PARKSON HOLDINGS BERHAD

A Member of Lion Group

(89194-P)

LAPORAN TAHUNAN

2019

ANNUAL REPORT

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 36th Annual General Meeting of Parkson Holdings Berhad ("36th AGM") will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 27 November 2019 at 10.30 am for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 and the Reports of the Directors and Auditors thereon. **Note 1**

2. To approve the payment of Directors' fees amounting to RM233,600 for the financial year ended 30 June 2019 (2018: RM240,000). **Resolution 1**

3. To approve the payment of Directors' benefits of up to RM95,000 for the period commencing after the 36th AGM until the next annual general meeting of the Company (2018: RM89,000). **Resolution 2**

4. To re-elect Mr Ooi Kim Lai who retires by rotation in accordance with Clause 110 of the Company's Constitution and who being eligible, has offered himself for re-election. **Resolution 3**

5. To re-elect Mr Liew Jee Min @ Chong Jee Min who was appointed during the financial year and retires in accordance with Clause 111 of the Company's Constitution and who being eligible, has offered himself for re-election. **Resolution 4**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

7. Special Business

   To consider and, if thought fit, pass the following Ordinary Resolutions:

7.1 Authority to Directors to Issue Shares

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 6**

7.2 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the renewal of the mandate granted by the Shareholders of the Company on 23 November 2018, for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 29 October 2019 ("Related Parties") which has been despatched to the Shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 7**

THAT authority conferred by this ordinary resolution will only continue to be in force until:

(i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the Shareholders of the Company in general meeting,

whichever is the earlier; and

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

8. To transact any other business for which due notice shall have been given.

By Order of the Board

LIM KWEE PENG (MAICSA 7015250)
CHOO YOON MAY (MAICSA 7044632)
Secretaries

Kuala Lumpur
29 October 2019

Notes:

Proxy

(i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 November 2019 shall be eligible to attend the Meeting.

(ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.

(iii) If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.

(iv) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.

(v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vi) The instrument appointing a proxy shall be deposited at the Office of the Registrar of the Company at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting.

(vii) Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.

1. *Audited Financial Statements for the financial year ended 30 June 2019*

   The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. As such, this Agenda item is not a business which requires a resolution to be put to vote by Members.

2. *Circular to Shareholders dated 29 October 2019 ("Circular")*

   Details on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular accompanying the 2019 Annual Report.

3. *Resolution 2*

   The benefits payable to the Directors of up to RM95,000 for the period commencing after the 36th AGM until the next annual general meeting of the Company comprise estimated meeting allowance in respect of Directors' attendance at Board and Board Committees meetings which have been scheduled and those unscheduled, where necessary. The Board is of the view that it is just and equitable for the Directors to be paid the meeting allowance as and when incurred when they discharge their responsibilities and render their services to the Company throughout the relevant period.

4. *Resolution 6*

   This approval will allow the Company to procure the renewal of the general mandate ("General Mandate") which will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company (excluding treasury shares). This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 23 November 2018 which will lapse at the conclusion of this Annual General Meeting.

   The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for purposes of funding future investment projects, working capital and/or acquisitions.

5. *Resolution 7*

   This approval will allow the Company and its subsidiaries to continue to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular, which are necessary for the Group's day-to-day operations undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri Cheng Heng Jem *(Chairman and Managing Director)* Ms Cheng Hui Yen, Natalie *(Executive Director)* Cik Zainab binti Dato' Hj. Mohamed Mr Liew Jee Min @ Chong Jee Min Mr Ooi Kim Lai
Secretaries	:	Ms Lim Kwee Peng (MAICSA 7015250) Ms Choo Yoon May (MAICSA 7044632)
Company No	:	89194-P
Registered Office	:	Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Wilayah Persekutuan Tel No : 03-21420155 Fax No : 03-21413448 Website : www.lion.com.my/parkson
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Wilayah Persekutuan Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Wilayah Persekutuan
Principal Bankers	:	HSBC Amanah Malaysia Berhad CIMB Bank Berhad Industrial and Commercial Bank of China (Malaysia) Berhad Malayan Banking Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	PARKSON
Bursa Securities Stock No	:	5657
Reuters Code	:	PRKN.KL
ISIN Code	:	MYL5657OO001

DIRECTORS' PROFILE

Tan Sri Cheng Heng Jem
Non-Independent Chairman and Managing Director

Y. Bhg. Tan Sri Cheng Heng Jem, a Malaysian, male, aged 76, was appointed to the Board on 30 March 1989. He was appointed the Managing Director and the Chairman of the Company on 16 August 2006 and 13 November 2006 respectively.

