PARKSON

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PARKSON RETAIL ASIA LIMITED

ANNUAL REPORT 2012

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CORPORATE PROFILE

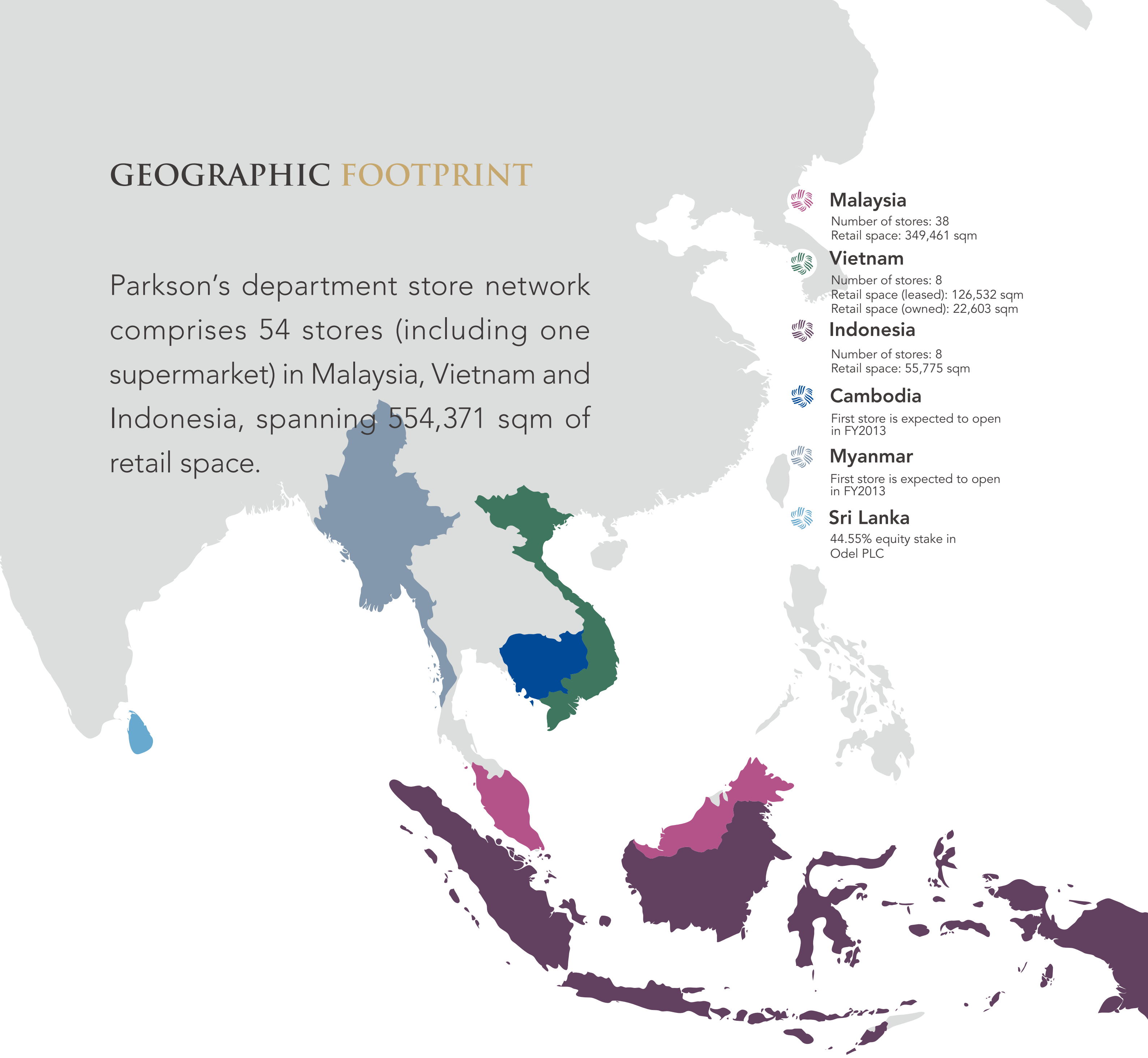
ABOUT PARKSON RETAIL ASIA

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 3 November 2011, Parkson Retail Asia Limited ("Parkson" or the "Company", and together with its subsidiaries, the "Group") is a leading and award-winning Asian department store operator with an extensive network of 54 stores (including one supermarket) as at 30 June 2012, spanning approximately 554,371 square meters of retail space across cities in Malaysia, Vietnam and Indonesia. Established in 1987, Parkson operates an efficient and competitive business model through a blend of concessionaire sales model, anchor tenant, customised product mix and state-of-the-art management tools.

Over the last 25 years, the Group has built up a solid reputation as Southeast Asia's leading department store operator through its continuous innovation and collaboration with numerous international brands to offer consumers in the middle and upper-middle income segment a wide range of merchandise. Well-entrenched in Asia, Parkson is well-poised to harness the potential of the region's strong retail growth.

GEOGRAPHIC FOOTPRINT

Parkson's department store network comprises 54 stores (including one supermarket) in Malaysia, Vietnam and Indonesia, spanning 554,371 sqm of retail space.



Established in 1987, Parkson operates an efficient and competitive business model through a blend of concessionaire sales model, anchor tenant, customised product mix and state-of-the-art management tools. Merchandise sales generated from Parkson's stores are S$767 million, S$852 million and S$1,047 million, respectively, for the financial years ended 30 June 2010, 2011 and 2012.

More than 20 years of regional expansion

2012

- Entered Sri Lanka by acquiring a 44.55% equity stake in Odel PLC, a leading listed retailer in Sri Lanka

2011

Listed on SGX-ST

- Entered Indonesia by acquiring Centro department store network in Indonesia

2010

- Total of 41 stores in Malaysia and Vietnam spanning 437,000 sqm of retail space

2007

- Opened Parkson Pavilion, the flagship store in Malaysia
- Opened 3rd store in Vietnam

2005

- Entered Vietnam – Parkson Saigon Tourist Plaza opened in Ho Chi Minh City, Vietnam

2000

- Opened 26th store in Malaysia

1987

- First Parkson store opened in Malaysia

CHAIRMAN'S STATEMENT

I am pleased to present the inaugural Annual Report of Parkson as a Mainboard listed company on the SGX-ST, for the financial year ended 30 June 2012.

Over the last 25 years, the Group has grown from strength to strength, crossing many significant milestones, before arriving at the Group's present listed status. Our journey began with the first Parkson store opening in Malaysia in 1987. As we expanded and entrenched ourselves across our home country, we seized the opportunity in 2005 to enter into Vietnam with our first store opening in Ho Chi Minh City. Having gained a first-mover advantage in Vietnam, we continue to innovate and grow into a leading department store brand in Southeast Asia and made our entry into Indonesia in 2011 through the acquisition of the Centro department store network. As a result of our expansion programme, the Group now operates 54 department stores across Southeast Asia, with 38 stores in Malaysia, 8 stores in Vietnam and 8 stores (including a gourmet supermarket) in Indonesia covering a total gross floor area of approximately 630,000 square meters.

Despite having come a long way, the Group is not resting on its laurels and is continuously seeking to strengthen its leadership position in existing markets as well as to venture into new markets with high growth potential. Our strategy remains focused on positioning ourselves in the middle to upper-middle income segment, while operating on an efficient and competitive business model. The rapidly emerging middle class population in the growing economies of South and Southeast Asia provides impetus for the Group to remain committed to expanding and strengthening our foothold and building our burgeoning reputation as an Asian retail powerhouse.

As part of our overarching ambition to become a regional retail player, we have expanded beyond our traditional key markets in the Southeast Asia, into the greater Indian subcontinent.

This includes our recent entry into Sri Lanka where the Company has, in September 2012, completed the acquisition of a 44.55% stake in Odel PLC, following the completion of a mandatory offer exercise. Odel PLC is a leading listed retailer in Sri Lanka in which the Company is the largest shareholder. This acquisition has allowed the Group to gain a foothold in the growing Sri Lankan retail industry via Odel's leading brand position as a retailer, targeting the middle to upper income segment of the retail market. This synergistic partnership that the Group and Odel PLC is embarking on will allow both companies to expand and enhance their operations and presence across Asia.

In the coming year, the Group will open its first store in Cambodia located in the city of Phnom Penh, with a gross floor area of approximately 30,000 square meters. Along with the Group's entry into Cambodia, the Group will also be opening its first store in Yangon, Myanmar covering a gross floor area of approximately 4,000 square meters in the financial year ending 30 June 2013 ("FY2013"). This is subject to the finalisation of a joint-venture agreement between the Group with Yoma Strategic Holdings Ltd and First Myanmar Investment Company Limited.

In line with our strategy to gain first-mover advantage in new markets, the planned move into Cambodia and Myanmar will allow the Group to harness the potential of the rapidly growing retail sectors of these countries as they experience stronger economic growth in the years to come.

The outlook for Parkson remains bright as Southeast Asian economies power ahead in a time of global economic turmoil. Our vast retail expertise places us in an advantageous position to succeed in non-traditional markets such as Sri Lanka and in time to come, India, Bangladesh and other countries in the Indian subcontinent. I am fully confident in our ability to navigate through the current economic climate and continue to deliver sustainable results to our shareholders.

The Group's continued success would not have been possible without the contributions and continuous support of the Group's stakeholders, in particular our customers, employees, shareholders, suppliers and business associates. On behalf of the Board of Directors, I wish to convey my appreciation and gratitude to all of you.

To my fellow Directors, I would also like to extend my appreciation for their contribution throughout our successful first year as a listed company.

I hope to continue to work closely together with the Board and all our stakeholders as we forge ahead together to fulfill our vision of becoming the leading department store operator in South and Southeast Asia.

Tan Sri Cheng Heng Jem
Non-Executive Chairman

GROUP MANAGING DIRECTOR'S STATEMENT

The world continues to face challenging times ahead with the uncertainty of the Eurozone crisis and the anaemic outlook of the US economy. In Asia, we are not sheltered from the weakness in the developed economies and it is expected that growth will continue to slow.

However, as growth in the retail and consumer markets of developed economies around the world becomes sluggish, I am confident that Southeast Asia will continue to be a bright spark in global retail growth, due to expanding middle income segments, rapid urbanisation and growing aspirations of the young demographic to attain and achieve more for themselves and their families. These fundamentals have been core to our strategy in developing Parkson in the region.

As a testament to the strength of our strategy, I am pleased to report that the Group has made historical achievements in its first year of listing on the SGX-ST. The Group achieved a record performance in the financial year ended 30 June 2012 ("FY2012"):

– Gross Sales Proceeds totaled at S$1.1 billion, up 22.4% from the previous year;
– Revenue was S$442.3 million, up 20.4% from the previous year;
– Profit Before Tax was S$62.6 million, up 21.3% from the previous year; and
– Attributable Net Profit was S$45.5 million, up 29.9% from the previous year.

The record performance achieved for the financial year was largely contributed by continued Same Store Sales ("SSS") growth in our operations in Malaysia and Vietnam, new store openings during the year and the contribution from our operations in Indonesia, which were acquired in June 2011. The Group has

also continually achieved improvement in its operating and profit margins. Merchandise gross margin on blended basis for FY2012 grew to 24.1%, up 80 basis points ("bps") from the previous year. EBITDA margin grew 30 bps to 17.3% while net profit margin grew 80 bps to 10.3% for the year. Excluding IPO expenses of S$2.1 million incurred, the EBITDA and net profit margins for the year would have grown higher to 17.7% and 10.7% respectively.

The Group's strong profit, sound cash generation and a solid balance sheet has allowed the Directors to recommend a one-tier, tax exempted final dividend of 3 cents per ordinary share for FY2012. The dividend will, subject to approval by shareholders, be paid on 23 November 2012 to all shareholders registered on 9 November 2012.

Strong same store sales growth in all markets

As at 30 June 2012, the Group operated 54 department stores across Southeast Asia, with 38 stores in Malaysia, 8 stores in Vietnam and 8 stores (including a gourmet supermarket) in Indonesia.

The SSS growth for Malaysia for FY2012 was strong at 9.2%. Domestic consumption and liquidity remained strong for the year despite the macroeconomic headwinds faced by Malaysia.

The SSS for Vietnam for FY2012 grew at 9.0%, despite challenges faced in the Vietnamese economy. High inflation rates and trade deficits which led to the tightening of government policies were the key factors that slowed economic growth in Vietnam. As a result, consumer spending for the year had been affected. Despite the challenges faced, we were able to grow and remain profitable because of our market position as Vietnam's leading department store operator.

The SSS growth for Indonesia for FY2012 was at 9.3%. Limited export reliance for Indonesia leaves it relatively insulated from the weak global developments, with robust private consumption and investments continuing to drive the economy. The Centro network of stores in Indonesia, which the Group acquired in June 2011, continued to perform well in FY2012. The Group has launched into its dual-brand strategy for the Indonesian market with the planned opening of its first Parkson branded store at the St. Moritz in the Puri CBD, West Jakarta in FY2014.

Gaining a foothold in frontier markets

As the Group continues to maintain and strengthen its position as a leading department store operator in key markets in Southeast Asia, we have worked tirelessly to

GROUP MANAGING DIRECTOR'S STATEMENT

seek out other frontier markets within the Asia Pacific region.

In July 2012, the Group announced its expansion into Sri Lanka through the acquisition of a 42.19% stake in Odel PLC, a leading retailer listed on the Colombo Stock Exchange. Following the completion of a mandatory offer exercise in September 2012 for all the remaining shares in Odel PLC at LKR 23.50 per share, the Company emerged as the largest shareholder in Odel PLC with an equity stake of 44.55%. Odel PLC has made known its intention to undertake a rights issue of one ordinary share for every one ordinary share held at a price of LKR 20.00 per share upon the completion of the mandatory offer by the Company. The funds raised through this rights issue will allow Odel PLC to expand its operations and cement its position as the leading retailer in Sri Lanka.

We believe this is an opportune time for our foray into Sri Lanka as the market is ready for a modern department store retail concept on the back of the strong growth in domestic consumption driven by economic expansion, as demonstrated by a GDP growth of 8.3% in 2011. The extensive plans by the Sri Lankan government to improve the country's infrastructure will enable the retail industry to expand and flourish alongside the Sri Lankan economy.

This acquisition will enable the Group to gain entry into the Indian subcontinent with Sri Lanka as a base to expand over time into the neighbouring countries of India, Pakistan and Bangladesh.

In August 2012, the Group announced that it had entered into a memorandum of agreement with Yoma Strategic Holdings and First Myanmar Investment Company Limited, a subsidiary of Serge Pun & Associates (Myanmar) Limited for the purposes of establishing a joint-venture company to operate "Parkson" branded department stores in Myanmar. The first Parkson store in Myanmar will likely be situated in FMI Centre in the Pabedan Township of Yangon, comprising four storeys with a built-up area of approximately 4,000 square meters.

Myanmar, a market closer to home, offers huge potential for growth as the country opens up due to positive national transformations. The Group's entry into Myanmar at this juncture is telling of its strategy to seize first-mover advantage by tapping into the largely under-served middle to upper income segment of its retail market, as Myanmar develops.

Looking Ahead

The Group will continue to expand in the region as we remain confident in the tremendous growth potential of the South and Southeast Asian region.

At the same time, we are constantly looking out for strategic opportunities to enter into frontier markets to gain first-mover advantage. Simultaneously, we will continue to be further entrenched into the countries in which we are already operating to strengthen our market position and reach in the region.

For FY2013, the Group targets to open 7 new stores covering the countries of Malaysia, Vietnam, Indonesia, Cambodia and Myanmar with a total gross floor area of approximately 93,000 square meters. We believe we are reaching the untapped middle to upper income segment of the retail market in these countries for which the leverage potential and rewards will be significant.

On behalf of the Board of Directors, I would like to express my sincere appreciation to all our stakeholders for their continued loyalty and support for the Company, through which we will be able to achieve our vision of becoming the leading department store operator in South and Southeast Asia.

