant to the CGU.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Market share assumptions – These assumptions are important because, besides using industry data for growth rates (as noted above), management assesses how the CGU's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the Indonesia's retail market to be growing over the budget period.

During the financial years ended 30 June 2013 and 2012, no impairment loss for intangible assets was recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

18. Derivatives

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Option to purchase additional shares in Kiara Innovasi[1], representing total financial assets at fair value through profit or loss	**21**	21

[1] This relates to an irrevocable option granted to PCSB by Galaxy Point Sdn Bhd to purchase the remaining 40% paid-up share capital of Kiara Innovasi from the non-controlling shareholder at the net tangible assets value of Kiara Innovasi.

19. Investment securities

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Available-for-sale financial assets:		
Equity instruments (unquoted), at cost	**93**	93

20. Inventories

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Balance sheet:		
Merchandise inventories	**58,173**	58,182
Consumables	**36**	49
	58,209	58,231
Income statement:		
Inventories recognised as an expense in changes in merchandise inventories and consumables	**181,731**	173,186
Write down of inventories	**–**	283
Inventory shrinkages	**2,380**	834

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

21. Cash and short-term deposits

	Group		Company	
	2013	2012	2013	2012
	SGD'000	SGD'000	SGD'000	SGD'000
Cash at bank and on hand	**36,961**	19,101	**11,359**	2,452
Short-term deposits placed with:				
– Licensed finance companies	**73,118**	42,325	**–**	–
– Licensed banks	**66,751**	128,920	**10,014**	74,659
Cash and short-term deposits	**176,830**	190,346	**21,373**	77,111
Bank overdrafts (Note 24)	**–**	(56)	**–**	–
Cash and cash equivalents	**176,830**	190,290	**21,373**	77,111

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 rates for the Group and the Company as at 30 June 2013 were 2.15% (2012: 2.43%) and 0.47% (2012: 0.75%) respectively per annum.

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

	Group		Company	
	2013	2012	2013	2012
	SGD'000	SGD'000	SGD'000	SGD'000
Singapore Dollar	**20,932**	67,671	**20,932**	67,462
United States Dollar	**851**	10,363	**59**	9,649
Sri Lanka Rupee	**382**	–	**382**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

22. Trade and other payables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
Current:				
Trade payables	**132,412**	130,043	**–**	–
Payables to suppliers of property, plant and equipment	**1,341**	494	**–**	–
Other payables	**11,180**	10,393	**220**	434
Rental deposits	**1,574**	2,007	**–**	–
Deferred lease income	**72**	–	**–**	–
Amount due to a subsidiary (non-trade)	**–**	–	**–**	15,599
Amount due to ultimate holding company (non-trade)	**372**	376	**–**	–
Amount due to related companies (non-trade)	**564**	343	**361**	167
	147,515	143,656	**581**	16,200
Non-current:				
Rental deposits	**4,429**	3,266	**–**	–
Deferred lease income	**2,548**	2,743	**–**	–
Provision for severance allowance	**20**	118	**–**	–
Defined benefit plan	**293**	893	**–**	–
Other payables	**9**	–	**–**	–
	7,299	7,020	**–**	–
Total trade and other payables (current and non-current)	**154,814**	150,676	**581**	16,200
Add:				
Other liabilities (Note 23)	**11,567**	11,793	**–**	–
Loans and borrowings (Note 24)	**–**	61	**–**	–
Less:				
Deferred lease income	**(2,620)**	(2,743)	**–**	–
Defined benefit plan	**(293)**	(893)	**–**	–
Provision for severance allowance	**(20)**	(118)	**–**	–
Total financial liabilities carried at amortised cost	**163,448**	158,776	**581**	16,200

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

22. Trade and other payables (Continued)

Trade payables

These amounts 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 day's terms.