Tan Sri Cheng has more than 45 years of experience in the business operations of the Lion Group encompassing retail, branding, food and beverage, credit financing and money lending services, property development, mining, manufacturing, steel, tyre, motor, agriculture and computer industries.

Tan Sri Cheng was 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") from 2003 to 2012 and is now a Life Honorary President of ACCCIM and KLSCCCI. Tan Sri Cheng was also the President of Malaysia Retailers Association ("MRA") from August 2014 to May 2018 and in June 2018, he was appointed an Honorary President of MRA. He is a Trustee of ACCCIM's Socio-Economic Research Trust, the President of Malaysia Steel Association, and was appointed the Chairman of the Federation of Asia-Pacific Retailers Associations in October 2017.

Tan Sri Cheng's other directorships in public companies are as follows:

- Chairman of Lion Forest Industries Berhad, a public listed company
- Chairman and Managing Director of Lion Corporation Berhad
- Chairman of ACB Resources Berhad
- Chairman, a Founding Member and a Permanent Trustee of The Community Chest, a company limited by guarantee established by the private sector for charity purposes

Tan Sri Cheng has a direct shareholding of 286,923,039 ordinary shares in the Company ("Parkson Shares") and a deemed interest in 341,532,045 Parkson Shares. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 209 of this Annual Report.

Tan Sri Cheng is the father of Ms Cheng Hui Yen, Natalie, the Executive Director of the Company, and Ms Juliana Cheng San San who is an Executive Director of Parkson Retail Group Limited, a subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited.

Tan Sri Cheng attended all 4 Board Meetings of the Company held during the financial year ended 30 June 2019.

Cheng Hui Yen, Natalie
Executive Director

Ms Cheng Hui Yen, Natalie, a Malaysian, female, aged 36, was appointed the Executive Director of the Company on 26 August 2015.

Ms Cheng graduated with a Bachelor of Arts in Media and Communications from the University of Melbourne, Australia in 2004.

Ms Cheng joined Parkson Corporation Sdn Bhd in 2005 as an Assistant Buyer in the Cosmetics and Fragrances Department followed by the Gents and Sports Departments, and currently, heads the Merchandising Department as Director - Merchandising. Prior to joining Parkson, Ms Cheng who is fluent in Mandarin had worked for Saatchi & Saatchi Beijing in the People's Republic of China as an intern in the Strategic Planning Department before returning to Malaysia.

Apart from overseeing Parkson's Merchandising Department in Malaysia, Ms Cheng regularly visits the Parkson stores in China, Indonesia and Vietnam to keep abreast of the retail scene in these countries as well as in Malaysia for the improvement of the Parkson stores.

Ms Cheng has a direct shareholding of 50,000 ordinary shares in Parkson Retail Asia Limited, a subsidiary of the Company listed on the Singapore Exchange Securities Trading Limited.

Ms Cheng is the daughter of Y. Bhg. Tan Sri Cheng Heng Jem who is the Chairman and Managing Director, and a major shareholder of the Company. She is also a sister of Ms Juliana Cheng San San who is an Executive Director of Parkson Retail Group Limited, a subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited.

Ms Cheng attended all 4 Board Meetings of the Company held during the financial year ended 30 June 2019.

Zainab binti Dato' Hj. Mohamed
Independent Non-Executive Director

Cik Zainab binti Dato' Hj. Mohamed, a Malaysian, female, aged 61, was appointed to the Board on 23 November 2012. She is also the Chairman of the Audit Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

Cik Zainab graduated with a Diploma in Accountancy from Universiti Teknologi MARA (UiTM) in 1978 and studied at the London School of Accountancy, England for the Association of Chartered Certified Accountants qualification from 1979 to 1981. She is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants.

Cik Zainab has more than 35 years of experience in the audit and finance fields holding various positions in an audit firm, a commercial bank, an investment and holding company, a petroleum multinational company, a general insurance company and a solid waste management concessionaire.

Currently, she manages her own management and consultancy firm, ANZ Consultancy Services.