Datuk Cheng Yoong Choong
Group Managing Director

FINANCIAL HIGHLIGHTS

	2009 SGD'000	2010 SGD'000	2011 SGD'000	2012 SGD'000	CAGR[3] %
Consolidated Income Statement					
Gross sales proceeds[1]	672,230	781,641	868,910	1,063,713	16.5
Revenue	301,229	332,959	367,314	442,276	13.7
Earnings before interest, tax, depreciation and amortisation	29,235	44,739	62,456	76,468	37.8
Profit for the year	12,137	22,443	35,821	44,805	54.6
Profit attributable to the owners of the Company	11,433	21,375	35,013	45,469	58.4
Basic and diluted earnings per share (cents)[2]	1.91	3.58	5.86	6.99	54.1
Consolidated Balance Sheet					
Total assets	259,525	293,972	286,274	416,624	
– Cash and cash equivalents	87,880	126,883	96,123	190,346	
Total liabilities	141,930	150,678	159,374	175,848	
Total equity	117,595	143,294	126,900	240,776	

Notes:

1. Gross sales proceeds represent the total of sales proceeds from direct sales and concessionaire sales, consultancy and management service fees and rental income.
2. The basic and diluted earnings per share for the financial years 2009 to 2011 are calculated by dividing the Group's profit for the respective years attributable to the owners of the Company by the pre-invitation share capital of 597,300,000 ordinary shares.
3. Compound Annual Growth Rate from 2009 to 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operational Results

The Group recorded Gross Sales Proceeds ("GSP") of S$1.064 billion for FY2012, representing a growth of 22.4% Year-on-Year ("YoY"). The components of GSP for FY2012 were as follows:-

	Group	
	FY2012 S$'000	FY2011 S$'000
GSP		
Sale of goods – direct sales	218,399	187,663
Sale of goods – concessionaire sales	828,132	663,961
Total merchandise sales	1,046,531	851,624
Consultancy and management service fees	1,405	1,422
Rental income	15,777	15,864
Total GSP	1,063,713	868,910

The key contributors to the GSP growth for FY2012 were (i) Same Store Sales ("SSS") growth for Malaysia and Vietnam at 9.2% and 9.0% YoY respectively; (ii) the inclusion of the sales performance of new stores opened during FY2012; and (iii) the inclusion of the business operations in Indonesia which was acquired in June 2011.

The Group generated total merchandise sales of S$1.047 billion for FY2012, with concessionaire sales contributing 79.1% and direct sales contributing the balance of 20.9%. By product segment, the Fashion & Apparel category constituted 56.5% of the total merchandise sales, the Cosmetic & Accessories category constituted 26.4%, the Household, Electrical Goods & Others category constituted 13.9% while the remaining balance of 3.2% came from the Groceries & Perishables category.

The merchandise gross margin (a combination of the commission from concessionaires and direct sales margin) for FY2012 increased by 80 bps YoY to 24.1%. The higher gross margin is due to the inclusion of the Indonesian operations which generate higher merchandise gross margin.

Review of Financial Results

Revenue and Other Income

The Group recorded a revenue of S$442.3 million for FY2012, representing an increase of 20.4% YoY. The increase in revenue was mainly a result of an increase in commissions from concessionaire sales and direct sales revenue which is in line with the increase in GSP. The components of revenue for FY2012 were as follows:-

	Group	
	FY2012 S$'000	**FY2011 S$'000**
Revenue		
Sale of goods – direct sales	218,399	187,663
Commission from concessionaire sales	206,695	162,365
Consultancy and management service fees	1,405	1,422
Rental income	15,777	15,864
Total revenue	442,276	367,314

Other income for FY2012 increased by 32.6% YoY to S$14.2 million. The components of other income include finance income of S$5.4 million for FY2012.

Expenses

For FY2012, total expenses of the Group increased by 20.7% YoY to S$393.9 million. Analysis of the major operating expense items for FY2012 is as follows:

Changes in merchandise inventories and consumables

Changes in merchandise inventories and consumables refer to the cost of direct sales. Cost of sales for FY2012 increased by 14.2% YoY to S$173.2 million. The increase is in line with the increase in direct sales.

Employee benefits expense

Staff costs increased by 34.2% YoY to S$46.6 million for FY2012. The increase is primarily due to (i) inclusion of the staff costs of the Indonesian operations which was acquired in June 2011; (ii) inclusion of the staff costs for new stores opened in FY2012; and (iii) annual wage review.

MANAGEMENT DISCUSSION AND ANALYSIS

As a percentage of revenue, the staff costs ratio increased by 110 bps YoY to 10.5% for FY2012. The increase was primarily due to (i) staff costs for new stores where the sales are lower at the start-up stage; and (ii) staff costs for the Indonesian operations which has a higher staff cost ratio.

Depreciation and amortisation expenses

Depreciation and amortisation increased by 23.6% YoY to S$18.8 million for FY2012. The increase was primarily due to the inclusion of the depreciation costs for (i) the Indonesian operations acquired in June 2011; and (ii) the new stores opened in FY2012.

As a percentage of revenue, depreciation and amortisation expenses ratio increased by 10 bps YoY to 4.2% for FY2012. The higher ratio for FY2012 was primarily due to depreciation on new stores opened in FY2012 but where the sales are lower at the start-up stage.

Promotional and advertising expenses

Promotional and advertising expenses increased by 26.3% to S$9.0 million for FY2012. The increase was largely due to the inclusion of the promotional and advertising expenses for (i) the Indonesian operations acquired in June 2011; and (ii) the new stores opened in FY2012.

As a percentage of revenue, promotional and advertising expenses ratio increased by 10 bps YoY to 2.0% for FY2012. The higher ratio for FY2012 was primarily due to promotion and advertising on new stores opened in FY2012 but where the sales are lower at the start-up stage.

Rental expenses

Rental expenses increased by 21.1% to S$84.3 million for FY2012. The increase was largely due to inclusion of the rental costs for (i) the Indonesian operations acquired in June 2011; and (ii) the new stores opened in FY2012.

As a percentage of revenue, the rental expenses ratio increased by 10 bps YoY to 19.1% for FY2012. The higher ratio for FY2012 was primarily due to new stores that are paying fixed rentals in FY2012 but where the sales are lower at the start-up stage.

Other expenses

Other expenses consist mainly of (a) selling and distribution expenses and (b) general and administrative expenses which increased by 29.6% YoY to S$61.5 million for FY2012. The increase was due mainly to (i) the inclusion of other expenses for the Indonesian operations acquired in June 2011; (ii) the inclusion of other expenses for new stores opened in FY2012; and (iii) the inclusion of IPO expenses of

S$2.1 million and related corporate expenses arising from the listing of the Company on the SGX-ST in November 2011.

As a percentage of revenue, the other expenses ratio increased by 100 bps YoY to 13.9% for FY2012. The higher ratio for FY2012 was primarily due to increase in other expenses attributed to the opening of new stores in FY2012 (e.g. packing and labeling costs) where sales are lower at the start-up stage, and corporate expenses incurred since the listing of the Company in November 2011.

Profit Before Tax ("PBT")

For FY2012, PBT increased by 21.3% YoY to S$62.6 million which is in line with the trend of revenue increase. As a percentage of revenue, PBT ratio for FY2012 increased by 10 bps YoY to 14.2%. Excluding the IPO expenses charged to the income statement of S$2.1 million, Group PBT would have increased by 25.3% YoY to S$64.7 million and as a percentage of revenue, the PBT ratio would have increased by 50 bps YoY to 14.6%.

Taxation

The Group effective tax rate for FY2012 was lower at 28.4% as compared to 30.6% for FY2011. This was largely due to the higher under provision of income tax in respect of previous years recognised in FY2011.

Net Profit

Net profit for FY2012 was higher by 25.1% YoY at S$44.8 million. As a percentage of revenue, the net profit ratio for FY2012 increased by 40 bps YoY to 10.1%.

Review of Financial Resources

The Group's financial position is healthy, with working capital of S$113.3 million and equity attributable to owners of the Company of S$237.8 million as at 30 June 2012. The Group generated strong net cash from operations for FY2012 of S$53.4 million despite being faced with a challenging environment. Net cash generated from financing activities for FY2012 was S$72.4 million due mainly to receipt of the net IPO proceeds from the listing of the Company on the SGX-ST in November 2011. The Group's cash balance as at 30 June 2012 was strong at S$190.3 million.

Store Openings

The Group opened 5 new stores during FY2012 with total gross floor area of approximately 71,705 square meters. The stores opened were in the cities of Surabaya and Tangerang in Indonesia in the months of August and October 2011 respectively, in Kuala Lumpur and Shah Alam in Malaysia in October 2011 and May 2012 respectively, and the fifth store in Hanoi, Vietnam in December 2011.

CSR PROGRAMME

Corporate Social Responsibility activities

Parkson believes in conducting its business in a socially responsible manner and adopting socially-responsible business practices which improve community well-being and the environment. As part of our core values, Parkson is committed to a wide range of Corporate Social Responsibility (CSR) programmes, from fund-raising to protecting the environment, which contributes to the communities in the markets in which we operate. We encourage all our staff, members of the Parkson family, to participate in CSR which has been an been an integral part of our day-to-day operations. Since inception, Parkson has been actively involved in CSR activities in its key markets of Malaysia, Vietnam and Indonesia.

Malaysia

In Malaysia, we conduct our CSR efforts under the Parkson Cares initiative. Under this initiative, we launched the Educare programme which provides both financial and non-financial assistance to needy school children. We have also organised park adoption programmes to foster the appreciation of parks and for families to adopt a healthy lifestyle.

Other CSR activities include calligraphy charity sales, a 30-hour famine awareness campaign, the government-initiated "No Plastic Bag" day, "A Bag for a Tree" campaign organised jointly with Estée Lauder, and an HIV/AIDS awareness campaign organised in conjunction with M.A.C AIDS Fund.

Vietnam

Our CSR activities in Vietnam include fundraising efforts by Parkson Educare to aid needy school children, annual X'mas charity fundraisers, and the "Parkson Go Green" programme aimed at protecting the environment.

Going forward, we intend to continue to build upon our successful CSR programmes, which are now an essential part of our business operations, and expand their reach in existing and new markets.

Indonesia

In Indonesia, Parkson's CSR activities are conducted through our Centro operations. We have organised tree planting activities in Surabaya and Jogjakarta. We also conduct frequent visits to orphanages and provide essential supplies from Centro stores as a way of providing for their daily needs.

BOARD OF DIRECTORS

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

TAN SRI CHENG HENG JEM

Non-Independent, Non-Executive Director

Tan Sri Cheng Heng Jem was appointed as a Director of the Company on 31 March 2011. He is the Chairman of the Board of Directors and a member of the Remuneration Committee.

Tan Sri Cheng has more than 35 years of experience in the business operations of The Lion Group, which is a Malaysian based diversified business group (which includes our Company) engaged in a variety of businesses encompassing steel, retail, property development, mining, tyre, motor, plantation and computer. He oversees the operation of The Lion Group and is responsible for the formulation and monitoring of the overall corporate strategic plans and business development of The Lion Group.

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

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

Datuk Cheng Yoong Choong

Executive Director, Group Managing Director

Datuk Cheng Yoong Choong was appointed as a Director of the Company on 31 March 2011. He is a member of the Nominating Committee.

Datuk Cheng began his career at our Malaysian subsidiary, Parkson Corporation Sdn Bhd ("PCSB") since 1987, holding various positions including as Chief Operating Officer and General Manager of Merchandising Department. He is currently an Executive Director and the Managing Director of PRGL.

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

Mr Toh Peng Koon

Executive Director

Mr Toh Peng Koon was appointed as a Director of the Company on 31 March 2011.

He oversees our Malaysian and Indonesian operations as the Chief Executive Officer – Malaysia and President Director – Indonesia. Mr Toh joined PCSB in 1988 and has held various positions including as General Manager, Chief Operating Officer and Chief Executive Officer. As part of our Group's expansion into Indonesia, Mr Toh was also appointed the President Director of PT Tozy Sentosa ("TS").

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

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

Mr Tan Siang Long

Non-Independent, Non-Executive Director

Mr Tan Siang Long was appointed as a Director of the Company on 14 June 2011. He is a member of the Audit Committee.

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

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

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

Mr Wee Kheng Jin

Independent, Non-Executive Director

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

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

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

BOARD OF DIRECTORS

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

Independent, Non-Executive Director

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

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

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

Mr Tan Soo Khoon

Independent, Non-Executive Director

Mr Tan Soo Khoon was appointed as a Director of the Company on 28 September 2011. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

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

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

Mr. Michel Grunberg

Independent, Non-Executive Director

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

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

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

Datuk Cheng Yoong Choong

Group Managing Director

Datuk Cheng Yoong Choong is the Group Managing Director of the Company. He is also an Executive Director of the Company. Details of his working experience are set out under the section on the Board of Directors.

Mr Toh Peng Koon

Chief Executive Officer of Malaysian operations and President Director of Indonesian operations

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

Mr Tham Tuck Choy

Chief Executive Officer of Vietnamese and Cambodian operations

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

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

Mr Raymond Teo Kheng San

Chief Operating Officer of Malaysian operations

Mr Raymond Teo Kheng San is the Chief Operating Officer of our Malaysian operations. Mr Teo has over 32 years of experience in the retail industry. He previously worked for Emporium Supermarket Holdings Bhd and Vincci Department Store; both companies are involved in the retail business. He has worked with our Malaysian operations since 1988 and has held several positions, including as Operations Manager, General Manager (in charge of the merchandising and marketing departments), Senior General Manager and since January 2011, Chief Operating Officer in charge of the merchandising, marketing and operations departments.

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

Mr Fandawan Ramali

Chief Operating Officer of Indonesian operations

Mr Fandawan Ramali is the Chief Operating Officer of our Indonesian operations. Mr Ramali has more than 29 years of experience in the retail industry. He has previously worked for PT Matahari Putra Prima, a retail company listed on the Jakarta Stock Exchange and was also previously in charge of a representative office of The Continuity Company, a British retail company, in Indonesia. He was employed by PT Tozy Bintang Sentosa between 1996 and 2003 and by TS since 2003.

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

KEY MANAGEMENT

MR KOH HUAT LAI
Chief Financial Officer

Mr Koh Huat Lai is the Chief Financial Officer of the Company. Mr Koh has over 20 years of financial experience in companies involved in a variety of industries including hospitality services, property development, construction and semiconductor. He has previously worked for KPMG and Hotel Properties Ltd in Singapore. Prior to joining the Company in February 2012, Mr Koh was with Mulpha International Bhd, a listed company in Malaysia where his last held position was as the General Manager, Finance and Company Secretary.

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

MS LEE SOOK BENG
Chief Auditor

Ms Lee Sook Beng is the Chief Auditor of the Company. Ms Lee has over 22 years of experience in accounting and audit functions in the retail industry. She has worked as an accountant at PCSB, in charge of general ledger session in the Head Office Accounts Department and at RA-PPB (Tops) Retail Sdn Bhd (Tops Supermarket chain) where she was a Category Manager in the merchandising department with responsibility over imports. From 2000 to May 2011, Ms Lee then worked at PRGL, where she was the Chief Auditor in charge of audit for all the Parkson stores in China. Since May 2011, Ms Lee has been the Chief Auditor in charge of audit for all our stores in Malaysia, Indonesia and Vietnam.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Non-Independent Directors

Tan Sri Cheng Heng Jem
(Non-Executive Chairman)

Tan Siang Long

Executive Directors

Datuk Cheng Yoong Choong
(Group Managing Director)

Toh Peng Koon
(Chief Executive Officer (Malaysia) and President Director (Indonesia))

Independent Directors

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

Tan Soo Khoon

Michel Grunberg

Wee Kheng Jin

AUDIT COMMITTEE

Chairman

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

Members

Tan Soo Khoon

Tan Siang Long

NOMINATING COMMITTEE

Chairman

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

Members

Datuk Cheng Yoong Choong

Michel Grunberg

REMUNERATION COMMITTEE

Chairman

Tan Soo Khoon

Members

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

Tan Sri Cheng Heng Jem

COMPANY SECRETARIES

Ang Siew Koon (ACIS)

Teo Meng Keong (ACIS)

REGISTERED OFFICE

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

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in-charge: Mr Max Loh
(Since the financial year ended 30 June 2011)

PRINCIPAL BANKERS

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

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

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

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

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

FINANCIAL CONTENTS

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

This Corporate Governance Report describes the Group's corporate governance practices and sets out the manner in which the Group has applied the principles and the extent of compliance with the guidelines as set out in the Code of Corporate Governance 2005 (the "Code"), and where applicable, the Listing Manual of the SGX-ST (the "Listing Manual").

In the opinion of the Board, the Company has generally complied with all of the provisions set out in the Code during FY2012.

Principle 1 : The Board's Conduct of Affairs
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and Management remains accountable to the Board.