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

	Group and Company	
	2013	2012
	SGD'000	SGD'000
Singapore Dollar	**220**	434

Amounts due to ultimate holding company/related companies/subsidiary (non-trade)

The outstanding balances are non-trade related, 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. Non-current rental deposits have maturity ranging from 1 to 17 years (2012: 2 to 18 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	
	2013	2012
	SGD'000	SGD'000
United States Dollar	**–**	2,582

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

22. Trade and other payables (Continued)

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 17 years (2012: 2 to 18 years). The movement in deferred lease income is as follows:

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
At 1 July	**2,743**	1,192
Additions during the year	**374**	2,355
Refunds during the year	**–**	(572)
Recognised in profit or loss	**(500)**	(222)
Exchange differences	**3**	(10)
At 30 June	**2,620**	2,743

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 2013 are as follows:

Annual discount rate:	6.36%
Future annual salary increment:	8%
Retirement age:	55 years of age

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

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Current service cost	**123**	634
Interest cost on benefit obligations	**120**	130
Expected return on planned assets	**(23)**	(54)
Net actuarial gain recognised during the year	**(790)**	(61)
Past service cost	**16**	18
Net benefit (income)/expense recognised in profit or loss	**(554)**	667

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

22. Trade and other payables (Continued)

Defined benefit plan (Continued)

The estimated liabilities for employee benefits as at the financial years ended 30 June 2013 and 2012 are as follows:

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Defined benefit obligations	**849**	2,293
Fair value of planned assets	**(236)**	(356)
	613	1,937
Unrecognised actuarial loss	**47**	(657)
Unrecognised past service cost	**(367)**	(387)
Liabilities as at 30 June	**293**	893
Changes in the present value of the defined benefit obligations are as follows:		
Benefits obligations at 1 July	**893**	249
Current service cost	**123**	634
Interest cost on benefit obligations	**120**	130
Expected return on planned assets	**(23)**	(54)
Net actuarial gain recognised during the year	**(790)**	(61)
Past service cost	**16**	18
Exchange difference	**(46)**	(23)
Benefits obligations at 30 June	**293**	893

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

23. Other liabilities

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Accrued operating expenses	**9,775**	8,941
Accrued staff costs	**249**	349
Others	**1,543**	2,503
	11,567	11,793
Deferred revenue from gift vouchers	**8,003**	7,800
Deferred revenue from customer loyalty award	**3,686**	3,641
	23,256	23,234

Deferred revenue from customer loyalty award

Deferred revenue from customer loyalty award represents consideration received from the sale of goods that is allocated to the points issued under the customer loyalty programme that are expected to be redeemed but are still outstanding as at the end of the reporting period. The movement in the deferred revenue is as follows:

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
At 1 July	**3,641**	3,240
Additions during the year	**2,233**	2,701
Recognised in profit or loss	**(2,103)**	(2,298)
Exchange differences	**(85)**	(2)
At 30 June	**3,686**	3,641

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

24. Loans and borrowings

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Current:		
Finance lease liabilities (Note 29(d))	–	5
Bank overdrafts	–	56
	–	61

Obligations under finance leases

These obligations were denominated in Malaysian Ringgit and secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases is 9.32% (2012: 9.32%) per annum.

Obligations under finance leases were fully repaid and the security has been discharged during the financial year ended 30 June 2013.

Bank overdrafts

Bank overdrafts were denominated in Malaysian Ringgit, unsecured and bore interest at 2.25% per annum for the financial year ended 30 June 2012. Bank overdrafts were fully repaid during the financial year ended 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

25. Share capital

	Company			
	2013		2012	
	No. of shares '000	SGD'000	No. of shares '000	SGD'000
Issued and fully paid ordinary shares:				
At 1 July	**677,300**	**231,676**	159,279	159,279
Issuance of bonus shares	**–**	**–**	438,021	–
Issuance of shares pursuant to the Group's IPO	**–**	**–**	80,000	75,200
Share issuance expense pursuant to the Group's IPO	**–**	**–**	–	(2,803)
At 30 June	**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 are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

26. Other reserves

		Group		Company	
		2013 SGD'000	2012 SGD'000	2013 SGD'000	2012 SGD'000
Foreign currency translation reserve	(a)	**(24,551)**	(22,793)	**(4,250)**	(2,526)
Capital redemption reserve	(b)	**1**	1	**–**	–
Capital contribution from ultimate holding company	(c)	**9,959**	9,959	**–**	–
Merger reserve	(d)	**(123,753)**	(123,753)	**–**	–
Bargain purchase of non-controlling interests	(e)	**439**	439	**–**	–
		(137,905)	(136,147)	**(4,250)**	(2,526)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