Cik Zainab attended all 4 Board Meetings of the Company held during the financial year ended 30 June 2019.

Liew Jee Min @ Chong Jee Min
Independent Non-Executive Director

Mr Liew Jee Min @ Chong Jee Min, a Malaysian, male, aged 60, was appointed to the Board on 15 January 2019. He is also the Chairman of the Nomination Committee, and a member of the Audit Committee and Remuneration Committee of the Company.

Mr Chong graduated from the University of Leeds, England in 1984 with an Honours degree in Law. He obtained his Certificate of Legal Practice, Malaya in 1985 and was admitted as an advocate and solicitor to the High Court of Malaya in 1986. He established the firm Messrs J.M. Chong, Vincent Chee & Co. Advocates & Solicitors in December 1986 and has been practising since, concentrating on banking, corporate, commercial and real estate matters. He is the managing partner of the firm.

Mr Chong is the Vice President of the Klang Chinese Chamber of Commerce and Industry ("KCCCI"); the Chairman of the Legal Affairs Committee of the KCCCI and The Associated Chinese Chamber of Commerce & Industry of Coastal Selangor; a council member of The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor, and also the Chairman of its Legal Affairs Committee; and a member of the Legal Affairs Committee of The Associated Chinese Chambers of Commerce and Industry of Malaysia. He is an advisor to Sunsuria Berhad, and a legal advisor of Malaysia Used Vehicle Autoparts Traders Association, The Kuala Lumpur & Selangor Furniture Entrepreneur Association and Sekolah Menengah Chung Hua (PSDN) Klang.

Mr Chong is also the Chairman of YKGI Holdings Berhad, and a Director of Jaks Resources Berhad and Hextar Global Berhad (formerly known as Halex Holdings Berhad), all public listed companies.

Mr Chong attended the 2 Board Meetings of the Company held during the financial year ended 30 June 2019 subsequent to his appointment.

Ooi Kim Lai
Non-Independent Non-Executive Director

Mr Ooi Kim Lai, a Malaysian, male, aged 52, was appointed to the Board on 12 May 2014. He is also a member of the Nomination Committee of the Company.

Mr Ooi graduated with a Diploma in Accountancy from Tunku Abdul Rahman College, and is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Mr Ooi started his career in 1991 as an auditor in a public accounting firm and joined the Lion Group in 1993 as Group Accountant. Mr Ooi was the Group Chief Accountant before his appointment as Group Director of the Lion Group in January 2016 and is responsible for the accounting and financial management of certain listed companies in Malaysia and overseas within the Lion Group. He is also actively involved in the corporate exercises of the Lion Group including initial public offerings (IPOs), corporate restructuring, mergers and acquisitions, and undertakes investor relations by engaging with fund managers and analysts on various industries covering retail, branding, food and beverage, credit financing and money lending services, property development, mining, steel and services.

He is also a Director of Lion Diversified Holdings Berhad, a public company.

Mr Ooi has a direct shareholding of 197 ordinary shares in the Company.

Mr Ooi attended all 4 Board Meetings of the Company held during the financial year ended 30 June 2019.

Save as disclosed above, none of the Directors has (i) any interest in shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past 5 years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

Juliana Cheng San San
Singaporean, female, 49 years of age

Ms Juliana Cheng San San was appointed an Executive Director of Parkson Retail Group Limited ("PRGL") on 28 August 2015. PRGL Group undertakes the Group's retail business in the People's Republic of China ("PRC").

Ms Juliana Cheng graduated with a Bachelor of Commerce (Management) from the University of Western Sydney, Australia in 1994 and completed a Program for Global Leadership from Harvard Business School, Boston, the United States of America in 2000.

Ms Juliana Cheng started her career with the Lion Group in 1995 with stints in Singapore and Malaysia. During her tenure from 1995 to 2004, she held various positions in finance, human resource, administration and business development. In 2004, Ms Juliana Cheng was seconded to Parkson China as Cosmetics Manager and thus, began her career in the retail industry. She left Parkson China in May 2006 and joined Chanel (China) Co., Ltd. as the National Accounts Manager for business development in the PRC. In June 2010, she re-joined Parkson China as Regional Director overseeing its retail operations in the PRC. She is also a director of various subsidiaries of PRGL. During her more than 20 years with the Lion Group, Parkson China and Chanel (China) Co., Ltd., she has accumulated vast experience and knowledge of the retail and branding industry which enables her to contribute to the Group.

