

FINANCIAL STATEMENTS

2018

For The Financial Year Ended 30 June 2018

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other information relating to its subsidiaries are set out in Note 16 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	<u>(169,757)</u>	<u>(9,805)</u>
Loss for the financial year attributable to:		
Owners of the parent	(99,439)	(9,805)
Non-controlling interests	(70,318)	–
	<u>(169,757)</u>	<u>(9,805)</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than, in respect of the Group, gain recognised on the disposal of subsidiaries and that arose from the dilution of interests in subsidiaries amounting to a total of RM18,788,000 and impairment losses on property, plant and equipment, an investment property, intangible assets, investments in associates and joint ventures, and receivables amounting to a total of RM88,594,000.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend in respect of the current financial year.

ISSUES OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

DIRECTORS

The Directors of the Company in office during the financial year and up to the date of this report are:

Tan Sri William H.J. Cheng
Cheng Hui Yen, Natalie
Tan Sri Abdul Rahman bin Mamat
Zainab binti Dato' Hj. Mohamed
Yeow Teck Chai
Ooi Kim Lai

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Au Chen Sum
Cai Hao Ying
Chai Woon Chew (Appointed on 1 September 2017)
Chang Chae Young (Appointed on 1 August 2018)
Chen Ya Ping
Cheng Hui Yen, Natalie
Cheng Hui Yuen, Vivien
Cheong Tuck Yee
Chong Cheng Tong
Chong Sui Hiong
Chuah Say Chin
Dato' Fu Ah Kiow
Dato' Seri Dr. Hou Kok Chung
Gao Guang Ping
Gao Guang Qing
Gui Cheng Hock
Haji Mohamad Khalid bin Abdullah
Huang Li Min
Jin Chun Xu
Juliana Cheng San San
Ko Desmond
Lee Whay Keong
Li Bing
Li Cheng
Lim Guang Wei
Loh Chai Hoon (Appointed on 24 July 2017)
Low Kim Tuan
Ma Li (Appointed on 26 February 2018)
Michael Chan Foong Wee
Ng Ho Peng (Appointed on 22 September 2017)
Ng Tiak Soon (Appointed on 1 September 2017)
Nie Ru Xuan
Norman Siu Yong Ching Jr
Ooi Kim Lai
Poh Wan Chung
Pong Yuet Yee
Pun Chi Tung, Melvyn
Sun Jian
Tan Boon Heng
Tan Guan Soon
Tan Kim Kee (Appointed on 22 September 2017)
Tan Siang Long
Tan Soo Khoo
Tan Sri William H.J. Cheng
Teoh Yee Seang
Tony Ng Kok Siong

DIRECTORS (continued)

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are: (continued)

Wang Wing Ying
Wang Xiu Min
Wong Chee Keong
Xie Hua
Yau Ming Kim, Robert
Yuan Xiao Yu
Zhang Pei
Zhang Yi Ming
Zhang Zhi Jun
Zhou Jia

Chen Wu	(Ceased on 26 March 2018)
Chew Fook Seng	(Ceased on 26 March 2018)
Chong Yan Kit	(Ceased on 22 June 2018)
Dato' Ho Kiong Chan	(Resigned on 17 April 2018)
Datuk Cheng Yoong Choong	(Ceased on 26 March 2018)
Gee Cher Chiang	(Ceased on 22 December 2017)
Law Boon Eng	(Resigned on 22 June 2018)
Lei Jian Dong	(Resigned on 11 April 2018)
Leong Wai Keong	(Ceased on 22 December 2017)
Leong Wai Kit	(Ceased on 22 December 2017)
Lim Kin Ann	(Ceased on 22 June 2018)
Loke Shu Sun	(Resigned on 21 June 2018)
Low Ka Aik	(Ceased on 26 March 2018)
Ooi Chee Wey	(Resigned on 20 July 2018)
Pang Chee Soon	(Appointed on 10 July 2017 and ceased on 13 April 2018)
Sun Ying Guang	(Ceased on 26 March 2018)
Swee Yik Phang	(Resigned on 26 March 2018)
Tiang Chee Sung	(Resigned on 6 September 2017)
Wee Kheng Jin	(Retired on 31 October 2017)
Wei Kun	(Resigned on 11 April 2018)
Yang Min Xiong	(Ceased on 26 March 2018)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Company as shown in Note 8(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director and a person connected with the Director of the Company has a substantial financial interest, save and except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related corporations and certain corporations in which the Director and a person connected with the Director of the Company has a substantial interest as disclosed in Note 36 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Directors and Officers of the Group and of the Company are covered under a Directors' and Officers' Liability Insurance up to an aggregate limit of US\$25 million (equivalent to approximately RM101 million) against any legal liability, if incurred by the Directors and Officers of the Group and of the Company in the discharge of their duties while holding office for the Company and its subsidiaries.

AUDITORS' INDEMNITY

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been paid to indemnify Ernst & Young during or since the financial year.

DIRECTORS' REMUNERATION

The Directors' remuneration are disclosed in Note 8 to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares in the Company during and at the end of the financial year are as follows:

	1.7.2017	Number of ordinary shares		30.6.2018
		Acquired	Disposed	
Tan Sri William H.J. Cheng				
Direct interest	297,853,526	–	–	297,853,526
Deemed interest	348,274,235	–	(661,357)	347,612,878
Ooi Kim Lai				
Direct interest	197	–	–	197

The interests of the Directors in office at the end of the financial year in shares in the related corporations during and at the end of the financial year are as follows:

Direct Interest

	1.7.2017	Number of ordinary shares		30.6.2018
		Acquired	Disposed	
Parkson Retail Asia Limited ("PRA")				
Tan Sri William H.J. Cheng	500,000	–	–	500,000
Cheng Hui Yen, Natalie	50,000	–	–	50,000

Tan Sri William H.J. Cheng Deemed Interest

	1.7.2017	Number of ordinary shares		30.6.2018
		Acquired	Disposed	
Giftmate Sdn Bhd	120,000	–	–	120,000
Parkson Edutainment World Sdn Bhd	700,000	–	–	700,000
Parkson Myanmar Investment Company Pte Ltd	2,100,000	–	–	2,100,000
PRA	457,933,300	–	–	457,933,300

DIRECTORS' INTERESTS (continued)

The interests of the Directors in office at the end of the financial year in shares in the related corporations during and at the end of the financial year are as follows: (continued)

Tan Sri William H.J. Cheng
Deemed Interest

	Number of ordinary shares of HK\$0.02 each			
	1.7.2017	Acquired	Disposed	30.6.2018
Parkson Retail Group Limited	1,448,270,000	–	–	1,448,270,000

	Currency	1.7.2017	Acquired	Disposed	30.6.2018
Investments in the People's Republic of China					
Guizhou Shenqi Parkson Retail Development Co Ltd	Rmb	10,200,000	–	–	10,200,000
Lion Food & Beverage Ventures Limited	Rmb	3,640,000	–	–	3,640,000
Qingdao No. 1 Parkson Co Ltd	Rmb	223,796,394	–	–	223,796,394
Wuxi Sanyang Parkson Plaza Co Ltd	Rmb	48,000,000	–	–	48,000,000
Xinjiang Youhao Parkson Development Co Ltd	Rmb	10,200,000	–	–	10,200,000

Save as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during and at the end of the financial year.

TREASURY SHARES

During the financial year, the Company did not repurchase its own shares and none of the existing treasury shares held were cancelled.

As at 30 June 2018, the number of treasury shares held were 26,721,880 shares. Further details are disclosed in Note 27 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS of the Company which became effective on 7 May 2008 had expired on 6 May 2018 ("Expiry Date"). The main features of the ESOS are set out in Note 29 to the financial statements.

No options were granted pursuant to the ESOS since the beginning of the financial year and up to the Expiry Date of the ESOS of the Company.

OTHER STATUTORY INFORMATION

- (a) Before the statements of profit or loss, the statements of other comprehensive income and the statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent in respect of these financial statements; and
 - (ii) the values attributed to the current assets in these financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT

Significant event is disclosed in Note 38 to the financial statements.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 39 to the financial statements.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 8 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 October 2018.

TAN SRI WILLIAM H.J. CHENG
Chairman and Managing Director

CHENG HUI YEN, NATALIE
Executive Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **Tan Sri William H.J. Cheng** and **Cheng Hui Yen, Natalie**, being two of the Directors of **Parkson Holdings Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 67 to 206 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 October 2018.

TAN SRI WILLIAM H.J. CHENG
Chairman and Managing Director

CHENG HUI YEN, NATALIE
Executive Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Tan Sri William H.J. Cheng**, the Director primarily responsible for the financial management of **Parkson Holdings Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 67 to 206 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Tan Sri William H.J. Cheng** at Kuala Lumpur in the Federal Territory on 8 October 2018.

TAN SRI WILLIAM H.J. CHENG

Before me,

W530
TAN SEOK KETT
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PARKSON HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Parkson Holdings Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 67 to 206.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Risk area and rationale	Our response
<p>Revenue recognition</p> <p>The Group relies on its information technology systems in the accounting for revenue from direct sales and commissions from concessionaire sales of RM3,626,217,000 (in which product prices, Point of Sales and other relevant support system reside). Such information system processes large volumes of data which consists of individually low value transactions.</p> <p>In addition, the Group recognised deferred revenue of RM22,850,000 as at 30 June 2018 in respect of customer loyalty award. The quantum of deferred revenue recognised at each reporting period requires management's estimates in relation to the historical trends of redemption of customer loyalty points.</p> <p>The aforementioned factors gave rise to higher risk of material misstatements from the perspective of timing of recognition and the amount of revenue to be recognised. Accordingly, we identified revenue recognition to be an area of audit focus as the magnitude and the high volume of transactions may give rise to a higher risk of material misstatements relating to timing and the amount of revenue recognised.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> - involved our information technology specialists to test the operating effectiveness of the automated controls of the information technology systems; - tested the information technology dependent manual and manual controls in place to ensure the completeness and accuracy of revenue recognised, including the updating of approved product price changes in the system; - performed procedures to corroborate the occurrence of revenue by tracing samples of cash receipts to the settlement reports from financial institutions; - tested the reconciliation of data between the Point of Sales system and the general ledger to corroborate the completeness of revenue; - assessed the accuracy of deferred revenue recognition using the historical rates of redemption of the customer loyalty points used by management; and - performed cut-off procedures to determine if revenue is recorded in the correct accounting period.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Risk area and rationale	Our response
Impairment of assets	
(a) Property, plant and equipment	
<p>The Group primarily operates retail stores in China, Malaysia, Indonesia and Vietnam, as well as restaurants in Malaysia and China. The Group recognised property, plant and equipment with a total carrying amount of RM2,718,906,000, representing 46% of total non-current assets of the Group as at 30 June 2018.</p> <p>On an annual basis, management is required to assess for indicators of impairment to determine if impairment assessment should be carried out.</p> <p>For the financial year ended 30 June 2018, the Group recorded impairment losses of RM41,039,000 in relation to property, plant and equipment.</p> <p>The impairment assessment is a complex process which involves significant judgement and assumptions in the determination of the recoverable amounts, in particular assumptions relating to gross margin, growth rates as well as overall market and economic conditions of the industry.</p> <p>Due to the significance of the amounts, the complexity and subjectivity involved in the annual impairment test, we considered this as a key audit matter.</p> <p>The disclosures for property, plant and equipment of the Group and of the Company are included in Note 12 to the financial statements.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> - obtained understanding of the Group's and of the Company's policies and procedures to identify indication of impairment of assets relating to underperforming stores; - examined approved cash flow forecasts as well as historical trend analysis; - compared the key assumptions used in the impairment assessments with reference to historical performance, external data reflecting current market conditions and our understanding of the business, in particular gross margin and growth rates used in determining the value in use at each cash generating units ("CGU") level; - involved our internal valuation specialists to assist us in evaluating the appropriateness of discount rate, methodologies and assumptions used in the cash flow forecasts; and - assessed the adequacy of disclosures in relation to impairment assessment including those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the assets.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Risk area and rationale	Our response
Impairment of assets (continued)	
(b) Goodwill	
<p>The Group has a balance of goodwill of RM1,268,426,000, representing 22% of total non-current assets of the Group.</p> <p>On an annual basis, management is required to perform an impairment assessment of the CGUs to which the goodwill has been allocated.</p> <p>For the financial year ended 30 June 2018, the Group recorded impairment losses of RM512,000 in relation to goodwill.</p> <p>The impairment assessment is a complex process which involves significant judgement and assumptions in the determination of the recoverable amounts, in particular assumptions relating to gross margin, growth rates as well as overall market and economic conditions of the industry.</p> <p>Due to the significance of the amounts, the complexity and subjectivity involved in the annual impairment test, we considered this as a key audit matter.</p> <p>The disclosures for goodwill of the Group is included in Note 14 to the financial statements.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> - obtained understanding of the Group's and of the Company's policies and the relevant internal methodologies applied in determining the CGUs and the recoverable amounts; - examined cash flow forecasts and compared the key assumptions used in the impairment assessments with reference to historical performance, external data in a similar industry and our understanding of the business, in particular gross margin and growth rates; - involved our internal valuation specialists to assist us in evaluating the appropriateness of discount rate applied to cash flows of the CGUs for each country, methodologies and assumptions used in the impairment assessment; and - assessed the adequacy of disclosures in relation to impairment assessment including those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the assets.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Risk area and rationale	Our response
Inventory obsolescence	
<p>The Group's inventories mainly consist of inventories at retail stores and restaurants. The Group held inventories with a total carrying amount of RM377,910,000, representing 12% of total current assets of the Group as at 30 June 2018.</p> <p>The inventories were subject to losses arising from obsolescence, hence allowance for inventory obsolescence is assessed on an annual basis. For the financial year ended 30 June 2018, management has recorded write down of inventories amounting to a total of RM8,686,000 to their net realisable value.</p> <p>Due to the significance of the value of inventories, the significant judgements and assumptions used in the determination of net realisable values/allowance of obsolescence's assessment, we considered this as a key audit matter.</p> <p>The Group's disclosures for inventories are included in Note 24 to the financial statements.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> - obtained understanding of the Group's policies and tested the design and effectiveness of controls over the identification of obsolete inventories; - assessed the adequacy of the allowance of obsolescence made by checking to the history of sales trend and checking samples of inventories to ascertain that inventories were sold at positive margin and selling price was more than its carrying amount; - tested accuracy of inventory ageing reports by checking to the dates of invoices; and - assessed the adequacy of the Group's disclosures on the allowances of inventory obsolescence in the financial statements.
Impairment on loan receivables	
<p>The carrying amount of loan receivables arising from credit services segment of the Group was RM140,430,000, representing 65% of total trade receivables of the Group as at 30 June 2018. The Group has put in place controls over the estimation of impairment of these trade receivables. The estimation process involves the application of judgement and the use of subjective assumptions. A material portion of the impairment assessment is collectively calculated based on models developed internally which give risk to certain degree of uncertainty.</p> <p>For the financial year ended 30 June 2018, the Group has recorded impairment loss of RM9,031,000 in relation to loan receivables.</p> <p>Impairment assessment on loan receivables is significant to our audit due to the significance of the carrying amount of loan receivables and the uncertainty inherent in the estimation process.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> - tested the controls over credit assessment, approval and recording of loan receivables; - reviewed the methodologies, inputs and assumptions used by management in calculating collective impairment allowance and individual impairment allowance; - made comparison of the assumptions used by the management in the estimation of collective and individual impairment allowances to the recoverable amount of realisable collateral and historical default trend; and - assessed the adequacy of the disclosures on the Group's exposure to credit risk in the financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2018 annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

TAN SHIUM JYE
No. 02991/05/2020J
Chartered Accountant

Kuala Lumpur, Malaysia
8 October 2018

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	4	3,981,735	3,964,024	–	–
Other items of income					
Other income	5	318,772	340,845	3,788	18,033
Items of expense					
Purchase of goods and changes in inventories		(1,696,113)	(1,555,322)	–	–
Employee benefits expense	6	(645,472)	(685,498)	(891)	(829)
Depreciation and amortisation	8(a)	(275,032)	(384,313)	–	(2)
Promotional and advertising expenses		(80,640)	(95,529)	–	–
Rental expenses		(941,854)	(913,303)	–	–
Other expenses	8(d)	(657,902)	(812,530)	(9,651)	(6,412)
Operating profit/(loss)		3,494	(141,626)	(6,754)	10,790
Finance income	7	102,853	78,733	3,994	3,845
Finance costs	7	(130,003)	(116,698)	(7,045)	(7,374)
Share of results of associates	17	1,962	(4,360)	–	–
Share of results of joint ventures	18	8,590	7,708	–	–
Gain on disposal and dilution of interests in subsidiaries	16(c)	18,788	828,087	–	–
Impairment loss on:					
- Property, plant and equipment	12	(41,039)	(77,485)	–	–
- An investment property	13	(1,990)	–	–	–
- Intangible assets	14	(24,217)	(323,703)	–	–
- Investments in associates and joint ventures		(12,995)	–	–	–
- Deposits, prepayments, amounts due from associates, joint ventures and managed stores		(8,353)	(26,704)	–	–
(Loss)/profit before tax	8	(82,910)	223,952	(9,805)	7,261
Income tax expense	9	(86,847)	(337,363)	–	–
(Loss)/profit for the financial year		(169,757)	(113,411)	(9,805)	7,261

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit for the financial year attributable to:					
Owners of the parent		(99,439)	(120,898)	(9,805)	7,261
Non-controlling interests	16(d)	(70,318)	7,487	-	-
		<u>(169,757)</u>	<u>(113,411)</u>	<u>(9,805)</u>	<u>7,261</u>
Loss per share attributable to owners of the parent (sen)					
Basic	11(a)	(9.32)	(11.34)		
Diluted	11(b)	(9.32)	(11.34)		

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit for the financial year	(169,757)	(113,411)	(9,805)	7,261
Other comprehensive income/(loss)				
Item that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plan, net of tax	379	536	-	-
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation	(75,111)	88,908	-	-
Other comprehensive (loss)/income for the financial year, net of tax	(74,732)	89,444	-	-
Total comprehensive (loss)/income for the financial year	(244,489)	(23,967)	(9,805)	7,261
Total comprehensive (loss)/income for the financial year attributable to:				
Owners of the parent	(147,068)	(74,456)	(9,805)	7,261
Non-controlling interests	(97,421)	50,489	-	-
	(244,489)	(23,967)	(9,805)	7,261

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 RM'000	2017 RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	2,718,906	2,870,700
Investment properties	13	211,291	206,225
Intangible assets	14	1,273,895	1,344,811
Land use rights	15	266,853	287,245
Investments in associates	17	18,443	28,348
Investments in joint ventures	18	24,966	29,874
Deferred tax assets	19	125,647	162,672
Trade receivables	25	85,206	97,701
Other receivables	20	299,597	380,154
Investment securities	22	18,945	18,945
Other financial assets	23	–	623
Time deposits	26	811,910	–
		<u>5,855,659</u>	<u>5,427,298</u>
Current assets			
Inventories	24	377,910	428,130
Trade and other receivables	25	547,310	505,797
Investment securities	22	375,371	241,808
Tax recoverable		9,653	11,435
Deposits, cash and bank balances	26	1,781,600	3,142,677
		<u>3,091,844</u>	<u>4,329,847</u>
Total assets		<u><u>8,947,503</u></u>	<u><u>9,757,145</u></u>
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	27	4,151,005	4,151,005
Treasury shares	27	(20,903)	(20,903)
Other reserves	28	(1,517,787)	(1,470,493)
Accumulated losses		(378,538)	(268,295)
		<u>2,233,777</u>	<u>2,391,314</u>
Non-controlling interests	16(d)	1,373,780	1,457,413
Total equity		<u><u>3,607,557</u></u>	<u><u>3,848,727</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018 (continued)

	Note	2018 RM'000	2017 RM'000
Equity and liabilities (continued)			
Non-current liabilities			
Deferred tax liabilities	19	155,177	217,710
Loans and borrowings	30	1,967,453	175,052
Long term payables	32	575,165	582,057
Provisions	33	23,292	33,788
		<u>2,721,087</u>	<u>1,008,607</u>
Current liabilities			
Trade and other payables and other liabilities	34	2,050,392	2,338,808
Loans and borrowings	30	530,850	2,521,709
Provisions	33	10,025	9,435
Other financial liability	23	1,036	–
Tax payables		26,556	29,859
		<u>2,618,859</u>	<u>4,899,811</u>
Total liabilities		<u>5,339,946</u>	<u>5,908,418</u>
Total equity and liabilities		<u>8,947,503</u>	<u>9,757,145</u>

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

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 RM'000	2017 RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	–	–
Intangible assets	14	28	28
Investments in subsidiaries	16	21,360	23,951
Amounts due from subsidiaries	21	771,232	845,693
Other financial asset	23	–	571
		<u>792,620</u>	<u>870,243</u>
Current assets			
Trade and other receivables	25	150	145
Amounts due from subsidiaries	21	148,471	93,884
Tax recoverable		264	345
Deposits, cash and bank balances	26	2,691	682
		<u>151,576</u>	<u>95,056</u>
Total assets		<u>944,196</u>	<u>965,299</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	27	4,151,005	4,151,005
Treasury shares	27	(20,903)	(20,903)
Other reserves	28	2,905,831	2,905,831
Accumulated losses		(6,221,657)	(6,211,852)
Total equity		<u>814,276</u>	<u>824,081</u>
Non-current liabilities			
Loans and borrowings	30	–	64,388
Current liabilities			
Trade and other payables and other liabilities	34	2,337	1,917
Amounts due to subsidiaries	35	3,499	3,317
Loans and borrowings	30	123,048	71,596
Other financial liability	23	1,036	–
		<u>129,920</u>	<u>76,830</u>
Total liabilities		<u>129,920</u>	<u>141,218</u>
Total equity and liabilities		<u>944,196</u>	<u>965,299</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Note	← Attributable to owners of the parent →					Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	← Non-distributable →							
	Share capital RM'000 (Note 27)	Share premium RM'000 (Note 27)	Treasury shares RM'000 (Note 27)	Other reserves RM'000 (Note 28)	Accumulated losses RM'000			
At 1 July 2017	4,151,005	-	(20,903)	(1,470,493)	(268,295)	2,391,314	1,457,413	3,848,727
Total comprehensive loss for the financial year	-	-	-	(48,008)	(99,060)	(147,068)	(97,421)	(244,489)
Transactions with owners								
Transfer to capital reserves	-	-	-	714	(714)	-	-	-
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	(10,469)	(10,469)	9,512	(957)
Disposal and dilution of interests in subsidiaries	16(c)	-	-	-	-	-	12,057	12,057
Dividends to non-controlling interests	-	-	-	-	-	-	(7,781)	(7,781)
Total transactions with owners	-	-	-	714	(11,183)	(10,469)	13,788	3,319
At 30 June 2018	4,151,005	-	(20,903)	(1,517,787)	(378,538)	2,233,777	1,373,780	3,607,557
At 1 July 2016	1,093,902	3,105,643	(48,301)	(1,514,789)	(153,986)	2,482,469	1,443,535	3,926,004
Total comprehensive income/(loss) for the financial year	-	-	-	45,906	(120,362)	(74,456)	50,489	(23,967)
Transactions with owners								
Transfer from capital reserves	-	-	-	(51)	51	-	-	-
Employee share options lapsed	-	-	-	(7,209)	7,209	-	-	-
Purchase of treasury shares by the Company	-	-	(21,142)	-	-	(21,142)	-	(21,142)
Purchase of treasury shares by a subsidiary	-	-	-	5,650	(3,550)	2,100	(12,468)	(10,368)
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	2,343	2,343	5,428	7,771
Dividends to non-controlling interests	-	-	-	-	-	-	(29,571)	(29,571)
Dividend paid - share dividend	10	(48,540)	48,540	-	-	-	-	-
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016	3,057,103	(3,057,103)	-	-	-	-	-	-
Total transactions with owners	3,057,103	(3,105,643)	27,398	(1,610)	6,053	(16,699)	(36,611)	(53,310)
At 30 June 2017	4,151,005	-	(20,903)	(1,470,493)	(268,295)	2,391,314	1,457,413	3,848,727