26. Other reserves (Continued)

(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	
	2013	2012	2013	2012
	SGD'000	SGD'000	SGD'000	SGD'000
At 1 July	**(22,793)**	(19,378)	**(2,526)**	209
Foreign currency translation	**(1,758)**	(3,415)	**(1,724)**	(2,735)
At 30 June	**(24,551)**	(22,793)	**(4,250)**	(2,526)

(b) Capital redemption reserve

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

(c) 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 2013, no options under the Parkson Retail ESOS have been granted. However, 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 are due to expire on 6 May 2013 were terminated on 31 May 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

26. Other reserves (Continued)

(d) 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".

(e) Bargain purchase of non-controlling interests

This represents the difference between the carrying value of the non-controlling interests acquired and the fair value of the consideration paid which is recognised directly in equity.

27. Dividends

	Group	
	2013	2012
	SGD'000	SGD'000
Declared and paid during the financial year:		
Dividends declared by Parkson Hanoi and paid to non-controlling interests*	–	(1,315)
Final exempt (one-tier) dividend for 2012: SGD0.03 (2011: Nil) per share	**(20,319)**	–

* *The charter capital of Parkson Hanoi is not divided into a defined number of shares. Accordingly, dividend per share is not disclosed.*

	Group and Company	
	2013	2012
	SGD'000	SGD'000
Proposed and not recognised as a liability as at 30 June:		
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2013: SGD0.027 (2012: SGD0.03) per share	**18,287**	20,319

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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	
	2013	**2012**
	SGD'000	**SGD'000**
Sale of gift vouchers to director related companies:		
– Amsteel Mills Marketing Sdn Bhd	**63**	51
– Amsteel Mills Sdn Bhd	**6**	60
– Megasteel Sdn Bhd	**216**	24
– Posim Petroleum Marketing Sdn Bhd	**14**	–
	299	135
Purchase of goods and services from director related companies:		
– Secom (Malaysia) Sdn Bhd	**267**	302
– Posim Marketing Sdn Bhd	**379**	371
– Posim EMS Sdn Bhd	**331**	379
– Lion Trading & Marketing Sdn Bhd	**153**	379
– WatchMart (M) Sdn Bhd	**237**	169
– PT Mitra Samaya	**–**	166
– PT Monica Hijaulestari	**3,923**	3,418
– Bonuskad Loyalty Sdn Bhd	**4,527**	4,138
	9,817	9,322
Purchase of goods and services from a subsidiary of the ultimate holding company, Parkson Holdings Berhad:		
– Park Avenue Fashion Sdn Bhd	**8**	23
Sale of goods and services to director related companies:		
– Bonuskad Loyalty Sdn Bhd	**6,406**	5,959
Rental of office space from a director related company:		
– Visionwell Sdn Bhd	**54**	53
Rental of retail space from a director related company:		
– 1st Avenue Mall Sdn Bhd	**–**	710
Rental of office and warehouse space from a subsidiary of a shareholder, PT Mitra Samaya:		
– PT Tozy Bintang Sentosa	**300**	419
Rental of retail space from a subsidiary of the ultimate holding company, Parkson Holdings Berhad:		
– Festival City Sdn Bhd	**1,942**	1,199

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

28. Related party transactions (Continued)

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

	Group 2013 SGD'000	Group 2012 SGD'000
Royalty income from an associate of PHB Group:		
– Shanghai Lion Parkson Investment Consultant Co., Ltd	–	339
Royalty expense to a subsidiary of a shareholder, ECIL:		
– Smart Spectrum Limited	**192**	172

(b) Compensation of key management personnel

	Group 2013 SGD'000	Group 2012 SGD'000
Short-term employee benefits	**2,475**	2,373
Contribution to defined contribution plans	**156**	152
	2,631	2,525
Comprise amounts paid to:		
Directors of the Company	**1,676**	1,534
Other key management personnel	**955**	991
	2,631	2,525
Key management personnel's interests in PHB ESOS		
At 1 July	–	578
Exercised during the year	–	(42)
Terminated	–	(536)
	–	–