Ms Juliana Cheng is a daughter of Y. Bhg. Tan Sri Cheng Heng Jem who is the Chairman and Managing Director, and a major shareholder of the Company. She is also a sister of Ms Cheng Hui Yen, Natalie, the Executive Director of the Company.

Zhou Jia
Chinese, male, 47 years of age

Mr Zhou Jia is the Chief Operation Officer of the Parkson Retail Group Limited Group since 2016.

Mr Zhou graduated with a Bachelor of Business Administration from the University of Yuzhou, the People's Republic of China in 1994.

In 1995, Mr Zhou joined the Merchandising Department of Chongqing Wanyou Parkson and was promoted as the General Manager's Assistant of Kunming Parkson in 2002 and the Senior Operation Director in 2014.

Law Boon Eng
Malaysian, male, 62 years of age

Mr Law Boon Eng was appointed the Chief Operating Officer in October 2015 for the Group's retail operations in Malaysia.

Mr Law graduated with a Diploma in Management from the Curtin University, Australia in 1992 and was a member of the Chartered Management Institute, the United Kingdom.

Mr Law first joined the Group's Malaysia operations in 1988 as a Divisional Merchandising Manager and was appointed the General Manager of Merchandising and Marketing Department in 1996. Mr Law left the Group in 2001 and re-joined the Group as the Acting Chief Operating Officer in 2014. Mr Law has more than 30 years of experience in the retail industry. Prior to re-joining the Group, Mr Law held various senior positions in other major retail groups in Malaysia, including Chief Operating Officer and Executive Director of Ngiu Kee Corporation Bhd from 2001 to 2003 and Executive Director of Asia Brands Corporation Berhad from 2003 to 2007.

Chang Chae Young
Korean, male, 48 years of age

Mr Chang Chae Young was appointed the Chief Executive Officer ("CEO") of Indochina Operations and is responsible in overseeing the Parkson Retail Asia Limited ("PRA") Group's operations in Vietnam, Myanmar and Cambodia, on 1 July 2018.

Mr Chang graduated with a Bachelor of Business Management from the Chonnam National University, College of Business Administration in South Korea in 1995.

Mr Chang has more than 20 years of extensive experience in brand management and retail operations, having worked in South Korea, Hong Kong and the People's Republic of China ("PRC"). Prior to joining the PRA Group, he held various senior positions in Eland Group in Seoul, South Korea from 1996 to 2003, Brand Director of Teenie Weenie in Shanghai of the PRC from 2004 to 2010, General Manager of Kate Spade New York in Shanghai of the PRC from 2011 to 2013, Managing Director of Eland and Cole Haan in Hong Kong, and Eland China in Shenzen of the PRC from 2014 to March 2017 and Managing Director of Badina International in Hangzhou of the PRC from May 2017 to December 2017. In March 2018, he was appointed the Business Consultant of the PRA Group focusing on new direction and strategy of Parkson Vietnam operations before his appointment as the CEO of Indochina Operations.

Gui Cheng Hock
Malaysian, male, 61 years of age

Mr Gui Cheng Hock was appointed the Group Chief Operating Officer of the Group's retail operations in Indonesia on 15 October 2013.

Mr Gui graduated with a Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1982 followed by an Executive Diploma in Management Studies from the Curtin University of Technology, Australia in 1992.

Mr Gui first joined the Group's Malaysia operations in 1987 and has held several positions, including as Operations Manager, General Manager (Operations) and Senior General Manager (Retail Properties). He has more than 35 years of experience in the retail industry. Prior to joining the Group, he worked for Emporium Supermarket Holdings Bhd.

Poh Wan Chung, Danny
Malaysian, male, 47 years of age

Mr Poh Wan Chung, Danny assumed the position of Senior General Manager since January 2015, in charge of and responsible for the operations of Parkson Credit Sdn Bhd ("Parkson Credit") which provides consumer durables financing and money lending services under the name of *Parkson Credit*. Mr Danny Poh is also a director of Parkson Credit.

Mr Danny Poh graduated with a Bachelor of Commerce from the University of Auckland, New Zealand in 1995.