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Note	← Non-distributable →				Accumulated losses RM'000	Total equity RM'000
	Share capital RM'000 (Note 27)	Share premium RM'000 (Note 27)	Treasury shares RM'000 (Note 27)	Other reserves RM'000 (Note 28)		
At 1 July 2017	4,151,005	-	(20,903)	2,905,831	(6,211,852)	824,081
Total comprehensive loss for the financial year	-	-	-	-	(9,805)	(9,805)
At 30 June 2018	<u>4,151,005</u>	<u>-</u>	<u>(20,903)</u>	<u>2,905,831</u>	<u>(6,221,657)</u>	<u>814,276</u>
At 1 July 2016	1,093,902	3,105,643	(48,301)	2,905,969	(6,219,251)	837,962
Total comprehensive income for the financial year	-	-	-	-	7,261	7,261
Transactions with owners						
Employee share options lapsed	-	-	-	(138)	138	-
Purchase of treasury shares	-	-	(21,142)	-	-	(21,142)
Dividend paid						
- share dividend	10	(48,540)	48,540	-	-	-
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016						
	3,057,103	(3,057,103)	-	-	-	-
Total transactions with owners	3,057,103	(3,105,643)	27,398	(138)	138	(21,142)
At 30 June 2017	<u>4,151,005</u>	<u>-</u>	<u>(20,903)</u>	<u>2,905,831</u>	<u>(6,211,852)</u>	<u>824,081</u>

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
(Loss)/profit before tax	(82,910)	223,952	(9,805)	7,261
Adjustments for:				
Reversal of impairment loss on amounts due from subsidiaries	–	–	–	(13,793)
Depreciation and amortisation	275,032	384,313	–	2
Amortisation of:				
- Deferred lease expense	6,309	10,870	–	–
- Deferred lease income	(221)	(2,866)	–	–
Write off of:				
- Property, plant and equipment	3,007	11,630	–	–
- Intangible assets	59	–	–	–
- Bad debts	97	266	–	–
Impairment loss on:				
- Investment in a subsidiary	–	–	2,591	–
- Property, plant and equipment	41,039	77,485	–	–
- An investment property	1,990	–	–	–
- Intangible assets	24,217	323,703	–	–
- Investments in associates and joint ventures	12,995	–	–	–
Allowance for impairment loss on receivables	19,240	41,438	–	–
Write down of inventories	8,686	24,291	–	–
Reversal of impairment loss on:				
- Property, plant and equipment	(3,601)	–	–	–
- Receivables	(4,517)	(909)	–	–
Reversal of write down of inventories	(3,847)	–	–	–
Unrealised foreign currency exchange (gain)/loss	(12,538)	6,885	(3,788)	4,111
Loss on disposal of property, plant and equipment	10,359	16,492	–	–
Net fair value loss/(gain) on derivatives	1,607	(4,240)	1,607	(4,240)
Defined benefit plan	584	565	–	–
Gain on disposal and dilution of interests in subsidiaries	(18,788)	(828,087)	–	–
Share of results of associates	(1,962)	4,360	–	–
Share of results of joint ventures	(8,590)	(7,708)	–	–
Finance costs	130,003	116,698	7,045	7,374
Finance income	(102,853)	(78,733)	(3,994)	(3,845)
Dividend income from investment securities	(847)	(825)	–	–
Operating profit/(loss) before working capital changes	294,550	319,580	(6,344)	(3,130)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities (continued)				
Operating profit/(loss) before working capital changes, brought forward	294,550	319,580	(6,344)	(3,130)
Changes in working capital:				
Inventories	14,217	64,797	–	–
Receivables	(47,141)	98,049	19,869	34,562
Payables	(66,094)	31,250	602	(1,380)
Cash flows generated from operations	195,532	513,676	14,127	30,052
Taxes (paid)/received	(84,245)	(81,349)	81	(158)
Interest paid	(158,187)	(111,260)	(7,045)	(6,660)
Interest received	91,724	62,574	3,994	3,844
Net cash flows generated from operating activities	44,824	383,641	11,157	27,078
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 12(iv))	(293,393)	(278,698)	–	–
Additions to intangible assets	(1,146)	(6,377)	–	–
Proceeds from disposal of property, plant and equipment	1,071	19,872	–	–
Acquisition of subsidiaries, net of cash acquired	(957)	(1,500)	–	–
Net cash inflow on disposal and dilution of interests in subsidiaries (Note 16(c))	1,260	1,497,560	–	–
Tax paid on disposal of a subsidiary	–	(147,349)	–	–
Dividends received from:				
- An associate	41	–	–	–
- A joint venture	10,304	12,529	–	–
- Investment securities	847	105	–	–
Changes in:				
- Investment securities	(142,900)	(213,222)	–	–
- Deposits with banks	714,777	(1,325,711)	–	–
Net cash flows generated from/ (used in) investing activities	289,904	(442,791)	–	–

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from financing activities				
Dividends paid to non-controlling interests	(7,781)	(29,571)	-	-
Purchase of treasury shares	-	(27,960)	-	(21,142)
Proceeds from loans and borrowings	2,194,167	327,904	-	-
Repayment of loans and borrowings	(2,221,810)	(378,635)	-	-
Hire purchase principal payments	(1,189)	(300)	-	(23)
Net cash flows used in financing activities	<u>(36,613)</u>	<u>(108,562)</u>	<u>-</u>	<u>(21,165)</u>
Net increase/(decrease) in cash and cash equivalents	298,115	(167,712)	11,157	5,913
Effects of changes in exchange rates	(26,239)	35,365	-	-
Cash and cash equivalents at 1 July 2017/2016	581,890	714,237	(40,914)	(46,827)
Cash and cash equivalents at 30 June (Note 26)	<u>853,766</u>	<u>581,890</u>	<u>(29,757)</u>	<u>(40,914)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office and the principal place of business of the Company are both located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 16. There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 8 October 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

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 Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 July 2017.

Description

Amendments to MFRS 107: Disclosures Initiatives
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses
Amendments to MFRS 12: Disclosure of Interests in Other Entities
(Annual Improvement to MFRSs 2014 - 2016 Cycle)

The adoption of the above standards and amendments did not result in material impact to the financial statements of the Group and of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

Amendments to MFRS 107: Disclosure Initiatives

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. The details are disclosed in Note 30. Apart from the additional disclosures in the statements of cash flows, the application of these amendments had no impact on the Group and on the Company.

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments also clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain in which circumstances taxable profit may include the recovery of some assets for more than their carrying amounts.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The application of these amendments had no material impact on the Group and on the Company.

2.3 Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 16: Leases	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2015 - 2017 Cycle	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Share-based Payment	1 January 2020
Amendments to MFRS 3: Business Combinations	1 January 2020
Amendments to MFRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14: Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134: Interim Financial Reporting	1 January 2020
Amendments to MFRS 137: Provision, Contingent Liabilities and Contingent Asset	1 January 2020
Amendments to MFRS 138: Intangible Assets	1 January 2020
Amendments to IC Interpretation 12: Service Concession Agreements	1 January 2020
Amendments to IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendment to IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132: Intangible Assets-Website Costs	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

MFRS 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in MFRS 9 are based on an expected credit loss model and replace the MFRS 139 incurred loss model.

The Group and the Company plan to adopt the new standard on the required effective date without restating prior periods' information and recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group and the Company have performed preliminary impact assessment of adopting MFRS 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group and the Company adopt MFRS 9 on 1 July 2018.

(a) Classification and measurement

Under MFRS 9, the Group and the Company will be required to measure the investment at fair value. Any difference between the previous carrying amount under FRS 39 and the fair value would be recognised in the opening retained earnings when the Group and the Company apply MFRS 9. Significant amount of the Group's investment securities are currently measured at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

MFRS 9: Financial Instruments (continued)

(b) Impairment

MFRS 9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis. The Group and the Company expect to apply the simplified approach and record lifetime expected losses on all receivables. Upon application of the expected credit loss model, the Group and the Company expect that based on the credit profile of the receivables, the loss allowance would not be significantly different from the loss allowance under the current basis of impairment. The Group and the Company will perform a more detailed analysis which consider all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group is principally engaged in the operation of department stores. The Group and the Company have performed a preliminary impact assessment of adopting MFRS 15 based on currently available information and the expected impacts arising from the adoption of MFRS 15 on the Group and on the Company are summarised as follows:

(a) Loyalty points programme

Under IFRIC 13 Customer Loyalty Programmes, the loyalty programme offered by the Group in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to the points issued but not yet redeemed or expired. The Group concluded that under MFRS 15 the loyalty programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under MFRS 15, the Group will need to allocate a portion of the transaction price to the loyalty programme based on relative standalone selling price instead of the allocation using the fair value of points issued. The initial adoption is not expected to have a material impact on the Group’s and on the Company’s financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

MFRS 15: Revenue from Contracts with Customers (continued)

(b) Presentation and disclosure

The presentation and disclosure requirements in MFRS 15 are more detailed than those under the current MFRS 118. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's and in the Company's financial statements. In particular, the Group and the Company expect that the notes to the financial statements will be expanded to disclose how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation.

MFRS 16: Leases

MFRS 16 will supersede the current lease guidance including MFRS 117: Leases and its related interpretations when it becomes effective.

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. MFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to pay rental (i.e. the lease liability) with a corresponding asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. Early application is permitted, but not before an entity applies MFRS 15.

The Group and the Company are in the process of making assessment of the impact of adoption of MFRS 16 and expect that such adoption will result in increase in total assets and total liabilities.

The Group and the Company plan to adopt the new standard on the required effective date by applying MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 July 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The Group controls an investee if, and only if, the Group has:

- (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) exposure, or rights, to variable returns from its investment with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation except when there are indications of impairment, unrealised losses are not eliminated.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After 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 ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

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 and the share capital of the 'acquired' entity is reflected within equity as merger reserve/deficit. The profit or loss reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

At each reporting date, the Group's retained profits for the immediate preceding financial year after adjusting for proposed/declared dividend as at that date will be transferred to merger deficit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the Group's statement of profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment and depreciation

Construction in progress, and plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the 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. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Buildings	25 - 45 years
Office equipment and vehicles	4 - 10 years
Furniture, fittings and other equipment	1 - 10 years
Renovations	2 - 10 years

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

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.8 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at discretion of the Company. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investment properties

Investment properties and investment properties under construction (“IPUC”) are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. These investment properties are depreciated to write off the value over the unexpired lease terms ranging from 1.9% to 2.4% per annum (2017: 1.9% to 2.4% per annum). IPUC are not depreciated as they are not yet ready for their intended use.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the statements of profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

Gains or losses arising from derecognition 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.

- **Customer relationships**

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

- **Computer software**

Computer software of the Group is amortised on a straight-line basis over their estimated useful lives ranging from 3 to 8 years.

- **Club memberships**

Club memberships are amortised on a straight-line basis over their original useful lives ranging from 25 to 99 years.

- **Brands**

Brands represent supplier exclusive right for sales of goods and services to a chain of outlets by the Group. Brands are amortised on a straight-line basis over their estimated useful lives ranging from 10 to 14 years.

2.11 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. Land use rights are amortised over their original lease terms which ranged from 42 to 66 years (2017: 42 to 66 years).

2.12 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 annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU 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 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 no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of non-financial assets (continued)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statements of profit or loss in those expense categories consistent with the function of the impaired asset. In this case, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statements of profit or loss unless the asset is carried at a revalued amount in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 30 June and also when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or groups of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.13 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments - initial recognition and subsequent measurement (continued)

(a) Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

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. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives 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 or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs for loans and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments - initial recognition and subsequent measurement (continued)

(a) Financial assets (continued)

Subsequent measurement (continued)

Available-for-sale (“AFS”) financial investments

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

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss as finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

Investments in equity investments whose fair values cannot be reliably measured are recognised at cost less impairment loss.

The Group evaluates whether the ability and intention to sell its AFS financial investments in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments - initial recognition and subsequent measurement (continued)

(a) Financial assets (continued)

Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether 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.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments - initial recognition and subsequent measurement (continued)

(b) Impairment of financial assets (continued)

AFS financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the 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 the statement of 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 increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments - initial recognition and subsequent measurement (continued)

(c) Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling 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 MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, with a maturity of three months or less. These may also include bank overdrafts (if any) that form an integral part of the cash management process.

2.15 Inventories

Inventories are valued at the lower of cost and net realisable value.

The cost of merchandise and consumables are determined using the weighted average method. The cost of merchandise and consumables comprise cost of purchase.

In determination of closing inventories, cost is calculated based on weighted average method.

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

2.16 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 a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when 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.

2.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risk and interest rate risk respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as described below:

Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognised in profit or loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statements of profit or loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using EIR. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI as hedging reserve, while any ineffective portion is recognised immediately in the statements of profit or loss as other operating expenses.

Amounts recognised in OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged finance income or finance expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

2.20 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- (i) expected to be realised or intended to be sold or consumed in the normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting period; or
- (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (i) it is expected to be settled in the normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 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. Pursuant to the relevant laws and regulations in the respective countries, the subsidiaries of the Group operating with employees are required to participate in the retirement benefit schemes organised by the local jurisdiction whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to pay the ongoing required contributions. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions made to the defined contribution retirement benefits scheme are charged to the statements of profit or loss in the period in which the related service is performed.

(b) Defined benefit plan

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

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

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

(c) Employee share option plans

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognised together with a corresponding increase in share option reserve in equity over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the statements of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The share option reserve is transferred to retained profits upon expiry of the share options. When the options are exercised, the share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the issuance of treasury shares.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases

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

(a) As lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 recognised in finance costs in the statement of profit or loss.

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

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Foreign currency (continued)

(b) Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(c) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.24 Revenue recognition

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 being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

(a) Sale of goods

Revenue on sale of goods is recognised net of sales taxes and discounts upon the transfer of significant risks and rewards of ownership of goods to the customer, usually on the 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 concessionaire.

(c) Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included as finance income in the statements of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Revenue recognition (continued)

(d) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts and when the services are rendered.

(e) Rental income

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

(f) Promotion income and sales commissions

Promotion income and minimum guaranteed sales commissions are recognised according to the underlying contract terms with concessionaires and as these services have been provided in accordance therewith.

(g) Management, consultancy and credit card fees

Management, consultancy and credit card fees are recognised net of service taxes and discounts when the services are rendered.

(h) Revenue from customer loyalty award

Revenue from customer loyalty award is recognised when the obligation in respect of the award is fulfilled.

(i) Dividend income

Dividend income is recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

(j) Revenue from food and beverage operations

Revenue from sales of goods and services are recognised upon the delivery of products and customers' acceptance, if any, and performance of services.

2.25 Customer loyalty award

The Group operates 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.

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) in the statements of financial position 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Income taxes

(a) Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. 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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

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

The carrying amount of deferred tax assets is reviewed at each reporting date 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 re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits 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 reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

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

(c) Goods and Services Tax ("GST")

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

- where the GST incurred in a purchase of assets or services is not recoverable from the tax authority, in which case the GST 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 GST included.

The net amount of GST recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

2.27 Segmental reporting

For management purposes, the Group is organised into operating segments based on their products and services 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 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 43, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 Ordinary share capital and share issuance expenses

Equity instruments are any contracts that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.29 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Contingencies

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

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

2.31 Fair value measurement

The Group measures financial instruments, such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's and of the Company's financial statements require 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 reporting date. 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.

3.1 Judgements made in applying accounting policies

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

(i) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criterias in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, in assessing whether a property qualifies as an investment property, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(ii) Operating lease commitments - the Group as lessee

The Group has entered into commercial property leases for its retail store business. The commercial properties combined leases of land and buildings. At the inception of lease, it was not possible to obtain a reliable estimate of the split of the fair values of the lease interest between the land and the buildings. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of relevant properties and so accounts for them as operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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:

(i) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

(ii) Operating lease commitments - the Group as lessee

The Group has entered into commercial property leases for its retail store business. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of relevant properties and so accounts for them as operating leases. A 5% difference in the minimum lease payments would result in approximately RM32,000,000 (2017: RM31,000,000) variance in the profit or loss (net of tax) for the financial year.

(iii) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loans and receivables at the reporting date are disclosed in Note 25.

(iv) Impairment of goodwill and other intangibles

Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the CGUs to which goodwill and customer loyalty award are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 14.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key sources of estimation uncertainty (continued)

(v) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The Group has RM908,256,000 (2017: RM698,508,000) of tax losses carried forward. These losses relate to subsidiaries that have history of losses, not expired and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward at the reporting date.

If the Group was able to recognise all unrecognised deferred tax assets, the profit or loss and the equity would have increased by RM224,758,000 (2017: RM171,473,000). Further details on deferred taxes are disclosed in Note 19.

(vi) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(vii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If such indicators exist, the recoverable amount (i.e. higher of the fair value less costs to sell and value in use) of the assets is estimated to determine the amount of impairment loss.

The calculation of fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key sources of estimation uncertainty (continued)

(viii) Provisions for restoration costs

The Group makes provision for restoration costs based on the estimated costs to restore the leased areas in the event of relocation. As at 30 June 2018, the Group has the balance of provisions for restoration costs of RM25,133,000 (2017: RM36,654,000). A 10% difference in the estimated costs to restore the leased areas would result in approximately RM2,513,000 (2017: RM3,665,000) variance in provisions for restoration costs.

(ix) Allowance for inventory obsolescence and slow-moving inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based on primarily the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance for inventory obsolescence and slow-moving items. Management reassesses the estimation by the end of each reporting period.

(x) Deferred revenue

The Group allocates the consideration received from the sale of goods to the goods sold and the points issued under its loyalty programme. The consideration allocated to the points issued is measured at their fair value.

The carrying amount of deferred revenue allocated to the award credits at the reporting date was RM22,850,000 (2017: RM30,002,000) as disclosed in the Note 34(iv).

4. REVENUE

	2018 RM'000	Group 2017 RM'000
Sales of goods - direct sales	2,047,987	1,874,865
Commissions from concessionaire sales ⁽ⁱ⁾	1,578,230	1,728,978
Rental income	293,693	303,323
Food and beverage operations	21,873	19,879
Credit services	32,572	27,040
Consultancy and management service fees	6,533	9,114
Dividend income from investment securities	847	825
	<u>3,981,735</u>	<u>3,964,024</u>

(i) The commissions from concessionaire sales are analysed as follows:

	2018 RM'000	Group 2017 RM'000
Gross revenue from concessionaire sales	<u>8,688,686</u>	<u>9,394,136</u>
Commissions from concessionaire sales	<u>1,578,230</u>	<u>1,728,978</u>

5. OTHER INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Management fees	88,680	81,777	–	–
Promotion income	54,931	51,833	–	–
Administration fees	48,359	44,596	–	–
Credit card handling fees	37,238	41,987	–	–
Equipment and display space lease income	28,110	27,535	–	–
Service fees	13,490	13,471	–	–
Compensation income (i)	–	8,317	–	–
Net fair value gain on derivatives	–	4,240	–	4,240
Government grants (ii)	3,961	3,788	–	–
Reversal of impairment loss on amounts due from subsidiaries (Note 21)	–	–	–	13,793
Others	44,003	63,301	3,788	–
	318,772	340,845	3,788	18,033

- (i) The Group was entitled to receive relocation compensation from a landlord of a store in Beijing, the People's Republic of China ("PRC") for early termination of a lease contract.
- (ii) Various government grants were granted by the local authorities in the PRC to reward certain subsidiaries for their contributions to the local economy. There are no unfulfilled conditions or contingencies attached to these government grants.

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and bonuses	500,049	522,182	799	745
Defined contribution plans	57,877	62,551	82	75
Defined benefit plan (Note 32(iii))	584	565	–	–
Other staff related expenses	86,962	100,200	10	9
	645,472	685,498	891	829

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration amounting to RM3,290,000 (2017: RM3,289,000) and RM211,000 (2017: RM212,000) respectively as further disclosed in Note 8(b).

7. FINANCE INCOME/COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance income				
Interest income on:				
Short term deposits and others	74,433	73,099	36	15
Unwinding of discount on rental deposits receivable	1,705	4,382	–	–
Amounts due from subsidiaries	–	–	3,958	3,779
Amount due from a related party (Note 36(a))	–	51	–	51
Gain on repurchase of Notes	–	1,201	–	–
Gain on redemption of financial assets at fair value through profit or loss	17,032	–	–	–
Change of fair value of financial assets at fair value through profit or loss	9,683	–	–	–
	<u>102,853</u>	<u>78,733</u>	<u>3,994</u>	<u>3,845</u>
Finance costs				
Interest expenses on:				
Notes	68,963	99,919	–	–
Term loans and bank loans	55,684	11,772	4,178	4,181
Bank overdrafts and others	4,082	3,830	2,865	3,192
Unwinding of discount on rental deposits payable	1,202	1,139	–	–
Hire purchase liabilities	72	38	2	1
	<u>130,003</u>	<u>116,698</u>	<u>7,045</u>	<u>7,374</u>

8. (LOSS)/PROFIT BEFORE TAX

(a) (Loss)/profit before tax is stated at after charging/(crediting):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration (Note 8(b))	3,497	3,487	418	410
Auditors' remuneration:				
- Statutory audit	3,398	3,446	32	30
- Parkson Retail Group Limited's statutory audit *	3,845	3,456	-	-
Depreciation and amortisation:				
- Property, plant and equipment (Note 12)	262,048	365,621	-	2
- Investment properties (Note 13)	818	527	-	-
- Intangible assets (Note 14)	3,453	9,342	-	-
- Land use rights (Note 15)	8,713	8,823	-	-
Write off of:				
- Property, plant and equipment	3,007	11,630	-	-
- Intangible assets	59	-	-	-
- Bad debts	97	266	-	-
Impairment loss on investment in a subsidiary (Note 16)	-	-	2,591	-
Allowance for impairment loss on receivables (Notes 20 and 25)	19,240	41,438	-	-
Write down of inventories	8,686	24,291	-	-
Reversal of impairment loss on:				
- Property, plant and equipment (Note 12)	(3,601)	-	-	-
- Receivables (Note 25)	(4,517)	(909)	-	-
Bad debts recovered	(691)	(637)	-	-
Reversal of write down of inventories	(3,847)	-	-	-
Foreign currency exchange (gain)/loss, net:				
- Realised	(85)	(2,305)	-	32
- Unrealised	(12,538)	6,885	(3,788)	4,111
Loss on disposal of property, plant and equipment	10,359	16,492	-	-
Net fair value loss/(gain) on derivatives	1,607	(4,240)	1,607	(4,240)
Operating lease rentals in respect of leased properties:				
- Minimum lease payments	849,325	819,531	-	-
- Contingent lease payments	86,220	82,902	-	-
- Amortisation of deferred lease expense (Note 20(iii))	6,309	10,870	-	-
Sub-lease of properties:				
- Minimum lease payments	(238,259)	(237,823)	-	-
- Contingent lease payments	(51,717)	(59,089)	-	-
- Amortisation of deferred lease income (Note 32(ii))	(221)	(2,866)	-	-

* Relates to statutory audit in respect of financial year ended 31 December in compliance with the requirements of the Hong Kong Companies Ordinance.