No employee share options were granted to key management personnel, while 42,000 employee share options were exercised by key management personnel during the financial year ended 30 June 2012. As noted in Note 26(c), the PHB ESOS was terminated on 31 May 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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	
	2013	**2012**
	SGD'000	**SGD'000**
Capital commitments in respect of property, plant and equipment	**2,775**	266

(b) Operating lease commitments – as lessee

In addition to the land use right disclosed in Note 14, the Group has entered into commercial leases on certain department stores. These leases have remaining lease terms of between 1 and 24 years (2012: 1 and 18 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.

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 2013 and 2012 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	
	2013	**2012**
	SGD'000	**SGD'000**
Not later than one year	**82,904**	72,205
Later than one year and not later than five years	**228,150**	178,637
Later than five years	**327,095**	195,192
	638,149	446,034

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

29. Commitments (Continued)

(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 (2012: 1 and 3 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	
	2013	**2012**
	SGD'000	**SGD'000**
Not later than one year	**16,479**	18,705
Later than one year and not later than five years	**6,762**	20,055
Later than five years	**3,757**	–
	26,998	38,760

(d) Finance lease commitments

The Group has finance leases for certain items of motor vehicles. There are no terms of renewal, purchase options or escalation clauses included in the lease agreements.

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

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Minimum lease payments:		
Not later than one year, representing total minimum lease payments	**–**	5
Less: Amounts representing finance charges	**–**	–*
Present value of minimum lease payments	**–**	5

* *This amount is less than SGD1,000*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

30. Contingent liabilities

On 25 April 2013, The Store (Terengganu) Sdn Bhd ("Plaintiff") has filed a claim against Parkson Corporation Sdn Bhd ("Defendant"), a wholly-owned subsidiary of the Company in respect of unlawful interference with the Plaintiff's tenancy agreement with a third party landlord. Amount claimed is subject to court ruling and is indeterminable at the reporting date. The subsidiary has been advised by its legal counsel that it has a strong case against the Plaintiff's claim and accordingly no provision for any liability has been made in these financial statements.

31. Segment information

The Group has a single operating segment – the operation and management of retail stores. 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) Socialist Republic of Vietnam ("Vietnam")
(c) Republic of Indonesia ("Indonesia")
(d) Republic of the Union of Myanmar ("Myanmar")
(e) Kingdom of Cambodia ("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.

	Malaysia SGD'000	Vietnam SGD'000	Indonesia SGD'000	Myanmar SGD'000	Cambodia SGD'000	Adjustments SGD'000	Unallocated assets/ liabilities SGD'000	Note	Total SGD'000
2013									
Revenue:									
Sales to external customers	**350,194**	**43,386**	**52,498**	**228**	**–**	**–**	**–**		**446,306**
Segment results:									
Depreciation and amortisation expenses	**(11,969)**	**(4,118)**	**(3,490)**	**(33)**	**–**	**–**	**–**		**(19,610)**
Rental expenses	**(66,755)**	**(20,522)**	**(13,651)**	**(121)**	**–**	**–**	**–**		**(101,049)**
Finance income	**3,942**	**1,908**	**187**	**–**	**–**	**202**	**–**		**6,239**
Finance costs	**(52)**	**(319)**	**–**	**–**	**–**	**–**	**–**		**(371)**
Taxation	**(11,878)**	**(1,752)**	**(1,362)**	**–**	**–**	**(83)**	**–**		**(15,075)**
Segment profit	**33,898**	**1,538**	**4,103**	**(164)**	**8**	**(1,302)**	**–**	**A**	**38,081**
Assets:									
Additions to non-current assets	**9,960**	**1,867**	**4,998**	**1,543**	**–**	**–**	**–**	**B**	**18,368**
Segment assets	**246,930**	**78,486**	**52,448**	**5,529**	**5,212**	**454**	**48,566**	**C**	**437,625**
Segment liabilities	**146,013**	**14,162**	**17,411**	**1,574**	**10**	**–**	**584**	**D**	**179,754**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