Mr Danny Poh has more than 20 years of working experience in financial institutions in the areas of hire purchase, credit card, consumer credit and loans. He first joined the Group in January 2014 as the General Manager of the credit financing business before his promotion to the current position. Prior to joining the Group, he was the Head of New Business and Insurance Agency and General Manager of AEON Credit Service (M) Berhad and served as its Head of Marketing and Business Development Division responsible for its marketing, sales and business development function.

Save as disclosed above, none of the Key Senior Management has (i) any directorship in public companies and listed issuers; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past 5 years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board is pleased to present the Corporate Governance ("CG") Overview Statement of the Company for the financial year ended 30 June 2019. This CG Overview Statement is prepared pursuant to the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

The Board has been guided by the Malaysian Code on Corporate Governance ("MCCG") in its implementation of CG practices while ensuring compliance with the Listing Requirements and the Companies Act 2016 in addition to monitoring developments in industry practice and other relevant regulations.

The CG Overview Statement provides a summary of the Company's CG practices during the financial year, with reference to the following 3 principles, intended outcomes and practices of the MCCG, having considered the Company's structure, processes, business environment and industry practices:

- Board leadership and effectiveness;
- Effective audit and risk management; and
- Integrity in corporate reporting and meaningful relationship with stakeholders.

This CG Overview Statement should be read together with the CG Report, which is accessible on the Company's website at www.lion.com.my/parkson. It should also be read in conjunction with other statements in this Annual Report such as the Statement on Risk Management and Internal Control and the Audit Committee Report.

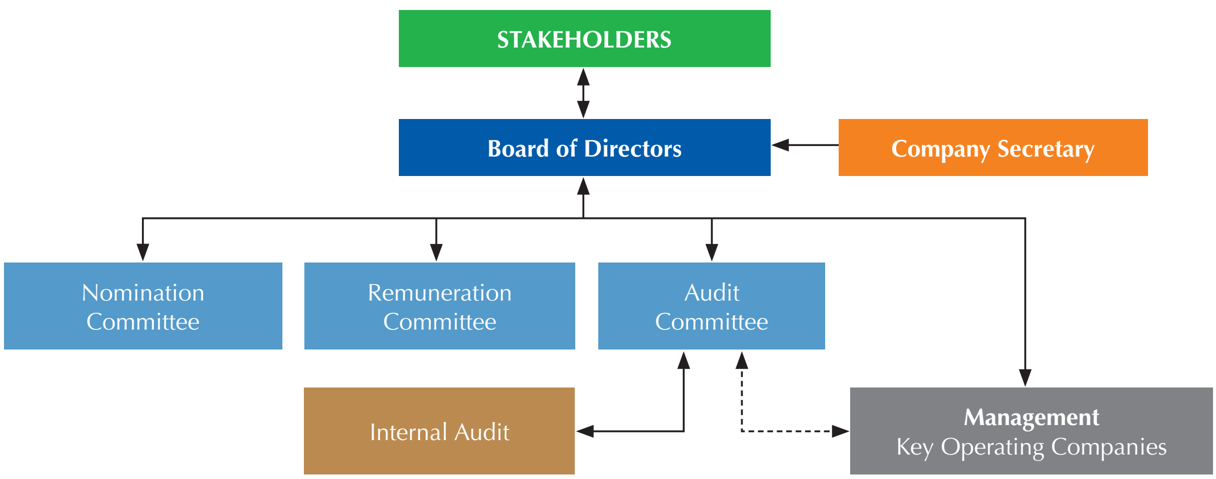
In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review except for the following practices:

- Practice 1.3 : Positions of Chairman and Chief Executive Officer are held by different individuals.
- Practice 4.1 : At least half of the board comprises independent directors.
- Practice 4.5 : Company's policies on gender diversity, its targets and measures to meet those targets.
- Practice 4.6 : Utilising independent sources to identify suitably qualified candidates in identifying candidates for appointment of directors.
- Practice 7.2 : Disclosure on a named basis, the remuneration of top 5 senior management.
- Practice 11.2 : Adoption by large companies of integrated reporting based on a globally recognised framework.
- Practice 12.3 : Leveraging technology to facilitate voting in absentia and remote shareholders' participation at general meetings for listed companies with a large number of shareholders or which have meetings in remote locations.

The details on the extent of the application of each CG practice as set out in the MCCG including the explanation for non-adoption of or departure from the abovementioned practices, are available in the CG Report for the financial year ended 30 June 2019.