8. (LOSS)/PROFIT BEFORE TAX (continued)

(b) The details of remuneration receivable by Directors of the Company during the financial years are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive Directors:				
Fees	366	377	75	75
Salaries and other emoluments	2,852	2,833	129	128
Pension costs - defined contribution plans	72	79	7	9
	<u>3,290</u>	<u>3,289</u>	<u>211</u>	<u>212</u>
Non-executive Directors:				
Fees	165	165	165	165
Other emoluments	42	33	42	33
	<u>207</u>	<u>198</u>	<u>207</u>	<u>198</u>
Total Directors' remuneration (Note 8(a))	<u>3,497</u>	<u>3,487</u>	<u>418</u>	<u>410</u>

(c) The number of Directors of the Company whose total remuneration during the financial years fell within the following bands is analysed below:

	Number of Directors			
	2018	Group 2017	2018	Company 2017
Executive Directors:				
- RM50,000 and below	–	–	1	1
- RM150,001 to RM200,000	–	–	1	1
- RM350,001 to RM400,000	1	1	–	–
- RM2,850,001 to RM2,900,000	1	–	–	–
- RM2,900,001 to RM2,950,000	–	1	–	–
Non-executive Directors:				
- RM50,000 and below	1	1	1	1
- RM50,001 to RM100,000	3	3	3	3
	<u>1</u>	<u>3</u>	<u>3</u>	<u>3</u>

(d) Other expenses of the Group consist mainly of utilities cost, selling and distribution expenses, property management expenses, and general and administrative expenses.

9. INCOME TAX EXPENSE

The major components of income tax expense are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Statements of profit or loss				
Income tax:				
Malaysian income tax	13,871	20,197	-	-
Foreign tax	92,720	208,746	-	-
	<u>106,591</u>	<u>228,943</u>	<u>-</u>	<u>-</u>
Under provision in prior years	1,948	6,220	-	-
	<u>108,539</u>	<u>235,163</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 19):				
Relating to origination and reversal of temporary differences	(22,308)	100,622	-	-
Under provision in prior years	616	1,578	-	-
	<u>(21,692)</u>	<u>102,200</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>86,847</u>	<u>337,363</u>	<u>-</u>	<u>-</u>
Statements of other comprehensive income				
Deferred tax income related to other comprehensive income				
- Remeasurement of defined benefit plan	-	(373)	-	-
	<u>-</u>	<u>(373)</u>	<u>-</u>	<u>-</u>

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

Domestic current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit or loss for the year.

Under the PRC income tax law, except for certain preferential treatments available to certain PRC subsidiaries of the Group, the PRC companies are subject to corporate income tax at a rate of 25% (2017: 25%) on their respective taxable income. As at 30 June 2018, 7 (2017: 7) PRC entities within the Group were granted preferential corporate income tax rates or corporate income tax exemptions from the relevant PRC tax authorities.

Subsidiaries incorporated in Vietnam, Indonesia, Singapore, Cambodia and Myanmar are subject to tax rates of 20%, 25%, 17%, 20% and 25% (2017: 20%, 25%, 17%, 20% and 25%) respectively for the financial year ended 30 June 2018.

9. INCOME TAX EXPENSE (continued)

Reconciliation between tax expense and accounting (loss)/profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial years ended 30 June 2018 and 30 June 2017 are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before tax	(82,910)	223,952	(9,805)	7,261
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	(19,898)	53,748	(2,353)	1,743
Different tax rates in other jurisdiction	8,998	7,884	–	–
Expenses not deductible for tax purposes	83,093	134,555	3,262	2,596
Income not subject to tax	(13,435)	(4,799)	(909)	(4,339)
Deferred tax assets not recognised	61,278	85,539	–	–
Reversal of previously recognised tax losses	2,031	1,505	–	–
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	(35,252)	51,937	–	–
Under provision of income tax in prior years	1,948	6,220	–	–
Under provision of deferred tax in prior years	616	1,578	–	–
Effects on share of results of associates and joint ventures	(2,532)	(804)	–	–
Tax expense	86,847	337,363	–	–

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

10. DIVIDEND

	Dividends in respect of financial year		Dividends recognised in financial year	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share dividend (Note 27(c))	—	—	—	48,540

In respect of the financial year ended 30 June 2016, a total of 51,858,500 treasury shares with a carrying amount of RM48,540,000 were distributed as share dividend on 29 August 2016 on the basis of one (1) treasury share for every twenty (20) ordinary shares held in the Company, with fractions of treasury shares being disregarded. The share dividend was approved by the Board of Directors on 4 August 2016.

The Directors do not recommend the payment of a final dividend in respect of the current financial year.

11. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the financial year attributable to owners of the parent by the weighted average number of ordinary shares in issue (net of treasury shares) during the financial year.

	2018	Group 2017
Loss for the financial year attributable to owners of the parent (RM'000)	<u>(99,439)</u>	<u>(120,898)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,067,180</u>	<u>1,066,011</u>
Basic loss per share (sen)	<u>(9.32)</u>	<u>(11.34)</u>

(b) Diluted

The basic loss per share and the diluted loss per share are the same for the financial years as the Company has no dilutive potential ordinary shares as at the end of the reporting date.

There has been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM'000	Land ⁽ⁱ⁾ RM'000	Office equipment and vehicles RM'000	Furniture, fittings and other equipment RM'000	Renovations ⁽ⁱⁱ⁾ RM'000	Capital work-in- progress ⁽ⁱⁱⁱ⁾ RM'000	Total RM'000
At 30 June 2018							
Cost							
At 1 July 2017	2,011,022	10,757	21,410	652,735	1,754,043	526,631	4,976,598
Additions	122,038	-	180	42,696	88,578	43,358	296,850
Disposal and dilution of interests in subsidiaries	-	-	-	(23,499)	(19,636)	-	(43,135)
Disposals	-	-	(1,701)	(27,052)	(168,243)	-	(196,996)
Write off	-	-	-	(22,558)	(45,049)	(6)	(67,613)
Reclassification to investment properties (Note 13)	(9,042)	-	-	-	-	-	(9,042)
Reclassification	14,272	-	-	9,516	33,023	(56,811)	-
Exchange differences	(82,604)	(1,320)	(805)	(16,685)	(65,078)	(20,636)	(187,128)
At 30 June 2018	<u>2,055,686</u>	<u>9,437</u>	<u>19,084</u>	<u>615,153</u>	<u>1,577,638</u>	<u>492,536</u>	<u>4,769,534</u>
Accumulated depreciation							
At 1 July 2017	353,729	-	15,290	395,958	1,244,149	-	2,009,126
Charge for the financial year (Note 8(a))	47,565	-	2,069	59,959	152,455	-	262,048
Disposal and dilution of interests in subsidiaries	-	-	-	(12,136)	(5,457)	-	(17,593)
Disposals	-	-	(1,587)	(23,587)	(160,392)	-	(185,566)
Write off	-	-	-	(14,595)	(24,134)	-	(38,729)
Reclassification to investment properties (Note 13)	(351)	-	-	-	-	-	(351)
Exchange differences	(11,769)	-	(608)	(11,923)	(46,646)	-	(70,946)
At 30 June 2018	<u>389,174</u>	<u>-</u>	<u>15,164</u>	<u>393,676</u>	<u>1,159,975</u>	<u>-</u>	<u>1,957,989</u>
Accumulated impairment loss							
At 1 July 2017	-	-	-	22,792	62,190	11,790	96,772
Impairment loss for the financial year	-	-	-	15,891	25,148	-	41,039
Reversal of impairment loss for the financial year (Note 8(a))	-	-	-	(977)	(2,624)	-	(3,601)
Write off	-	-	-	(6,701)	(19,176)	-	(25,877)
Disposal and dilution of interests in subsidiaries	-	-	-	(7,896)	-	-	(7,896)
Exchange differences	-	-	-	(300)	(6,867)	(631)	(7,798)
At 30 June 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,809</u>	<u>58,671</u>	<u>11,159</u>	<u>92,639</u>
Net book value							
At 30 June 2018	<u>1,666,512</u>	<u>9,437</u>	<u>3,920</u>	<u>198,668</u>	<u>358,992</u>	<u>481,377</u>	<u>2,718,906</u>

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Buildings RM'000	Land ⁽ⁱ⁾ RM'000	Office equipment and vehicles RM'000	Furniture, fittings and other equipment RM'000	Renovations ⁽ⁱⁱ⁾ RM'000	Capital work-in- progress ⁽ⁱⁱⁱ⁾ RM'000	Total RM'000
At 30 June 2017							
Cost							
At 1 July 2016	2,546,623	10,207	20,578	597,115	1,686,752	562,717	5,423,992
Additions	10,381	–	1,769	81,034	146,459	65,841	305,484
Disposal of a subsidiary	(750,015)	–	–	–	(43,024)	–	(793,039)
Disposals	–	–	(1,664)	(46,488)	(134,415)	–	(182,567)
Write off	–	–	(81)	(6,140)	(13,403)	(3)	(19,627)
Reclassification from investment properties (Note 13)	181	–	–	–	–	–	181
Reclassification	69,053	–	–	10,897	44,147	(124,097)	–
Exchange differences	134,799	550	808	16,317	67,527	22,173	242,174
At 30 June 2017	2,011,022	10,757	21,410	652,735	1,754,043	526,631	4,976,598
Accumulated depreciation							
At 1 July 2016	410,291	–	13,562	353,817	1,081,939	–	1,859,609
Charge for the financial year (Note 8(a))	57,286	–	2,548	65,472	240,315	–	365,621
Disposal of a subsidiary	(125,401)	–	–	–	(10,703)	–	(136,104)
Disposals	–	–	(1,277)	(29,877)	(115,049)	–	(146,203)
Write off	–	–	(81)	(3,962)	(3,954)	–	(7,997)
Reclassification from investment properties (Note 13)	20	–	–	–	–	–	20
Reclassification	(5,919)	–	–	3	5,916	–	–
Exchange differences	17,452	–	538	10,505	45,685	–	74,180
At 30 June 2017	353,729	–	15,290	395,958	1,244,149	–	2,009,126
Accumulated impairment loss							
At 1 July 2016	–	–	–	978	17,182	–	18,160
Impairment loss for the financial year	–	–	–	21,646	44,025	11,814	77,485
Exchange differences	–	–	–	168	983	(24)	1,127
At 30 June 2017	–	–	–	22,792	62,190	11,790	96,772
Net book value							
At 30 June 2017	1,657,293	10,757	6,120	233,985	447,704	514,841	2,870,700

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Motor vehicle	
	2018 RM'000	2017 RM'000
Cost		
At 1 July 2017/2016 and 30 June	137	137
Accumulated depreciation		
At 1 July 2017/2016	137	135
Charge for the financial year (Note 8(a))	-	2
At 30 June	137	137
Net book value		
At 30 June	-	-

- (i) The Group owns two pieces of land located in Tangerang Selatan, Banten, Indonesia with building use rights (Hak Guna Bangunan or HGB). During the financial year, the HGB expiring on 18 December 2020 has been renewed and extended to 18 December 2040. The other HGB will expire on 20 October 2028. Management believes that there will be no difficulty in extending the land rights since both the pieces of land were acquired and supported by legal ownership.
- (ii) Included in renovations are the provisions for restoration costs based on the estimated costs to restore the leased areas at the end of their respective lease term.
- (iii) Capital work-in-progress comprises mainly ongoing renovation for retail stores. These capital work-in-progress will be reclassified to appropriate categories of property, plant and equipment when they are ready for their intended use.

Included in capital work-in-progress as at 30 June 2018 was a building under construction located in Tianjin City, the PRC of Rmb741,323,000 (equivalent to approximately RM452,207,000) (2017: Rmb729,788,000 or equivalent to approximately RM463,050,000).

- (iv) Analysis of purchase of property, plant and equipment during the financial years are as follows:

	Group	
	2018 RM'000	2017 RM'000
Aggregate costs of purchase of property, plant and equipment	296,850	305,484
Hire purchase	(2,715)	-
Provisions for restoration costs (Note 33(i))	(742)	(26,786)
Cash payments during the financial years	293,393	278,698

- (v) As at 30 June 2018, net book values of buildings of RM1,172,237,000 (2017: Nil) are pledged with financial institutions for banking facilities extended to the Group as disclosed in Note 30.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(vi) Net book values of property, plant and equipment held under hire purchase agreement are as follows:

	Group	
	2018 RM'000	2017 RM'000
Motor vehicles	–	418
Furniture, fittings and other equipment	2,253	–
	<u>2,253</u>	<u>418</u>

13. INVESTMENT PROPERTIES

Group	← 2018 →			← 2017 →		
	Completed investment properties ⁽ⁱ⁾ RM'000	IPUC ⁽ⁱⁱ⁾ RM'000	Total RM'000	Completed investment properties ⁽ⁱ⁾ RM'000	IPUC ⁽ⁱⁱ⁾ RM'000	Total RM'000
Cost						
At 1 July 2017/2016	19,592	194,033	213,625	18,615	194,033	212,648
Reclassification from/(to) property, plant and equipment (Note 12)	9,042	–	9,042	(181)	–	(181)
Exchange differences	(968)	–	(968)	1,158	–	1,158
At 30 June	<u>27,666</u>	<u>194,033</u>	<u>221,699</u>	<u>19,592</u>	<u>194,033</u>	<u>213,625</u>
Accumulated depreciation						
At 1 July 2017/2016	4,357	–	4,357	3,695	–	3,695
Charge for the financial year (Note 8(a))	818	–	818	527	–	527
Reclassification from/(to) property, plant and equipment (Note 12)	351	–	351	(20)	–	(20)
Exchange differences	(151)	–	(151)	155	–	155
At 30 June	<u>5,375</u>	<u>–</u>	<u>5,375</u>	<u>4,357</u>	<u>–</u>	<u>4,357</u>
Accumulated impairment loss						
At 1 July 2017/2016	–	3,043	3,043	–	3,043	3,043
Impairment loss for the financial year	–	1,990	1,990	–	–	–
At 30 June	<u>–</u>	<u>5,033</u>	<u>5,033</u>	<u>–</u>	<u>3,043</u>	<u>3,043</u>
Net book value						
At 30 June	<u>22,291</u>	<u>189,000</u>	<u>211,291</u>	<u>15,235</u>	<u>190,990</u>	<u>206,225</u>
Estimated fair value						
At 30 June	<u>70,661</u>	<u>189,000</u>	<u>259,661</u>	<u>87,737</u>	<u>190,990</u>	<u>278,727</u>

13. INVESTMENT PROPERTIES (continued)

	2018 RM'000	Group 2017 RM'000
Rental income derived from investment properties	3,496	3,545
Direct operating expenses (including repair and maintenance) generating rental income	(818)	(708)
Profit arising from investment properties	<u>2,678</u>	<u>2,837</u>

- (i) The Group's completed investment properties consist of commercial buildings. The fair values of buildings as at 30 June 2018 and 30 June 2017 were determined based on the valuations performed by accredited independent firm of professional valuers, on direct comparison method. The fair values of the completed investment properties are categorised as Level 3 under the fair value hierarchy.

Certain portions of the buildings are held for own use by the Group and such portions are classified as property, plant and equipment.

- (ii) IPUC comprises land held by the Group. The land measuring 29.22 acres is located in Melaka, Malaysia and has a leasehold term of 99 years. The land is strategically located in a prime area designated for mixed development purposes, including a shopping mall.

The fair value of the land as at 30 June 2018 and 30 June 2017 were determined based on valuations performed by independent professionally qualified valuers, on a direct comparison method. The fair value of the IPUC is categorised as Level 3 under the fair value hierarchy.

- (iii) The Group has no restrictions on realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.
- (iv) As at 30 June 2018, net book values of investment properties of RM1,891,000 (2017: Nil) are pledged with financial institutions for banking facilities extended to the Group as disclosed in Note 30.
- (v) Description of valuation techniques used and key inputs to valuation on investment properties are as follows:

Valuation technique	Significant unobservable inputs
<p><u>Completed investment properties and IPUC at 30 June 2018 and 30 June 2017</u></p> <p>Direct comparison method</p>	<p>Selling price per square foot of comparable properties adjusted for location, accessibility, size, title conditions and restrictions, land tenure, zoning or designated use, building, improvements and amenities and time element.</p>

Direct comparison method

Under the direct comparison method, a property's fair value is estimated based on comparable transactions. This approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold.

14. INTANGIBLE ASSETS

Group	Goodwill RM'000	Customer relationships RM'000	Computer software RM'000	Club memberships RM'000	Brands RM'000	Total RM'000
Cost						
At 1 July 2016	1,588,151	3,393	16,462	388	59,811	1,668,205
Additions	–	–	2,954	–	3,423	6,377
Exchange differences	63,498	186	682	(1)	1,929	66,294
At 30 June 2017 and 1 July 2017	1,651,649	3,579	20,098	387	65,163	1,740,876
Additions	–	–	325	–	821	1,146
Disposal and dilution of interests in subsidiaries	–	–	(30)	–	(16,135)	(16,165)
Write off	–	–	(354)	–	–	(354)
Exchange differences	(54,507)	(441)	(1,129)	(1)	(1,810)	(57,888)
At 30 June 2018	1,597,142	3,138	18,910	386	48,039	1,667,615
Accumulated amortisation						
At 1 July 2016	–	3,393	12,430	170	5,516	21,509
Amortisation (Note 8(a))	–	–	3,509	–	5,833	9,342
Exchange differences	–	186	502	(1)	(398)	289
At 30 June 2017 and 1 July 2017	–	3,579	16,441	169	10,951	31,140
Amortisation (Note 8(a))	–	–	1,057	–	2,396	3,453
Disposal and dilution of interests in subsidiaries	–	–	(9)	–	–	(9)
Write off	–	–	(295)	–	–	(295)
Exchange differences	–	(441)	(855)	–	(1,304)	(2,600)
At 30 June 2018	–	3,138	16,339	169	12,043	31,689
Accumulated impairment loss						
At 1 July 2016	39,965	–	–	–	–	39,965
Impairment loss	298,519	–	296	–	24,888	323,703
Exchange differences	1,202	–	3	–	52	1,257
At 30 June 2017 and 1 July 2017	339,686	–	299	–	24,940	364,925
Impairment loss	512	–	–	–	23,705	24,217
Disposal and dilution of interests in subsidiaries	–	–	–	–	(15,629)	(15,629)
Exchange differences	(11,482)	–	–	–	–	(11,482)
At 30 June 2018	328,716	–	299	–	33,016	362,031
Net carrying amount						
At 30 June 2018	1,268,426	–	2,272	217	2,980	1,273,895
At 30 June 2017	1,311,963	–	3,358	218	29,272	1,344,811

14. INTANGIBLE ASSETS (continued)

Company	Club memberships	
	2018 RM'000	2017 RM'000
Cost		
At 1 July 2017/2016 and 30 June	135	135
Accumulated amortisation and impairment loss		
At 1 July 2017/2016 and 30 June	107	107
Net carrying amount		
At 30 June	28	28

Goodwill

During the financial year, the Group made an allowance for impairment loss on goodwill of RM512,000 (2017: RM298,519,000). The allowance was made after considering the measurable decrease in the estimated future cash flows noted in certain subsidiaries. The recoverable amount of the goodwill as at 30 June 2018 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by directors covering a five-year period. The impairment charge is recorded in the consolidated statement of profit or loss.

Customer relationships

Customer relationships arise from the "Privilege Card" loyalty programme of PT Tozy Sentosa. As disclosed in Note 2.10, customer relationships are amortised over their estimated useful lives of 5 years. Amortisation of customer relationships is included in the "depreciation and amortisation" line item of profit or loss.

(a) **Impairment tests for goodwill**

Management has carried out impairment test review for goodwill based on the recoverable amount of each cash-generating unit ("CGU"). The recoverable amount has been determined based on a value in use calculation. To calculate this, cash flow projections are prepared from financial budgets approved by directors covering a five-year period.

The pre-tax discount rates applied to the cash flow projections are as follows:

	2018 %	2017 %
CGU		
Malaysia	14.6	14.4
PRC	11.0	11.0

14. INTANGIBLE ASSETS (continued)

(a) Impairment tests for goodwill (continued)

Goodwill has been allocated to the Group's CGUs identified according to country of operation and business segments as follows:

	Malaysia RM'000	PRC RM'000	Total RM'000
Retailing			
At 30 June 2018	19,722	1,248,704	1,268,426
At 30 June 2017	19,722	1,291,721	1,311,443
Others			
At 30 June 2018	-	-	-
At 30 June 2017	520	-	520

(b) Key assumptions used in value in use calculations

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

Revenue	: the bases used to determine the future potential earnings are historical sales and expected growth rates of the relevant industry.
Gross margins	: gross margins are based on the average gross margin achieved in the past 3 to 5 years.
Operating expenses	: the bases used to determine the values assigned are the cost of inventories purchased for resale, staff costs, depreciation and amortisation, rental expenses and other operating expenses. The value assigned to the key assumption reflects past experience and management's commitment to maintain the operating expenses to an acceptable level.
Growth rates	: the forecasted growth rates are based on published industry research and do not exceed the long term average growth rate for the industries relevant to the CGUs.
Discount rates	: discount rates reflect management's estimate of the risks specific to these entities. In determining appropriate discount rates for each unit, consideration has been given to the applicable weighted average cost of capital for each unit.

(c) Sensitivity to changes in assumptions

With regard to the assessment of value in use of the respective CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the unit to materially exceed its recoverable amount.

15. LAND USE RIGHTS

	2018 RM'000	Group 2017 RM'000
Cost		
At 1 July 2017/2016	391,338	373,367
Exchange differences	(16,019)	17,971
At 30 June	<u>375,319</u>	<u>391,338</u>
Accumulated amortisation		
At 1 July 2017/2016	104,093	90,860
Amortisation (Note 8(a))	8,713	8,823
Exchange differences	(4,340)	4,410
At 30 June	<u>108,466</u>	<u>104,093</u>
Net book value	<u>266,853</u>	<u>287,245</u>
Amount to be amortised:		
- Not later than one year	8,713	8,823
- Later than one year but not later than five years	34,854	35,277
- Later than five years	<u>223,286</u>	<u>243,145</u>

Land use rights include the payment for land use rights to the PRC authorities which are amortised on a straight-line basis over their respective lease periods, ranging from 42 to 45 years (2017: 42 to 45 years). The net book values of those leasehold land as at 30 June 2018 are RM244,703,000 (2017: RM262,979,000).