31. Segment information (Continued)

	Malaysia SGD'000	Vietnam SGD'000	Indonesia SGD'000	Cambodia SGD'000	Adjustments SGD'000	Unallocated assets/ liabilities SGD'000	Note	Total SGD'000
2012								
Revenue (Restated):								
Sales to external customers	338,803	40,440	54,232	–	–	–		433,475
Segment results (Restated):								
Depreciation and amortisation expenses	(12,095)	(3,335)	(3,333)	–	–	–		(18,763)
Rental expenses	(60,475)	(16,762)	(11,230)	–	–	–		(88,467)
Finance income	3,555	1,651	156	–	–	–		5,362
Finance costs	(96)	(372)	–	–	–	–		(468)
Taxation	(15,424)	(2,112)	(258)	–	–	–		(17,794)
Segment profit	37,409	3,862	3,436	291	(193)	–	A	44,805
Assets:								
Additions to non-current assets	11,692	7,398	10,161	–	–	–	B	29,251
Segment assets	209,314	81,377	43,206	5,226	–	77,501	C	416,624
Segment liabilities	144,238	15,268	15,726	13	–	603	D	175,848

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

31. Segment information (Continued)

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

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

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Grant of equity-settled share options to employees	**–**	(56)
Corporate expenses	**(2,036)**	(137)
Share of profit of an associate	**734**	–
	(1,302)	(193)

B Additions to non-current assets refer to additions to property, plant and equipment, land use rights and intangible assets.

C Unallocated corporate assets are added to the segment assets to arrive at "total assets" reported in the consolidated balance sheet.

D Unallocated corporate liabilities are added to the segment liabilities to arrive at "total liabilities" reported in the consolidated balance sheet.

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

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Malaysia	**36,070**	37,934
Vietnam	**31,229**	34,265
Indonesia	**23,612**	23,310
Myanmar	**1,513**	–
	92,424	95,509

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.

32. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced liquidation or sale.

(a) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
	Significant unobservable inputs (Level 3)	
Derivatives (Note 18)	**21**	21

Determination of fair value

Derivatives (Note 18): Fair value is determined using a valuation technique based on the probability of PCSB exercising the option to purchase additional shares in Kiara Innovasi that is not supportable by observable market data.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

32. Fair value of financial instruments (Continued)

(b) 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 16), Current trade and other payables (Note 22), Other liabilities (Note 23) and Loans and borrowings (Note 24)

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 16) 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.

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

The fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value are as follows:

	Group		Company	
	2013	2012	2013	2012
	SGD'000	SGD'000	SGD'000	SGD'000
Financial assets:				
Non-current:				
Loans to subsidiaries, at cost (Note 16):				
Carrying amount	**–**	–	**20,311**	–
Fair value	**–**	–	*****	–
Current:				
Equity instruments (unquoted), at cost (Note 19):				
Carrying amount	**93**	93	**–**	–
Fair value	******	**	**–**	–

* *Loans to subsidiaries carried at cost*

Fair value information has not been disclosed for the Company's loans to subsidiaries that are carried at cost because fair value cannot be measured reliably. The fair value of these balances is not determinable as the timing of the future cash flows arising from the balances cannot be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

32. Fair value of financial instruments (Continued)

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

** *Investment in equity instruments carried at cost*

Fair value information has not been disclosed for the Group's investment in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in Lion Insurance Co Ltd that is not quoted on any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future. The Group intends to eventually dispose of this investment through sale to institutional investors.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

33. Financial risk management objectives and policies (Continued)

(a) Liquidity risk (Continued)