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

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

The Board meets at least four times a year. Fixed meetings are scheduled at the end of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. The Company's Articles of Association provide for Board meetings to be held via telephone or other similar communication facilities whereby all persons participating in the meeting are able to communicate as a group, with at least one of the Directors present at the venue of the meeting for the duration of the meeting. The number of Board and Board committee meetings held since the listing of the Company on the SGX-ST on 3 November 2011 to 30 June 2012 and the attendance of the Directors for the meetings are as follows:

	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
	Position	Number of Meetings Attended	Position	Number of Meetings Attended	Position	Number of Meetings Attended	Position	Number of Meetings Attended
Non-executive Director								
Tan Sri Cheng Heng Jem	C	3	–	–	–	–	M	1
Tan Siang Long	M	3	M	3	–	–	–	–
Executive Director								
Datuk Cheng Yoong Choong	M	3	–	–	M	1	–	–
Toh Peng Koon	M	3	–	–	–	–	–	–
Independent Directors								
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin	M	3	C	3	C	1	M	1
Wee Kheng Jin	M	3	–	–	–	–	–	–
Tan Soo Khoon	M	3	M	3	–	–	C	1
Michel Grunberg	M	3	–	–	M	1	–	–
Total Number of Meetings Held	**–**	**3**	**–**	**3**	**–**	**1**	**–**	**1**

Denotes:
C – Chairman
M – Member

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

A manual containing the Group's policies and procedures relating to its business, corporate governance, dealings in securities and price-sensitive information has been approved by the Board and provided to each Director. The manual also contains guidelines on approval limits for, among others, acquisition and disposal of assets, financial management and capital requirements, and sets out the matters that are specifically reserved for the Board's consideration and decision as well as directions to Management in relation to such matters. In this regard, the matters specifically reserved for the Board's consideration and decision include, among others:

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

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

During FY2012, a training session was conducted by an external consultant on the Code of Corporate Governance 2012. All Directors attended the training session.

Principle 2 : Board Composition and Guidance
There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises eight members, six of whom are non-executive Directors (including the Chairman). Four of the non-executive Directors, making up half of the Board, are independent i.e., they have no relationship with the Company, its related corporations or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from Management. The other two non-executive Directors who are not independent are Tan Sri Cheng Heng Jem, the Chairman, and Mr Tan Siang Long.

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

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

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

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

Although all Directors have an equal responsibility for the Company's operations, the role of the independent non-executive Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take into account the long term interests of the Group's stakeholders, which includes shareholders, employees, customers and suppliers.

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

Principle 3 : Chairman and Chief Executive Officer
There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

There is a clear division of responsibilities between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The Chairman, Tan Sri Cheng Heng Jem, is a non-executive Director responsible for, among others, leading the Board and facilitating its effectiveness and ensuring that Board meetings are held as and when necessary. He also approves the agenda of each Board meeting in consultation with the Group Managing Director. The Chairman monitors communications and relations between the Company and its shareholders, between the Board and Management and between independent and non-independent Directors, in order to facilitate and encourage constructive relations and dialogue among them.

The Group Managing Director, Datuk Cheng Yoong Choong, is the nephew of the Chairman, Tan Sri Cheng Heng Jem. He is responsible for the formulation of the Group's strategic directions and expansion plans and managing the Group's overall business development. Management is responsible for the day-to-day operations of the Group under the leadership of the Group Managing Director.

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

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

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

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

Executive Director
Datuk Cheng Yoong Choong

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

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

The Nominating Committee has in place a process for the selection and appointment of new directors which includes identification of potential candidates, evaluation of each candidate's skills, knowledge and experience and assessment of the candidate's suitability.

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

Despite some of the Directors having multiple board representations, the Nominating Committee is of the view that these Directors are able to and have adequately carried out their duties as Directors of the Company in FY2012.

The Company's Articles of Association provide that at each annual general meeting (the "AGM"), one-third of the number of Directors who have served the longest since their most recent election (or, if the number of Directors is not a multiple of three, the number nearest to but not less than one-third) must retire from office and may stand for re-election at that AGM. Each Director must therefore retire from office and stand for re-election at least once every three years.

Pursuant to the Company's Articles of Association, Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin, Datuk Cheng Yoong Choong and Mr Tan Siang Long will retire at the forthcoming AGM. In this regard, the Nominating Committee, having considered the attendance and participation of these Directors at the Board and Board committee meetings, in particular, their contribution to the business and operations of the Company, has recommended their re-election. The retiring Directors, being eligible, have offered themselves for re-election at the forthcoming AGM. The Board has concurred with the Nominating Committee's recommendation.

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

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

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

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

The summary of the completed assessment questionnaires is submitted to the Nominating Committee and then presented to the Board.

The last Board performance evaluation was carried out in August 2012. The Nominating Committee has reviewed the summary of the assessment questionnaires, discussed the evaluation results and is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. The Nominating Committee is also satisfied that each and every Director has given sufficient time and attention to the affairs of the Company, notwithstanding that some of the Directors have multiple board representation.

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

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

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

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

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

Principle 7 : Procedures for Developing Remuneration Policies
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

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

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

Non-Executive Non-Independent Director
Tan Sri Cheng Heng Jem

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

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

Principle 8 : Level and Mix of Remuneration
The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured to link rewards to corporate and individual performance.

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

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

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

Datuk Cheng Yoong Choong and Mr Toh Peng Koon are paid based on their respective service agreements with the Company as disclosed in the Company's Prospectus dated 27 October 2011. Each service agreement is valid for an initial period of three years commencing from the date of listing of the Company on the SGX-ST. They are generally bound by confidentiality obligations and are required to observe non-compete restrictions whereby they have covenanted not to be employed in or carry on business in competition with our Group or solicit the senior employees, suppliers, customers, officers, agents or consultants of our Group in countries in which our Group has carried on business for 12 months after the date of cessation of their employment under their respective service agreements.

The Directors are paid fixed fees, which are determined by the Board, appropriate to the level of their contributions, taking into account factors such as effort and time spent and the responsibilities of each independent Director or non-executive Director. The Remuneration Committee is also mindful of not over-compensating the non-executive Directors to the extent that their independence may be compromised. The Directors' fees are subject to approval by shareholders at the AGM. Except as disclosed, the independent Directors and the non-executive Directors do not receive any other remuneration from the Company.

The Directors' fee structure is as follows:

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

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

The Remuneration Committee had recommended to the Board an amount of S$345,000 as Directors' fees to be paid for FY2012. The Remuneration Committee has also recommended to the Board an amount of S$460,000 as Directors' fees for FY2013, to be paid quarterly in arrears. These recommendation will be tabled for shareholders' approval at the AGM.

Principle 9 : Disclosure on Remuneration
Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

A breakdown, showing the level and mix of each individual Director's remuneration for FY2012 is as follows:

	Fee %	Salary %	Variable Bonus %	Benefits in kind %	Total %	Total S$'000
Executive Directors						
Datuk Cheng Yoong Choong	5	17	60	18	100	890
Toh Peng Koon	11	38	42	9	100	381
Non-Executive Directors						
Tan Sri Cheng Heng Jem	100	–	–	–	100	41
Tan Siang Long	100	–	–	–	100	45
Gen (R) Tan Sri Dato Seri Mohd Zahidi bin Haji Zainuddin	100	–	–	–	100	49
Wee Kheng Jin	100	–	–	–	100	41
Tan Soo Khoon	100	–	–	–	100	45
Michel Grunberg	100	–	–	–	100	41
						1,533

A breakdown, showing the level and mix of the top key executives' remuneration (in bands of S$250,000) for FY2012 is as follows:

	Salary %	Variable Bonus %	Benefits in kind %	Total %
Key Executives				
Band B[(1)]				
Tham Tuck Choy	36	19	45	100
Raymond Teo Kheng San	44	41	15	100
Band A[(1)]				
Fandawan Ramali	81	15	4	100
Lee Sook Beng	50	20	30	100
Koh Huat Lai[(2)]	89	–	11	100

Notes:

(1) Band A refers to remuneration at or below the equivalent of S$250,000;
Band B refers to remuneration between the equivalent of S$250,001 and S$500,000

(2) Koh Huat Lai joined the company in February 2012.

Ms Cheng Hui Yen, Natalie, who is the daughter of Tan Sri Cheng Heng Jem and the cousin of Datuk Cheng Yoong Choong, has an employment relationship with a subsidiary of the Company, and has received remuneration (comprising salary, bonus and benefits-in-kind) within the band from S$50,000 to S$99,999 during FY2012. The basis for determining her remuneration was the same as the basis for determining the remuneration of unrelated employees.

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

The Company had on 12 October 2011 adopted the ESOS, representing share-based incentive options of the Company. As at 30 June 2012, no options under the ESOS have been granted.

The main features of the ESOS are as follows:

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

(ii) The aggregate number of shares over which the Remuneration Committee may grant options, when added to the number of shares issued and issuable in respect of (i) all options granted under the ESOS, and (ii) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company, must not exceed 15% of the issued shares of the Company (excluding treasury shares), provided that in relation to controlling shareholder(s) and/or associate(s) of controlling shareholder(s):

– the aggregate number of shares which may be offered by way of grant of options to participants who are controlling shareholder(s) and/or associate(s) of controlling shareholder(s) must not exceed 25% of the total number of shares available under the ESOS and such other share-based incentive schemes of the Company; and

– the aggregate number of shares which may be offered by way of grant of options to each participant who is a controlling shareholder or his associate under the ESOS must not exceed 10% of the total number of shares available under the ESOS and such other share-based incentive schemes of the Company.

(iii) The options granted under the ESOS may have exercise prices that are set at (a) a price (the "Market Price") equal to the average of the last dealt market price of the shares for the five consecutive market days preceding the date of grant of the relevant option; or (b) a discount to the Market Price (subject to a maximum discount of 20%).

(iv) The ESOS will continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of the Company's shareholders and of any relevant authorities which may be required.

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

Principle 10 : Accountability
The Board should present a balanced and understandable assessment of the company's performance, position and prospects

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

Management provides all members of the Board with the results of the Group's performance, financial position and prospect on a quarterly basis. Board papers are given prior to any Board meeting to facilitate effective discussion and decision-making.

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

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

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

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

Non-Executive Non-Independent Director
Tan Siang Long

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

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

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

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

Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin currently serves as the chairman of the audit committee of two companies listed on Bursa Malaysia, namely Bandar Raya Developments Berhad and Genting Plantations Berhad, and Mr Tan Soo Khoon has been the managing director of the watch distribution company, Crystal Time (S) Pte Ltd, since 1978. Mr Tan Siang Long is knowledgeable about information technology systems and controls and possesses the relevant experience on top of his experience in the retail industry.

The Audit Committee held three meetings in FY2012. These meetings were attended by the Chief Executive Officer of the Malaysian operations, the President Director of the Indonesian operations, the Chief Executive Officer of the Vietnamese and Cambodian operations, the Chief Financial Officer, the Chief Auditor, the Compliance Officer and the Legal Manager at the invitation of the Audit Committee. The Group's external auditors were also present at relevant junctures during some of these meetings. The Committee has also met the external auditors, without any executives of the Group being present, once in August 2012, and discussed the results of the external auditors' audit of the Group for FY2012 and the evaluation of the Group's system of internal controls.

As the Audit Committee was recently constituted (ie. shortly prior to the listing of the Company on the SGX-ST), the Audit Committee has not met the internal auditors without the presence of Management in FY2012. However, the Company is committed to attaining a high standard of corporate governance practices and will endeavour to ensure that the Audit Committee will meet the internal auditors without the presence of Management at least once in FY2013.

The Audit Committee has also reviewed the Group's full-year results announcement, the financial statements of the Company and the consolidated financial statements of the Group for FY2012 prior to the recommendations made to the Board for approval.

To achieve a high standard of corporate governance for the operation of the Group, the Group has implemented a whistle-blowing policy. The policy will provide channels through which staff can raise concerns on financial reporting improprieties and other matters. Further to that, the Group has also put in place a code of ethics with its suppliers, and has placed boxes in strategic locations within the department stores for customers to provide their feedback.

The Audit Committee has reviewed non-audit services provided by the external auditors, Ernst & Young LLP, for FY2012, and is of the opinion that the provision of such services did not affect the independence or objectivity of the external auditors. The external auditors have affirmed their independence in this respect.

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

	Financial year ended 30 June 2012 S$'000
Audit services	82
Non-audit services	174*
	256

* include fees for work done related to the IPO exercise

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

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

The Audit Committee members are kept abreast of the changes to accounting standards and issues which have a direct impact on financial statements through periodic meetings with the external auditors and opportunities to attend external seminars at the Company's expense.

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

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

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

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

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

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

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

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

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

The Board, with the concurrence of the Audit Committee, is of the opinion that, based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the various Board committees and the Board, the system of internal controls in place is adequate in addressing the financial, operational and compliance risks of the Group, as at 30 June 2012. It should be noted that the system of internal controls and risk management can provide only reasonable, but not absolute, assurance against misstatement of loss, safeguarding of assets, maintenance of proper accounting records, reliability of financial information and compliance with all relevant legislation. The Board will continue its on-going risk assessment process with a view to improving the Company's internal controls system.

Principle 13 : Internal Audit
The company should establish an internal audit function that is independent of the activities it audits.

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

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

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

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

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

The Group values dialogue with its shareholders. The Group believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns, where possible, through analyst briefings, investor roadshows or investors' day briefing.

The Group's investor relations policy is that all shareholders should be equally informed of all major developments and events that impact the Company in a timely manner. Results and annual reports are announced or issued within the mandatory period. Briefings for the half year and full year results are conducted for analysts and institutional investors, following the release of the results on SGXNET. Presentations are made, as appropriate, to explain the Group' strategy, performance and major developments. All analysts' and institutional investors' briefing materials are made available to shareholders on SGXNET.

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

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

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

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

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

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

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

DEALING IN SECURITIES

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

MATERIAL CONTRACTS

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

STATUS REPORT ON USE OF IPO PROCEEDS

The Group had successfully raised net proceeds of S$72.4 million from its initial public offering of 80,000,000 new ordinary shares at S$0.94 each on 3 November 2011. To date, S$5.0 million of the net proceeds have been utilised for the purpose of store openings in Indonesia.

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

INTERESTED PERSON TRANSACTIONS ("IPTs")

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

The Audit Committee has reviewed the IPTs for FY2012. The aggregate value of the IPTs between the Group and the interested persons for FY2012 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	S$'000	S$'000
Lion Corporation Berhad[(1)]	403	–
Lion Forest Industries Berhad[(2)]	750	–
Lion Industries Corporation Berhad[(3)]	111	–
Parkson Holdings Berhad[(4)]	1,395	–
Secom (Malaysia) Sdn Bhd[(5)]	302	–
1st Avenue Mall Sdn Bhd[(6)]	710	–
WatchMart (M) Sdn Bhd[(7)]	169	–
PT Monica Hijaulestari[(8)]	3,418	–
PT Tozy Bintang Sentosa[(9)]	419	–
PT Mitra Samaya[(10)]	166	–

Notes:

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

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

(3) Sales of gift vouchers to Amsteel Mills Sdn Bhd and Amsteel Mills Marketing Sdn Bhd.

(4) Rental of retail space to Festival City Sdn Bhd, concessionaire agreements with Park Avenue Fashion Sdn Bhd and royalty expenses to Smart Spectrum Limited.

(5) Purchase of security equipment and procurement of security services.

(6) Rental of retail space.

(7) Purchase of goods.

(8) Purchases of "The Body Shop" products from PT Monica Hijaulestari.

(9) Lease of office and warehouse space from PT Tozy Bintang Sentosa.

(10) Procurement of IT and payroll services from PT Mitra Samaya.

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Parkson Retail Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2012.