As at 30 June 2018, net book values of land use rights of RM237,412,000 (2017: Nil) are pledged with financial institutions for banking facilities extended to the Group as disclosed in Note 30.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	#	#
Share option granted to employees of subsidiaries	23,951	23,951
	<hr/>	<hr/>
	23,951	23,951
Less: Accumulated impairment loss	(2,591)	–
	<hr/>	<hr/>
	21,360	23,951
	<hr/> <hr/>	<hr/> <hr/>
Market value of quoted subsidiaries outside Malaysia	791,235	1,137,824
	<hr/> <hr/>	<hr/> <hr/>
		Company 2018 RM'000
Movement in accumulated impairment loss:		
At 1 July 2017		–
Recognised in profit or loss (Note 8(a))		2,591
		<hr/>
At 30 June		2,591
		<hr/> <hr/>

Represent RM24 (2017: RM24)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Held by the Company</u>						
East Crest International Limited	British Virgin Islands	Investment holding	100	100	–	–
Parkson Vietnam Investment Holdings Co Ltd	British Virgin Islands	Investment holding	100	100	–	–
Parkson Properties Holdings Co Ltd	British Virgin Islands	Investment holding	100	100	–	–
Prime Yield Holdings Limited	British Virgin Islands	Investment holding	100	100	–	–
Puncak Pelita Sdn Bhd ^f	Malaysia	Investment holding	100	100	–	–
Corporate Code Sdn Bhd	Malaysia	Investment holding	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of East Crest International Limited</u>						
PRG Corporation Limited <i>f</i>	British Virgin Islands	Investment holding	100	100	–	–
Serbadagang Holdings Sdn Bhd <i>f</i>	Malaysia	Investment holding	100	100	–	–
Park Avenue Fashion Sdn Bhd	Malaysia	Retailing business	100	100	–	–
Smart Spectrum Limited	British Virgin Islands	Investment holding	100	100	–	–
Parkson Retail Asia Limited (“PRA”) + β	Singapore	Investment holding	68	68	32	32
<u>Subsidiaries of Parkson Vietnam Investment Holdings Co Ltd</u>						
Parkson HCMC Holdings Co Ltd (Dissolved on 20.8.2018)	British Virgin Islands	Dormant	100	100	–	–
Parkson HaiPhong Holdings Co Ltd (Dissolved on 20.8.2018)	British Virgin Islands	Dormant	100	100	–	–
Parkson TSN Holdings Co Ltd	British Virgin Islands	Investment holding	100	100	–	–
<u>Subsidiaries of Parkson Properties Holdings Co Ltd</u>						
Parkson Properties NDT (Emperor) Co Ltd	British Virgin Islands	Dormant	100	100	–	–
Parkson Properties Hanoi Co Ltd	British Virgin Islands	Dormant	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of Prime Yield Holdings Limited</u>						
Dyna Puncak Sdn Bhd	Malaysia	Investment holding	100	100	–	–
Gema Binari Sdn Bhd	Malaysia	Investment holding	100	100	–	–
Parkson Credit Holdings Sdn Bhd	Malaysia	Investment holding	100	100	–	–
Prestasi Serimas Sdn Bhd	Malaysia	Operation of food and beverage businesses	100	100	–	–
AUM Hospitality Sdn Bhd ^f (Notes 16(b)(v) & 16(c)(iii))	Malaysia	Investment holding and provision of management services	20	100	–	–
<u>Subsidiary of PRG Corporation Limited</u>						
Parkson Retail Group Limited (“PRGL”) + @ (Note 16(b)(iv))	Cayman Islands	Investment holding	54.6 *1 0.4	54.6 *1 0.4	45.0	45.0
<u>Subsidiary of PRGL</u>						
Grand Parkson Retail Group Limited +	British Virgin Islands	Investment holding	100	100	–	–
<u>Subsidiaries of Grand Parkson Retail Group Limited</u>						
Leonemas International Limited +	British Virgin Islands	Investment holding	100	100	–	–
Malverest Trading International Limited +	British Virgin Islands	Investment holding	100	100	–	–
Oroleon International Limited +	British Virgin Islands	Investment holding	100	100	–	–
Releomont International Limited +	British Virgin Islands	Investment holding	100	100	–	–
Releomont (Hong Kong) Limited +	Hong Kong SAR	Investment holding	100	*2 100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of Grand Parkson Retail Group Limited</u> (continued)						
Exonbury Limited +	Hong Kong SAR	Investment holding	100	100	–	–
Parkson Investment Pte Ltd +	Singapore	Investment holding	100	100	–	–
Parkson Supplies Pte Ltd +	Singapore	Investment holding	100	100	–	–
Creation International Investment & Development Limited +	British Virgin Islands	Investment holding	100	100	–	–
Step Summit Limited +	Hong Kong SAR	Investment holding	100	100	–	–
Global Heights Investment Limited +	British Virgin Islands	Investment holding	100	100	–	–
Golden Village Group Limited +	British Virgin Islands	Investment holding	100	100	–	–
Lung Shing International Investments & Development Limited +	British Virgin Islands	Investment holding	100	100	–	–
Capital Park Development Limited +	British Virgin Islands	Investment holding	100	100	–	–
Favor Move International Limited +	British Virgin Islands	Investment holding	100	100	–	–
Jet East Investments Limited +	British Virgin Islands	Investment holding	100	100	–	–
Bond Glory Limited +	British Virgin Islands	Investment holding	100	100	–	–
Victor Crest Limited +	British Virgin Islands	Investment holding	100	100	–	–
Lion Food & Beverage Ventures Limited +	British Virgin Islands	Investment holding	91	91 *3 9	9	–
Yeehaw Best Practices Sdn Bhd ^f (Note 16(b)(ii))	Malaysia	Operating as a licensor for the brand of “Franco”	100	70	–	30

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiary of Leonemas International Limited</u>						
Leonemas (Hong Kong) Limited +	Hong Kong SAR	Investment holding	100	100	–	–
<u>Subsidiary of Leonemas (Hong Kong) Limited</u>						
Qingdao Lion Plaza Retail Management Co Ltd +	People's Republic of China	Property management	100	100	–	–
<u>Subsidiary of Malverest Trading International Limited</u>						
Malverest (Hong Kong) Limited +	Hong Kong SAR	Investment holding	100	100	–	–
<u>Subsidiary of Malverest (Hong Kong) Limited</u>						
Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
<u>Subsidiaries of Parkson Retail Development Co Ltd</u>						
Zhangjiakou Parkson Shopping Mall Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Qingdao Parkson Shopping Plaza Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Qingdao Parkson Beer City Property Management Co Ltd +	People's Republic of China	Property management	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiary of Oroleon International Limited</u>						
Oroleon (Hong Kong) Limited +	Hong Kong SAR	Investment holding	100	100	–	–
<u>Subsidiary of Oroleon (Hong Kong) Limited</u>						
Parkson Retail Laos Holdings Sdn Bhd (formerly known as Kencana Cahaya Resources Sdn Bhd) (Note 16(a))	Malaysia	Investment holding	100	–	–	–
<u>Subsidiary of Parkson Retail Laos Holdings Sdn Bhd</u>						
Parkson Lao Sole Co Ltd + ^	Lao People's Democratic Republic	Trading and property development	100	–	–	–
<u>Subsidiary of Releomont (Hong Kong) Limited</u>						
Anshan Parkson Retail Development Co Ltd + ^	People's Republic of China	Operation of department stores	100	–	–	–
<u>Subsidiaries of Exonbury Limited</u>						
Hong Kong Fen Chai Investment Limited +	Hong Kong SAR	Investment holding	100	100	–	–
Shanghai Nine Sea Parkson Plaza Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Shanghai Lion Parkson Investment Consultant Co Ltd +	People's Republic of China	Provision of consultancy and management services	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of Exonbury Limited (continued)</u>						
Parkson Investment Holdings Co Ltd +	People's Republic of China	Investment holding	70 *4 30	70 *4 30	–	–
Jinan Lion Consultant Management Co Ltd +	People's Republic of China	Provision of consultancy and management services	100	100	–	–
<u>Subsidiary of Hong Kong Fen Chai Investment Limited</u>						
Xi'an Lucky King Parkson Plaza Co Ltd +	People's Republic of China	Operation of department stores	91 *5 9	91 *5 9	–	–
<u>Subsidiaries of Xi'an Lucky King Parkson Plaza Co Ltd</u>						
Xi'an Chang'an Parkson Store Co Ltd +	People's Republic of China	Operation of department stores	51 *6 49	51 *6 49	–	–
Xi'an Shidai Parkson Store Co Ltd +	People's Republic of China	Operation of department stores	51 *6 49	51 *6 49	–	–
Shanxi Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
<u>Subsidiaries of Shanghai Lion Parkson Investment Consultant Co Ltd</u>						
Shanghai Shijie Fashions Co Ltd +	People's Republic of China	Sale of fashion	100	100	–	–
Shanghai Lion Parkson Management Consultant Co Ltd +	People's Republic of China	Provision of consultancy and management services	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiary of Shanghai</u>						
<u>Lion Parkson Management Consultant Co Ltd</u>						
Shanghai Shihong Supermarket Co Ltd +	People's Republic of China	Food and beverage management services	100	100	–	–
<u>Subsidiaries of Parkson Investment Holdings Co Ltd</u>						
Shanghai Xinzhuang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Lanzhou Parkson Retail Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Zigong Parkson Retail Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Shanghai Lion Cosmetics Co Ltd + ^	People's Republic of China	Sale of cosmetics, general merchandise, food and related products	100	–	–	–
Shanghai Parkson Food & Beverage Management Co Ltd + ^	People's Republic of China	Food and beverage management services and operations	100	–	–	–
<u>Subsidiaries of Shanghai Xinzhuang Parkson Retail Development Co Ltd</u>						
Chenzhou Shishang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Hunan Changsha Shishang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiary of Parkson Investment Pte Ltd</u>						
Rosenblum Investments Pte Ltd +	Singapore	Investment holding	100	100	–	–
<u>Subsidiaries of Parkson Supplies Pte Ltd</u>						
Chongqing Wanyou Parkson Plaza Co Ltd + (Note 16(b)(iii))	People's Republic of China	Operation of department stores and related services, provision of consultancy and management services, and marketing planning	100	70	–	30
Mianyang Fulin Parkson Plaza Co Ltd +	People's Republic of China	Operation of department stores	60 *7 40	60 *7 40	–	–
Sichuan Shishang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
<u>Subsidiary of Creation International Investment & Development Limited</u>						
Creation (Hong Kong) Investment & Development Limited +	Hong Kong SAR	Investment holding	100	100	–	–
<u>Subsidiaries of Step Summit Limited</u>						
Guizhou Shenqi Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	60	60	40	40
Shanghai Hongqiao Parkson Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Hefei Parkson Xiaoyao Plaza Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of Shanghai</u>						
<u>Hongqiao Parkson Development Co Ltd</u>						
Changshu Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Shaoxing Shishang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Changzhou Shifeng Retail Development Co Ltd +	People's Republic of China	Sales of apparel	100	100	–	–
Changzhou Lion Food & Beverage Co Ltd +	People's Republic of China	Food and beverage management services	100	100	–	–
Shanghai Delight Food & Beverage Management Co Ltd +	People's Republic of China	Food and beverage management services	100	100	–	–
<u>Subsidiaries of Shanghai Delight Food & Beverage Management Co Ltd</u>						
Shanghai Delight Food Co Ltd + ^	People's Republic of China	Food production and related business	100	–	–	–
Kunming Hogan Food & Beverage Management Co Ltd + ^	People's Republic of China	Food and beverage operations	100	–	–	–
<u>Subsidiaries of Hefei Parkson Xiaoyao Plaza Co Ltd</u>						
Anshan Tianxing Parkson Shopping Centre Co Ltd +	People's Republic of China	Operation of department stores	51 *8 49	51 *8 49	–	–
Qingdao Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiary of Global Heights Investment Limited</u>						
Asia Victory International Limited +	British Virgin Islands	Investment holding	100	100	–	–
<u>Subsidiary of Asia Victory International Limited</u>						
Shunhe International Investment Limited +	Hong Kong SAR	Investment holding	100	100	–	–
<u>Subsidiary of Shunhe International Investment Limited</u>						
Kunming Yun Shun He Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
<u>Subsidiaries of Kunming Yun Shun He Retail Development Co Ltd</u>						
Zunyi Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	90 *9 10	90 *9 10	–	–
Liupanshui Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Kunshan Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Panzhuhua Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
Tianjin Parkson Shopping Mall Co Ltd +	People's Republic of China	Operation of department stores and property management	60 *10 20 *11 20	60 *10 20 *11 20	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of Golden Village Group Limited</u>						
Duo Success Investments Limited +	British Virgin Islands	Investment holding	100	100	–	–
Jiangxi Parkson Retail Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
<u>Subsidiary of Duo Success Investments Limited</u>						
Huge Return Investment Limited +	Hong Kong SAR	Investment holding	100	100	–	–
<u>Subsidiary of Lung Shing International Investments & Development Limited</u>						
Anshan Lung Shing Property Services Limited +	People's Republic of China	Property management	100	100	–	–
<u>Subsidiary of Capital Park Development Limited</u>						
Capital Park (HK) Investment & Development Limited +	Hong Kong SAR	Investment holding	100	100	–	–
<u>Subsidiary of Capital Park (HK) Investment & Development Limited</u>						
Wuxi Sanyang Parkson Plaza Co Ltd +	People's Republic of China	Operation of department stores	60	60	40	40
<u>Subsidiary of Favor Move International Limited</u>						
Hanmen Holdings Limited +	Hong Kong SAR	Investment holding	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiary of Jet East Investments Limited</u>						
Victory Hope Limited +	Hong Kong SAR	Investment holding	100	100	–	–
<u>Subsidiary of Victory Hope Limited</u>						
Nanning Brilliant Parkson Commercial Co Ltd +	People's Republic of China	Operation of department stores	70 *12 30	70 *12 30	–	–
<u>Subsidiary of Nanning Brilliant Parkson Commercial Co Ltd</u>						
Zhongshan Parkson Retail Development Co Ltd + (Dissolved on 22.5.2018)	People's Republic of China	Dormant	–	100	–	–
<u>Subsidiary of Bond Glory Limited</u>						
Choice Link Limited +	British Virgin Islands	Investment holding	100	100	–	–
<u>Subsidiary of Choice Link Limited</u>						
Great Dignity Development Limited +	Hong Kong SAR	Investment holding	100	100	–	–
<u>Subsidiary of Great Dignity Development Limited</u>						
Shantou Parkson Commercial Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiary of Victor Crest Limited</u>						
Wide Crest Limited +	British Virgin Islands	Investment holding	100	100	–	–
<u>Subsidiaries of Wide Crest Limited</u>						
Wide Field International Limited +	Hong Kong SAR	Investment holding	100	100	–	–
Sea Coral Limited +	Hong Kong SAR	Investment holding	100	100	–	–
Parkson Venture Pte Ltd +	Singapore	Investment holding	100	100	–	–
<u>Subsidiary of Wide Field International Limited</u>						
Shenyang Parkson Shopping Plaza Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
<u>Subsidiary of Sea Coral Limited</u>						
Dalian Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	100	100	–	–
<u>Subsidiary of Parkson Venture Pte Ltd</u>						
Qingdao No. 1 Parkson Co Ltd +	People's Republic of China	Operation of department stores	95.9	95.9	4.1	4.1
<u>Subsidiary of Lion Food & Beverage Ventures Limited</u>						
Parkson Food & Beverage Ventures Limited +	Hong Kong SAR	Investment holding	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiary of Parkson Food & Beverage Ventures Limited</u>						
Shanghai Lion Food and Beverage Management Co Ltd +	People's Republic of China	Food and beverage management services	100	100	–	–
<u>Subsidiary of Yeehaw Best Practices Sdn Bhd</u>						
Codecg Sdn Bhd + (Dissolved on 22.12.2017)	Malaysia	Dormant	–	100	–	–
<u>Subsidiary of Serbadagang Holdings Sdn Bhd</u>						
Dalian Tianhe Parkson Shopping Centre Co Ltd <i>f</i> (Note 16(c)(i))	People's Republic of China	Operation of department stores	–	60	–	40
<u>Subsidiaries of PRA</u>						
Parkson Corporation Sdn Bhd	Malaysia	Operation of department stores	100	100	–	–
Centro Retail Pte Ltd +	Singapore	Investment holding	100	100	–	–
PT Tozy Sentosa +	Indonesia	Operation of department stores, supermarkets and merchandising	90 *13 10	90 *13 10	–	–
Parkson Myanmar Co Pte Ltd +	Singapore	Investment holding	100	100	–	–
Parkson Yangon Company Limited +	Myanmar	Operation of department stores	95 *14 5	90 *14 10	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of Parkson Corporation Sdn Bhd</u>						
Parkson Vietnam Co Ltd +	Vietnam	Operation of department stores	100	100	–	–
Parkson Haiphong Co Ltd +	Vietnam	Operation of department stores	100	100	–	–
Kiara Innovasi Sdn Bhd (Note 16(b)(i))	Malaysia	Operation of department stores	100	60	–	40
Parkson Cambodia Holdings Co Ltd	British Virgin Islands	Investment holding	100	100	–	–
Parkson Online Sdn Bhd	Malaysia	Ceased operations	100	100	–	–
Parkson SGN Co Ltd +	Vietnam	Operation of retail stores	100	100	–	–
Parkson Edutainment World Sdn Bhd	Malaysia	Ceased operations	70	70	30	30
Parkson Lifestyle Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	100	100	–	–
Super Gem Resources Sdn Bhd † (Note 16(c)(iv))	Malaysia	Distribution and retailing of fashionable goods	–	70	–	30
Parkson Unlimited Beauty Sdn Bhd	Malaysia	Import, operate and distribute fragrance and beauty care products	100	100	–	–
Parkson Private Label Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of Parkson Corporation Sdn Bhd</u> (continued)						
Parkson Trading (Vietnam) Company Limited +	Vietnam	Wholesaler of apparels and consumer products	100	100	–	–
Solid Gatelink Sdn Bhd	Malaysia	Operation of food and beverage businesses	100	100	–	–
Parkson Trends Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	100	100	–	–
<u>Subsidiary of Parkson Vietnam Co Ltd</u>						
Parkson Vietnam Management Services Co Ltd +	Vietnam	Operation of department stores	100	100	–	–
<u>Subsidiary of Parkson Cambodia Holdings Co Ltd</u>						
Parkson (Cambodia) Co Ltd +	Cambodia	Dormant	100	100	–	–
<u>Subsidiary of Parkson Myanmar Co Pte Ltd</u>						
Parkson Myanmar Investment Company Pte Ltd +	Singapore	Investment holding	70	70	30	30
<u>Subsidiaries of Parkson Myanmar Investment Company Pte Ltd</u>						
Parkson Myanmar Asia Pte Ltd +	Singapore	Investment holding	100	100	–	–
Myanmar Parkson Company Limited +	Myanmar	Retailing and leasing of retail space	90 *15 10	90 *15 10	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiary of Parkson TSN Holdings Co Ltd</u>						
Parkson HBT Properties Co Ltd +	Vietnam	Real estate consulting and management services	100	100	–	–
<u>Subsidiaries of Dyna Puncak Sdn Bhd</u>						
Idaman Erajuta Sdn Bhd	Malaysia	Investment holding	100	100	–	–
Magna Rimbun Sdn Bhd	Malaysia	Investment holding	100	100	–	–
True Excel Investments Limited	British Virgin Islands	Investment holding	100	100	–	–
<u>Subsidiary of Idaman Erajuta Sdn Bhd</u>						
Festival City Sdn Bhd	Malaysia	Operation of department stores and property management	100	100	–	–
<u>Subsidiary of Magna Rimbun Sdn Bhd</u>						
Megan Mastika Sdn Bhd	Malaysia	Property management and investment holding	100	100	–	–
<u>Subsidiary of Megan Mastika Sdn Bhd</u>						
Dimensi Andaman Sdn Bhd ^f	Malaysia	Investment holding, property development and project management	100	100	–	–
<u>Subsidiary of True Excel Investments Limited</u>						
True Excel Investments (Cambodia) Co Ltd +	Cambodia	Investment holding	100	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of Gema Binari Sdn Bhd</u>						
Parkson Branding Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	100	100	–	–
Giftmate Sdn Bhd ^f	Malaysia	Trading of all kinds of gifts and souvenir products	60	60	40	40
<u>Subsidiaries of Parkson Branding Sdn Bhd</u>						
Parkson Fashion Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	100	100	–	–
Parkson Branding (L) Limited	Malaysia	Trading and marketing of fashionable goods	100	100	–	–
<u>Subsidiary of Parkson Credit Holdings Sdn Bhd</u>						
Parkson Credit Sdn Bhd	Malaysia	Provision of money lending and credit services	100	100	–	–
<u>Subsidiary of Prestasi Serimas Sdn Bhd</u>						
Ombrello Resources Sdn Bhd ^f	Malaysia	Investment holding and provision of full corporate and financial support services	100	^{*16} 100	–	–
<u>Subsidiaries of AUM Hospitality Sdn Bhd</u>						
Entity A Concepts Sdn Bhd ^f	Malaysia	Investment holding and provision of management services	–	100	–	–
Entity B Management Sdn Bhd (Under court liquidation) ^f	Malaysia	Provision of management services to licensees and franchisees	–	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of AUM Hospitality Sdn Bhd</u> (continued)						
Entity C Sdn Bhd <i>f</i>	Malaysia	Investment holding and provision of management services	–	100	–	–
F&B Essentials Sdn Bhd <i>f</i>	Malaysia	Trading of food and beverages	–	100	–	–
AUM Asiatic Restaurants Sdn Bhd <i>f</i>	Malaysia	Investment holding and provision of management services	–	75	–	25
Fantastic Red Sdn Bhd <i>f</i>	Malaysia	Provision of interior design service	–	75	–	25
<u>Subsidiaries of Entity A Concepts Sdn Bhd</u>						
Business Spirit Sdn Bhd <i>f</i>	Malaysia	Operation of restaurant business	–	100	–	–
J Rockets 1 Sdn Bhd <i>f</i>	Malaysia	Operation of restaurant business	–	100	–	–
Massive Privilege Sdn Bhd <i>f</i>	Malaysia	Operation of restaurant business	–	100	–	–
Urban Palette Sdn Bhd <i>f</i>	Malaysia	Operation of restaurant business	–	90	–	10
The Opera Gastroclub Sdn Bhd <i>f</i>	Malaysia	Operation of restaurant business and provision of management services	–	90	–	10

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *		% of ownership interest held by non-controlling interests *	
			2018	2017	2018	2017
<u>Subsidiaries of Entity C Sdn Bhd</u>						
Vertigo Dot My Sdn Bhd (In creditors' voluntary winding up) <i>f</i> (Note 16(c)(ii))	Malaysia	Ceased operation	–	60	–	40
Collective Entity Sdn Bhd <i>f</i>	Malaysia	Operation of restaurant business	–	60	–	40
<u>Subsidiaries of Vertigo Dot My Sdn Bhd</u>						
Ohla Restaurant Sdn Bhd (In creditors' voluntary winding up) <i>f</i>	Malaysia	Operation of restaurant business	–	100	–	–
Providence Club KL Sdn Bhd (In creditors' voluntary winding up) <i>f</i>	Malaysia	Operation of restaurant business	–	100	–	–
<u>Subsidiaries of AUM Asiatic Restaurants Sdn Bhd</u>						
Genuine Resources Sdn Bhd <i>f</i>	Malaysia	Operation of restaurant business	–	100	–	–
Alunan Omega Sdn Bhd <i>f</i>	Malaysia	Operation of restaurant business	–	100	–	–

16. INVESTMENTS IN SUBSIDIARIES (continued)

All the companies are audited by Ernst & Young Malaysia except for those marked (“+”) which the company or group companies are audited by a member firm of Ernst & Young Global in the respective countries, and those marked (“f”) which are audited by other firms.

- * Equals to the proportion of voting rights held.
- *1 Held by East Crest International Limited.
- *2 Held by Releomont International Limited.
- *3 Held by AUM Hospitality Sdn Bhd.
- *4 Held by Parkson Investment Pte Ltd.
- *5 Held by Huge Return Investment Limited.
- *6 Held by Parkson Retail Development Co Ltd.
- *7 Held by Shanghai Hongqiao Parkson Development Co Ltd.
- *8 Held by Creation (Hong Kong) Investment & Development Limited.
- *9 Held by Parkson Investment Holdings Co Ltd.
- *10 Held by Xi’an Lucky King Parkson Plaza Co Ltd.
- *11 Held by Nanning Brilliant Parkson Commercial Co Ltd.
- *12 Held by Hanmen Holdings Limited.
- *13 Held by Centro Retail Pte Ltd.
- *14 Held by Parkson Myanmar Co Pte Ltd.
- *15 Held by Parkson Myanmar Asia Pte Ltd.
- *16 Held by Entity C Sdn Bhd.
- ^ Subsidiaries which were newly incorporated during the financial year.
- β Listed on the Singapore Exchange Securities Trading Limited.
- @ Listed on The Stock Exchange of Hong Kong Limited.