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 2013				
Financial assets				
Trade and other receivables	**28,540**	**4,778**	**22,729**	**56,047**
Derivatives	**–**	**–**	**21**	**21**
Cash and short-term deposits	**176,830**	**–**	**–**	**176,830**
Total undiscounted financial assets	**205,370**	**4,778**	**22,750**	**232,898**
Financial liabilities				
Trade and other payables	**147,443**	**5,711**	**1,311**	**154,465**
Other liabilities	**11,567**	**–**	**–**	**11,567**
Total undiscounted financial liabilities	**159,010**	**5,711**	**1,311**	**166,032**
Total net undiscounted financial assets/(liabilities)	**46,360**	**(933)**	**21,439**	**66,866**
Group				
30 June 2012				
Financial assets				
Trade and other receivables	28,766	7,780	22,408	58,954
Derivatives	–	–	21	21
Cash and short-term deposits	190,346	–	–	190,346
Total undiscounted financial assets	219,112	7,780	22,429	249,321
Financial liabilities				
Trade and other payables	143,656	3,792	1,200	148,648
Other liabilities	11,793	–	–	11,793
Loans and borrowings	61	–	–	61
Total undiscounted financial liabilities	155,510	3,792	1,200	160,502
Total net undiscounted financial assets	63,602	3,988	21,229	88,819

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

33. Financial risk management objectives and policies (Continued)

(a) Liquidity risk (Continued)

	One year or less SGD'000	Over five years SGD'000	Total SGD'000
Company			
30 June 2013			
Financial assets			
Trade and other receivables	**25,320**	**20,311**	**45,631**
Cash and short-term deposits	**21,373**	**–**	**21,373**
Total undiscounted financial assets	**46,693**	**20,311**	**67,004**
Financial liabilities			
Trade and other payables, representing total undiscounted financial liabilities	**581**	**–**	**581**
Total net undiscounted financial assets	**46,112**	**20,311**	**66,423**

	One year or less SGD'000
Company	
30 June 2012	
Financial assets	
Trade and other receivables	33,957
Cash and short-term deposits	77,111
Total undiscounted financial assets	111,068
Financial liabilities	
Trade and other payables, representing total undiscounted financial liabilities	16,200
Total net undiscounted financial assets	94,868

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

33. Financial risk management objectives and policies (Continued)

(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 with the result that the Group's exposure to bad debts is not significant.

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include operating and management of department stores in various geographical regions. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk 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 department stores in Malaysia, Vietnam, Indonesia and Myanmar.

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.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

33. Financial risk management objectives and policies (Continued)

(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 holds cash and short-term deposits denominated in foreign currencies for working capital purposes and have transactional currency exposures arising from non-trade 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") and Singapore Dollar ("SGD").

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD and SGD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

		Group	
		2013	**2012**
		SGD'000	**SGD'000**
		Profit before tax	
USD against VND	– strengthened 3%	**243**	396
	– weakened 3%	**(243)**	(396)
USD against RM	– strengthened 3%	**–**	286
	– weakened 3%	**–**	(286)
SGD against RM	– strengthened 3%	**621**	2,534
	– weakened 3%	**(621)**	(2,534)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 2013 and 30 June 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's guideline is to keep the gearing ratio below 50%. The Group includes within net debt, trade and other payables, other liabilities and loans and borrowings, less cash and short-term deposits. Capital consists of equity attributable to owners of the Company.

	Group	
	2013	**2012**
	SGD'000	**SGD'000**
Trade and other payables (Note 22)	**154,814**	150,676
Other liabilities (Note 23)	**23,256**	23,234
Loans and borrowings (Note 24)	**–**	61
Less: Cash and short-term deposits (Note 21)	**(176,830)**	(190,346)
Net debt/(net cash)	**1,240**	(16,375)
Equity attributable to the owners of the Company, representing total capital	**255,385**	237,824
Capital and net debt	**256,625**	221,449
Gearing ratio	**0.5%**	N.A.*

* *As at 30 June 2012, there was no gearing ratio as the Group was in a net cash position.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

35. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

The items are restated as follows:

	Group		
	As previously reported SGD'000	**Adjustments SGD'000**	**As restated SGD'000**
Consolidated income statement:			
Revenue	442,276	(8,801)	433,475
Other income	8,825	573	9,398
Employee benefits expense	(46,646)	(418)	(47,064)
Promotional and advertising expenses	(9,031)	(1,680)	(10,711)
Rental expenses	(84,314)	(4,153)	(88,467)
Other expenses	(61,456)	14,479	(46,977)
	249,654	–	249,654
Balance sheets:			
Non-current:			
Other receivables	27,211	(3,120)	24,091
Prepayments	11,592	2,575	14,167
Current:			
Trade and other receivables	28,766	545	29,311
	67,569	–	67,569