Directors

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

Tan Sri Cheng Heng Jem	
Datuk Cheng Yoong Choong	
Toh Peng Koon	
Tan Siang Long	
Wee Kheng Jin	(appointed on 28 September 2011)
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin	(appointed on 28 September 2011)
Tan Soo Khoon	(appointed on 28 September 2011)
Michel Grunberg	(appointed on 28 September 2011)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Tan Sri Cheng Heng Jem	–	500,000	143,510,488	457,933,300
Datuk Cheng Yoong Choong	–	300,000	–	–
Toh Peng Koon	–	150,000	–	–
Tan Siang Long	–	60,000	–	–
Wee Kheng Jin	–	60,000	–	–
Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin	–	60,000	–	–
Michel Grunberg	–	60,000	–	–
Tan Soo Khoon	–	60,000	–	–

Name of director	Direct interest: At the beginning of financial year or date of appointment	Direct interest: At the end of financial year	Deemed interest: At the beginning of financial year or date of appointment	Deemed interest: At the end of financial year
Ordinary shares of the ultimate holding company (Parkson Holdings Berhad ("PHB"))				
Tan Sri Cheng Heng Jem	253,903,114	218,439,012	297,064,566	300,330,856
Datuk Cheng Yoong Choong	5,967,550	2,964,350	–	–
Ordinary shares of a related corporation (Parkson Retail Group Limited ("PRGL"))				
Tan Sri Cheng Heng Jem	–	–	1,446,770,000	1,448,270,000
Datuk Cheng Yoong Choong	–	800,000	–	–
Options to subscribe for the ordinary shares of the ultimate holding company under the Executive Share Option Scheme of PHB				
Toh Peng Koon	210,000	–	–	–
Options to subscribe for the ordinary shares of a related corporation under the PRGL Share Option Scheme				
Datuk Cheng Yoong Choong	1,125,000	1,125,000	–	–

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

The immediate holding company of the Company is East Crest International Limited ("ECIL"). Parkson Holdings Berhad ("PHB") is the sole shareholder of ECIL, and is as such deemed to be interested in the shares of the Company held by ECIL. Tan Sri Cheng Heng Jem has a direct interest in 20.1% and an indirect interest in 27.7% of the ordinary shares of PHB, and as such by virtue of his control of the exercise of not less than 20.0% of the votes attached to the voting shares in PHB, is deemed to be interested in the shares of the Company held by ECIL.

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2012.

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

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

No options were issued by the Company or its subsidiaries during the financial year. As at 30 June 2012, there were no options on the unissued shares of the Company or its subsidiaries which were outstanding.

Audit committee

The Audit Committee ("AC") comprises Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin, Tan Siang Long and Tan Soo Khoon. The chairman of the AC is Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Haji Zainuddin. Majority of the members, including the Chairman, are independent non- executive directors.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the SGX-ST, and the Code of Corporate Governance 2005. The functions performed are detailed in the Group's Corporate Governance Report in the Annual Report.

Auditors

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

On behalf of the board of directors:

Datuk Cheng Yoong Choong
Director

Toh Peng Koon
Director

Singapore
12 September 2012

STATEMENT BY DIRECTORS

We, Datuk Cheng Yoong Choong and Toh Peng Koon, being two of the directors of Parkson Retail Asia Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the board of directors:

Datuk Cheng Yoong Choong
Director

Toh Peng Koon
Director

Singapore
12 September 2012

To the Members of Parkson Retail Asia Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Parkson Retail Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 47 to 144, which comprise the balance sheets of the Group and the Company as at 30 June 2012, the statement of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

To the Members of Parkson Retail Asia Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore
12 September 2012

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

(Amounts expressed in Singapore Dollars)

	Note	2012 SGD'000	2011 SGD'000
Revenue	4	**442,276**	367,314
Other items of income			
Finance income	5	**5,362**	4,863
Other income	6	**8,825**	5,833
Items of expense			
Changes in merchandise inventories and consumables		**(173,186)**	(151,698)
Employee benefits expense	7	**(46,646)**	(34,769)
Depreciation and amortisation expenses		**(18,763)**	(15,186)
Promotional and advertising expenses		**(9,031)**	(7,150)
Rental expenses		**(84,314)**	(69,639)
Finance costs	5	**(468)**	(526)
Other expenses		**(61,456)**	(47,435)
Profit before tax	8	**62,599**	51,607
Taxation	9	**(17,794)**	(15,786)
Profit for the year		**44,805**	35,821
Profit for the year attributable to:			
Owners of the Company		**45,469**	35,013
Non-controlling interests		**(664)**	808
		44,805	35,821
Earnings per share attributable to owners of the Company (cents per share)			
Basic and diluted	10	**6.99**	5.86

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

(Amounts expressed in Singapore Dollars)

	2012 SGD'000	2011 SGD'000
Profit for the year	**44,805**	35,821
Other comprehensive income:		
Foreign currency translation	**(3,390)**	(11,103)
Total comprehensive income for the year	**41,415**	24,718
Attributable to:		
Owners of the Company	**42,054**	24,436
Non-controlling interests	**(639)**	282
	41,415	24,718

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

BALANCE SHEETS
AS AT 30 JUNE 2012

(Amounts expressed in Singapore Dollars)

	Note	Group		Company	
		2012	2011	2012	2011
		SGD'000	SGD'000 (Restated)	SGD'000	SGD'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**79,502**	69,775	**–**	–
Land use right	13	**8,494**	8,498	**–**	–
Investments in subsidiaries	11	**–**	–	**155,506**	155,506
Deferred tax assets	14	**594**	–	**–**	–
Other receivables	15	**27,211**	25,174	**–**	–
Prepayments		**11,592**	2,637	**–**	–
Intangible assets	16	**7,513**	7,302	**–**	–
Derivatives	17	**21**	21	**–**	–
Investment securities	18	**93**	95	**–**	–
		135,020	113,502	**155,506**	155,506
Current assets					
Inventories	19	**58,231**	51,959	**–**	–
Trade and other receivables	15	**28,766**	22,799	**33,957**	8,290
Prepayments		**3,035**	1,875	**–**	–
Tax recoverable		**1,226**	16	**–**	–
Cash and short-term deposits	20	**190,346**	96,123	**77,111**	11,692
		281,604	172,772	**111,068**	19,982
Total assets		**416,624**	286,274	**266,574**	175,488

BALANCE SHEETS
AS AT 30 JUNE 2012

(Amounts expressed in Singapore Dollars)

	Note	Group		Company	
		2012	2011	2012	2011
		SGD'000	SGD'000	SGD'000	SGD'000
			(Restated)		
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	21	**143,656**	124,767	**16,200**	16,080
Other liabilities	22	**23,234**	27,466	**–**	2
Loans and borrowings	23	**61**	1,037	**–**	–
Tax payable		**1,329**	1,148	**–**	–
		168,280	154,418	**16,200**	16,082
Net current assets		**113,324**	18,354	**94,868**	3,900
Non-current liabilities					
Loans and borrowings	23	**–**	5	**–**	–
Other payables	21	**7,020**	4,508	**–**	–
Deferred tax liabilities	14	**548**	443	**–**	–
		7,568	4,956	**–**	–
Total liabilities		**175,848**	159,374	**16,200**	16,082
Net assets		**240,776**	126,900	**250,374**	159,406
Equity attributable to owners of the Company					
Share capital	24	**231,676**	159,279	**231,676**	159,279
Other reserves	25	**(136,147)**	(132,788)	**(2,526)**	209
Retained earnings/(accumulated losses)		**142,295**	96,826	**21,224**	(82)
		237,824	123,317	**250,374**	159,406
Non-controlling interests		**2,952**	3,583	**–**	–
Total equity		**240,776**	126,900	**250,374**	159,406
Total equity and liabilities		**416,624**	286,274	**266,574**	175,488

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

(Amounts expressed in Singapore Dollars)

		Attributable to owners of the Company				
	Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 24)	Retained earnings	Other reserves (Note 25)	Non-controlling interests
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Group						
Opening balance at 1 July 2011	126,900	123,317	159,279	96,826	(132,788)	3,583
Profit for the year	44,805	45,469	–	45,469	–	(664)
Other comprehensive income						
Foreign currency translation, representing total other comprehensive income for the year	(3,390)	(3,415)	–	–	(3,415)	25
Total comprehensive income for the year	41,415	42,054	–	45,469	(3,415)	(639)
Contributions by and distributions to owners						
Grant of equity-settled share options to employees	56	56	–	–	56	–
Contributions by non-controlling interests	1,323	–	–	–	–	1,323
Dividends paid to non-controlling interests (Note 26)	(1,315)	–	–	–	–	(1,315)
Issuance of ordinary shares pursuant to the Group's initial public offering ("IPO")	75,200	75,200	75,200	–	–	–
Share issuance expense pursuant to the Group's IPO	(2,803)	(2,803)	(2,803)	–	–	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	72,461	72,453	72,397	–	56	8
Closing balance at 30 June 2012	240,776	237,824	231,676	142,295	(136,147)	2,952

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

(Amounts expressed in Singapore Dollars)

		Attributable to owners of the Company				
	Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 24)	Retained earnings	Other reserves (Note 25)	Non-controlling interests
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Group						
Opening balance at 1 July 2010	143,294	140,285	20,861	118,136	1,288	3,009
Profit for the year	35,821	35,013	–	35,013	–	808
Other comprehensive income						
Foreign currency translation, representing total other comprehensive income for the year	(11,103)	(10,577)	–	–	(10,577)	(526)
Total comprehensive income for the year	24,718	24,436	–	35,013	(10,577)	282
Contributions by and distributions to owners						
Grant of equity-settled share options to employees	254	254	–	–	254	–
Issuance of ordinary shares pursuant to the Restructuring Exercise	159,279	159,279	159,279	–	–	–
Contributions by non-controlling interests	489	–	–	–	–	489
Dividends paid to non-controlling interests (Note 26)	(197)	–	–	–	–	(197)
Dividends declared and paid to then existing shareholder (Note 26)	(56,323)	(56,323)	–	(56,323)	–	–
Adjustment pursuant to the Restructuring Exercise	(144,614)	(144,614)	(20,861)	–	(123,753)	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	(41,112)	(41,404)	138,418	(56,323)	(123,499)	292
Closing balance at 30 June 2011	126,900	123,317	159,279	96,826	(132,788)	3,583

(Amounts expressed in Singapore Dollars)

	Equity, total	Share capital (Note 24)	Accumulated losses	Other reserves (Note 25)
	SGD'000	SGD'000	SGD'000	SGD'000
Company				
Opening balance at 1 July 2011	159,406	159,279	(82)	209
Profit for the year	21,306	–	21,306	–
Other comprehensive income				
Foreign currency translation, representing total other comprehensive income for the year	(2,735)	–	–	(2,735)
Total comprehensive income for the year	18,571	–	21,306	(2,735)
Contribution by owners				
Issuance of ordinary shares pursuant to the IPO	75,200	75,200	–	–
Share issuance expense pursuant to the IPO	(2,803)	(2,803)	–	–
Total contribution by owners, representing total transactions with owners in their capacity as owners	72,397	72,397	–	–
Closing balance at 30 June 2012	**250,374**	**231,676**	**21,224**	**(2,526)**

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

(Amounts expressed in Singapore Dollars)

	Equity, total SGD'000	Share capital (Note 24) SGD'000	Accumulated losses SGD'000	Other reserves (Note 25) SGD'000
Company				
Opening balance at 31 March 2011 (date of incorporation)	–	–*	–	–
Loss for the period	(82)	–	(82)	–
Other comprehensive income				
Foreign currency translation, representing total other comprehensive income for the year	209	–	–	209
Total comprehensive income for the period	127	–	(82)	209
Contribution by owners				
Issuance of shares	159,279	159,279	–	–
Total contribution by owners, representing total transactions with owners in their capacity as owners	159,279	159,279	–	–
Closing balance at 30 June 2011	**159,406**	**159,279**	**(82)**	**209**

* *This amount is less than SGD1,000.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

(Amounts expressed in Singapore Dollars)

	Note	2012 SGD'000	2011 SGD'000
Operating activities			
Profit before tax		**62,599**	51,607
Adjustments for:			
Depreciation of property, plant and equipment	12	**18,270**	15,044
Amortisation of intangible assets	16	**360**	–*
Amortisation of land use right	13	**133**	142
Allowance for/(write-back of) doubtful trade and other receivables		**94**	(10)
Fair value gain on derivatives		**–**	(21)
Gain on disposal of a subsidiary		**–**	(1,272)
Write down of inventories		**283**	23
Unrealised exchange (gain)/loss		**(2,320)**	3,882
Property, plant and equipment written off		**43**	127
Gain on disposal of property, plant and equipment		**(35)**	(23)
Grant of equity-settled share options to employees		**56**	254
Finance costs		**468**	526
Finance income		**(5,362)**	(4,863)
Operating cash flows before changes in working capital		**74,589**	65,416
Changes in working capital:			
Decrease/(increase) in:			
Inventories		**(8,093)**	(5,342)
Trade and other receivables		**(8,753)**	(7,646)
Prepayments		**(11,217)**	(3,498)
Increase/(decrease) in:			
Trade and other payables		**26,859**	10,087
Other liabilities		**(3,489)**	8,654
Cash flows from operations		**69,896**	67,671

* *This amount is less than SGD1,000.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

(Amounts expressed in Singapore Dollars)

	Note	2012	2011
		SGD'000	SGD'000
Interest received		**3,325**	4,025
Interest paid		**(94)**	(24)
Income taxes paid		**(19,736)**	(16,207)
Net cash flows from operating activities		**53,391**	55,465
Investing activities			
Proceeds from disposal of property, plant and equipment		**93**	28
Acquisition of a subsidiary, net of cash	11(1)	**–**	3,614
Disposal of a subsidiary, net of cash	11(2)	**–**	(115)
Addition of investment securities		**–**	(95)
Purchase of property, plant and equipment	A	**(28,229)**	(9,638)
Additions to intangible assets		**(726)**	–
Net cash flows used in investing activities		**(28,862)**	(6,206)
Financing activities			
Proceeds from issuance of ordinary shares pursuant to the Group's IPO		**75,200**	–
Share issuance expense pursuant to the Group's IPO		**(2,803)**	–
Repayments to immediate and ultimate holding companies		**–**	(14,839)
Repayment of finance lease obligations		**(9)**	(47)
Dividends paid to non-controlling interests	26	**(1,315)**	(197)
Dividends declared and paid to the then existing shareholder	26	**–**	(56,323)
Contributions by non-controlling interests		**1,323**	489
Net cash flows generated from/(used in) financing activities		**72,396**	(70,917)
Net increase/(decrease) in cash and cash equivalents		**96,925**	(21,658)
Effect of exchange rate changes on cash and cash equivalents		**(1,730)**	(10,130)
Cash and cash equivalents at beginning of year		**95,095**	126,883
Cash and cash equivalents at end of year	20	**190,290**	95,095

Note to the consolidated statement of cash flows

A. Property, plant and equipment

	Note	2012	2011
		SGD'000	SGD'000
Current year additions to property, plant and equipment	12	**28,525**	9,394
Less: Payable to creditors	21	**(494)**	(198)
		28,031	9,196
Add: Payments for prior year purchase		**198**	442
Net cash outflow for purchase of property, plant and equipment		**28,229**	9,638

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

1. Corporate information

1.1 The Company

Parkson Retail Asia Pte Ltd (the "Company") was incorporated as a private company limited by shares in Singapore on 31 March 2011. On 10 October 2011, the Company was converted to a public limited company and changed its name from "Parkson Retail Asia Pte Ltd" to "Parkson Retail Asia Limited". The Company was listed on the SGX-ST on 3 November 2011.

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

– Level 5, Klang Parade, No. 2112 Jalan Meru, 41050 Klang, Selangor Darul Ehsan, Malaysia;

– 35 Bis – 45 Le Thanh Ton Street, District 1, Ho Chi Minh City, Vietnam;

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

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

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

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

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

1. Corporate information (Continued)

1.2 The Restructuring Exercise

The Group undertook the transactions described below as part of a corporate reorganisation implemented in preparation for its listing on the SGX-ST (the "Restructuring Exercise").

Acquisition of PT. Tozy Sentosa ("TS")

On 9 June 2011, the Company and its wholly-owned subsidiary, Centro Retail Pte. Ltd. completed the acquisition of 100% of the shares of PT. Tozy Sentosa ("TS"), which operates department stores under the "Centro" brand and a supermarket under the "Kem Chicks" brand in Indonesia.

The acquisition of TS was effected by:

(i) an acquisition of all the existing issued 5,000 shares in TS by Centro Retail Pte. Ltd. for an aggregate consideration of USD3,555,347; and

(ii) a subscription of 13,000 new shares in TS by the Company (the authorised share capital of TS at that time was 18,000 shares) for USD9,243,902.

This resulted in Centro Retail Pte. Ltd. having a 27.8% equity interest, and the Company having a 72.2% equity interest, in TS. The total purchase consideration of USD12,799,249 was arrived at on a willing-buyer willing-seller basis after taking into consideration the net assets, earnings and future growth prospects of TS.

Restructuring of PHB

In connection with the proposed listing of the Company, PHB undertook the transactions described below as part of the internal restructuring to rationalise and streamline the business entities within the PHB group.