CORPORATE GOVERNANCE FRAMEWORK

The governance structure of the Company where the responsibilities of the Board are delegated to the relevant Board Committees and the Management of the Company are illustrated below:



BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Responsibilities for Leadership and Meeting Objectives and Goals

The Board establishes the vision and strategic objectives of the Group and is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders value. The Board is primarily responsible for overseeing the implementation of strategies and plans by the Management, overseeing the conduct of the Group's businesses, monitoring the implementation of appropriate systems to manage principal risks, reviewing the adequacy and integrity of the Group's system of internal controls, and ensuring effective communications with stakeholders.

The Chairman is primarily responsible for ensuring Board effectiveness and leading the Board in its collective oversight of management whereas the Managing Director ("MD") and the Executive Director ("ED") are responsible for day-to-day management of the Group's businesses and operations including the implementation of business plans, strategies and policies. The distinct and separate roles of the Chairman, MD and ED with clear division of responsibilities are set out in the Company's Board Charter. Notwithstanding, the Company being cognisant of the requirements of the MCCG, given the Chairman's wealth of over 45 years of experience in the business operations of the Group, the history of the Group, its structure, business environment and the territories globally in which the Group operates in and performance track records, the Chairman also assumes the position of the MD for continuing leadership.

The Company Secretaries who have the requisite credentials and qualifications are available and provide support to the Board and Board Committees in ensuring that all of their meetings as well as general meetings are properly convened in accordance with applicable rules and procedures and that the records of the proceedings and resolutions are properly maintained. The Company Secretaries also facilitate the communication of decisions made by the Board and Board Committees to the relevant Management for appropriate actions.

The Directors also have access to the Company Secretaries for advice on their duties and obligations under the Companies Act 2016 and updates on corporate governance matters, statutory and regulatory requirements, and other relevant legislations in addition to administrative matters.

The appointment and removal of the Company Secretaries are subject to the approval of the Board.

The Board, as a whole and its members in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the matters to be deliberated upon. Senior Management of the Group are also invited to attend Board meetings to provide their professional views, advice and explanation on specific items on the agenda in order for the Board to arrive at an informed decision.

Besides direct interactions with the Management, external independent professional advisers are also made available at the Company's expense to render their independent views and advice to the Board whenever deemed necessary and under appropriate circumstances or at the request of the Board.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year, 4 Board Meetings were held.

Demarcation of Responsibilities between Board, Board Committees, Individual Directors and Management

The Board Charter clearly sets out the composition, roles, responsibilities, powers and processes of the Board, and matters reserved for decision of the Board. In facilitating the discharge of duties by the Board, the Board Charter provides for delegation of responsibilities by the Board to Board Committees via approved Terms of Reference of each Board Committee and the reporting obligations by the Board Committees. The Board Charter sets out responsibilities of the Board to ensure effective interactions between the Management and the Board. The Board Charter also serves as reference criteria for the Board in the assessment of its own performance, individual Directors and the Board Committees. Ultimately, the Board Charter reinforces the overall accountability of both the Board and the Management towards the Company and the stakeholders.

The Board Charter is subject to review by the Board at least once in every 3 years or as and when it becomes necessary to keep it current and in tandem with any new or revision of relevant statutory and regulatory requirements impacting the responsibilities and discharge of duties by the Board. The Company's Board Charter is available on the Company's website for reference.

In assisting the Board to discharge its oversight functions, the Board delegates certain responsibilities to 3 committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. The approved Terms of Reference which regulate the affairs and conduct of these Committees spell out their composition, responsibilities, authorities and duties. The respective Committees report to the Board on matters considered and their recommendations thereon. The Board may also form other committees delegated with specific authorities to act on its behalf whenever required. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The approved Terms of Reference of the respective Committees are available on the Company's website for reference.

The Board delegates to the MD and the ED, the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The MD and the ED may delegate aspects of their authorities and powers but remain accountable to the Board for the Company's performance and are required to report regularly to the Board on the progress being made by the Company's business units and operations.

Commitment to Good Business Conduct and Healthy Corporate Culture

The Board in discharging its functions has observed the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia ("CCM") which can be viewed from the CCM's website at www.ssm.com.my, the provisions of the Companies Act 2016, and the principles of the MCCG.