36. Events occurring after the reporting period

On 12 September 2013, Parkson Corporation Sdn Bhd, a wholly-owned subsidiary of the Company, has incorporated a wholly-owned subsidiary in Vietnam known as Parkson SGN Co Ltd ("Parkson SGN"). The charter capital of Parkson SGN is VND93,726,000,000 (SGD5,633,000). The principal activity of Parkson SGN is that of operating of retail stores.

37. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 23 September 2013.

SHAREHOLDING STATISTICS

AS AT 16 SEPTEMBER 2013

NO. OF SHARES ISSUED	:	677,300,000
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE (1) VOTE PER SHARE
NO. OF TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1 – 999	3	1.29	243	0.00
1,000 – 10,000	173	74.57	655,000	0.10
10,001 - 1,000,000	49	21.12	3,009,592	0.44
1,000,001 & ABOVE	7	3.02	673,635,165	99.46
TOTAL	232	100.00	677,300,000	100.00

TWENTY LARGEST SHAREHOLDERS

NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
UOB KAY HIAN PTE LTD	474,269,000	70.02
DBS NOMINEES PTE LTD	85,494,156	12.62
CITIBANK NOMINEES S'PORE PTE LTD	79,454,709	11.73
HSBC (SINGAPORE) NOMINEES PTE LTD	12,958,000	1.91
DBSN SERVICES PTE LTD	11,140,300	1.65
RAFFLES NOMINEES (PTE) LTD	8,815,000	1.30
CIMB SECURITIES (S'PORE) PTE LTD	1,504,000	0.22
MERRILL LYNCH (S'PORE) PTE LTD	491,592	0.07
MORGAN STANLEY ASIA (S'PORE) PTE LTD	435,000	0.07
UNITED OVERSEAS BANK NOMINEES PTE LTD	299,000	0.05
LEONG MUN SUM @ LEONG HENG WAN	150,000	0.02
BAY LEE CHUANG	100,000	0.01
HO LI WEN	99,000	0.01
HO HIN WAH	80,000	0.01
ABN AMRO CLEARING BANK N.V.	70,000	0.01
BANK OF SINGAPORE NOMINEES PTE LTD	60,000	0.01
LOW CHIN HAN	60,000	0.01
WEE KHENG JIN	60,000	0.01
BNP PARIBAS SECURITIES SERVICES S'PORE BRANCH	57,000	0.01
DBS VICKERS SECURITIES (S) PTE LTD	55,000	0.01
TOTAL	675,651,757	99.75

SHAREHOLDING STATISTICS

AS AT 16 SEPTEMBER 2013

Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote per share
No. of issued and paid-up shares	:	677,300,000

Register of Substantial Shareholders as at 16 September 2013

	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
East Crest International Limited	457,933,300	67.61	–	–
Parkson Holdings Berhad[1]	–	–	457,933,300	67.61
Tan Sri Cheng Heng Jem[2]	500,000	0.074	457,933,300	67.61

Notes:–

(1) Parkson Holdings Berhad ("PHB") is the sole shareholder of East Crest International Limited, and is deemed to be interested in the Shares held by East Crest International Limited by virtue of Section 7(4) of the Companies Act.

(2) Tan Sri Cheng Heng Jem holds, directly and indirectly, 48.15% of the voting shares in PHB, which is the sole shareholder of East Crest International Limited. As such, Tan Sri Cheng Heng Jem is deemed to be interested in the Shares held by East Crest International Limited by virtue of Section 7(4A) of the Companies Act.