On 29 April 2011, PCSB transferred its entire interest in Park Avenue Fashion Sdn Bhd ("Park Avenue") to ECIL at a consideration of RM1 (approximately SGD0.41).

On 29 April 2011, ECIL transferred its entire interest in Parkson Cambodia Holdings Co. Ltd ("PCH") to PCSB for a consideration of USD1.

On 14 June 2011, ECIL transferred its entire equity interest in PCSB and its subsidiaries to the Company for an aggregate consideration of approximately SGD143.5 million. The consideration was satisfied by way of a subscription by ECIL of 143,510,486 shares in the Company.

1. Corporate information (Continued)

1.2 The Restructuring Exercise (Continued)

Restructuring of PHB (Continued)

Also, on 14 June 2011, PT Mitra Samaya ("MS"), the indirect majority shareholder of TS (before TS was wholly acquired by the Company), subscribed for 15,768,633 shares in the Company, as a result of which MS became a shareholder of the Company holding approximately 9.9% of the shares for an aggregate cash consideration of approximately SGD15.8 million.

The consideration for the transfer of PCSB and its subsidiaries to the Company and the consideration for MS's subscription of shares in the Company were arrived at based on the relative valuation of PCSB and its subsidiaries on the one hand and TS on the other hand, based on their respective earnings and assets.

Group structure after the Restructuring Exercise

Pursuant to the completion of the Restructuring Exercise and the acquisition of TS, the Company became the holding company of its subsidiaries.

In relation to the Restructuring Exercise, ECIL granted MS put options giving MS the right to sell the shares it owns in the Company to ECIL. In addition, ECIL has the right in the event of a default by MS to require MS to sell all of the shares in the Company owned by MS to ECIL.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

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

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 July 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Amendments to FRS 101 – Government Loans	1 January 2013
Amendments to FRS 107 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 113 Fair Value Measurements	1 January 2013
Improvements to FRS issued in 2012:	
– Amendments to FRS 1 Presentation of Financial Statements	1 January 2013
– Amendments to FRS 16 Property, Plant and Equipment	1 January 2013
– Amendments to FRS 32 Financial Instruments	1 January 2013
– Amendments to FRS 34 Interim Financial Reporting	1 January 2013
– Amendments to FRS 101 First-time Adoption of International Financial Reporting Standards	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

Except for the Amendments to FRS 1, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 is described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentation of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

2.4 Basis of consolidation

(a) Basis of consolidation

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(a) Basis of consolidation (Continued)

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

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

(b) Business combinations

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

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

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

(b) Business combinations (Continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

The consolidated financial statements of the Group have been prepared in accordance with the pooling of interest method as the Group, pursuant to the Restructuring Exercise as disclosed in Note 1.2, is a continuation of the existing subsidiaries' businesses. The assets and liabilities of the Company and its subsidiaries are reflected at their carrying amounts reported in the consolidated financial statements. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as merger reserve. The income statements and statements of comprehensive income reflect the results of the Company and its subsidiaries for the entire periods under review.

2. Summary of significant accounting policies (Continued)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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

2.6 Functional and foreign currency

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

(a) *Transactions and balances*

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

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

2. Summary of significant accounting policies (Continued)

2.6 Functional and foreign currency (Continued)

(b) *Consolidated financial statements*

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

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

2.7 Property, plant and equipment

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

Capital work-in-progress is not depreciated as it is not yet available for use.

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

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

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

2.8 Intangible assets

(a) Goodwill

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(a) Goodwill (Continued)

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

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

(b) Other intangible assets

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

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

Gains or losses arising from 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.

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(b) Other intangible assets (Continued)

(i) Club memberships

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

(ii) Customer relationships

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

(iii) Software

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

(iv) Research and development costs

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

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

2. Summary of significant accounting policies (Continued)

2.9 Land use right

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

2.10 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries 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 cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.11 Subsidiaries

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

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

2.12 Related parties

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

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

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

2. Summary of significant accounting policies (Continued)

2.13 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.13 Financial assets (Continued)

Subsequent measurement (Continued)

(b) *Loans and receivables*

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.13 Financial assets (Continued)

Derecognition

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

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

2.14 Impairment of financial assets

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

(a) *Financial assets carried at amortised cost*

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

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

2. Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets (Continued)

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

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

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

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

(b) Financial assets carried at cost

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

2. Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets (Continued)

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

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

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

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

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits. These also include bank overdrafts that form an integral part of the Group's cash management.

2. Summary of significant accounting policies (Continued)

2.16 Inventories

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

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

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

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

2.17 Provisions

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

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

2.18 Financial liabilities

Initial recognition and measurement

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

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

2. Summary of significant accounting policies (Continued)

2.18 Financial liabilities (Continued)

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.19 Employee benefits

(a) *Defined contribution plans*

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

(b) *Equity compensation benefits*

The Parkson Holdings Berhad Executive Share Option Scheme, an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares in Parkson Holdings Berhad. The cost of these equity-settled share-based payment transactions with employees for awards granted after 22 November 2002 is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in "capital contribution from ultimate holding company" within equity over the vesting period. The cumulative expense recognised 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 options that will ultimately vest. The charge or credit to 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.

2. Summary of significant accounting policies (Continued)

2.19 Employee benefits (Continued)

(b) *Equity compensation benefits (Continued)*

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation.

(c) *Employee leave entitlement*

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

(d) *Defined benefit plan*

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

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

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

The related estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligation at the end of the reporting period plus any actuarial gains and losses not recognised, reduced by past service costs not yet recognised.

2. Summary of significant accounting policies (Continued)

2.20 Leases

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

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

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(d). Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (Continued)

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

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

(b) *Commissions from concessionaire sales*

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

(c) *Consultancy and management service fees*

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

(d) *Rental income*

Rental income arising from operating leases on department stores is accounted for on a straight-line basis over the lease terms. Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (Continued)

2.21 Revenue (Continued)

(e) *Revenue from customer loyalty award*

The Group operates the Elite Card and Centro Friends loyalty programmes, which allow customers to accumulate points when they purchase products in the Group's stores. The points can be redeemed for free or discounted goods from the Group's stores.

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

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

(f) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method.

(g) *Royalty income*

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

(h) *Promotion income 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.

2. Summary of significant accounting policies (Continued)

2.22 Taxes

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

– Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (Continued)

2.22 Taxes (Continued)

(b) Deferred tax (Continued)

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

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.22 Taxes (Continued)

(c) Sales tax

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of trade and other receivables or trade and other payables in the balance sheet.

2.23 Segment reporting

The Group has a single operating segment – the operation and management of department stores. For management purposes, the Group is organised into business units based on the geographical location of customers and assets which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issue expenses

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

2. Summary of significant accounting policies (Continued)

2.25 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

3. Significant accounting estimates and judgments

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

3.1 Judgments made in applying accounting policies

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

3. Significant accounting estimates and judgments (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 9. The carrying amount of tax recoverable (current and non-current) as at 30 June 2012 was SGD1,226,000 (2011: SGD16,000). The carrying amount of tax payable as at 30 June 2012 was SGD1,329,000 (2011: SGD1,148,000). The carrying amount of the Group's deferred tax assets and deferred tax liabilities as at 30 June 2012 are SGD594,000 (2011: Nil) and SGD548,000 (2011: SGD443,000) respectively.

(b) Share-based payment

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 25.

3. Significant accounting estimates and judgments (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(c) *Customer loyalty award*

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

– the range of merchandise available to the customers;

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

– changes in the popularity of the programmes; and

– changing patterns in the redemption rates.

Details of deferred revenue from customer loyalty award are disclosed in Note 22.

(d) *Defined benefit plans*

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making certain assumptions which include discount rates, future salary increases and retirement age. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are sensitive to changes in these assumptions. Further details are provided in Note 21.

(e) *Useful lives of intangible assets*

The cost of intangible assets (excluding goodwill) are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these intangible assets to be within 3 to 99 years. Management estimates the useful lives of these intangible assets based on historical experience of the actual useful lives of assets with similar nature and functions, as well as the economic environment and the expected use of the assets acquired. Changes in the market demand or technological developments could impact the economic useful lives of these assets; therefore, future amortisation expenses could be revised. The carrying amount of the Group's intangible assets (excluding goodwill) at the end of the reporting period was SGD1,965,000 (2011: SGD1,653,000).

3. Significant accounting estimates and judgments (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(f) Development costs

Development costs are capitalised in accordance with the accounting policy in Note 2.8 (iv). Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, which is when the online retail website has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the online retail website, discount rates to be applied and the expected period of benefits. The carrying amount of development costs capitalised at the end of the reporting period was SGD470,000 (2011: Nil).

(g) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit, to choose a suitable pre-tax discount rate to calculate the present value of the cash flow projections and to estimate a forecasted growth rate to extrapolate cash flow projections beyond the five-year period. The carrying amount of the Group's goodwill at the end of the reporting period was SGD5,548,000 (2011: SGD5,649,000).

4. Revenue

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Sale of goods – direct sales	**218,399**	187,663
Commissions from concessionaire sales	**206,695**	162,365
Consultancy and management service fees	**1,405**	1,422
Rental income	**15,777**	15,864
	442,276	367,314

5. Finance income/costs

	Group 2012 SGD'000	Group 2011 SGD'000
Finance income		
Interest income on:		
– Short-term deposits	**4,224**	4,312
– Rental deposits receivables	**1,138**	551
	5,362	4,863
Finance costs		
Interest expense on:		
– Bank overdrafts	**4**	1
– Finance lease obligations	**–***	7
– Rental deposit payables	**423**	500
– Others	**41**	18
	468	526

* *This amount is less than SGD1,000.*

6. Other income

	Group	
	2012	2011
	SGD'000	SGD'000
Cash discount from suppliers	**1,433**	1,447
Promotion income	**700**	847
Royalty income	**339**	234
Income from expired gift vouchers	**1,031**	1,215
Fair value gain on derivatives	**–**	21
Gain on disposal of a subsidiary	**–**	1,272
Gain on disposal of property, plant and equipment	**35**	–
Foreign exchange gain, net	**2,569**	–
Others	**2,718**	797
	8,825	5,833

7. Employee benefits expense

	Group	
	2012	2011
	SGD'000	SGD'000
Wages, salaries and bonuses	**33,821**	24,950
Contribution to defined contribution plans	**3,062**	2,651
Grant of equity-settled share options to employees (Note 25(c))	**56**	254
Defined benefit plan (Note 21)	**667**	42
Other staff related expenses	**9,040**	6,872
	46,646	34,769

Included in employee benefits expense of the Group are remuneration of directors and key management personnel as further disclosed in Note 27(b).

8. Profit before tax

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

	Group	
	2012	2011
	SGD'000	**SGD'000**
Audit fees:		
– Auditors of the Company	**82**	12
– Other auditors	**248**	169
Non-audit fees:		
– Auditors of the Company	**174**	–
– Other auditors	**583**	–
Total audit and non-audit fees	**1,087**	181
Depreciation of property, plant and equipment (Note 12)	**18,270**	15,044
Amortisation of land use right (Note 13)	**133**	142
Amortisation of intangible assets (Note 16)	**360**	–*
Property, plant and equipment written off	**43**	127
Share issuance expense pursuant to the Group's IPO (excluding non-audit fees paid to auditors)	**1,301**	–
Write down of inventories	**283**	23
Allowance for/(write back of) doubtful trade and other receivables	**94**	(10)
Gain on disposal of property, plant and equipment	**35**	23
Exchange (gain)/loss:		
– Realised	**(249)**	(180)
– Unrealised	**(2,320)**	3,882
Operating lease expense (Note 28(b)):		
– Minimum lease payments	**83,131**	68,364
– Contingent lease payments	**272**	499
– Amortisation of deferred lease expense	**911**	776

* *This amount is less than SGD1,000.*

9. Taxation

(a) Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2012 and 2011 are as follows:

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Consolidated income statement:		
– Current income taxation	**17,947**	14,956
– Under provision in respect of previous years	**242**	1,333
	18,189	16,289
Deferred income tax		
– Origination and reversal of temporary differences	**(317)**	(505)
– (Over)/under provision in respect of previous years	**(78)**	2
	(395)	(503)
Income tax expense recognised in profit or loss	**17,794**	15,786

9. Taxation (Continued)

(b) Relationship between income tax expense and accounting profit

A reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the years ended 30 June 2012 and 2011 is as follows:

	Group	
	2012	2011
	SGD'000	SGD'000
Profit before tax	**62,599**	51,607
Tax at the domestic tax rates applicable to profits in the countries where the Group operates	**15,384**	12,807
Adjustments:		
– Non-deductible expenses	**4,025**	2,988
– Income not subject to taxation	**(1,651)**	(591)
– Effect of tax exemption	**(531)**	(801)
– Deferred tax assets not recognised	**348**	48
– Under provision of current tax in respect of previous years	**242**	1,333
– (Over)/under provision of deferred tax in respect of previous years	**(78)**	2
– Others	**55**	–
Income tax expense recognised in profit or loss	**17,794**	15,786

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

Parkson Corporation Sdn Bhd ("PCSB") and Kiara Innovasi Sdn Bhd ("Kiara Innovasi")

PCSB and Kiara Innovasi are incorporated in Malaysia and are subjected to a tax rate of 25% for the financial year ended 30 June 2012 (2011: 25%).

9. Taxation (Continued)

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

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

The statutory Corporate Income Tax ("CIT") rate applicable to the above companies is 25%. Parkson Vietnam and Parkson Haiphong are entitled to an exemption from CIT for 2 years commencing from the first year in which a taxable profit is earned, and a 50% reduction of the applicable tax rate for the following 3 years. Parkson Vietnam is subjected to a tax rate of 25% for the financial year ended 30 June 2012 (2011: 12.5%) as the entitlement for the 50% reduction of the applicable tax rate has ended. Parkson Haiphong is subjected to a tax rate of 12.5% for the financial year ended 30 June 2012 (2011: 12.5 %).

Vietnam Management and Parkson Hanoi are subjected to a tax rate of 25% for the financial year ended 30 June 2012 (2011: 25%).

PT. Tozy Sentosa

PT. Tozy Sentosa is incorporated in Indonesia and is subjected to a tax rate of 25% for the financial year ended 30 June 2012 (2011: 25%).

Parkson Retail Asia Limited and Centro Retail Pte Ltd

Parkson Retail Asia Limited and Centro Retail Pte Ltd are incorporated in Singapore and are subjected to a tax rate of 17% for the financial year ended 30 June 2012 (2011: 17%).

Parkson Cambodia Holdings Co Ltd

Parkson Cambodia Holdings Co Ltd is incorporated in the British Virgins Islands and not required to pay taxes.

Parkson (Cambodia) Co Ltd

Parkson (Cambodia) Co Ltd is incorporated in the Kingdom of Cambodia and is subjected to a tax rate of 20% for the financial year ended 30 June 2012 (2011: 20%).

10. Earnings per share

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

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

	Group	
	2012	**2011**
Profit for the year attributable to owners of the Company (SGD'000)	**45,469**	35,013
Weighted average number of ordinary shares for basic earnings per share computation ('000)	**650,415**	597,300

There are no potential dilution effects on the ordinary shares of the Company. Accordingly, the basic and diluted earnings per share for the financial years ended 30 June 2012 and 2011 are the same.

11. Investments in subsidiaries

	Company	
	2012	2011
	SGD'000	SGD'000
Shares, at cost	**155,506**	155,506

The Company has the following subsidiaries as at 30 June:

Name of company	Principal activities	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Held by the Company				
Parkson Corporation Sdn Bhd[(b)(2)]	Operation of department stores	Malaysia	**100**	100
Centro Retail Pte Ltd[(a)]	Investment holding	Singapore	**100**	100
PT. Tozy Sentosa[(b)(1)]	Operation of department stores, supermarkets and merchandising	Republic of Indonesia	**100**[(*)]	100[(*)]
Held by Parkson Corporation Sdn Bhd				
Parkson Vietnam Co Ltd[(b)]	Retailing and operation of a modern shopping centre	Vietnam	**100**	100
Parkson Haiphong Co Ltd[(b)]	Upgrade and leasing of retail space for establishment of a modern department store	Vietnam	**100**	100
Kiara Innovasi Sdn Bhd[(b)]	Operation of department stores	Malaysia	**60**	60
Parkson Online Sdn Bhd[(b)] (formerly known as Orion Lifestyle Sdn Bhd)	Online retailing	Malaysia	**100**	–
Parkson Cambodia Holdings Co Ltd[(b)]	Investment holding	British Virgin Islands	**100**	100

11. Investments in subsidiaries (Continued)

Name of company	Principal activities	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Held by Parkson Vietnam Co Ltd				
Parkson Vietnam Management Services Co Ltd[(b)]	Management and consulting services on real estate, business and marketing in relation to department stores (commercial)	Vietnam	**100**	100
Parkson Hanoi Co Ltd[(b)]	Retailing and operation of modern shopping centres	Vietnam	**70**	70
Held by Parkson Cambodia Holdings Co Ltd				
Parkson (Cambodia) Co Ltd [(b)]	Operation of department stores	Kingdom of Cambodia	**100**	100

(a) Audited by Ernst & Young LLP, Singapore

(b) Audited by member firms of Ernst & Young Global in their respective countries

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

(1) On 9 June 2011, the Company and Centro Retail Pte Ltd completed the acquisition of a 100% equity interest in PT Tozy Sentosa ("TS") for an aggregate consideration of USD12,799,249 (SGD15,769,000). In connection thereof, the Company issued 15,768,633 ordinary shares with fair value of SGD1.00 per share which were subscribed by PT Mitra Samaya, the indirect majority shareholder of TS before TS was wholly acquired by the Company.