During the financial year, the Company made an allowance for impairment loss on investment in Parkson Vietnam Co Ltd of RM2,591,000 (2017: Nil). The allowance was made after considering the measurable decrease in the fair value estimation of the investment.

16. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of subsidiary

During the current financial year, the Group acquired Parkson Retail Laos Holdings Sdn Bhd (formerly known as Kencana Cahaya Resources Sdn Bhd) for a consideration of RM1. No disclosure on the fair values of the acquired assets and liabilities of the combined entities as the acquisition of this subsidiary has no material effects on the Group's financial results and financial position.

There was no acquisition of subsidiary in the previous financial year ended 30 June 2017.

(b) Increase in shareholdings in subsidiaries

(i) Kiara Innovasi Sdn Bhd ("Kiara Innovasi")

During the current financial year, Parkson Corporation Sdn Bhd ("PCSB"), a wholly-owned subsidiary of PRA, completed the acquisition of the remaining 40% equity interest comprising 2,000,000 ordinary shares in its subsidiary, Kiara Innovasi, for a total cash consideration of RM67,200 ("Acquisition of Kiara Innovasi").

Following the completion of the Acquisition of Kiara Innovasi, Kiara Innovasi became a wholly-owned subsidiary of PCSB and hence, remains a subsidiary of the Company.

(ii) Yeehaw Best Practices Sdn Bhd ("Yeehaw Best")

During the current financial year, Grand Parkson Retail Group Limited ("Grand Parkson"), a wholly-owned subsidiary of PRGL, completed the acquisition of the remaining 30% equity interest comprising 30 ordinary shares in its subsidiary, Yeehaw Best, for a total cash consideration of Rmb1,458,990 (equivalent to approximately RM890,000) ("Acquisition of Yeehaw Best").

Following the completion of the Acquisition of Yeehaw Best, Yeehaw Best became a wholly-owned subsidiary of Grand Parkson and hence, remains a subsidiary of the Company.

(iii) Chongqing Wanyou Parkson Plaza Co Ltd ("Chongqing Wanyou")

During the current financial year, Parkson Supplies Pte Ltd ("Parkson Supplies"), a wholly-owned subsidiary of PRGL, completed the acquisition of the remaining 30% interest in its subsidiary, Chongqing Wanyou, for a cash consideration of Rmb1 (equivalent to approximately RM0.61) ("Acquisition of Chongqing Wanyou").

Following the completion of the Acquisition of Chongqing Wanyou, Chongqing Wanyou became a wholly-owned subsidiary of Parkson Supplies and hence, remains a subsidiary of the Company.

(iv) PRGL

In the previous financial year, PRGL, a subsidiary of the Company, cancelled 14,708,500 of its repurchased shares, resulting in the increase of the Group's interest in PRGL from 54.7% to 55.0%.

(v) AUM Hospitality Sdn Bhd ("AUMH") together with its group of companies ("AUMH group of companies")

In the previous financial year, the Group completed the acquisition of the remaining 40% equity interest in AUMH together with its group of companies for a cash consideration of RM1,500,000. The acquisition has resulted in the increase in the Group's interest in AUMH from 60% to 100%.

16. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Disposal and dilution of interests in subsidiaries

During the financial year and in the previous financial year, the Group completed the following disposals:

(i) **60% equity interest in Dalian Tianhe Parkson Shopping Centre Co Ltd (“Dalian Tianhe Parkson”)**

On 26 March 2018, Serbadagang Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, completed the disposal of its entire 60% equity interest in Dalian Tianhe Parkson at a consideration of Rmb1 (equivalent to approximately RM0.61) (“Disposal of Dalian Tianhe Parkson”). Further information are disclosed in Note 38.

Following the completion of the Disposal of Dalian Tianhe Parkson, Dalian Tianhe Parkson ceased to be a subsidiary of the Company.

In the previous financial year, the investment in Dalian Tianhe Parkson was accounted as Investment Securities (Note 22(i)) as the Group did not have management control over Dalian Tianhe Parkson.

(ii) **15% equity interest in Vertigo Dot My Sdn Bhd (“Vertigo”) which resulted in loss of control**

On 13 April 2018, Entity C Sdn Bhd (“Entity C”), a wholly-owned subsidiary of AUMH which is in turn a then wholly-owned subsidiary of the Company, completed the disposal of 15,000 ordinary shares, representing 15% equity interest in Vertigo for a cash consideration of RM2 (“Disposal of Vertigo”).

Following the Disposal of Vertigo, the shareholding of Entity C in Vertigo was reduced from 60% to 45% and consequent thereupon, Vertigo and its wholly-owned subsidiaries, Ohla Restaurant Sdn Bhd and Providence Club KL Sdn Bhd, ceased to be subsidiaries of the Company.

The dilution had the following effects on the Group’s financial results and position for the financial year:

	Group 2018 RM’000
Receivables	2,019
Payables	(11,381)
Deferred tax liabilities	(94)
	<hr/>
	(9,456)
Non-controlling interests derecognised	3,782
Impairment on advances to Vertigo	1,462
	<hr/>
Net liabilities diluted	(4,212)
	<hr/> <hr/>
Cash consideration	**
Net liabilities diluted	4,212
	<hr/>
Gain on dilution of interests in subsidiaries	4,212
	<hr/> <hr/>
Cash consideration, representing net cash inflow of the Group	**
	<hr/> <hr/>

** Represent RM2

16. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Disposal and dilution of interests in subsidiaries (continued)

(iii) 80% equity interest in AUMH which resulted in loss of control

On 25 April 2018, Prime Yield Holdings Limited ("Prime Yield"), a wholly-owned subsidiary of the Company, completed the disposal of 80,000 ordinary shares, representing 80% equity interest in AUMH for a cash consideration of RM2 ("Disposal of AUMH").

Following the Disposal of AUMH, the shareholding of Prime Yield in AUMH was reduced from 100% to 20% and consequent thereupon, AUMH and its subsidiaries ceased to be subsidiaries of the Company.

The dilution had the following effects on the Group's financial results and position for the financial year:

	Group 2018 RM'000
Property, plant and equipment	1,594
Intangible assets	506
Inventories	258
Receivables	16,357
Cash and cash equivalent	236
Payables	(46,043)
Deferred tax liabilities	(11)
	<hr/>
	(27,103)
Non-controlling interests derecognised	1,722
Impairment on advances to AUMH	14,296
	<hr/>
Net liabilities diluted	(11,085)
	<hr/> <hr/>
Cash consideration	**
Net liabilities diluted	11,085
	<hr/>
Gain on dilution of interests in subsidiaries	11,085
	<hr/> <hr/>
Cash consideration	**
Cash and cash equivalents of subsidiaries diluted	(236)
	<hr/>
Net cash outflow of the Group	(236)
	<hr/> <hr/>

** Represent RM2

16. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Disposal and dilution of interests in subsidiaries (continued)

(iv) 70% equity interest in Super Gem Resources Sdn Bhd (“Super Gem Resources”)

On 22 June 2018, PCSB completed the disposal of its entire shareholding of 700,000 ordinary shares, representing 70% equity interest in Super Gem Resources at a consideration of RM2,400,000 (“Disposal of Super Gem Resources”).

Following the completion of the Disposal of Super Gem Resources, Super Gem Resources ceased to be a subsidiary of PCSB and the Company.

The disposal had the following effects on the Group’s financial results and position for the financial year:

	Group 2018 RM’000
Property, plant and equipment	16,052
Intangible assets	21
Inventories	12,051
Receivables	4,984
Cash and cash equivalent	904
Payables	(55,855)
	<hr/>
	(21,843)
Non-controlling interests derecognised	6,553
Impairment on advances to Super Gem Resources	14,199
	<hr/>
Net liabilities disposed	(1,091)
	<hr/> <hr/>
Cash consideration	2,400
Net liabilities disposed	1,091
	<hr/>
Gain on disposal of a subsidiary	3,491
	<hr/> <hr/>
Cash consideration	2,400
Cash and cash equivalents of subsidiary disposed	(904)
	<hr/>
Net cash inflow of the Group	1,496
	<hr/> <hr/>

16. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Disposal and dilution of interests in subsidiaries (continued)

(v) 100% equity interest in Beijing Huadesheng Property Management Co Ltd (“Beijing Huadesheng”) and the shareholder’s loan and other monies

On 27 December 2016, the Group completed the disposal of the entire equity interest in Beijing Huadesheng and the relevant shareholder’s loan and other monies at a total consideration of Rmb2,320,000,000 (equivalent to approximately RM1,497,560,000).

The disposal had the following effects on the Group’s financial results and position in the previous financial year:

	Group 2017 RM'000
Property, plant and equipment	656,935
Receivables	12,538
Payables	(418,832)
	<hr/>
	250,641
Transfer of the relevant shareholder’s loan and other monies	418,832
	<hr/>
Net assets disposed	669,473
	<hr/> <hr/>
Total disposal proceeds	1,497,560
Net assets disposed	(669,473)
	<hr/>
Gain on disposal of a subsidiary	828,087
	<hr/> <hr/>
Cash consideration, representing net cash inflow of the Group	1,497,560
	<hr/> <hr/>

16. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Material non-controlling interests

Financial information of subsidiaries which have non-controlling interests that are material to the Group is set out below.

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2018 %	2017 %
PRA	Singapore	32.0	32.0
PRGL	Cayman Islands	45.0	45.0

PRA and PRGL are investment holding companies that have subsidiaries that are in the retailing business in Southeast Asia and the PRC respectively.

	2018 RM'000	Group 2017 RM'000
Accumulated net assets/(liabilities) balances of non-controlling interests:		
PRA	48,824	93,578
PRGL	1,325,135	1,388,785
Other individually immaterial subsidiaries	(179)	(24,950)
Total	<u>1,373,780</u>	<u>1,457,413</u>
Profit/(loss) allocated to non-controlling interests:		
PRA	(41,391)	(57,523)
PRGL	(32,033)	75,899
Other individually immaterial subsidiaries	3,106	(10,889)
Total	<u>(70,318)</u>	<u>7,487</u>

16. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Material non-controlling interests (continued)

Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information below is the amount before inter-company elimination.

	PRA		PRGL		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(i) <u>Summarised statements of financial position</u>						
Non-current assets	458,849	574,112	4,882,539	4,320,803	5,341,388	4,894,915
Current assets	386,038	497,110	2,562,595	3,718,931	2,948,633	4,216,041
Non-current liabilities	(105,644)	(120,545)	(2,632,520)	(844,537)	(2,738,164)	(965,082)
Current liabilities	(595,491)	(669,684)	(1,815,885)	(4,074,477)	(2,411,376)	(4,744,161)
Non-controlling interests	8,633	11,072	(53,779)	(36,411)	(45,146)	(25,339)
Total equity	152,385	292,065	2,942,950	3,084,309	3,095,335	3,376,374
Attributable to non-controlling interests	48,824	93,578	1,325,135	1,388,785	1,373,959	1,482,363
(ii) <u>Summarised statements of profit or loss</u>						
Revenue	1,252,114	1,272,459	2,651,156	2,622,774	3,903,270	3,895,233
(Loss)/profit for the financial year	(129,185)	(179,535)	(71,141)	168,561	(200,326)	(10,974)
Attributable to non-controlling interests	(41,391)	(57,523)	(32,033)	75,899	(73,424)	18,376
Dividends paid to non-controlling interests	–	(3,328)	(7,781)	(26,043)	(7,781)	(29,371)
(iii) <u>Summarised statements of cash flows</u>						
Operating activities	(24,581)	137,685	179,266	384,795	154,685	522,480
Investing activities	(54,416)	(140,392)	386,544	(304,740)	332,128	(445,132)
Financing activities	11,006	(10,484)	(218,505)	(231,503)	(207,499)	(241,987)
Net (decrease)/increase in cash and cash equivalents	(67,991)	(13,191)	347,305	(151,448)	279,314	(164,639)

17. INVESTMENTS IN ASSOCIATES

	2018 RM'000	Group 2017 RM'000
Unquoted shares in Malaysia, at cost	15,926	15,926
Unquoted shares outside Malaysia, at cost	24,056	24,056
Share of post-acquisition reserves	(11,811)	(13,732)
Less: Accumulated impairment loss	(10,987)	–
	<u>17,184</u>	<u>26,250</u>
Exchange differences	1,259	2,098
	<u>18,443</u>	<u>28,348</u>
		Group 2018 RM'000
Movement in accumulated impairment loss:		
At 1 July 2017		–
Recognised in profit or loss		<u>10,987</u>
At 30 June		<u>10,987</u>

Details of associates are as follows:

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *	
			2018	2017
Shanghai Nine Sea Lion Properties Management Co Ltd ("Shanghai Nine Sea") &	People's Republic of China	Property management and real estate consulting services	35	35
Parkson Hanoi Co Ltd ("Parkson Hanoi") #	Vietnam	Dormant	42	42
Parkson Newcore Retail Shanghai Ltd ("Newcore") #	People's Republic of China	Operation of outlet stores	49	49
Habitat Blue Sdn Bhd ("Habitat Blue") &	Malaysia	Operation of computer software development and maintenance	40	40

17. INVESTMENTS IN ASSOCIATES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *	
			2018	2017
AUM Hospitality Sdn Bhd ("AUMH") & (a)	Malaysia	Investment holding and provision of management services	20	100
Futurestead Sdn Bhd ("Futurestead") & ^ (a)	Malaysia	Investment holding	–	50
Wealthstead Sdn Bhd ("Wealthstead") & ^ (a)	Malaysia	Operation of food and beverage businesses	–	50

All the investments in associates are accounted for using the equity method.

Impairment loss on an associate is recognised to reduce the carrying value of the investment to the estimated recoverable amount.

During the financial year, the Group made an allowance for impairment loss on investment in Habitat Blue of RM10,987,000 (2017: Nil). The allowance was made after considering the measurable decrease in the Group's share of fair value estimation of the investment.

All of the associates have the same reporting period as the Group except for Shanghai Nine Sea, Newcore and Habitat Blue which is 31 December. For the purpose of applying the equity method of accounting for associates, the last audited financial statements available and the management financial statements as at end of the accounting period of the associates were used.

* Equals to the proportion of voting rights held.

Audited by a member firm of Ernst & Young Global.

& Audited by a firm other than Ernst & Young.

^ These entities form part of the AUMH group of companies.

(a) As disclosed in Note 16(c)(iii), the Group lost its control in AUMH following the Disposal of AUMH on 25 April 2018. Accordingly, Futurestead and Wealthstead ceased to be associates of the Company. The Group's remaining interest in AUMH was remeasured at its fair value and was accounted for as an associate using the equity method of accounting.

17. INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information of the Group's material associates and reconciliation of the information of the carrying amount of Group's interest in associates and Group's share of results of associates, are set out below. The summarised financial information represents the amounts in the financial statements of the associates and not the Group's share of those amounts.

	AUMH RM'000	Parkson Hanoi RM'000	Newcore RM'000	Habitat Blue RM'000	Other individually immaterial associates RM'000	Total RM'000
2018						
(i) <u>Summarised statements of financial position</u>						
Non-current assets	1,835	–	51,344	576	44	53,799
Current assets	17,138	1,333	77,999	1,593	8,732	106,795
Total assets	18,973	1,333	129,343	2,169	8,776	160,594
Non-current liabilities	11	–	16,379	–	–	16,390
Current liabilities	55,549	46,336	78,484	1,985	4,353	186,707
Total liabilities	55,560	46,336	94,863	1,985	4,353	203,097
Net (liabilities)/assets	(36,587)	(45,003)	34,480	184	4,423	(42,503)
(ii) <u>Summarised statements of profit or loss</u>						
Revenue	768	–	538,758	448	20,812	560,786
(Loss)/profit for the financial year/period	(162)	(4)	5,689	(3,998)	661	2,186
(iii) Dividend received from an associate	–	–	–	–	(41)	(41)
(iv) Group's share of net (liabilities)/assets, excluding goodwill on acquisition	(7,317)	(18,901)	16,895	74	1,548	(7,701)
Goodwill on acquisition	–	–	–	10,371	–	10,371
Cumulative share of unrecognised loss	7,317	18,901	–	542	–	26,760
Impairment loss for the financial year	–	–	–	(10,987)	–	(10,987)
Carrying amount of Group's interest in associates	–	–	16,895	–	1,548	18,443
(v) Group's share of results of associates	–	–	2,788	(1,057)	231	1,962

17. INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information of the Group's material associates and reconciliation of the information of the carrying amount of Group's interest in associates and Group's share of results of associates, are set out below. The summarised financial information represents the amounts in the financial statements of the associates and not the Group's share of those amounts. (continued)

	Parkson Hanoi RM'000	Newcore RM'000	Habitat Blue RM'000	Other individually immaterial associates RM'000	Total RM'000
2017					
(i) <u>Summarised statements of financial position</u>					
Non-current assets	–	53,679	266	506	54,451
Current assets	1,366	62,905	4,570	8,524	77,365
Total assets	1,366	116,584	4,836	9,030	131,816
Non-current liabilities	–	16,290	–	–	16,290
Current liabilities	49,820	70,207	1,267	7,593	128,887
Total liabilities	49,820	86,497	1,267	7,593	145,177
Net (liabilities)/assets	(48,454)	30,087	3,569	1,437	(13,361)
(ii) <u>Summarised statements of profit or loss</u>					
Revenue	4,902	368,711	152	20,343	394,108
Profit/(loss) for the financial year/period	181,428	(3,932)	(6,233)	174	171,437
(iii) Group's share of net (liabilities)/assets, excluding goodwill on acquisition	(20,351)	14,743	1,428	115	(4,065)
Goodwill on acquisition	–	–	10,802	–	10,802
Cumulative share of unrecognised loss	20,351	–	–	1,260	21,611
Carrying amount of Group's interest in associates	–	14,743	12,230	1,375	28,348
(iv) Group's share of results of associates	–	(1,927)	(2,493)	60	(4,360)

17. INVESTMENTS IN ASSOCIATES (continued)

The Group has not recognised profit or loss arising from AUMH, Parkson Hanoi, Futurestead and Wealthstead when its share of losses exceeds the Group's interest in the associates.

Included in the profit for the financial year 30 June 2017 of Parkson Hanoi was a write back of provision for the early termination of a lease at Landmark 72. Parkson Hanoi entered into a settlement agreement with the landlord which the landlord agreed that Parkson Hanoi need only to repay all of its outstanding lease expenses. Consequently, Parkson Hanoi has written back the excess provision on the lease of SGD62,882,000 (equivalent to RM193,865,000) to the profit or loss. The Group has not recognised the profit or loss as its share of losses in Parkson Hanoi exceeds the Group's interest in the associate.

18. INVESTMENTS IN JOINT VENTURES

	2018	Group
	RM'000	2017
		RM'000
Unquoted shares in Malaysia, at cost	19,300	19,300
Unquoted shares outside Malaysia, at cost	4,675	4,675
Share of post-acquisition reserves	5,700	7,414
Less: Accumulated impairment loss	(7,741)	(5,733)
	21,934	25,656
Exchange differences	3,032	4,218
	24,966	29,874
	24,966	29,874
Movement in accumulated impairment loss:		
At 1 July 2017/2016	5,733	5,733
Recognised in profit or loss	2,008	-
At 30 June	7,741	5,733

18. INVESTMENTS IN JOINT VENTURES (continued)

Details of joint ventures are as follows:

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group *	
			2018	2017
Xinjiang Youhao Parkson Development Co Ltd ("Xinjiang Youhao") ^	People's Republic of China	Operation of department stores	51	51
Marlow House Asia Limited &	British Virgin Islands	Investment holding	50	50
Watatime group of companies: &				
Watatime Marketing Sdn Bhd	Malaysia	Wholesaling of watches	50	50
J. Bovier Time (M) Sdn Bhd	Malaysia	Retailing of watches	50	50
Watatime (Subang) Sdn Bhd	Malaysia	Retailing of watches	37.5	37.5
Watatime (M) Sdn Bhd	Malaysia	Retailing of watches	50	50
Watatime Group Sdn Bhd	Malaysia	Dormant	50	50
The Timepiece Repair Specialist Sdn Bhd	Malaysia	Retailing of watches	50	50
Wata Time (S) Pte Ltd	Singapore	Dormant	50	50
Valino International Apparel Sdn Bhd ("Valino") &	Malaysia	Apparel retailer	50	50

All the investments in joint ventures are accounted for using the equity method.

Impairment loss on a joint venture is recognised to reduce the carrying value of the investment to the estimated recoverable amount.

During the financial year, the Group made an allowance for impairment loss on investment in Watatime group of companies of RM2,008,000 (2017: Nil). The allowance was made after considering the measurable decrease in the Group's share of fair value estimation of the investment.

All of the joint ventures have the same reporting period as the Group except for Xinjiang Youhao and Valino which is 31 December. For the purpose of applying the equity method of accounting for joint ventures, the last audited financial statements available and the management financial statements as at end of the accounting period of the joint ventures were used.

There is no material contingent liability and capital commitment relating to joint ventures as at 30 June 2018 and 30 June 2017.

* The Group has voting rights of all its joint ventures under the contractual arrangements, unanimous consent is required from all parties to the agreements for all relevant activities.

^ Although the Group has ownership indirectly through subsidiary of more than half of the voting power of the subject entity, the joint venture agreement established joint control over the subject entity. The joint venture agreement ensures that no single venturer is in a position to control the activities of the entity unilaterally. The entity forms part of the PRGL group of companies, which is audited by a member firm of Ernst & Young Global.

& Audited by a firm other than Ernst & Young.

18. INVESTMENTS IN JOINT VENTURES (continued)

Summarised financial information of the Group's material joint ventures and reconciliation of the information of the carrying amount of Group's interest in joint ventures and Group's share of results of joint ventures, are set out below. The summarised financial information represents the amounts in the financial statements of the joint ventures and not the Group's share of those amounts.

	Watatime group of companies		Xinjiang Youhao		Other individually immaterial joint ventures		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(i) <u>Summarised statements of financial position</u>								
Non-current assets	9,814	10,696	8,853	9,750	806	342	19,473	20,788
Current assets	72,168	65,102	110,808	119,021	4,204	4,738	187,180	188,861
Total assets	81,982	75,798	119,661	128,771	5,010	5,080	206,653	209,649
Non-current liabilities	-	-	1,099	1,294	-	13	1,099	1,307
Current liabilities	76,856	65,626	72,163	81,247	2,406	1,498	151,425	148,371
Total liabilities	76,856	65,626	73,262	82,541	2,406	1,511	152,524	149,678
Net assets	5,126	10,172	46,399	46,230	2,604	3,569	54,129	59,971
(ii) <u>Summarised statements of profit or loss</u>								
Revenue	59,768	56,309	106,206	99,308	7,385	6,340	173,359	161,957
(Loss)/profit for the financial year	(5,046)	(5,635)	22,699	21,134	(965)	(505)	16,688	14,994
(iii) Dividend received from joint ventures	-	-	(10,304)	(12,529)	-	-	(10,304)	(12,529)
(iv) Group's share of net assets	2,008	4,512	23,664	23,577	1,302	1,785	26,974	29,874
Impairment loss for the financial year	(2,008)	-	-	-	-	-	(2,008)	-
Carrying amount of Group's interest in joint ventures	-	4,512	23,664	23,577	1,302	1,785	24,966	29,874
(v) Group's share of results of joint ventures	(2,504)	(2,817)	11,576	10,778	(482)	(253)	8,590	7,708

19. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2018 RM'000	2017 RM'000
At 1 July 2017/2016	(55,038)	45,453
Recognised in profit or loss (Note 9)	21,692	(102,200)
Dilution of interests in subsidiaries	105	–
Exchange differences	3,711	1,709
	<u>(29,530)</u>	<u>(55,038)</u>
At 30 June	<u>(29,530)</u>	<u>(55,038)</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	125,647	162,672
Deferred tax liabilities	(155,177)	(217,710)
	<u>(29,530)</u>	<u>(55,038)</u>

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows:

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Unused tax losses RM'000	Accrued rental expenses RM'000	Others *	Total RM'000
At 1 July 2017	1,544	22,916	101,954	36,258	162,672
Recognised in profit or loss	(146)	(7,781)	(4,889)	(18,480)	(31,296)
Exchange differences	(56)	(699)	(3,820)	(1,154)	(5,729)
	<u>1,342</u>	<u>14,436</u>	<u>93,245</u>	<u>16,624</u>	<u>125,647</u>
At 30 June 2018	<u>1,342</u>	<u>14,436</u>	<u>93,245</u>	<u>16,624</u>	<u>125,647</u>
At 1 July 2016	6,369	64,284	106,085	30,903	207,641
Recognised in profit or loss	(5,192)	(43,693)	(9,184)	3,193	(54,876)
Exchange differences	367	2,325	5,053	2,162	9,907
	<u>1,544</u>	<u>22,916</u>	<u>101,954</u>	<u>36,258</u>	<u>162,672</u>
At 30 June 2017	<u>1,544</u>	<u>22,916</u>	<u>101,954</u>	<u>36,258</u>	<u>162,672</u>

* Others comprise accrued of coupon provision and other expenses.

19. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Asset revaluation RM'000	Withholding taxes RM'000	Others RM'000	Total RM'000
At 1 July 2017	(21,143)	(143,197)	(51,945)	(1,425)	(217,710)
Recognised in profit or loss	12,056	5,680	35,252	–	52,988
Dilution of interests in subsidiaries	105	–	–	–	105
Exchange differences	657	6,274	1,084	1,425	9,440
At 30 June 2018	(8,325)	(131,243)	(15,609)	–	(155,177)
At 1 July 2016	(21,624)	(136,097)	–	(4,467)	(162,188)
Recognised in profit or loss	1,037	534	(51,937)	3,042	(47,324)
Exchange differences	(556)	(7,634)	(8)	–	(8,198)
At 30 June 2017	(21,143)	(143,197)	(51,945)	(1,425)	(217,710)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018 RM'000	2017 RM'000
Unused tax losses	908,256	698,508
Unabsorbed capital allowances	8,213	5,888
Other temporary differences	10,420	5,962
	926,889	710,358
Deferred tax at respective jurisdiction's applicable tax rate, if recognised	224,758	171,473

The availability of unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the subsidiaries is subject to approval from the tax authority of the country in which the losses originate.

Deferred tax assets have not been recognised in respect of the unused tax losses and unabsorbed capital allowances as it is not probable that taxable profit will be available against which the unused tax losses and unabsorbed capital allowances can be utilised, considering that the relevant subsidiaries have been incurring losses and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

20. OTHER RECEIVABLES

	2018 RM'000	Group 2017 RM'000
Non-current		
Lease and other prepayments (i)	116,404	181,746
Lease deposits	94,503	92,948
Other deposit (ii)	60,136	63,964
Deferred lease expense (iii)	35,869	41,496
	<u>306,912</u>	<u>380,154</u>
Less: Allowance for impairment loss	(7,315)	–
	<u>299,597</u>	<u>380,154</u>
		Group 2018 RM'000

Movement in allowance accounts:

At 1 July 2017	–
Charge for the financial year (Note 8(a))	7,423
Exchange differences	(108)
	<u>7,315</u>
At 30 June	<u>7,315</u>

- (i) This represents mainly the long term portion of the prepaid lease rental paid to lessors.
- (ii) Other deposit represents an amount of US\$14,887,000 paid for the proposed lease and acquisition of a retail mall in Cambodia.
- (iii) Deferred lease expense represents the difference between the fair value of non-current rental deposits recognised on initial recognition and the nominal deposit amount, which is amortised on a straight-line basis over the lease terms ranging from 2 to 20 years (2017: 2 to 20 years).

The movement in deferred lease expense is as follows:

	2018 RM'000	Group 2017 RM'000
At 1 July 2017/2016	43,718	61,262
Additions during the financial year	4,611	239
Reversal during the financial year	(2,379)	(9,460)
Recognised in profit or loss (Note 8(a))	(6,309)	(10,870)
Exchange differences	(1,798)	2,547
	<u>37,843</u>	<u>43,718</u>
At 30 June	<u>37,843</u>	<u>43,718</u>
Disclosed as:		
Current (Note 25)	1,974	2,222
Non-current	35,869	41,496
	<u>37,843</u>	<u>43,718</u>

21. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Non-current		
Amounts due from subsidiaries	7,226,249	7,300,710
Less: Allowance for impairment loss	(6,455,017)	(6,455,017)
	771,232	845,693
	771,232	845,693
Current		
Amounts due from subsidiaries	148,471	93,884
	148,471	93,884
	148,471	93,884
Total amount due from subsidiaries (Note 25)	919,703	939,577
	919,703	939,577
Movement in allowance accounts:		
At 1 July 2017/2016	6,455,017	6,468,810
Reversal for the financial year (Note 5)	-	(13,793)
	6,455,017	6,455,017
At 30 June	6,455,017	6,455,017

The non-current portion of the amounts due from subsidiaries represents the amount which the Company does not intend to demand repayment within twelve months from the reporting date.

The current portion of the amounts due from subsidiaries are unsecured, repayable on demand and interest free except of the amount of RM94,376,000 (2017: RM87,875,000) which bears interest of 4.6% per annum (2017: 4.6% per annum).

22. INVESTMENT SECURITIES

	2018 RM'000	Group 2017 RM'000
Non-current		
Available-for-sale financial investments:		
<u>Outside Malaysia</u>		
- Unquoted shares	-	21,296
At cost (i)	-	(21,296)
Accumulated impairment loss	-	-
	-	-
<u>In Malaysia</u>		
- Unquoted shares, at cost (ii)	933	933
	933	933
Held-to-maturity investment:		
- Unquoted shares, at amortised cost	18,012	18,012
Total non-current investment securities	18,945	18,945
Current		
Financial assets at fair value through profit or loss:		
- Wealth management products (iii)	375,371	241,808
Total current investment securities	375,371	241,808
Total investment securities	394,316	260,753

- (i) The investment as at 30 June 2017 represented investment in Dalian Tianhe Parkson Shopping Centre Co Ltd ("Dalian Tianhe Parkson"). The Group has completed the disposal of Dalian Tianhe Parkson during the financial year as disclosed in Note 16(c)(i).
- (ii) This represents investments in Lion Insurance Company Limited and Lion Group Management Services Sdn Bhd, related parties of the Group.
- (iii) This represents the Group's investment in non-principal guaranteed wealth management products that are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including bonds, trusts, cash funds, bond funds or unlisted equity investment issued and are circulated in the PRC in accordance with the related entrusted agreements.

The wealth management products are measured at fair value, which are disclosed in Note 41(a).

23. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITY

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(i) Financial assets				
Derivative not designated as hedging instrument				
- Option to purchase additional shares in Kiara Innovasi Sdn Bhd ("Kiara Innovasi") (a)	-	52	-	-
- Cross currency interest rate swap (b)	-	571	-	571
	<u>-</u>	<u>623</u>	<u>-</u>	<u>571</u>
(ii) Financial liability				
Derivative not designated as hedging instrument				
Cross currency interest rate swap (b)	<u>1,036</u>	<u>-</u>	<u>1,036</u>	<u>-</u>

The derivatives relate to:

- (a) Fair value of an irrevocable option ("Option") granted by Galaxy Point Sdn Bhd ("Galaxy Point"), the then 40% shareholder of Kiara Innovasi, to Parkson Corporation Sdn Bhd ("PCSB") to purchase Galaxy Point's entire shareholding in Kiara Innovasi at the proportionate net tangible assets of Kiara Innovasi. PCSB may exercise the Option at any time for a period of three years from the date of business commencement of Kiara Innovasi. The Option has been renewed every three years. Further details on fair value measurement of the Option are disclosed in Note 41(a).

During the financial year, the Group had exercised the Option to acquire the remaining 40% equity interest in Kiara Innovasi as disclosed in Note 16(b)(i).

23. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITY (continued)

The derivatives relate to: (continued)

- (b) On 23 October 2015, the Company entered into a cross currency interest rate swap to hedge foreign exchange and interest rate risks exposure for borrowings amounting to US\$15,000,000. As a result, the Company pays a fixed interest rate of 4.55% for the borrowing in Ringgit Malaysia. This hedge has been assessed as ineffective.

Derivatives not designated as hedging instruments reflect the negative change in fair value of this cross currency interest rate swap that is not designated in a hedge relationship, but is, nevertheless, intended to reduce the level of foreign currency and interest rate risks for expected exchange of principal and periodic interest payment.

During the financial year, a fair value loss on cross currency interest rate swap of RM1,607,000 (2017: fair value gain of RM4,240,000) was recognised in profit or loss (Note 8(a)).

24. INVENTORIES

	2018	Group
	RM'000	2017
		RM'000
At costs:		
Merchandise inventories	330,588	359,068
Properties held for sale	3,268	6,496
Consumables	10,755	20,859
	344,611	386,423
At net realisable value:		
Merchandise inventories	33,299	41,707
Total	377,910	428,130

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,696,113,000 (2017: RM1,555,322,000).

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Trade receivables (i)				
Third parties	85,206	97,701	-	-
Current				
Trade receivables (i)				
Third parties	135,561	82,646	-	-
Less: Allowance for impairment loss	(6,303)	(7,925)	-	-
Trade receivables, net	129,258	74,721	-	-
Other receivables				
Sundry receivables (ii)	165,109	145,800	2	3
Less: Allowance for impairment loss	(8,092)	(12,473)	-	-
	157,017	133,327	2	3
Prepayments	91,850	109,446	-	-
Less: Allowance for impairment loss	(9,995)	(10,527)	-	-
	81,855	98,919	-	-
Deposits (iii)	86,949	99,345	12	11
Less: Allowance for impairment loss	(43,993)	(47,328)	-	-
	42,956	52,017	12	11
Amounts due from associates and joint ventures (iv)	41,596	42,112	14	9
Less: Allowance for impairment loss	(20,284)	(20,764)	-	-
	21,312	21,348	14	9
Amounts due from managed stores (v)	15,303	13,642	-	-
Less: Allowance for impairment loss	(14,570)	(13,290)	-	-
	733	352	-	-
Lease prepayments (vi)	112,083	122,769	-	-
Deferred lease expense (Note 20)	1,974	2,222	-	-
Amounts due from related parties (vii)	122	122	122	122
Other receivables, net	418,052	431,076	150	145
Total current trade and other receivables	547,310	505,797	150	145

25. TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade and other receivables (As above)				
- non-current	85,206	97,701	-	-
- current	547,310	505,797	150	145
Total trade and other receivables	632,516	603,498	150	145
Add: Deposits, cash and bank balances (Note 26)	2,593,510	3,142,677	2,691	682
Add: Long term deposits	154,639	156,912	-	-
Add: Amounts due from subsidiaries (Note 21)	-	-	919,703	939,577
Less: Prepayments	(81,855)	(98,919)	-	-
Less: Lease prepayments	(112,083)	(122,769)	-	-
Less: Deferred lease expense	(1,974)	(2,222)	-	-
Total loans and receivables	3,184,753	3,679,177	922,544	940,404

(i) Trade receivables

Included in trade receivables are loan receivables from credit services segment of RM140,430,000 (2017: RM122,427,000).

(ii) Sundry receivables

Sundry receivables comprise the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Advances to suppliers	46,638	52,948	-	-
Accrued interest on deposits	25,885	18,873	-	-
Others	92,586	73,979	2	3
	165,109	145,800	2	3

Sundry receivables are non-interest bearing with average credit terms ranging from 1 to 90 days (2017: 1 to 90 days).

25. TRADE AND OTHER RECEIVABLES (continued)

(iii) Deposits

Included in deposits are:

- (a) a refundable deposit paid to C&T Corporation (“C&T”) for the proposed acquisition by the Group from C&T of a 55% equity interest in a joint-stock company, C.T Phuong Nam Joint Stock Company. In September 2010, the Group and C&T have mutually agreed to terminate the acquisition and the deposit paid will be refunded by C&T in full together with interest to the Group. As at 30 June 2018, the deposits together with interest amounted to RM13,119,000 (2017: RM13,948,000).
- (b) deposits of RM30,074,000 (2017: RM32,381,000) paid by Parkson Vietnam Co Ltd (“Parkson Vietnam”) to two individuals and a Vietnamese company (collectively the “Vietnamese Store Owners”). These Vietnamese Store Owners separately own department stores in Vietnam which are operated and managed by Parkson Vietnam Management Services Co Ltd, a subsidiary of the Group. Pursuant to agreements entered into between these Vietnamese Store Owners, Parkson Vietnam is allowed to acquire certain equity interests in the department stores upon fulfilment of certain conditions. The deposits are non-interest bearing and are secured by certain percentage of the charter capital of the Vietnamese Store Owners in the companies operating the department stores and the assets of the Vietnamese company’s department store. These deposits have been fully impaired in the previous financial years.

(iv) Amounts due from associates and joint ventures

Included in amounts due from associates and joint ventures are:

- (a) entrusted loans to an associate, Parkson Newcore Retail Shanghai Ltd amounted to a total of RM5,999,000 (2017: RM6,225,000) which has a fixed term bearing interest rate at 4.75% per annum (2017: 4.75% per annum).
- (b) an amount due from an associate, Parkson Hanoi Co Ltd of RM17,491,000 (2017: RM17,971,000) which is unsecured, non-interest bearing and repayable upon demand.
- (c) loans and related interest receivables due from a joint venture, Watatime (M) Sdn Bhd of RM12,793,000 (2017: RM12,793,000) which certain principal amounts bear interest of 7% per annum (2017: 7% per annum).

(v) Amounts due from managed stores

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

(vi) Lease prepayments

Lease prepayments are non-interest bearing except for an amount of approximately RM65,027,000 (2017: RM81,028,000) paid to landlords by subsidiaries in the PRC which bore interests ranging from 7% to 18% per annum (2017: 5% to 12% per annum).

(vii) Amounts due from related parties

The amounts due from related parties are unsecured, interest free and repayable on demand.

The relationship of the related parties with the Group and the Company are further disclosed in Note 36.

25. **TRADE AND OTHER RECEIVABLES** (continued)

Trade receivables

Trade receivables consist of mainly financing receivables relating to the Group's provision of financing facilities based on Islamic principles. Other trade receivables have credit terms ranging from payment in advance to 90 days (2017: payment in advance to 90 days).

Other information on financial risks of trade and other receivables are disclosed in Note 42.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2018	Group
	RM'000	2017
		RM'000
Neither past due nor impaired	157,502	134,544
1 to 30 days past due not impaired	23,483	7,179
31 to 60 days past due not impaired	1,406	1,313
61 to 90 days past due not impaired	937	822
More than 91 days past due not impaired	2,382	2,580
Past due but not impaired	28,208	11,894
Impaired	35,057	33,909
	220,767	180,347

Trade receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

Receivables that are past due but not impaired are unsecured in nature. Management is confident that these receivables are recoverable as these accounts are still active.

25. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables that are impaired

The Group's trade receivables that are impaired at the reporting date are principally on delinquent accounts and the movement of allowance accounts used to record the impairment losses are as follows:

Group	Collectively impaired		Individually impaired		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables - nominal amounts	31,532	29,411	3,525	4,498	35,057	33,909
Less: Allowance for impairment loss	(2,778)	(3,427)	(3,525)	(4,498)	(6,303)	(7,925)
	28,754	25,984	-	-	28,754	25,984

Other receivables that are impaired

The Group's other receivables that are impaired at the reporting date are principally on delinquent accounts and the movement of allowance accounts used to record the impairment losses are as follows:

	Group Individually impaired	
	2018 RM'000	2017 RM'000
Sundry receivables - nominal amounts	8,092	12,473
Less: Allowance for impairment loss	(8,092)	(12,473)
	-	-
Prepayments - nominal amounts	9,995	10,527
Less: Allowance for impairment loss	(9,995)	(10,527)
	-	-
Deposits - nominal amounts	43,993	47,328
Less: Allowance for impairment loss	(43,993)	(47,328)
	-	-
Amounts due from associates and joint ventures - nominal amounts	20,284	20,764
Less: Allowance for impairment loss	(20,284)	(20,764)
	-	-
Amounts due from managed stores - nominal amounts	14,570	13,290
Less: Allowance for impairment loss	(14,570)	(13,290)
	-	-

25. TRADE AND OTHER RECEIVABLES (continued)

Movement in allowance accounts:

Group	Trade receivables RM'000	Sundry receivables RM'000	Prepayments RM'000	Deposits RM'000	Amounts due from associates and joint ventures RM'000	Amounts due from managed stores RM'000	Total RM'000
At 1 July 2017	7,925	12,473	10,527	47,328	20,764	13,290	112,307
Charge for the financial year (Note 8(a)):							
Trade and sundry receivables	10,009	878	-	-	-	-	10,887
Amount due from an associate	-	-	-	-	73	-	73
Amounts due from managed stores	-	-	-	-	-	857	857
	10,009	878	-	-	73	857	11,817
Reversal of impairment loss (Note 8(a))	-	(4,517)	-	-	-	-	(4,517)
Disposal and dilution of interests in subsidiaries	(3,194)	(1,360)	-	(4,969)	-	-	(9,523)
Written off	(8,365)	-	-	-	-	-	(8,365)
Exchange differences	(72)	618	(532)	1,634	(553)	423	1,518
At 30 June 2018	6,303	8,092	9,995	43,993	20,284	14,570	103,237
At 1 July 2016	3,790	9,434	8,263	35,000	10,359	8,862	75,708
Charge for the financial year (Note 8(a)):							
Trade and sundry receivables	11,484	3,250	-	-	-	-	14,734
Prepayments and deposits *	-	-	1,887	13,043	-	-	14,930
Amounts due from associates and joint ventures	-	-	-	-	7,587	-	7,587
Amounts due from managed stores	-	-	-	-	-	4,187	4,187
	11,484	3,250	1,887	13,043	7,587	4,187	41,438
Reversal of impairment loss (Note 8(a))	(47)	(862)	-	-	-	-	(909)
Written off	(7,379)	-	-	-	-	-	(7,379)
Exchange differences	77	651	377	(715)	2,818	241	3,449
At 30 June 2017	7,925	12,473	10,527	47,328	20,764	13,290	112,307

* An impairment loss of RM8,074,000 was recognised in profit or loss in respect of rental deposit of a planned store in Cambodia. The Group issued letter of termination of lease agreement due to prolong delays in the completion and handing over the premises by the landlord. Although the landlord has yet to formally acknowledge the termination, management is of the view that the termination notice served is valid and final.

26. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Time deposits, representing total non-current deposits, cash and bank balances	811,910	–	–	–
Current				
Deposits, cash and bank balances:				
Cash on hand and at banks				
- Malaysia	26,852	30,367	1,091	682
- Foreign	580,861	444,857	–	–
Deposits with:				
Licensed banks				
- Malaysia	33,720	33,776	1,600	–
- Foreign	1,110,208	2,578,776	–	–
Licensed finance companies in Malaysia				
	29,959	54,901	–	–
Total current deposits, cash and bank balances	1,781,600	3,142,677	2,691	682
Deposits, cash and bank balances (As above)				
- non-current	811,910	–	–	–
- current	1,781,600	3,142,677	2,691	682
Total deposits, cash and bank balances	2,593,510	3,142,677	2,691	682
Less:				
Investments in principal guaranteed deposits	(793,171)	(2,464,658)	–	–
Non-pledged time deposits with original maturity of more than three months when acquired	(913,108)	(53,637)	–	–
Bank overdrafts (Note 30)	(33,465)	(42,492)	(32,448)	(41,596)
Cash and cash equivalents	853,766	581,890	(29,757)	(40,914)

As at 30 June 2018, investments in principal guaranteed deposits included in deposits with licensed banks and time deposits of the Group amounting to a total of RM1,237,446,000 (2017: RM532,980,000) are pledged with financial institutions for banking facilities extended to the Group as disclosed in Note 30.

The investments in principal guaranteed deposits have terms of less than one year and have an expected average annual rate of return of 3.4% (2017: 2.8%). Pursuant to the underlying contracts or notices, the investments in principal guaranteed deposits are capital guaranteed upon the maturity date.

The deposits, cash and bank balances of the subsidiaries in the PRC which amounted to RM2,411,547,000 (2017: RM2,915,729,000) at the reporting date were denominated in Renminbi which is not freely convertible in the international market. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

26. DEPOSITS, CASH AND BANK BALANCES (continued)

The average effective interest rates of deposits of the Group at the reporting date are as follows:

	Group	
	2018 %	2017 %
Licensed banks	3.3	2.9
Licensed finance companies	3.4	3.3

Deposits of the Group have varying periods of between 1 day and 12 months (2017: 1 day and 12 months). Bank balances are deposits held at call with licensed banks.

27. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Group/Company	Number of ordinary shares		← Amount →			
	Total number of issued shares '000	Treasury shares '000	Issued share capital RM'000 (a), (b)	Share premium RM'000 (a)	Total issued share capital and share premium RM'000	Treasury shares RM'000 (c)
	At 1 July 2017 and 30 June 2018	1,093,902	(26,722)	4,151,005	–	4,151,005
At 1 July 2016	1,093,902	(50,302)	1,093,902	3,105,643	4,199,545	(48,301)
Purchase of treasury shares	–	(28,278)	–	–	–	(21,142)
Distribution of share dividend (Note 10)	–	51,858	–	(48,540)	(48,540)	48,540
Transfer of share premium	–	–	3,057,103	(3,057,103)	–	–
At 30 June 2017	1,093,902	(26,722)	4,151,005	–	4,151,005	(20,903)

- (a) In accordance with Section 74 of the Companies Act 2016 ("Act"), the Group's and the Company's ordinary shares no longer have a par or nominal value with effect from 31 January 2017. Pursuant to Section 618(2) of the Act, the amounts standing to the credit of the Group's and of the Company's share premium accounts became part of the Group's and of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result thereof.
- (b) 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 and rank equally with regard to the Company's residual assets.

27. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

- (c) This amount represents the acquisition cost of treasury shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company did not repurchase its own shares and none of the existing treasury shares held were cancelled. In the previous financial year, the Company repurchased a total of 28,277,900 ordinary shares of its total number of issued shares from the open market at an average price of RM0.75 per share. The total consideration paid for the repurchased shares including transaction costs amounting to RM21,142,000 was financed by internally generated funds. The shares repurchased were being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

The Company had distributed a total of 51,858,500 treasury shares with a carrying amount of RM48,540,000 as share dividend on 29 August 2016 on the basis of one (1) treasury share for every twenty (20) ordinary shares held in the Company, fractions of treasury shares being disregarded.

As at 30 June 2018, the number of outstanding ordinary shares in issue after the set off of 26,721,880 (2017: 26,721,880) treasury shares held by the Company were 1,067,180,170 (2017: 1,067,180,170) ordinary shares.