Percentage of Shareholding in the Hands of Public

As at 16 September 2013, 32.21% 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

PARKSON RETAIL ASIA LIMITED
(Company Registration No. 201107706H)
(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Parkson Retail Asia Limited ("the Company") will be held at Pisces/Aquarius Room, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Thursday, 24 October 2013 at 2.30pm for the purposes of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 30 June 2013 together with the Auditors' Report thereon.
(Resolution 1)

2. To re-elect the following Directors retiring pursuant to Article 91 of the Articles of Association of the Company:

   (a) Mr Toh Peng Koon (Resolution 2)
   (b) Mr Tan Soo Khoon (Resolution 3)
   (c) Mr Michel Grunberg (Resolution 4)

   Both Messrs Tan Soo Khoon and Michel Grunberg are considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Mr Tan Soo Khoon will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Chairman of the Remuneration Committee. Mr Michel Grunberg will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee.

3. To re-appoint Tan Sri Cheng Heng Jem as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office until the next Annual General Meeting of the Company.
(Resolution 5)

4. To approve the payment of a final dividend of SGD0.027 per ordinary share tax exempt (1-tier) for the financial year ended 30 June 2013.
(Resolution 6)

5. To approve the payment of Directors' fee of SGD460,000 for the financial year ending 30 June 2014, payable quarterly in arrears.
(Resolution 7)

6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 8)

7. To transact any other ordinary business which may be properly transacted at an annual general meeting.

NOTICE OF 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:

8. 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

(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 (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 (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.

NOTICE OF ANNUAL GENERAL MEETING

(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 is based on the Company's total number of issued shares excluding treasury shares 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 Articles of Association 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 9)

9. 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 10)

By Order of the Board

Toh Peng Koon
Chief Executive Officer

Singapore

Dated: 09 October 2013

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ordinary Resolution 9 proposed under Agenda 8 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until 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 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 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 of the Company.

(ii) Ordinary Resolution 10 proposed under Agenda 9 above, if passed, will empower the Directors of the Company, effective 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 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.

Books Closure Date and Payment Date for Final Dividend

Subject to the approval of the shareholders at this Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 08 November 2013 ("Book Closure Date") for the purpose of determining Shareholders' entitlement to the dividend ("Dividend").

Duly completed registrable transfer received by the Company's Share Registrar, B.A.C.S. Private Limited of 63 Cantonment Road Singapore 089758, up to 5.00pm. on 07 November 2013 will be registered to determine Shareholders' entitlement to the Dividend. In respect of shares in the securities accounts with The Central Depository (Pte) Limited ("CDP"), the Dividend will be paid by the Company to CDP which will distribute the dividend to holders of the securities accounts.

The final dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 22 November 2013.

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy must be deposited at the Office of the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited of 63 Cantonment Road Singapore 089758 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

The initial public offering of the Company's shares was sponsored by the Hongkong and Shanghai Banking Corporation Limited, Singapore ("HSBC"). The Joint Bookrunners and Joint Underwriters were HSBC and CIMB Securities (Singapore) Pte Ltd, and the Co-Lead Manager was CLSA Singapore Pte. Ltd.

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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 Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ______________________________

of ______________________________

being a member/members of Parkson Retail Asia Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		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 Pisces/Aquarius Room, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Thursday, 24 October 2013 at 2.30pm 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. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

		To be used on a show of hands		To be used in the event of a poll	
No.	Resolutions relating to:	For*	Against*	No. of Votes For**	No. of Votes Against**
1	Directors' Report and Audited Financial Statements for the year ended 30 June 2013				
2	Re-election of Mr Toh Peng Koon as a Director				
3	Re-election of Mr Tan Soo Khoon as a Director				
4	Re-election of Mr Michel Grunberg as a Director				
5	Re-appointment of Tan Sri Cheng Heng Jem as a Director				
6	Approval of a final dividend of SGD0.027 per ordinary share tax exempt (1-tier) for the financial year ended 30 June 2013				
7	Approval of Directors' fee of SGD460,000 for the financial year ending 30 June 2014, payable quarterly in arrears				
8	Re-appointment of Messrs Ernst & Young LLP as Auditors				
9	Authority to issue new shares				
10	Authority to issue new shares under the Parkson Retail Asia Limited Employee Share Option Scheme				

*** Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.**
**** If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.**

Dated this __________ day of ________________ 2013

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s) or,
Common Seal of Corporate Shareholder

Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited of 63 Cantonment Road Singapore 089758 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

PARKSON 百盛

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