11. Investments in subsidiaries (Continued)

[1] (Continued)

During the last financial year, the initial accounting for the acquisition of TS had been provisionally determined as the acquisition occurred close to the end of the reporting period. During the measurement period as defined in FRS 103 Business Combinations, management obtained new information about facts and circumstances that existed as at the date of the acquisition. Accordingly, the assets acquired and the liabilities assumed in the acquisition, and the goodwill arising, have been restated as follows:

	Fair value recognised on acquisition (As previously reported)	Adjustment	Fair value recognised on acquisition (Restated)
	SGD'000	SGD'000	SGD'000
Property, plant and equipment	8,831	(298)	8,533
Intangible assets	1,550	–	1,550
Inventories	2,636	–	2,636
Prepayment and other receivables	9,318	(201)	9,117
Cash and bank balances	3,614	–	3,614
Tax recoverable	768	–	768
Trade and other payables	(14,970)	–	(14,970)
Other liabilities	(815)	–	(815)
Tax payable	(1)	–	(1)
Deferred tax liabilities	(312)	–	(312)
Fair value and carrying value of net assets acquired	10,619	(499)	10,120
Goodwill arising on consolidation	5,150	499	5,649
Total purchase consideration	15,769	–	15,769

11. Investments in subsidiaries (Continued)

(1) (Continued)

	Fair value recognised on acquisition (As previously reported) SGD'000	Adjustment SGD'000	Fair value recognised on acquisition (Restated) SGD'000
Consideration transferred for the acquisition of TS			
Cash paid	15,769		15,769
Fair value of equity instruments issued (15,768,633 ordinary shares of the Company)	15,769		15,769
Cash received for the issuance of shares	(15,769)		(15,769)
Total consideration transferred	15,769		15,769
Effect of the acquisition of TS on cash flows			
Total consideration for 100% equity interest acquired	15,769		15,769
Less: Non-cash consideration	(15,769)		(15,769)
Consideration settled in cash	–		–
Less: Cash and cash equivalents of subsidiary acquired	3,614		3,614
Net cash inflow on acquisition	3,614		3,614

Goodwill arising from acquisition

The goodwill of SGD5,649,000 comprises the value of strengthening the Group's market position in the region, improved resilience to sector specific volatilities, and cost reduction synergies expected to arise from the acquisition. The goodwill recognised is not expected to be deductible for income tax purposes.

11. Investments in subsidiaries (Continued)

(2) On 29 April 2011, PCSB disposed of its entire equity interest in Park Avenue Fashion Sdn Bhd. The assets disposed of and the liabilities discharged as a result of the disposal of the above named subsidiary are as follows:

	SGD'000
Property, plant and equipment	10
Inventories	614
Trade and other receivables	35
Cash and bank balances	115
Trade and other payables	(2,046)
Carrying value of net liabilities	(1,272)
Gain on disposal	1,272
Sale consideration (representing RM1.00, equivalent to SGD0.41)	–
Cash and cash equivalents of the subsidiary	(115)
Net cash outflow on disposal of a subsidiary	(115)

The net gain on disposal amounting to SGD1,272,000 has been taken to other income during the financial year ended 30 June 2011.

12. Property, plant and equipment

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

12. Property, plant and equipment (Continued)

	Renovation	Buildings	Furniture and equipment	Motor vehicles	Capital work-in -progress	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
2011						
Group						
Restated						
Cost						
At 1 July 2010	50,354	23,806	55,630	1,123	118	131,031
Additions	3,546	110	3,971	618	1,149	9,394
Disposals	–	–	(128)	(111)	–	(239)
Written off	(760)	–	(776)	–	–	(1,536)
Transfer	–	–	87	–	(87)	–
Acquisition of a subsidiary (Note 11)	5,726	–	1,851	132	824	8,533
Disposal of a subsidiary	(19)	–	(253)	–	–	(272)
Exchange differences	(3,162)	(4,255)	(3,474)	(89)	(21)	(11,001)
At 30 June 2011	55,685	19,661	56,908	1,673	1,983	135,910
Accumulated depreciation						
At 1 July 2010	24,003	2,811	29,665	806	–	57,285
Depreciation charge for the year	6,929	1,056	6,924	135	–	15,044
Disposals	–	–	(123)	(111)	–	(234)
Written off	(702)	–	(707)	–	–	(1,409)
Disposal of a subsidiary	(19)	–	(243)	–	–	(262)
Exchange differences	(1,661)	(577)	(1,984)	(67)	–	(4,289)
At 30 June 2011	28,550	3,290	33,532	763	–	66,135
Net carrying amount						
At 30 June 2011	27,135	16,371	23,376	910	1,983	69,775

12. Property, plant and equipment (Continued)

Assets held under finance leases

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

	Group	
	2012	2011
	SGD'000	SGD'000
Motor vehicles	**22**	18

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

Capital work-in-progress

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

13. Land use right

	Group	
	2012	2011
	SGD'000	SGD'000
Cost		
At beginning of year	**8,828**	10,750
Exchange differences	**135**	(1,922)
At end of year	**8,963**	8,828
Accumulated amortisation		
At beginning of year	**330**	241
Amortisation for the year	**133**	142
Exchange differences	**6**	(53)
At end of year	**469**	330
Net carrying amount	**8,494**	8,498
Amount to be amortised:		
– Not later than one year	**133**	142
– Later than one year but not later than five years	**532**	568
– Later than five years	**7,829**	7,788

The Group has a land use right over a plot of state-owned land in Hai Phong City, Vietnam where one of the Group's department stores resides. The land use right is not transferable and has a remaining tenure of 63 years and 6 months (2011: 64 years and 6 months).

14. Deferred tax assets/liabilities

	Group	
	2012	2011
	SGD'000	SGD'000
Deferred tax assets:		
Provisions	**52**	–
Difference in depreciation for tax purposes	**542**	–
	594	–
Deferred tax liabilities:		
Difference in depreciation for tax purposes	**(504)**	(336)
Other items	**(44)**	(107)
	(548)	(443)

14. Deferred tax assets/liabilities (Continued)

The movement in deferred tax assets and deferred tax liabilities during the financial year are as follows:

	SGD'000
Deferred tax assets:	
At 1 July 2010	21
Recognised during the year	(21)
Acquisition of a subsidiary	–
Exchange differences	–
At 30 June 2011 and 1 July 2011	–
Recognised during the year	600
Exchange differences	(6)
At 30 June 2012	594
Deferred tax liabilities:	
At 1 July 2010	(691)
Recognised during the year	524
Acquisition of a subsidiary	(312)
Exchange differences	36
At 30 June 2011 and 1 July 2011	(443)
Recognised during the year	(205)
Exchange differences	100
At 30 June 2012	(548)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately SGD1,392,000 (2011: SGD192,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividend

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 26).

15. Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	SGD'000	SGD'000	SGD'000	SGD'000
Current:				
Trade receivables	**2,634**	1,895	**–**	–
Other receivables:				
– VAT receivables	**1,985**	1,731	**–**	–
– Credit card receivables	**6,125**	2,291	**–**	–
– Redemption of gift vouchers and merchandise	**95**	2,647	**–**	–
– Lease incentive receivables	**–**	237	**–**	–
– Expenses recoverable from tenants	**–**	257	**–**	–
– Others	**5,458**	4,040	**181**	–
Rental deposits	**1,330**	75	**–**	–
Other deposits	**10,977**	9,607	**–**	–
Amount due from subsidiaries (non-trade)	**–**	–	**33,776**	8,290
Amount due from ultimate holding company (non-trade)	**14**	–	**–**	–
Amount due from related companies (non-trade)	**148**	19	**–**	–
	28,766	22,799	**33,957**	8,290
Non-current:				
Rental deposits	**14,136**	14,012	**–**	–
Deferred lease expenses	**12,690**	10,663	**–**	–
Other deposits	**385**	499	**–**	–
	27,211	25,174	**–**	–
Total trade and other receivables (current and non-current)	**56,348**	48,939	**33,957**	8,290
Add: Cash and short-term deposits (Note 20)	**190,346**	96,123	**77,111**	11,692
Less: Deferred lease expenses	**(12,690)**	(10,663)	**–**	–
Total loans and receivables	**234,004**	134,399	**111,068**	19,982

15. Trade and other receivables (Continued)

Trade receivables

Trade receivables are non-interest bearing and are generally on 10 to 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to SGD1,839,000 (2011: SGD1,594,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Less than 30 days	**983**	228
30 to 60 days	**178**	254
61 to 90 days	**65**	45
More than 90 days	**613**	1,067
	1,839	1,594

Trade and other receivables (current) that are impaired

The Group's trade and other receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Trade and other receivables – nominal amounts	**471**	380
Less: Allowance for impairment	**(471)**	(380)
	–	–

15. Trade and other receivables (Continued)

Trade receivables (Continued)

Trade and other receivables (current) that are impaired (Continued)

Movement in allowance accounts:

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
At beginning of year	**380**	456
Charge for the year	**267**	63
Written back	**(173)**	(73)
Written off	**–**	(35)
Exchange differences	**(3)**	(31)
At end of year	**471**	380

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

Other receivables

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

Rental deposits

Rental deposits are unsecured and non-interest bearing. Non-current amounts have a maturity ranging from 2 to 18 years (2011: 3 to 19 years). The rental deposits are recognised initially at fair value. The difference between the fair value and the absolute deposit amount is recorded in deferred lease expenses.

There are no rental deposits that are impaired as at the end of the financial years ended 30 June 2012 and 2011.

Rental deposits denominated in foreign currencies are as follows:

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
United States Dollar	**9,911**	2,225

15. Trade and other receivables (Continued)

Other deposits (current)

Included in "Other deposits" are deposits amounting to SGD10,323,000 (2011: SGD9,314,000) paid by Parkson Vietnam to the individual owners of two Vietnamese companies as well as to one of the Vietnamese companies for the purpose of acquiring the share capital of these two Vietnam companies. These companies own three Parkson department stores in Vietnam operated and managed by Parkson Vietnam Management Services Co Ltd, pursuant to management agreements entered into with these companies. These deposits are non-interest bearing and secured by collateral over the charter capital of the respective companies and assets created with such amounts provided.

Deferred lease expenses

Deferred lease expenses relate to differences between the fair value of non-current rental deposits recognised on initial recognition and the absolute deposit amount, which are amortised on a straight-line basis over the remaining lease terms ranging from 2 to 18 years (2011: 3 to 19 years).

The movement in deferred lease expenses is as follows:

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
At beginning of year	**10,663**	8,975
Additions during the year	**2,918**	3,345
Recognised in profit or loss	**(911)**	(776)
Exchange differences	**20**	(881)
At end of year	**12,690**	10,663

Amounts due from ultimate holding company/related companies/subsidiaries

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

16. Intangible assets

	Customer relation-ships SGD'000	Goodwill SGD'000 (Restated)	Club member-ships SGD'000	Software SGD'000	Deferred development costs SGD'000	Total SGD'000
Group						
Cost						
At 1 July 2010	–	–	109	–	–	109
Acquisition of a subsidiary (Note 11)	1,536	5,649	14	–	–	7,199
Exchange differences	–	–	(6)	–	–	(6)
At 30 June 2011 and 1 July 2011	1,536	5,649	117	–	–	7,302
Additions	–	–	–	256	470	726
Exchange differences	(38)	(101)	(16)	–	–	(155)
At 30 June 2012	**1,498**	**5,548**	**101**	**256**	**470**	**7,873**
Accumulated amortisation and impairment						
At 1 July 2010, 30 June 2011 and 1 July 2011	–	–	–*	–	–	–*
Additions	312	–	26	22	–	360
Exchange differences	–	–	–	–	–	–
At 30 June 2012	**312**	**–**	**26**	**22**	**–**	**360**
Net carrying amount						
At 30 June 2011	1,536	5,649	117	–	–	7,302
At 30 June 2012	**1,186**	**5,548**	**75**	**234**	**470**	**7,513**

* *This amount is less than SGD1,000.*

Customer relationships

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

16. Intangible assets (Continued)

Deferred development costs

Deferred development costs relate to the development costs for the online retail website. All research and development costs that are not eligible for capitalisation have been recognised in profit or loss. The online retail website was in the development stage and not available for use as at 30 June 2012.

Amortisation expense

The amortisation of customer relationships, club memberships and software is included in the "Depreciation and amortisation" line item in profit or loss. The online retail website was in the development stage and not available for use as at 30 June 2012, hence, no amortisation expense is recognised for the deferred development cost for the financial year ended 30 June 2012.

Impairment testing of goodwill

Intangibles acquired through business combinations have been allocated to the cash-generating unit ("CGU") which is also the reportable geographical segment in Indonesia as described in Note 29. The operations in the Indonesia geographical segment are managed by one of the Company's subsidiary, PT Tozy Sentosa. The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are 11.0% and 4.8% respectively.

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

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

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

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

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

During the financial years ended 30 June 2012 and 2011, no impairment loss for intangible assets was recognised in profit or loss.

17. Derivatives

	Group 2012 SGD'000	Group 2011 SGD'000
Option to purchase additional shares in Kiara Innovasi[1], representing total financial assets at fair value through profit or loss	**21**	21

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

18. Investment securities

	Group 2012 SGD'000	Group 2011 SGD'000
Equity instruments:		
Unquoted shares, at cost	**93**	95

During the financial year ended 30 June 2011, the Group subscribed for a 7% equity interest in Lion Insurance Co Ltd. The investment is classified as available-for-sale financial assets.

19. Inventories

	Group 2012 SGD'000	Group 2011 SGD'000
Balance sheet:		
Merchandise inventories	**58,182**	51,900
Consumables	**49**	59
	58,231	51,959
Income statement:		
Inventories recognised as an expense in changes in merchandise inventories and consumables	**173,186**	151,698
Write down of inventories	**283**	23

20. Cash and short-term deposits

	Group		Company	
	2012	2011	2012	2011
	SGD'000	SGD'000	SGD'000	SGD'000
Cash at bank and on hand	**19,101**	37,285	**2,452**	11,692
Short-term deposits placed with:				
– A licensed finance company	**42,325**	32,815	**–**	–
– Licensed banks	**128,920**	26,023	**74,659**	–
Cash and short-term deposits	**190,346**	96,123	**77,111**	11,692
Bank overdrafts (Note 23)	**(56)**	(1,028)	**–**	–
Cash and cash equivalents	**190,290**	95,095	**77,111**	11,692

Cash at banks earn interest at floating rates based on daily bank deposits rates. Short-term deposits are made for varying periods of between one day to three months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short- term deposit rates. The weighted average effective interest rates for the Group and the Company as at 30 June 2012 were 2.43% (2011: 3.56%) and 0.75% (2011: Nil%) respectively per annum.