28. OTHER RESERVES

Group	Exchange fluctuation reserves RM'000	Share option reserve RM'000 (a)	Asset revaluation reserve RM'000 (b)	Capital reserves RM'000 (c)	Merger deficit RM'000 (d)	Premium on acquisition of non- controlling interests RM'000	Total RM'000
At 1 July 2017	411,333	-	87,693	105,426	(2,071,102)	(3,843)	(1,470,493)
Other comprehensive income/ (loss) for the financial year							
Foreign currency translation	(62,053)	-	(6,160)	(6,898)	-	-	(75,111)
Less: Non-controlling interests	21,239	-	2,774	3,090	-	-	27,103
	(40,814)	-	(3,386)	(3,808)	-	-	(48,008)
Transactions with owners							
Transfer to capital reserves, representing total transactions with owners	-	-	-	714	-	-	714
At 30 June 2018	370,519	-	84,307	102,332	(2,071,102)	(3,843)	(1,517,787)

28. OTHER RESERVES (continued)

Group	Exchange fluctuation reserves RM'000	Share option reserve RM'000 (a)	Asset revaluation reserve RM'000 (b)	Capital reserves RM'000 (c)	Merger deficit RM'000 (d)	Premium on acquisition of non-controlling interests RM'000	Total RM'000
At 1 July 2016	369,616	6,880	83,206	100,454	(2,071,102)	(3,843)	(1,514,789)
Other comprehensive income/ (loss) for the financial year							
Foreign currency translation	72,871	528	7,316	8,193	–	–	88,908
Less: Non-controlling interests	(35,781)	(238)	(3,294)	(3,689)	–	–	(43,002)
	37,090	290	4,022	4,504	–	–	45,906
Transactions with owners							
Transfer from capital reserves	–	–	–	(51)	–	–	(51)
Employee share options lapsed	–	(7,209)	–	–	–	–	(7,209)
Purchase of treasury shares by a subsidiary	4,627	39	465	519	–	–	5,650
Total transactions with owners	4,627	(7,170)	465	468	–	–	(1,610)
At 30 June 2017	411,333	–	87,693	105,426	(2,071,102)	(3,843)	(1,470,493)

Company	Share option reserve RM'000 (a)	Capital redemption reserve RM'000	Total RM'000
At 1 July 2017 and 30 June 2018	–	2,905,831	2,905,831
At 1 July 2016	138	2,905,831	2,905,969
Employee share options lapsed	(138)	–	(138)
At 30 June 2017	–	2,905,831	2,905,831

(a) Share option reserve

The share option reserve represents the equity-settled share options granted to employees of the Group under the employee share option scheme of the Company and its subsidiary, PRGL, as set out in Note 29.

(b) Asset revaluation reserve

The asset revaluation reserve represents the fair value adjustments to the property, plant and equipment, investment properties and land use rights of Parkson Retail Development Co Ltd (“PRD”) prior to the Group acquiring the remaining 44% equity interest in PRD in 2006.

28. OTHER RESERVES (continued)

(c) Capital reserves

The capital reserves are maintained by the Group's subsidiaries in the PRC in accordance with the regulations in that country and are not available for payment of dividend.

(d) Merger deficit

On 19 September 2007, the Group completed the acquisition of several companies in the retail business. The acquisition was satisfied by way of issuance of 3,799,730,000 new ordinary shares of the Company at an issue price of RM1.00 per share and RM500,000,000 nominal value 3-year 3.5% redeemable convertible secured loan stocks ("RCSLS") at 100% of its nominal value of RM1.00 each.

The difference between the fair value of the RCSLS of and shares in the Company issued as consideration and the nominal value of the shares acquired has been classified as merger deficit. The merger deficit was subsequently partially set off against capital redemption reserve of RM2,905,831,000 pursuant to a court approval dated 24 September 2007 granted to the Company. The RCSLS was fully converted in August 2010.

At each reporting date, the merger deficit will be reduced by transferring the Group's retained profits for the immediate preceding financial year after adjusting for proposed/declared dividend as at that date, in accordance with the Group's accounting policy disclosed in Note 2.5.

29. EMPLOYEE SHARE-BASED PAYMENT

(a) Employee share-based payment of the Company

The Executive Share Option Scheme ("ESOS") of the Company ("Parkson Holdings ESOS") became effective on 7 May 2008. The Company renewed the Parkson Holdings ESOS which expired on 6 May 2013 for a further period of five years from 7 May 2013 to 6 May 2018 in accordance with the bylaws of the Parkson Holdings ESOS. The Parkson Holdings ESOS had expired on 6 May 2018 ("Expiry Date").

On 7 April 2010, a total of 5,373,500 share options were granted to 529 eligible employees at a subscription price of RM5.31 per share.

The main features of the Parkson Holdings ESOS are as follows:

- (i) Executive directors and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the Parkson Holdings ESOS.
- (ii) The aggregate number of options exercised and options offered and to be offered under the Parkson Holdings ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any one time during the duration of the Parkson Holdings ESOS subject to the following being complied with:
 - not more than 50% of the shares available under the Parkson Holdings ESOS shall be allocated, in aggregate, to executive directors and senior management; and
 - not more than 10% of the shares available under the Parkson Holdings ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements), holds 20% or more of the issued and paid-up share capital of the Company.

29. EMPLOYEE SHARE-BASED PAYMENT (continued)

(a) Employee share-based payment of the Company (continued)

The main features of the Parkson Holdings ESOS are as follows: (continued)

- (iii) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment and each grant of options shall be in multiples of 100 ordinary shares.
- (iv) The subscription price of each ordinary share under the Parkson Holdings ESOS shall be the weighted average market price of the shares for the five market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.
- (v) The Parkson Holdings ESOS shall continue to be in force for a period of five years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the Parkson Holdings ESOS for a further five years, without further approval of the relevant authorities or shareholders.

No options were granted pursuant to the Parkson Holdings ESOS since the beginning of the financial year and up to the Expiry Date of the Parkson Holdings ESOS.

At the beginning and at the end of the current and previous financial years, the Company had no share options outstanding under the Parkson Holdings ESOS.

(i) Share options exercised during the current and previous financial years

No option was exercised since the beginning of the current financial year and up to the Expiry Date of the Parkson Holdings ESOS, and during the previous financial year ended 30 June 2017.

The related average share price of the Company during the financial year was RM0.53 (2017: RM0.67) per share.

(ii) Fair value of share options granted

The fair value of the options granted was estimated on the grant date using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of the options granted on 7 April 2010 was estimated on the grant date using the following assumptions:

Fair value of share options (RM)	1.97
Dividend yield (%)	2.00
Expected volatility (%)	45.00
Risk-free interest rate (%)	2.00
Expected life (years)	2.84
Share price (RM)	5.99

The expected life of the options was based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which might also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of the fair value.

29. EMPLOYEE SHARE-BASED PAYMENT (continued)

(b) Employee share-based payment of a subsidiary

The employee share option scheme (“ESOS Scheme”) of PRGL became effective on 9 November 2005 and is valid and effective for a period of 10 years up to 8 November 2016, after which no further share options will be granted.

On 27 November 2012, a total of 34,171,500 share options were granted by PRGL to 642 eligible employees, including directors and a chief executive of PRGL at an exercise price of HK\$6.24 per share pursuant to the ESOS Scheme. Total share options were vested on the grant date. Among the share options granted on 27 November 2012, the 17,085,750 share options granted were exercisable from 1 January 2013 to 31 December 2016 and were vested on 27 November 2012. The balance 17,085,750 share options granted were exercisable from 1 January 2014 to 31 December 2017, and required an employee service period until 1 October 2013.

The salient features of the ESOS Scheme of PRGL are as follows:

- (i) PRGL may from time to time grant options to Group employees, directors, suppliers, customers and shareholders of PRGL and non-controlling shareholders in the subsidiaries of PRGL, to subscribe for ordinary shares of PRGL. No consideration is payable upon acceptance of the option by the grantee.
- (ii) The maximum number of unexercised share options currently permitted to be granted under the ESOS Scheme is an amount equivalent, upon their exercise, to 10% of the shares of PRGL on 9 November 2005. The maximum number of shares issuable under share options to each eligible participant in the ESOS Scheme within any 12-month period is limited to 1% of the shares of PRGL in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting. In addition, share options granted to substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive director or a company beneficially owned by any substantial shareholder or independent non-executive director of PRGL) in excess of 0.1% of the shares of PRGL in issue at any time or with an aggregate value in excess of HK\$5,000,000 within any 12-month period, must be approved in advance by PRGL’s shareholders in general meeting.
- (iii) The exercise price is determined by the directors of PRGL, but must not be less than the highest of (a) the closing price of PRGL’s shares on the date of offer of the share options; (b) the average closing price of PRGL’s shares for the five trading days immediately preceding the date of offer; and (c) the nominal value of PRGL’s share.
- (iv) The options may be exercised at any time during a period commencing on or after the date to be notified to each grantee which period shall commence not less than 1 year and not to exceed 10 years from the date of grant of the relevant option.

29. EMPLOYEE SHARE-BASED PAYMENT (continued)

(b) Employee share-based payment of a subsidiary (continued)

At the beginning and at the end of the financial year, no share options were outstanding under the ESOS Scheme of PRGL. The following table illustrates the number and weighted average exercise prices of, and movements in, share options in the previous financial year:

2017 Grant date	Number of options					
	As at 1.7.2016	Granted	Exercised	Lapsed	As at 30.6.2017	Exercisable 30.6.2017
27 November 2012	9,365,500	–	–	(9,365,500)	–	–
WAEP (HK\$)	6.24	–	–	6.24	–	–

(i) Share options exercised during the current and previous financial years

No option was exercised during the financial years ended 30 June 2018 and 30 June 2017.

The related average share price of PRGL during the financial year was HK\$1.08 (2017: HK\$0.91) per share.

(ii) Fair value of share options granted

The fair value of the options granted was estimated on the grant date using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of the options granted on 27 November 2012 was estimated on the grant date using the following assumptions:

Fair value of share options (HK\$)	1.45
Dividend yield (%)	3.54
Expected volatility (%)	39.01 - 45.40
Risk-free interest rate (%)	0.181 - 0.234
Expected life (years)	3.09 - 4.09
Share price (HK\$)	6.24

The expected life of the options is based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which might also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of the fair value.

30. LOANS AND BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Secured:				
Hire purchase liabilities (Note 31)	1,356	140	–	–
Bankers' acceptance	5,076	–	–	–
Term loans (i)	50,480	22,004	–	–
Notes (ii)	–	2,077,776	–	–
Bank loans (iii):				
US\$ denominated	72,251	96,713	–	–
HK\$ denominated	273,622	252,584	–	–
Unsecured:				
Term loans (i)	60,600	–	60,600	–
Revolving financing	34,000	30,000	30,000	30,000
Bank overdrafts	33,465	42,492	32,448	41,596
Total current loans and borrowings	530,850	2,521,709	123,048	71,596
Non-current				
Secured:				
Hire purchase liabilities (Note 31)	715	405	–	–
Term loans (i)	–	487	–	–
Bank loans (iii):				
US\$ denominated	1,966,738	76,946	–	–
HK\$ denominated	–	32,826	–	–
Unsecured:				
Term loans (i)	–	64,388	–	64,388
Total non-current loans and borrowings	1,967,453	175,052	–	64,388
Total loans and borrowings	2,498,303	2,696,761	123,048	135,984
Total loans and borrowings				
Hire purchase liabilities (Note 31)	2,071	545	–	–
Other loans and borrowings:				
Bankers' acceptance	5,076	–	–	–
Term loans (i)	111,080	86,879	60,600	64,388
Notes (ii)	–	2,077,776	–	–
Bank loans (iii)	2,312,611	459,069	–	–
Revolving financing	34,000	30,000	30,000	30,000
Bank overdrafts	33,465	42,492	32,448	41,596
Total loans and borrowings	2,498,303	2,696,761	123,048	135,984

30. LOANS AND BORROWINGS (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Maturity of loans and borrowings (excluding hire purchase liabilities):				
Within one year	529,494	2,521,569	123,048	71,596
More than one year and less than two years	–	120,991	–	10,732
More than two years and less than five years	1,966,738	53,656	–	53,656
	<u>2,496,232</u>	<u>2,696,216</u>	<u>123,048</u>	<u>135,984</u>

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

	2017 RM'000	Proceeds RM'000	Repayment RM'000	Exchange differences RM'000	2018 RM'000
Bankers' acceptance	–	16,956	(11,880)	–	5,076
Term loans	86,879	40,193	(11,130)	(4,862)	111,080
Notes	2,077,776	–	(1,877,360)	(200,416)	–
Bank loans	459,069	2,133,018	(321,440)	41,964	2,312,611
Revolving financing	30,000	4,000	–	–	34,000
	<u>2,653,724</u>	<u>2,194,167</u>	<u>(2,221,810)</u>	<u>(163,314)</u>	<u>2,462,767</u>
Hire purchase liabilities	545	2,715	(1,189)	–	2,071
Total	<u>2,654,269</u>	<u>2,196,882</u>	<u>(2,222,999)</u>	<u>(163,314)</u>	<u>2,464,838</u>

The weighted average effective interest rates at the reporting date for loans and borrowings (other than hire purchase liabilities) are as follows:

	Group	
	2018 %	2017 %
Bankers' acceptance	7.1	–
Term loans	7.6	5.9
Notes	–	4.5
Bank loans	4.2	2.3
Revolving financing	4.9	4.6
Bank overdrafts	7.0	6.7

As at 30 June 2018, financial covenants involving gearing ratio and tangible net worth under two banking facilities of the Company were not met. The Group has obtained the letter of indulgence and letter of offer of new facilities dated 27 September 2018 and 18 September 2018 from the banks to regularise financial covenants respectively.

- (i) As at 30 June 2018, term loans totalling US\$12,500,000 (equivalent to RM50,480,000) (2017: US\$5,000,000 or equivalent to RM21,547,000) are secured by 374,200,000 ordinary shares (2017: 100,000,000 ordinary shares) of HK\$0.02 each in the capital of PRGL.

30. LOANS AND BORROWINGS (continued)

- (ii) On 3 May 2013, PRGL issued the 4.5% Notes due 2018 (“Notes”) with an aggregate principal amount of US\$500,000,000 which were listed on The Stock Exchange of Hong Kong Limited. The net proceeds excluding direct transaction costs were US\$494,300,000.

The balance of the Notes as at 30 June 2017 was US\$483,388,000 (equivalent to RM2,077,776,000).

The Notes bore a fixed coupon at 4.5% per annum, payable semi-annually in arrears on 3 May and 3 November of each year and commencing on 3 November 2013. The maturity date of the Notes was 3 May 2018 and they contained a negative pledge provision for the PRGL Group.

On 9 January 2018, PRGL commenced a tender offer to purchase for cash any and all of its outstanding Notes (“Offer”). As at 9 January 2018, the outstanding principal amount of the Notes was US\$484,500,000. The Offer expired on 19 January 2018 (“Expiration Deadline”).

As at the Expiration Deadline, US\$258,939,000 of the principal amount of the Notes, representing approximately 53.44% of the total aggregate principal amount of the outstanding Notes, had been validly tendered and not been withdrawn. Following the settlement of the Offer, US\$225,561,000 of the principal amount of the Notes remained outstanding. PRGL had accepted all the tendered Notes for repurchase.

PRGL had redeemed all of the outstanding principal amount of the Notes on 3 May 2018 (being the maturity date of the Notes) at a redemption price equal to 100% of the outstanding principal amount of the Notes, which was US\$225,561,000, plus accrued interest of US\$5,075,122.50.

- (iii) During the financial year, a loan amounting to US\$487,284,000,000 was drawn down from Bank of Beijing by the PRGL Group for the purpose of settlement of the Notes as disclosed in (ii) above.

The bank loans from Bank of Beijing bear interest rates of 2.1% per annum over London Interbank Offered Rate. Other bank loans denominated in US\$ bear floating interest rates ranging from 1.4% to 2.1% per annum (2017: 1.4% to 1.7% per annum) over London Interbank Offered Rate. Bank loans denominated in HK\$ bear floating interest rates ranging from 1.2% to 1.6% per annum (2017: 1.3% to 1.8% per annum) over Hang Seng Interbank Offered Rate.

As at 30 June 2018, bank loans of the Group are secured by buildings, investment properties and land use rights with total net carrying amount of RM1,411,540,000 (2017: Nil) and deposits with banks of RM1,237,446,000 (2017: RM532,980,000).

31. HIRE PURCHASE LIABILITIES

	2018 RM'000	Group 2017 RM'000
Minimum lease payments:		
Not later than one year	1,460	166
Later than one year and not later than two years	730	166
Later than two years and not later than five years	-	259
Later than five years	-	16
	<u>2,190</u>	<u>607</u>
Less: Future finance charges	(119)	(62)
	<u>2,071</u>	<u>545</u>
Present value of finance lease liabilities:		
Not later than one year	1,356	140
Later than one year and not later than two years	715	147
Later than two years and not later than five years	-	243
Later than five years	-	15
	<u>2,071</u>	<u>545</u>
Representing:		
Current (Note 30)	1,356	140
Non-current (Note 30)	715	405
	<u>2,071</u>	<u>545</u>

Hire purchase liabilities are effectively secured as the rights to the hired assets revert to the hirers in the event of default.

The contractual interest rates and weighted average effective interest rate per annum as at 30 June are as follows:

	2018 %	Group 2017 %
Contractual interest rates	3.8	2.4 - 5.0
Weighted average effective interest rate	<u>7.1</u>	<u>3.8</u>

32. LONG TERM PAYABLES

	Group	
	2018 RM'000	2017 RM'000
Rental deposits ⁽ⁱ⁾	489,600	499,106
Accrued rental expenses	67,306	54,204
Deferred lease income ⁽ⁱⁱ⁾	15,698	25,825
Defined benefit obligation ⁽ⁱⁱⁱ⁾	2,464	2,586
Others	97	336
	575,165	582,057
	575,165	582,057

- (i) Non-current rental deposits have maturity ranging from 2 to 15 years (2017: 2 to 15 years). The rental deposits are initially recognised at their fair values. The difference between the fair value and the nominal deposit amount is recorded as deferred lease income.
- (ii) Deferred lease income represents the difference between the fair value of non-current rental deposits recognised on initial recognition and the nominal deposit amount, which is amortised on a straight-line basis over the lease terms ranging from 2 to 15 years (2017: 2 to 15 years).

The movement in deferred lease income is as follows:

	Group	
	2018 RM'000	2017 RM'000
At 1 July 2017/2016	26,121	38,008
Additions during the financial year	538	32
Refunds during the financial year	(9,521)	(10,953)
Recognised in profit or loss (Note 8(a))	(221)	(2,866)
Exchange differences	(1,030)	1,900
	15,887	26,121
	15,887	26,121
Disclosed as:		
Current (Note 34)	189	296
Non-current	15,698	25,825
	15,887	26,121
	15,887	26,121

32. LONG TERM PAYABLES (continued)

- (iii) 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 2018 are as follows:

Annual discount rate	: 8% (2017: 8%)
Future annual salary increment	: 8% (2017: 8%)
Retirement age	: 55 years of age (2017: 55 years of age)

The following table summarises the components of employee benefits expense recognised in profit or loss:

	2018	Group
	RM'000	2017
		RM'000
Current service cost	342	401
Interest cost on benefit obligations	191	182
Expected return on assets	51	(18)
	<hr/>	<hr/>
Employee benefits expense (Note 6)	584	565
	<hr/> <hr/>	<hr/> <hr/>

The estimated liabilities for employee benefits at the reporting date are as follows:

	2018	Group
	RM'000	2017
		RM'000
Defined benefit obligation	2,464	2,679
Fair value of planned assets	-	(93)
	<hr/>	<hr/>
Liabilities at 30 June	2,464	2,586
	<hr/> <hr/>	<hr/> <hr/>

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

	2018	Group
	RM'000	2017
		RM'000
Benefit obligation at 1 July 2017/2016	2,586	2,078
Provision during the financial year	584	565
Remeasurement recognised in other comprehensive income	(379)	(163)
Exchange differences	(327)	106
	<hr/>	<hr/>
Benefit obligation at 30 June	2,464	2,586
	<hr/> <hr/>	<hr/> <hr/>

33. PROVISIONS

	Group	
	2018 RM'000	2017 RM'000
Non-current		
Provisions for restoration costs ⁽ⁱ⁾	23,292	33,788
Current		
Provisions for restoration costs ⁽ⁱ⁾	1,841	2,866
Provisions for onerous contracts ⁽ⁱⁱ⁾	8,184	6,569
	10,025	9,435
Total	33,317	43,223

- (i) Provisions for restoration costs represent estimated cost of restoring leased space used in the principal activities of the Group. Provisions made are capitalised as part of the carrying amount of the Group's property, plant and equipment.

The movement in the provisions are as follows:

	Group	
	2018 RM'000	2017 RM'000
At 1 July 2017/2016	36,654	9,008
Arose during the financial year	742	26,786
Utilised during the financial year	(3,176)	–
Reversed during the financial year	(6,998)	–
Discount adjustments	42	753
Exchange differences	(2,131)	107
At 30 June	25,133	36,654
Disclosed as:		
Current	1,841	2,866
Non-current	23,292	33,788
	25,133	36,654

- (ii) Provisions for onerous contracts represent the estimated loss that will be incurred on the unavoidable operating lease of the stores.

The movement in the provisions are as follows:

	Group	
	2018 RM'000	2017 RM'000
At 1 July 2017/2016	6,569	–
Arose during the financial year	4,770	6,603
Utilised during the financial year	(3,006)	–
Exchange differences	(149)	(34)
At 30 June	8,184	6,569

34. TRADE AND OTHER PAYABLES AND OTHER LIABILITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Trade and other payables:				
Trade payables (i)	1,134,666	1,238,921	–	–
Other payables (ii)	256,773	346,196	1	2
Amounts due to related parties (iii)	4,761	4,703	–	–
Deposits	78,483	76,060	–	–
Accruals	93,144	140,119	2,336	1,915
Deferred lease income (Note 32(ii))	189	296	–	–
	1,568,016	1,806,295	2,337	1,917
Other liabilities:				
Deferred revenue from gift cards/vouchers sold	459,526	502,511	–	–
Deferred revenue from customer loyalty award (iv)	22,850	30,002	–	–
	482,376	532,513	–	–
	2,050,392	2,338,808	2,337	1,917
Total trade and other payables (as above)	1,568,016	1,806,295	2,337	1,917
Add:				
Loans and borrowings (Note 30)	2,498,303	2,696,761	123,048	135,984
Rental deposits (Note 32)	489,600	499,106	–	–
Accrued rental expenses (Note 32)	67,306	54,204	–	–
Amounts due to subsidiaries	–	–	3,499	3,317
Less:				
Deferred lease income	(189)	(296)	–	–
Total financial liabilities carried at amortised cost	4,623,036	5,056,070	128,884	141,218

34. TRADE AND OTHER PAYABLES AND OTHER LIABILITIES (continued)

- (i) Credit terms of trade payables granted to the Group vary from 30 to 90 days (2017: 30 to 90 days).
- (ii) These amounts are non-interest bearing. Other payables are normally settled on average terms of 30 to 90 days (2017: average terms of 30 to 90 days).
- (iii) The amounts due to related parties are unsecured, interest free and repayable on demand.

The relationship of the related party with the Group and the Company are further disclosed in Note 36.

- (iv) A reconciliation of the deferred revenue from gift cards/vouchers sold is as follows:

	2018	Group
	RM'000	2017
		RM'000
At 1 July 2017/2016	30,002	41,528
Additions during the financial year	57,091	64,790
Recognised as revenue	(39,514)	(31,289)
Lapsed amounts reversed	(22,801)	(46,638)
Exchange differences	(1,928)	1,611
	<hr/>	<hr/>
At 30 June	22,850	30,002
	<hr/> <hr/>	<hr/> <hr/>

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

Other information on financial risks of trade and other payables are disclosed in Note 42.

35. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

36. SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties	Relationship
BonusKad Loyalty Sdn Bhd	A company in which a Director and certain substantial shareholders of the Company have interests
PT Monica Hijaulestari	A company in which the close family members of a director of a subsidiary are shareholders
Lion Group Management Services Sdn Bhd	A company in which a Director and certain substantial shareholders of the Company have interests
Valino International Apparel Sdn Bhd	A joint venture of the Group
Posim Marketing Sdn Bhd	A company in which a Director and certain substantial shareholders of the Company have interests
Secom (Malaysia) Sdn Bhd	A company in which a Director and certain substantial shareholders of the Company have interests
Lion Steelworks Sdn Bhd	A company in which a Director and certain substantial shareholders of the Company have interests
WatchMart (M) Sdn Bhd	A company in which a close family member of a director of a subsidiary is a shareholder
Watatime (M) Sdn Bhd	A joint venture of the Group
Posim EMS Sdn Bhd	A company in which a Director and certain substantial shareholders of the Company have interests
Brands Pro Management Sdn Bhd	A company in which a Director and certain substantial shareholders of the Company have interests
Total Triumph Investments Limited	A company in which a Director and certain substantial shareholders of the Company have interests
Visionwell Sdn Bhd	A company in which a Director who is also a substantial shareholder of the Company has interests
PT Tozy Bintang Sentosa	A subsidiary of PT Mitra Samaya, a company which the close family members of a director of a subsidiary are shareholders
Lion Insurance Company Limited	A company which a Director and certain substantial shareholders of the Company have interests

36. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

- (a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties were entered into during the financial years:

	Group	
	2018	2017
	RM'000	RM'000
Purchases of goods and services from:		
- BonusKad Loyalty Sdn Bhd	10,093	9,941
- PT Monica Hijaulestari	6,933	9,758
- Lion Group Management Services Sdn Bhd	2,308	8,326
- Valino International Apparel Sdn Bhd	1,284	5,776
- Posim Marketing Sdn Bhd	751	2,328
- Secom (Malaysia) Sdn Bhd	1,149	1,369
- Lion Steelworks Sdn Bhd	510	1,100
- WatchMart (M) Sdn Bhd	648	484
- Watatime (M) Sdn Bhd	772	319
- Posim EMS Sdn Bhd	-	196
- Brands Pro Management Sdn Bhd	660	150
Interest income from:		
- Total Triumph Investments Limited (Note 7)	-	51
Rental of office and/or warehouse space from:		
- Visionwell Sdn Bhd	1,032	783
- PT Tozy Bintang Sentosa	-	105
	=====	=====
	Company	
	2018	2017
	RM'000	RM'000
Interest income from:		
- Parkson Credit Sdn Bhd, a subsidiary (Note 7)	3,958	3,779
- Total Triumph Investments Limited (Note 7)	-	51
	=====	=====

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2018 are disclosed in Note 21, Note 25, Note 34 and Note 35.

36. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

The remuneration of the Managing Director and Executive Director of the Company and other members of key management during the financial years are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	11,972	8,307	204	203
Pension costs				
- Defined contribution plans	250	262	7	9
	<u>12,222</u>	<u>8,569</u>	<u>211</u>	<u>212</u>

37. COMMITMENTS

(a) **Capital commitments**

Capital expenditure at the reporting date is as follows:

	Group	
	2018 RM'000	2017 RM'000
Purchase of property, plant and equipment:		
Approved and contracted for	276,495	305,330
Approved but not contracted for	3,044	-
	<u>279,539</u>	<u>305,330</u>

(b) **Non-cancellable operating lease commitments**

	Group	
	2018 RM'000	2017 RM'000
As lessee		
Future minimum rentals payable:		
Not later than one year	814,907	872,886
Later than one year and not later than five years	3,077,662	2,791,876
Later than five years	2,991,297	3,295,001
	<u>6,883,866</u>	<u>6,959,763</u>

37. COMMITMENTS (continued)

(b) Non-cancellable operating lease commitments (continued)

The Group leases certain of its properties and equipment under operating lease arrangements. These leases have remaining non-cancellable lease terms ranging from 1 to 22 years (2017: 1 to 22 years) with terms of renewal included in the contracts and there are no restrictions placed upon the Group by entering into these lease agreements.

A lease that is cancellable only upon the occurrence of some remote contingency is a non-cancellable operating lease as defined under the MFRSs. Pursuant to the relevant lease agreements, the Group is entitled to terminate the underlying lease agreement if the attributable retail store business has incurred losses in excess of a prescribed amount or such retail store will not be in a position to continue its business because of the losses.

In addition to the above, the annual contingent rental amount is chargeable on a percentage of the respective stores' turnover or profits, where appropriate, as stated in the relevant lease agreements. The amount of contingent rental charged is disclosed in Note 8(a).

	2018 RM'000	Group 2017 RM'000
As lessor		
Future minimum rentals receivable:		
Not later than one year	178,091	181,174
Later than one year and not later than five years	342,396	391,636
Later than five years	250,064	327,425
	<u>770,551</u>	<u>900,235</u>

The Group leases certain of its properties under operating leases. These leases have remaining non-cancellable lease terms ranging from 1 to 10 years (2017: 1 to 10 years) with terms of renewal included in the contracts.

38. SIGNIFICANT EVENT

The Company had on 12 February 2018 announced that Serbadagang Holdings Sdn Bhd (“Serbadagang”), a wholly-owned subsidiary of East Crest International Limited which is in turn a wholly-owned subsidiary of the Company, had on 1 February 2018 entered into a settlement agreement (“Settlement Agreement”) with (a) Dalian Tianhe Building Company Limited (“DT Building”), (b) Hefei Parkson Xiaoyao Plaza Company Limited (“Hefei Parkson”), a wholly-owned subsidiary of PRGL, (c) Shenzhen Xinhui Industrial Company Limited (“Xinhui”), (d) Dalian Tianhe Parkson Shopping Centre Co Ltd (“Dalian Tianhe Parkson”) which is 60% owned by Serbadagang and 40% owned by DT Building, and (e) Dashang Group Company Limited (“Dashang”) to settle the following litigations:

- the litigation between DT Building as the plaintiff and Hefei Parkson as one of the defendants, in relation to the ownership of the 51% equity interest in Anshan Tianxing Parkson Shopping Centre Company Limited (“Anshan Parkson”) (“Anshan Majority Interests”) (“Hefei Parkson Litigation”); and
- the litigations between Serbadagang as the plaintiff and DT Building as one of the defendants, in relation to (i) Serbadagang’s claims for its entitlement to the profits of Dalian Tianhe Parkson and (ii) a department store of Dalian Tianhe Parkson in Shenyang, Liaoning Province, the PRC (“Serbadagang Litigations”).

Pursuant to the Settlement Agreement:

- (1) Serbadagang shall transfer its entire 60% equity interest in Dalian Tianhe Parkson (“DTP Subject Equity”) to Dashang at a consideration of Rmb1 (equivalent to approximately RM0.61) (“Disposal Consideration”) and, subject to Serbadagang transferring the DTP Subject Equity to Dashang and performing its other obligations under the Settlement Agreement including DT Building, Dalian Tianhe Parkson and Xinhui shall abandon their claims in relation to the ownership of the Anshan Majority Interests and the rights attaching thereto [including without limitation the relevant dividends in relation to the period from year 2003 to the year ended 31 December 2017, the amount of approximately Rmb348 million (equivalent to approximately RM212.28 million) (unaudited) (“Relevant Dividends”) which represents the sum of (i) the amount of the aggregated dividends paid on the Anshan Majority Interests in respect of those financial years of Anshan Parkson during the said period where the dividends had been paid; and (ii) the 51% of the aggregated distributable profits of Anshan Parkson in respect of those financial years of Anshan Parkson during the said period where Anshan Parkson had distributable profits but no dividend had been declared or paid], while Hefei Parkson shall abandon its request for the return of the consideration of Rmb5.1 million (equivalent to approximately RM3.11 million);
- (2) in consideration of Serbadagang transferring the DTP Subject Equity to Dashang at the Disposal Consideration, DT Building, Dalian Tianhe Parkson and Xinhui shall abandon their claims in relation to the ownership of the Anshan Majority Interests, Hefei Parkson shall pay the Relevant Dividends (or any part thereof) to Serbadagang as compensation, the exact amount of compensation shall be negotiated and agreed between Hefei Parkson and Serbadagang;
- (3) DT Building shall submit the Settlement Agreement to the People’s High Court of Liaoning (“Liaoning High Court”) for the Liaoning High Court to prepare the relevant civil settlement document and, subject to the completion of the transfer of the DTP Subject Equity, DT Building and Dalian Tianhe Parkson shall be deemed to have abandoned their claims in the Hefei Parkson Litigation; and
- (4) Serbadagang shall apply to the Liaoning High Court to abandon its claims in the Serbadagang Litigations pursuant to the proposed settlement.

38. SIGNIFICANT EVENT (continued)

The Settlement Agreement was required to be approved by the court of the PRC in order for it to come into effect and such approval was granted by the Liaoning High Court on 10 February 2018. In respect thereto, Serbadagang had on 10 February 2018 entered into a compensation agreement (“Compensation Agreement”) with Hefei Parkson pursuant to the Settlement Agreement, wherein Hefei Parkson and Serbadagang agreed that:

- (1) Hefei Parkson shall pay Rmb100 million (equivalent to approximately RM61.0 million) (“Initial Compensation”) to Serbadagang on or before 30 April 2018; and
- (2) Serbadagang shall further negotiate with Hefei Parkson on a possible additional compensation (“Possible Additional Compensation”). The Possible Additional Compensation is subject to Serbadagang and Hefei Parkson entering into a legally binding agreement on or before 30 June 2018.

The Company had on 29 March 2018, announced that the Proposed Disposal of the DTP Subject Equity had been completed on 26 March 2018 (“Completion”). Following the Completion, Dalian Tianhe Parkson ceased to be a subsidiary of the Company.

On 3 May 2018, the Company had announced that pursuant to the written notice from Hefei Parkson dated 30 April 2018 to Serbadagang requesting for an extension of time from 30 April 2018 to 31 May 2018 to pay the Initial Compensation to Serbadagang, Serbadagang had agreed to extend the period for the Initial Compensation to be paid on or before 31 May 2018 (“Extension of Time”). PRGL had also made a similar announcement on 3 May 2018 on the Extension of Time. The Company had on 30 May 2018, announced that the Group had on 29 May 2018, received Rmb90 million (equivalent to approximately RM54.9 million) in respect of the Initial Compensation and the balance of Rmb10 million (equivalent to approximately RM6.1 million) is being withheld pending tax clearance.

39. SUBSEQUENT EVENT

On 13 September 2018, Oroleon (Hong Kong) Limited (“Oroleon”), a wholly-owned subsidiary of PRGL, had entered into an agreement with Parkson Credit Holdings Sdn Bhd (“Parkson Credit Holdings”), a wholly-owned subsidiary of the Company, for the acquisition by Oroleon from Parkson Credit Holdings of 70% of the equity interest comprising 21,000,000 ordinary shares in the capital of Parkson Credit Sdn Bhd (“Parkson Credit”) at a consideration of RM49,000,000 (“Acquisition of Parkson Credit”).

As at the date of this report, the Acquisition of Parkson Credit has not been completed pending fulfilment of certain conditions precedent.

40. CORPORATE GUARANTEES

As at 30 June 2018, the Company has provided corporate guarantees amounting to RM15,000,000 (2017: Nil) in favour of financial institutions as security for the credit facilities totalling RM15,000,000 granted to wholly-owned subsidiaries of the Company.

The corporate guarantees issued were not recognised in the financial statements as no value has been placed on the guarantees provided by the Company, considering that the likelihood of the guaranteed parties defaulting within the guaranteed period were assessed to be remote.

41. FAIR VALUE

(a) Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets/(liabilities):

	Level 2 RM'000	Level 3 RM'000
2018		
Investment properties (Note 13):		
Completed investment properties	–	70,661
IPUC	–	189,000
Investment securities (Note 22):		
Financial assets at fair value through profit or loss		
- Wealth management products	–	375,371
Derivative (Note 23):		
Cross currency interest rate swap	(1,036)	–
	<u> </u>	<u> </u>
2017		
Investment properties (Note 13):		
Completed investment properties	–	87,737
IPUC	–	190,990
Investment securities (Note 22):		
Financial assets at fair value through profit or loss		
- Wealth management products	–	241,808
Derivatives (Note 23):		
Option to purchase additional shares in Kiara Innovasi	–	52
Cross currency interest rate swap	571	–
	<u> </u>	<u> </u>

There has been no transfer between Levels 1, 2 and 3 for the financial year under review.

Fair value of investment properties is determined using a direct comparison method based on comparable transactions of the investment properties, as disclosed in Note 13.

Fair value of the wealth management products is determined using the future cash flows that are estimated based on expected applicable yield of the underlying investment portfolio and discounted at a rate that reflects the credit risk of various counterparties.

Fair value of the option to purchase additional shares in Kiara Innovasi as at 30 June 2017 was determined using a valuation technique based on probability of the Group exercising the option to purchase additional shares in Kiara Innovasi that was not supportable by observable market data. During the financial year, the Group had exercised the option by acquiring the remaining 40% equity interest in Kiara Innovasi as disclosed in Note 16(b)(i).

Fair value of cross currency interest rate swap is estimated using valuation techniques with observable inputs, which uses present value calculations, incorporating various input including foreign exchange spot and interest rate curves.

41. FAIR VALUE (continued)

(b) Financial instruments

- (i) The following are classes of financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximations of fair values:

	Note
Amounts due from subsidiaries	21
Trade and other receivables	25
Trade and other payables	34
Amounts due to subsidiaries	35

The carrying amounts of the financial assets and financial liabilities are reasonable approximations of fair values due to their short term nature.

Fair value of long term amounts due from subsidiaries are based on discounting expected future cash flows at market incremental lending rate.

- (ii) The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(aa) Financial instruments classified as current

The fair values of the Group's and of the Company's financial instruments, other than amounts due from/to subsidiaries/related parties, which are classified as current approximate to their carrying amounts due to the relatively short term maturity of these financial instruments.

(bb) Long term loans and borrowings

The fair values of long term loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

(cc) Deposit receivables/payables

The fair values of rental deposit receivables/payables are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

- (iii) The fair values of the Group's and of the Company's financial assets and liabilities approximate to their carrying amounts except for the following:

	Carrying amount RM'000	Group Fair value RM'000
Financial assets		
At 30 June 2018		
Unquoted shares (Note 22)	<u>18,945</u>	<u>^a</u>
At 30 June 2017		
Unquoted shares (Note 22)	<u>18,945</u>	<u>^a</u>

- ^a It is not practical to estimate the fair values of the non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade payables and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include deposits and other receivables, trade receivables, cash and bank balances that derive directly from its operations.

The Group is exposed to interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group's senior management oversees the management of these risks. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Group reviews and agrees to policies for managing each of these risks, which are summarised below:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Interest rate sensitivity

A reasonably possible change of 100 basis point in interest rate, arising mainly from the lower/higher interest on bank loans, with all other variables held constant, the Group's profit or loss for the year would have been RM18,058,000 (2017: RM3,843,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk as a result of the foreign currency transactions entered into by the Group in currencies other than its functional currency. As these transactions are mainly denominated in United States Dollar ("US\$"), Hong Kong Dollar ("HK\$") and Singapore Dollar ("SGD"), the Group's foreign currency risk is primarily due to exposure to the US\$, HK\$ and SGD. Foreign currency exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

In addition to the disclosure detailed elsewhere in the financial statements, the net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

Functional currency	US\$	Net financial assets held in		Total
	RM'000	HK\$ RM'000	SGD RM'000	RM'000
Deposits, cash and bank balances				
At 30 June 2018				
Ringgit Malaysia	3,235	22	887	4,144
Chinese Renminbi	35,738	7,463	2,082	45,283
Hong Kong Dollar	7	–	–	7
Burmese Kyat	316	–	–	316
	<u>39,296</u>	<u>7,485</u>	<u>2,969</u>	<u>49,750</u>
At 30 June 2017				
Ringgit Malaysia	593	183	935	1,711
Chinese Renminbi	6,822	4,981	–	11,803
Hong Kong Dollar	53	–	–	53
Vietnamese Dong	124	–	–	124
Burmese Kyat	336	–	–	336
	<u>7,928</u>	<u>5,164</u>	<u>935</u>	<u>14,027</u>

Foreign currency sensitivity

A reasonably possible change of 3% in the US\$, HK\$ and SGD exchange rates against the functional currency of the Group, with all other variables held constant, would have no material impact on the Group's profit or loss.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group manages its operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash and bank balances to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Not later than one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Financial liabilities:				
Group				
2018				
Trade and other payables	1,567,827	–	–	1,567,827
Loans and borrowings:				
Bank overdrafts	33,465	–	–	33,465
Revolving financing	34,609	–	–	34,609
Hire purchase liabilities	1,460	730	–	2,190
Bankers' acceptance	5,171	–	–	5,171
Term loans	121,060	–	–	121,060
Bank loans	349,780	2,169,591	–	2,519,371
Long term payables:				
Rental deposits	–	489,600	–	489,600
Total undiscounted financial liabilities	2,113,372	2,659,921	–	4,773,293
2017				
Trade and other payables	1,805,999	–	–	1,805,999
Loans and borrowings:				
Bank overdrafts	42,492	–	–	42,492
Revolving financing	30,324	–	–	30,324
Hire purchase liabilities	166	425	16	607
Term loans	26,589	66,380	–	92,969
Bonds	2,077,776	–	–	2,077,776
Bank loans	352,647	113,691	–	466,338
Long term payables:				
Rental deposits	–	499,106	–	499,106
Total undiscounted financial liabilities	4,335,993	679,602	16	5,015,611

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

	Not later than one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Financial liabilities: (continued)				
Company				
2018				
Trade and other payables	2,337	–	–	2,337
Loans and borrowings:				
Bank overdrafts	32,448	–	–	32,448
Revolving financing	30,339	–	–	30,339
Term loans	64,689	–	–	64,689
Total undiscounted financial liabilities	129,813	–	–	129,813
2017				
Trade and other payables	1,917	–	–	1,917
Loans and borrowings:				
Bank overdrafts	41,596	–	–	41,596
Revolving financing	30,324	–	–	30,324
Term loans	2,930	65,852	–	68,782
Total undiscounted financial liabilities	76,767	65,852	–	142,619

(d) Credit risk

Credit risk is the risk of loss that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Group and the Company are exposed to credit risk from their operating activities primarily from trade and other receivables. The receivables are monitored on an ongoing basis through the Group's and the Company's management reporting procedures.

Exposure to credit risk

At the reporting date, 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 in the statements of financial position, including derivatives with positive fair values.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 25.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk (continued)

Credit risk concentration profile

The Group and the Company determine concentrations of credit risk by monitoring individual profile of their trade receivables on an ongoing basis.

At the reporting date, the Group and the Company do not have any significant exposure to any individual customer or counterparty nor do they have any major concentration of credit risk related to any financial instrument, except that the Company has an amount due from East Crest International Limited, a wholly-owned subsidiary of the Company, which amounted to RM820,218,000 (2017: RM845,684,000) represents 89% (2017: 90%) of the Company's receivables.

Financial assets that are neither past due nor impaired

Information regarding receivables that are neither past due nor impaired is disclosed in Note 25. Deposits with banks and other financial institutions are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 25.

43. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on its products and services, and has two reportable operating segments as follows:

- (i) Retailing - Operation and management of retail stores in Malaysia, PRC, Vietnam, Myanmar and Indonesia.
- (ii) Others - Operation of food and beverage businesses, credit services, theme park, education and nursery centres, and investment holding.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit. Group financing (including finance income and finance costs) and income taxes are managed on a group basis and are not allocated to reportable segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

43. SEGMENTAL INFORMATION (continued)

The Group's segmental information is as follows:

	← Retailing →				Others RM'000	Elimination RM'000	Total RM'000
	Malaysia RM'000	PRC RM'000	Myanmar RM'000	Indonesia RM'000			
30 June 2018							
Revenue:							
External customers	1,030,878	2,651,156	83,877	160,531	55,293	-	3,981,735
Inter-segment	917	-	-	-	-	(917)	-
Total revenue	<u>1,031,795</u>	<u>2,651,156</u>	<u>83,877</u>	<u>160,531</u>	<u>55,293</u>	<u>(917)</u>	<u>3,981,735</u>
Results:							
Segment (loss)/profit	(52,389)	110,675	(17,480)	(19,663)	(17,649)	-	3,494
Finance income							102,853
Finance costs							(130,003)
Share of results of associates							1,962
Share of results of joint ventures							8,590
Gain on disposal and dilution of interests in subsidiaries							18,788
Impairment loss on:							
- Property, plant and equipment							(41,039)
- An investment property							(1,990)
- Intangible assets							(24,217)
- Investments in associates and joint ventures							(12,995)
- Deposits, prepayments, amounts due from an associate and managed stores							(8,353)
Loss before tax							<u>(82,910)</u>
Total assets	641,309	7,543,341	115,317	134,911	512,625	-	8,947,503
Total liabilities	507,523	4,425,618	60,984	86,975	258,846	-	5,339,946
Capital expenditure	81,567	208,510	437	2,996	4,486	-	297,996

43. SEGMENTAL INFORMATION (continued)

The Group's segmental information is as follows: (continued)

	← Retailing →				Others RM'000	Elimination RM'000	Total RM'000
	Malaysia RM'000	PRC RM'000	Myanmar RM'000	Indonesia RM'000			
30 June 2017							
Revenue:							
External customers	985,918	2,622,774	101,295	205,393	48,644	–	3,964,024
Inter-segment	1,262	–	–	–	–	(1,262)	–
Total revenue	987,180	2,622,774	101,295	205,393	48,644	(1,262)	3,964,024
Results:							
Segment loss	(5,621)	(41,868)	(5,414)	(28,194)	(60,529)	–	(141,626)
Finance income							78,733
Finance costs							(116,698)
Share of results of associates							(4,360)
Share of results of joint ventures							7,708
Gain on disposal of a subsidiary							828,087
Impairment loss on:							
- Property, plant and equipment							(77,485)
- Intangible assets							(323,703)
- Deposits, prepayments, amounts due from associates, joint ventures and managed stores							(26,704)
Profit before tax							223,952
Total assets	711,168	8,137,834	143,971	221,744	542,428	–	9,757,145
Total liabilities	563,619	4,896,228	61,337	142,331	244,903	–	5,908,418
Capital expenditure	117,499	128,689	5,505	36,903	23,265	–	311,861

44. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains the Group's stability and growth in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. No changes were made in the objective, policies or processes during the financial years ended 30 June 2018 and 30 June 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables and other liabilities, provisions, long term payables, loans and borrowings, less deposits, cash and bank balances and current investment securities. Capital represents total equity of the Group.

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade and other payables and other liabilities (Note 34)	2,050,392	2,338,808	2,337	1,917
Provisions (Note 33)	33,317	43,223	–	–
Long term payables (Note 32)	575,165	582,057	–	–
Loans and borrowings (Note 30)	2,498,303	2,696,761	123,048	135,984
Less: Deposits, cash and bank balances (Note 26)	(2,593,510)	(3,142,677)	(2,691)	(682)
Investment securities - current (Note 22)	(375,371)	(241,808)	–	–
Net debt (A)	<u>2,188,296</u>	<u>2,276,364</u>	<u>122,694</u>	<u>137,219</u>
Total equity, representing total capital	<u>3,607,557</u>	<u>3,848,727</u>	<u>814,276</u>	<u>824,081</u>
Capital and net debt (B)	<u>5,795,853</u>	<u>6,125,091</u>	<u>936,970</u>	<u>961,300</u>
Gearing ratio (A/B)	<u>38%</u>	<u>37%</u>	<u>13%</u>	<u>14%</u>

The Group and the Company are subject to certain externally imposed capital requirements as disclosed in Note 30.