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

	Group		Company	
	2012	2011	2012	2011
	SGD'000	SGD'000	SGD'000	SGD'000
Singapore Dollar	**67,671**	–	**67,462**	–
United States Dollar	**10,363**	13,169	**9,649**	11,692

21. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	SGD'000	SGD'000	SGD'000	SGD'000
Current:				
Trade payables	**130,043**	117,021	**–**	–
Payables to suppliers of property, plant and equipment	**494**	198	**–**	–
Other payables	**10,393**	6,540	**434**	31
Rental deposits	**2,007**	1,000	**–**	–
Amount due to a subsidiary (non-trade)	**–**	–	**15,599**	16,049
Amount due to ultimate holding company (non-trade)	**376**	–	**–**	–
Amount due to related companies (non-trade)	**343**	8	**167**	–
	143,656	124,767	**16,200**	16,080
Non-current:				
Rental deposits	**3,266**	3,067	**–**	–
Deferred lease income	**2,743**	1,192	**–**	–
Provision for severance allowance	**118**	–	**–**	–
Defined benefit plan	**893**	249	**–**	–
	7,020	4,508	**–**	–
Total trade and other payables (current and non-current)	**150,676**	129,275	**16,200**	16,080
Add:				
Other liabilities (Note 22)	**11,793**	16,487	**–**	2
Loans and borrowings (Note 23)	**61**	1,042	**–**	–
Less:				
Deferred lease income	**(2,743)**	(1,192)	**–**	–
Defined benefit plan	**(893)**	(249)	**–**	–
Total financial liabilities carried at amortised cost	**158,894**	145,363	**16,200**	16,082

21. Trade and other payables (Continued)

Trade payables

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

Other payables

Other payables are non-interest bearing and have average terms of 30 to 90 days.

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

	Group		Company	
	2012	2011	2012	2011
	SGD'000	SGD'000	SGD'000	SGD'000
Singapore Dollar	**434**	31	**434**	31

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

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

Rental deposits

Non-current rental deposits have maturity ranging from 2 to 18 years (2011: 3 to 19 years). The rental deposits are recognised initially at fair value. The difference between the fair value and the absolute deposit amount is recorded in deferred lease income.

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

	Group	
	2012	2011
	SGD'000	SGD'000
United States Dollar	**2,582**	2,190

21. Trade and other payables (Continued)

Deferred lease income

Deferred lease income relate to differences between the fair value of non-current rental deposits recognised on initial recognition and the absolute deposit amount, which is amortised on a straight-line basis over the remaining lease terms ranging from 2 to 18 years (2011: 3 to 19 years). The movement in deferred lease income is as follows:

	Group	
	2012	2011
	SGD'000	SGD'000
At beginning of year	**1,192**	820
Additions during the year	**2,355**	946
Refunds during the year	**(572)**	–
Recognised in profit or loss	**(222)**	(567)
Exchange differences	**(10)**	(7)
At end of year	**2,743**	1,192

Defined benefit plan

The Group makes provision for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labour Law No. 13/2003 (the "Labour Law"). The principal assumptions used in determining post-employment obligations for the Group's defined benefit plan for the financial year ended 30 June 2012 are as follows:

Annual discount rate:	9%
Future annual salary increment:	8%
Retirement age:	55 years of age

21. Trade and other payables (Continued)

Defined benefit plan (Continued)

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

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Current service cost	**634**	30
Interest cost on benefit obligations	**130**	14
Expected return on planned assets	**(54)**	–
Net actuarial loss recognised during the year	**(61)**	(3)
Past service cost	**18**	2
Curtailment effect	**–**	(1)
Net benefit expense	**667**	42

The estimated liabilities for employee benefits as at the financial years ended 30 June 2012 and 2011 are as follows:

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Defined benefit obligations	**2,293**	3,046
Fair value of planned assets	**(356)**	(1,548)
	1,937	1,498
Unrecognised actuarial loss	**(657)**	(590)
Unrecognised past service cost	**(387)**	(659)
Liabilities as at 30 June	**893**	249
Changes in the present value of the defined benefit obligations are as follows:		
Benefit obligations at beginning of year	**249**	–
Arising from acquisition of a subsidiary	**–**	207
Provision during the year	**667**	42
Exchange difference	**(23)**	–
Benefit obligations as end of year	**893**	249

22. Other liabilities

	Group		Company	
	2012	2011	2012	2011
	SGD'000	SGD'000	SGD'000	SGD'000
Accrued operating expenses	**8,941**	14,423	**–**	2
Accrued staff costs	**349**	273	**–**	–
Others	**2,503**	1,791	**–**	–
	11,793	16,487	**–**	2
Deferred revenue from gift vouchers	**7,800**	7,739	**–**	–
Deferred revenue from customer loyalty award	**3,641**	3,240	**–**	–
	23,234	27,466	**–**	2

Deferred revenue from customer loyalty award

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

	Group	
	2012	2011
	SGD'000	SGD'000
At beginning of the year	**3,240**	773
Acquisition of a subsidiary	**–**	1,540
Additions during the year	**2,701**	1,654
Recognised in profit or loss	**(2,298)**	(687)
Exchange differences	**(2)**	(40)
At end of year	**3,641**	3,240

23. Loans and borrowings

	Group	
	2012	2011
	SGD'000	SGD'000
Current:		
Finance lease liabilities (Note 28(d))	**5**	9
Bank overdrafts	**56**	1,028
	61	1,037
Non-current:		
Finance lease liabilities (Note 28(d))	**–**	5
	61	1,042

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 12). The average discount rate implicit in the leases is 9.32% (2011: 9.32%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

Bank overdrafts

Bank overdrafts are denominated in Ringgit Malaysia, unsecured and bear interest at 2.25% (2011: 2.25%) per annum.

24. Share capital

	Company			
	2012		2011	
	No. of shares[1] '000	SGD'000	No. of shares[1] '000	SGD'000
Issued and fully paid ordinary shares:				
At 1 July/31 March 2011 (date of incorporation)	**159,279**	**159,279**	–*	–*
Issuance of shares pursuant to the Restructuring Exercise	**–**	**–**	159,279	159,279
Issuance of bonus shares	**438,021**	**–**	–	–
Issuance of shares pursuant to the Group's IPO	**80,000**	**75,200**	–	–
Share issuance expense pursuant to the Group's IPO	**–**	**(2,803)**	–	–
At 30 June	**677,300**	**231,676**	159,279	159,279

	Group	
	2012	2011
	SGD'000	SGD'000
Share capital of PCSB[2]	**–**	20,861
Share capital of the Company	**159,279**	159,279
Adjustment pursuant to Restructuring Exercise[3]	**–**	(20,861)
Issuance of shares pursuant to the Group's IPO	**75,200**	–
Share issuance expense pursuant to the Group's IPO	**(2,803)**	–
Share capital at 30 June	**231,676**	159,279

* *The paid-up share capital is SGD2.00.*

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

[2] The ordinary shares of PCSB have par value of RM1.00 each. All issued ordinary shares are fully paid. The holders of ordinary shares are entitled to receive dividends as and when declared by PCSB. All ordinary shares carry one vote per share without restrictions.

[3] In FY2011, pursuant to the completion of the Restructuring Exercise as disclosed in Note 1.2, the share capital of PCSB amounting to SGD20,861,000 is adjusted to merger reserve based on the "pooling of interest method".

25. Other reserves

		Group		Company	
		2012	**2011**	**2012**	**2011**
		SGD'000	**SGD'000**	**SGD'000**	**SGD'000**
Foreign currency translation reserve	(a)	**(22,793)**	(19,378)	**(2,526)**	209
Capital redemption reserve	(b)	**1**	1	**–**	–
Capital contribution from ultimate holding company	(c)	**9,959**	9,903	**–**	–
Merger reserve	(d)	**(123,753)**	(123,753)	**–**	–
Bargain purchase of non-controlling interests	(e)	**439**	439	**–**	–
		(136,147)	(132,788)	**(2,526)**	209

(a) Foreign currency translation reserve

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

	Group		Company	
	2012	2011	**2012**	2011
	SGD'000	SGD'000	**SGD'000**	SGD'000
At beginning of year	**(19,378)**	(8,801)	**209**	–
Foreign currency translation	**(3,415)**	(10,577)	**(2,735)**	209
At end of year	**(22,793)**	(19,378)	**(2,526)**	209

(b) Capital redemption reserve

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

25. Other reserves (Continued)

(c) Capital contribution from ultimate holding company

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

The PHB ESOS for the benefit of eligible executive employees and executive directors of the group of subsidiaries under PHB became effective on 7 May 2008.

Pursuant to the PHB ESOS, the following share options were granted by PHB to eligible employees of the Group:

– On 12 May 2008, a total of 4,716,400 share options were granted to 462 eligible employees at a subscription price of RM6.35 (SGD2.61) per share; and

– On 7 April 2010, a total of 5,303,500 share options were granted to 528 eligible employees at a subscription price of RM5.31 (SGD2.28) per share.

The main features of the PHB ESOS are as follows:

(i) Executive directors and confirmed executive employees of PHB 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 PHB ESOS.

(ii) The aggregate number of options exercised and options offered and to be offered under the PHB ESOS shall not exceed 15% of the issued and paid-up share capital of PHB at any one time during the duration of the PHB ESOS subject to the following being complied with:

   – not more than 50% of the shares available under the PHB ESOS shall be allocated, in aggregate, to executive directors and senior management; and

   – not more than 10% of the shares available under the PHB 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 PHB.

(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 PHB 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.

25. Other reserves (Continued)

(c) Capital contribution from ultimate holding company (Continued)

(v) The PHB ESOS shall continue to be in force for a period of five years and PHB may, if the Board of PHB deems fit upon the recommendation of the Option Committee of PHB, renew the PHB ESOS for a further five years, without further approval of the relevant authorities.

The persons to whom the options have been granted have no right to participate, by virtue of the options, in any share issue of any other company.

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

The following tables illustrate the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial years:

	Number of options					
	Outstanding at 1 July	**Granted**	**Exercised**	**Terminated/ Lapsed**	**Outstanding at 30 June**	**Exercisable at 30 June**
2012						
Grant date						
12 May 2008	**3,745,100**	**–**	**–**	**(3,745,100)**	**–**	**–**
7 April 2010	**4,724,600**	**–**	**(228,800)**	**(4,495,800)**	**–**	**–**
	8,469,700	**–**	**(228,800)**	**(8,240,900)**	**–**	**–**
WAEP (SGD)	**2.35**	**–**	**2.11**	**2.30**	**–**	**–**
2011						
Grant date						
12 May 2008	3,942,100	–	–	(197,000)	3,745,100	3,724,100
7 April 2010	5,003,400	–	(63,000)	(215,800)	4,724,600	4,451,900
	8,945,500	–	(63,000)	(412,800)	8,469,700	8,176,000
WAEP (SGD)	2.48	–	2.16	2.37	2.35	2.36

25. Other reserves (Continued)

(c) Capital contribution from ultimate holding company (Continued)

Fair value of share options granted

The fair value of the options granted under the PHB ESOS was estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the option pricing model for the options granted:

	Grant date	
	7.4.2010	**12.5.2008**
Fair value of share options (SGD)	0.85	1.27
Dividend yield (%)	2.00	1.00
Expected volatility (%)	45.00	50.00
Risk-free interest rate (%)	2.00	3.00
Expected life of options (years)	2.84	5.00
Weighted average share price (SGD)	2.57	2.84

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The movement in the capital contribution from ultimate holding company is as follows:

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
At beginning of year	**9,903**	9,649
Recognised in employee benefits expense	**56**	254
At end of year	**9,959**	9,903

(d) Merger reserve

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

(e) Bargain purchase of non-controlling interests

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

26. Dividends

	Group	
	2012	2011
	SGD'000	SGD'000
Declared and paid during the financial year:		
Dividends declared by Parkson Hanoi and paid to non-controlling interests*	**(1,315)**	(197)
Dividends declared by PCSB and paid to the then existing shareholder at Nil (2011: SGD1.13) per PCSB share	**–**	(56,323)

* *The charter capital of companies incorporated in Vietnam is not divided into a defined number of shares. Accordingly, dividend per share is not disclosed.*

	Group and Company	
	2012	2011
	SGD'000	SGD'000
Proposed and not recognised as a liability as at 30 June:		
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2012: SGD0.03 (2011: Nil) per share	**20,319**	–

27. Related party transactions

(a) Sale and purchase of goods and services

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

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Sale of gift vouchers to director related companies:		
– Amsteel Mills Marketing Sdn Bhd	**51**	69
– Amsteel Mills Sdn Bhd	**60**	96
– Megasteel Sdn Bhd	**24**	9
– Posim Petroleum Marketing Sdn Bhd	**–**	6
– Sims Holdings Sdn Bhd	**–**	1
	135	181

27. Related party transactions (Continued)

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

	Group 2012 SGD'000	Group 2011 SGD'000
Purchase of goods and services from director related companies:		
– Secom (Malaysia) Sdn Bhd	**302**	257
– Posim Marketing Sdn Bhd	**371**	197
– Posim EMS Sdn Bhd	**379**	224
– Lion Trading & Marketing Sdn Bhd	**379**	89
– WatchMart (M) Sdn Bhd	**169**	38
– PT Mitra Samaya	**166**	–
– PT Monica Hijaulestari	**3,418**	1
	5,184	806
Rental of office space from a director related company:		
– Visionwell Sdn Bhd	**53**	54
Rental of retail space from a director related company:		
- 1st Avenue Mall Sdn Bhd	**710**	–
Rental of office and warehouse space from a subsidiary of a shareholder, PT Mitra Samaya:		
– PT Tozy Bintang Sentosa	**419**	32
Rental of retail space from a subsidiary of the ultimate holding company, Parkson Holdings Berhad:		
– Festival City Sdn Bhd	**1,199**	–
Royalty income from an associate of PHB Group:		
– Shanghai Lion Parkson Investment Consultant Co., Ltd	**339**	234
Gain on disposal of a subsidiary to ECIL	**–**	1,272
Royalty expense to a subsidiary of a shareholder, ECIL:		
– Smart Spectrum Limited	**172**	–

27. Related party transactions (Continued)

(b) Compensation of key management personnel

	Group	
	2012	2011
	SGD'000	SGD'000
Short-term employee benefits	**2,373**	1,611
Contribution to defined contribution plans	**152**	132
	2,525	1,743
Comprise amounts paid to:		
Directors of the Company	**1,534**	1,160
Other key management personnel	**991**	583
	2,525	1,743

Key management personnel's interests in PHB ESOS

	Group	
	2012	2011
	'000	'000
At 1 July	**578**	578
Exercised during the year	**(42)**	–
Terminated	**(536)**	–
	–	578

No employee share options were granted to key management personnel during the financial years ended 30 June 2012 and 2011. 42,000 (2011: Nil) employee share options were exercised by key management personnel during the financial year ended 30 June 2012.

28. Commitments

(a) Capital commitments

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

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Capital commitments in respect of property, plant and equipment	**266**	5,354

(b) Operating lease commitments – as lessee

In addition to the land use right disclosed in Note 13, the Group has entered into commercial leases on certain department stores. These leases have remaining lease terms of between 1 and 18 years (2011: 1 and 19 years) with terms of renewal included in the contracts and there are no restrictions placed upon the Group by entering into these lease agreements.

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

Minimum lease payments, contingent rental payments and amortisation of the land use right recognised as expense in profit or loss for the financial years ended 30 June 2012 and 2011 are disclosed in Note 8.

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

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Not later than one year	**74,975**	67,370
Later than one year and not later than five years	**288,205**	256,012
Later than five years	**447,626**	391,136
	810,806	714,518

28. Commitments (Continued)

(c) Operating lease commitments – as lessor

The Group has entered into commercial subleases on its department stores. These non-cancellable subleases have remaining lease terms of between 1 and 3 years (2011: 1 and 4 years).

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

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Not later than one year	**18,705**	22,858
Later than one year and not later than five years	**20,055**	24,215
	38,760	47,073

(d) Finance lease commitments

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

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

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Minimum lease payments:		
Not later than one year	**5**	10
Later than one year and not later than five years	**–**	5
Total minimum lease payments	**5**	15
Less: Amounts representing finance charges	**–***	(1)
Present value of minimum lease payments	**5**	14
Present value of minimum lease payments:		
Not later than one year	**5**	9
Later than one year and not later than five years	**–**	5
	5	14

* *This amount is less than SGD1,000.*

29. Segment information

The Group has a single operating segment – the operation and management of retail stores. For management purposes, the Group is organised into business units based on the geographical location of customers and assets, and has four reportable segments as follows:

(a) Malaysia
(b) Vietnam
(c) Republic of Indonesia ("Indonesia")
(d) Kingdom of Cambodia ("Cambodia")

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

	Malaysia	Vietnam	Indonesia	Cambodia	Adjustments	Unallocated assets/ liabilities	Note	Total
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000		SGD'000
2012								
Revenue:								
Sales to external customers	343,004	45,040	54,232	–	–	–		442,276
Segment results:								
Depreciation and amortisation expenses	(12,095)	(3,335)	(3,333)	–	–	–		(18,763)
Rental expenses	(60,475)	(16,762)	(7,077)	–	–	–		(84,314)
Finance income	3,555	1,651	156	–	–	–		5,362
Finance costs	(96)	(372)	–	–	–	–		(468)
Taxation	(15,424)	(2,112)	(258)	–	–	–		(17,794)
Segment profit	37,409	3,862	3,436	291	(193)	–	A	44,805
Assets:								
Additions to non-current assets	11,692	7,398	10,161	–	–	–	B	29,251
Segment assets	209,314	81,377	43,206	5,226	–	77,501	C	416,624
Segment liabilities	139,248	15,268	15,726	5,003	–	603	D	175,848

29. Segment information (Continued)

	Malaysia SGD'000	Vietnam SGD'000	Indonesia SGD'000	Cambodia SGD'000	Adjustments SGD'000	Unallocated assets/ liabilities SGD'000	Note	Total SGD'000
2011								
Revenue:								
Sales to external customers	320,912	42,376	4,026	–	–	–		367,314
Segment results:								
Depreciation and amortisation expenses	(12,535)	(2,472)	(179)	–	–	–		(15,186)
Rental expenses	(58,141)	(10,784)	(714)	–	–	–		(69,639)
Finance income	2,928	1,928	7	–	–	–		4,863
Finance costs	(65)	(444)	(17)	–	–	–		(526)
Taxation	(13,563)	(2,073)	(150)	–	–	–		(15,786)
Segment profit	27,175	7,305	476	(72)	937	–	A	35,821
Assets:								
Additions to non-current assets	6,616	1,582	8,395	–	–	–	B	16,593
Segment assets	164,197	70,690	34,445	5,054	–	11,888	C	286,274
Segment liabilities	134,923	9,542	14,486	5	–	418	D	159,374

29. Segment information (Continued)

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

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

	Group	
	2012	2011
	SGD'000	SGD'000
Grant of equity-settled share options to employees (Note 25(c))	**(56)**	(254)
Fair value gain on derivatives	**–**	21
Gain on disposal of a subsidiary	**–**	1,272
Corporate expenses	**(137)**	(102)
	(193)	937

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

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

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

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

	Group	
	Non-current assets	
	2012	2011
	SGD'000	SGD'000
Malaysia	**37,934**	39,027
Vietnam	**34,265**	29,797
Indonesia	**23,310**	16,751
	95,509	85,575

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

30. Fair value of financial instruments

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

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

Fair value hierarchy

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

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

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

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
	Significant unobservable inputs (Level 3)	
Derivatives (Note 17)	**21**	21

The fair value gain on derivatives amounting to SGD21,000 has been taken to other income during the financial year ended 30 June 2011.

Determination of fair value

Derivatives (Note 17): Fair value is determined using a valuation technique based on the probability of PCSB exercising the option to purchase additional shares in Kiara Innovasi that is not supportable by observable market data.

30. Fair value of financial instruments (Continued)

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

Current trade and other receivables (Note 15), current trade and other payables (Note 21), other liabilities (Note 22) and loans and borrowings (Note 23)

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

Non-current rental deposits receivables (Note 15) and non-current rental deposits payables (Note 21)

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

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

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

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Financial assets:		
Equity instruments, at cost (Note 18):		
Carrying amount	**93**	95
Fair value	*	*

* *Investment in equity instruments carried at cost*

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

31. Financial risk management objectives and policies

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

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

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

(a) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities and to maintain sufficient levels of cash including short term deposits to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

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

31. Financial risk management objectives and policies (Continued)

(a) Liquidity risk (Continued)

	One year or less SGD'000	One to five years SGD'000	Over five years SGD'000	Total SGD'000
Group				
30 June 2012				
Financial assets				
Trade and other receivables	**28,766**	**7,780**	**19,833**	**56,379**
Derivatives	**–**	**21**	**–**	**21**
Cash and short-term deposits	**190,346**	**–**	**–**	**190,346**
Total undiscounted financial assets	**219,112**	**7,801**	**19,833**	**246,746**
Financial liabilities				
Trade and other payables	**143,656**	**3,792**	**1,200**	**148,648**
Other liabilities	**11,793**	**–**	**–**	**11,793**
Loans and borrowings	**61**	**–**	**–**	**61**
Total undiscounted financial liabilities	**155,510**	**3,792**	**1,200**	**160,502**
Total net undiscounted financial assets	**63,602**	**4,009**	**18,633**	**86,244**
30 June 2011				
Financial assets				
Trade and other receivables	22,799	6,640	21,682	51,121
Derivatives	–	21	–	21
Cash and short-term deposits	96,123	–	–	96,123
Total undiscounted financial assets	118,922	6,661	21,682	147,265
Financial liabilities				
Trade and other payables	124,767	194	4,207	129,168
Other liabilities	16,487	–	–	16,487
Loans and borrowings	1,037	5	–	1,042
Total undiscounted financial liabilities	142,291	199	4,207	146,697
Total net undiscounted financial (liabilities)/assets	(23,369)	6,462	17,475	568

31. Financial risk management objectives and policies (Continued)

(a) Liquidity risk (Continued)

	One year or less SGD'000
Company	
30 June 2012	
Financial assets	
Trade and other receivables	**33,957**
Cash and short-term deposits	**77,111**
Total undiscounted financial assets	**111,068**
Financial liabilities	
Trade and other payables	**16,200**
Other liabilities	**–**
Total undiscounted financial liabilities	**16,200**
Total net undiscounted financial assets	**94,868**
30 June 2011	
Financial assets	
Trade and other receivables	8,290
Cash and short-term deposits	11,692
Total undiscounted financial assets	19,982
Financial liabilities	
Trade and other payables	16,080
Other liabilities	2
Total undiscounted financial liabilities	16,082
Total net undiscounted financial assets	3,900

31. Financial risk management objectives and policies (Continued)

(b) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

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

Credit risk concentration profile

The Group engages solely in the operation and management of department stores in Malaysia, Vietnam and Indonesia.

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 (Trade and other receivables).

31. Financial risk management objectives and policies (Continued)

(c) Foreign currency risk

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

The Group's entities holds cash and short-term deposits denominated in foreign currencies for working capital purposes and have transactional currency exposures arising from non-trade purchases that are denominated in foreign currencies. In addition, the Group's entities also receive/pay certain rental deposits from/to their tenants/landlords which are denominated in foreign currencies. At the end of the reporting period, such foreign currency denominated balances are mainly in United States Dollar ("USD") and Singapore Dollar ("SGD").

Sensitivity analysis for foreign currency risk

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

		Group	
		2012	2011
		SGD'000	SGD'000
		Profit before tax	
USD against VND	– strengthened 3%	**396**	333
	– weakened 3%	**(396)**	(333)
USD against RM	– strengthened 3%	**286**	–
	– weakened 3%	**(286)**	–
SGD against RM	– strengthened 3%	**2,534**	–
	– weakened 3%	**(2,534)**	–

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2012 and 2011.

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

	Group	
	2012	**2011**
	SGD'000	**SGD'000**
Trade and other payables (Note 21)	**150,676**	129,275
Other liabilities (Note 22)	**23,234**	27,466
Loans and borrowings (Note 23)	**61**	1,042
Less: Cash and short-term deposits (Note 20)	**(190,346)**	(96,123)
(Net cash)/net debt	**(16,375)**	61,660
Equity attributable to the owners of the Company, representing total capital	**237,824**	123,317
Capital and net debt	**221,449**	184,977
Gearing ratio	**N.A.***	33%

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

33. Events occurring after the reporting period

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

Odel is a listed company listed on the Colombo Stock Exchange in Sri Lanka.

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

As such, the Company holds a total of 64,575,432 shares of Odel, representing 44.55% of the issued and paid up share capital of Odel.

The board of directors of Odel have resolved that subsequent to the completion of the Offer, Odel will undertake a one-for-one rights issue of shares at LKR20.00 per share (the "Proposed Rights Issue"), subject to all shareholder, regulatory and other approvals being obtained. The Company and the Gunewardene Family have undertaken to accept and subscribe for all the rights shares that they will be entitled to under the Proposed Rights Issue. The Proposed Rights Issue, if fully accepted and subscribed by all of the shareholders of Odel, is expected to raise a minimum of LKR2,899 million or approximately SGD27.7 million for Odel. The funds to be raised in the Proposed Rights Issue are intended to fund the development and expansion of Odel in Sri Lanka.

34. Comparative figures

As described in Note 11, certain restatements have been made to the prior year's consolidated financial statements relating to the acquisition of PT Tozy Sentosa as management obtained new information about facts and circumstances that existed as at the date of the acquisition during the measurement period as defined in FRS 103 Business Combinations. Accordingly, the net assets acquired have been restated as follows:

	Group		
	As previously reported	Adjustments	As restated
	SGD'000	SGD'000	SGD'000
Fair value and carrying value of net assets acquired	10,619	(499)	10,120

As a result, certain line items have been amended in the Group's balance sheet and the related notes to the consolidated financial statements as at 30 June 2011.

In addition to the aforementioned prior year's adjustments, certain comparative figures of "Trade and other receivables" have been reclassified to "Prepayments" to conform to current year's presentation.

The items are restated as follows:

	Group			
	As previously reported	Prior year adjustments	Reclassifications	As restated
	SGD'000	SGD'000	SGD'000	SGD'000
Balance sheet				
Property, plant and equipment	70,073	(298)	–	69,775
Intangible assets	6,803	499	–	7,302
Prepayments	1,110	(201)	966	1,875
Trade and other receivables	23,765	–	(966)	22,799

35. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 12 September 2012.

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1 – 999	2	1.01	773	0.00
1,000 – 10,000	152	76.38	582,100	0.08
10,001 – 1,000,000	37	18.59	2,348,500	0.35
1,000,001 & ABOVE	8	4.02	674,368,627	99.57
TOTAL	199	100.00	677,300,000	100.00

TWENTY LARGEST SHAREHOLDERS

NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
UOB KAY HIAN PTE LTD	474,250,000	70.02
DBS NOMINEES PTE LTD	75,235,627	11.11
CITIBANK NOMINEES S'PORE PTE LTD	62,825,000	9.28
DBSN SERVICES PTE LTD	20,817,000	3.07
HSBC (SINGAPORE) NOMINEES PTE LTD	19,299,000	2.85
RAFFLES NOMINEES (PTE) LTD	18,422,000	2.72
CIMB SECURITIES (S'PORE) PTE LTD	2,321,000	0.34
UNITED OVERSEAS BANK NOMINEES PTE LTD	1,199,000	0.18
MERRILL LYNCH (S'PORE) PTE LTD	448,500	0.07
HWANG NIAN HUEI	329,000	0.05
DMG & PARTNERS SECURITIES PTE LTD	109,000	0.02
BAY LEE CHUANG	100,000	0.01
CHAN HIANG NGEE RICHARD	100,000	0.01
PHILLIP SECURITIES PTE LTD	81,000	0.01
HO HIN WAH	80,000	0.01
NG GUAN MEAN (HUANG GUANMIAN)	80,000	0.01
NG LAY KIM	80,000	0.01
TEO ENG SWEE CUTHBERT	80,000	0.01
HO LI WEN	65,000	0.01
WEE KHENG JIN	60,000	0.01
TOTAL	675,981,127	99.80

SHAREHOLDING STATISTICS
AS AT 18 SEPTEMBER 2012

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

Register of Substantial Shareholders as at 18 September 2012

	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
East Crest International Limited	457,933,300	67.61	–	–
Parkson Holdings Berhad(1)	–	–	457,933,300	67.61
Tan Sri Cheng Heng Jem(2)	500,000	0.07	457,933,300	67.61
The Capital Group Companies, Inc.(3)	–	–	34,333,000	5.07

Notes:-

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

(2) Tan Sri Cheng Heng Jem holds, directly and indirectly, 47.8% of the shares in PHB, which is the sole shareholder of East Crest International Limited. As such, Tan Sri Cheng Heng Jem is deemed to be interested in the Shares held by East Crest International Limited by virtue of Section 7(4A) of the Companies Act.

(3) The Capital Group Companies, Inc. ("CGC") is a holding company for several subsidiary companies engaged in investment management activities. The investment activities are divided into two operational groups, represented by Capital Research and Management Company ("CRMC") and Capital Group International, Inc. ("CGII"). CRMC is a U.S.-based investment adviser that manages the American Funds family of mutual funds. CGII is the parent company of five companies that serve as investment managers to various institutional clients around the globe: Capital Guardian Trust Company in the U.S., Capital International, Inc. in the U.S. and Singapore, Capital International Limited in the United Kingdom, Capital International Sarl in Switzerland and Capital International K.K. in Japan. Neither CGC nor any of its subsidiaries own shares of the company for their own account. Rather, the shares reported in above are owned by accounts under the discretionary investment management of one or more of the investment management companies described above. Furthermore, CRMC and CGII act separately from one another and from CGC in exercising investment discretion over their managed accounts.

Percentage of Shareholding in the Hands of Public

As at 18 September 2012, 27.14% of the issued share capital of the Company was held in the hands of the public (based on the information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Parkson Retail Asia Limited ("the Company") will be held at Pisces/Aquarius Room, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Wednesday, 31 October 2012 at 11.00 a.m. for the purposes of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 30 June 2012 together with the Auditors' Report thereon.

   (Resolution 1)

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

   Datuk Cheng Yoong Choong (Resolution 2)
   Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Zainuddin (Resolution 3)
   Mr Tan Siang Long (Resolution 4)

   (Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Zainuddin will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and Chairman of the Nominating Committee and will remain as a member of the Remuneration Committee. He is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)

3. To approve the payment of a final dividend of SGD0.03 per ordinary share tax exempt (1-tier) for the financial year ended 30 June 2012.

   (Resolution 5)

4. To approve the payment of Directors' fee of SGD345,000 for the financial year ended 30 June 2012.

   (Resolution 6)

5. To approve the payment of Directors' fee of SGD460,000 for the financial year ending 30 June 2013, payable quarterly in arrears.

   (Resolution 7)

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

   (Resolution 8)

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to issue shares

"That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

Provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[see explanatory note (i)] (Resolution 9)

9. Authority to issue shares under the Parkson Retail Asia Limited Employee Share Option Scheme

"That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Parkson Retail Asia Limited Employee Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
[see explanatory note (ii)] (Resolution 10)

By Order of the Board

Datuk Cheng Yoong Choong
Group Managing Director

Singapore

Dated: 16 October 2012

Explanatory Notes:

(i) Ordinary Resolution 9 proposed under Agenda 8 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(ii) Ordinary Resolution 10 proposed under Agenda 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Books Closure Date and Payment Date for Final Dividend

Subject to the approval of the shareholders at this Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 9 November 2012 ("Book Closure Date") for the purpose of determining Shareholders' entitlement to the dividend ("Dividend").

Duly completed registrable transfer received by the Company's Share Registrar, B.A.C.S. Private Limited of 63 Cantonment Road Singapore 089758, up to 5.00 pm. on 8 November 2012 will be registered to determine Shareholders' entitlement to the Dividend. In respect of shares in the securities accounts with The Central Depository (Pte) Limited ("CDP"), the Dividend will be paid by the Company to CDP which will distribute the dividend to holders of the securities accounts.

The final dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 23 November 2012.

Notes:

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

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

PARKSON RETAIL ASIA LIMITED

Company Registration No. 201107706H

(Incorporated In Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy Parkson Retail Asia Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Pisces/Aquarius Room, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Wednesday, 31 October 2012 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 30 June 2012		
2	Re-election of Datuk Cheng Yoong Choong as a Director		
3	Re-election of Gen (R) Tan Sri Dato' Seri Mohd. Zahidi bin Zainuddin as a Director		
4	Re-election of Mr Tan Siang Long as a Director		
5	Approval of a final dividend of SGD0.03 per ordinary share tax exempt (1-tier) for the financial year ended 30 June 2012		
6	Approval of Directors' fee of SGD345,000 for the financial year ended 30 June 2012		
7	Approval of Directors' fee of SGD460,000 for the financial year ending 30 June 2013, payable quarterly in arrears		
8	Re-appointment of Messrs Ernst & Young LLP as Auditors		
9	Authority to issue new shares		
10	Authority to issue new shares under the Parkson Retail Asia Limited Employee Share Option Scheme		

Dated this ________ day of ____________________ 2012

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

____

Signature of Shareholder(s) or,

Common Seal of Corporate Shareholder

Delete where inapplicable

Notes:

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

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

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

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

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

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

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

General:

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

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

PARKSON 百盛

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