The Group has in place, a Code of Business Ethics and Conduct ("CoBEC") which covers the ethical values and principles of the Group and provides guidance on acceptable behaviour to all Directors and employees of the Group in operating and managing the Group's businesses and affairs. The CoBEC is further supported by other policies which include the Whistleblower Policy, Competition Policy, Sexual Harassment Policy, Sustainability Policy & Framework, Procurement Framework, Integrity & Fraud Risk Policy and Personal Data Protection Framework of the Group. The key policies are available on the Company's website under the section on "Governance".

II. BOARD COMPOSITION

Objectivity in Board Decision Making

During the financial year, the Board comprises 6 Directors, 4 of whom are non-executive. Represented on the Board are 3 independent non-executive Directors, effectively constituting half of the Board and whose presence and participation provide independent advice, views and judgement to bear on the decision-making process of the Group in ensuring that a balanced and unbiased deliberation process is in place to safeguard the interests of all stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

Subsequent to the financial year, Y. Bhg. Tan Sri Abdul Rahman bin Mamat resigned as an independent Director with effect from 1 September 2019. Consequently, the Board comprises 5 Directors, 2 of whom are independent non-executive. The Board acknowledges that although the current Board composition complies with the Listing Requirements, the Company was not able to apply the recommendation of the MCCG whereby at least half of the board comprises independent directors. The Board will endeavour to fulfil the recommendation of the MCCG.

In accordance with the Company's Constitution, 1/3 of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every 3 years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the Shareholders at the next annual general meeting following their appointment.

In line with the MCCG, the tenure of an independent Director does not exceed a cumulative term of 9 years. Upon completion of the 9 years, an independent Director may continue to serve on the Board as a non-independent Director. In the event such Director is to be retained as an independent Director, the Board must first justify and obtain shareholders' approval.

The Nomination Committee is responsible for recommending to the Board the re-election of Directors and the retention of the independent Directors whose tenure of service will exceed 9 years or have exceeded 9 years. The MCCG provides that where the tenure of an independent Director has exceeded a cumulative term of 12 years, shareholders' approval must be sought by the Board through a 2-tier voting process to retain the said Director as an independent Director.

The Board, assisted by the Nomination Committee, assesses the independence of the independent Directors on an annual basis. In addition, the independent Directors affirm their independence annually to the Board.

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates to be appointed to the Board and Board Committees.

In optimising the collective leadership by the Board in providing clear direction and opportunities for the Group, the Board, in its appointments and composition, pays due recognition to the mix of competencies, expected contributions and diversity representation of the Board. The Board, from time to time, undertakes a review of the merit of the appointment criteria in the context of the Group's businesses and strategies for appropriateness. The Board currently has 2 women Directors.

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the following criteria:

- Competencies – qualifications, knowledge, industrial experience and expertise, seniority and past achievements;
- Expected contributions – appointment scope, role, commitment level, professionalism and integrity; and
- Diversity representation – appropriateness and the fulfilment of the Board's desired mix of competencies, age, gender and cultural background.

The process and criteria to identify and nominate candidates for appointment as a Director, and re-election and re-appointment of existing Directors are set out in the Board Charter.

A brief description of each Director's background is presented in the respective profile under Directors' Profile on pages 5 to 7 of this Annual Report.

As an enhancement to its current process of sourcing suitable candidates for the Board, the Nomination Committee may also consider procuring suitable candidates from independent sources, when appropriate and practicable.

The Nomination Committee comprises 3 members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Mr Liew Jee Min @ Chong Jee Min, an independent Director. The composition and the Terms of Reference of the Nomination Committee are presented on page 32 of this Annual Report and are available on the Company's website for reference.

Effectiveness of the Board and Individual Directors

The Nomination Committee reviews and assesses the performance and effectiveness of the Board as a whole and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfilment of the respective Board Committee's Terms of Reference on an annual basis.

The assessment criteria for review of performance and effectiveness of the Board, Board Committees and individual Directors are set out in the Board Charter.

Time Commitment

A Director shall notify the Chairman of the Board of his acceptance of any new directorship in public listed companies. In any event, the maximum number of appointments in public listed companies shall be limited to 5 or any other number as set out in the Listing Requirements.

The notification shall include an assurance of his continued time commitment to serve the existing Board and that his other appointments shall not be in conflict or compete with the existing appointment with the Company.

Directors' Training

All Directors are encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates by engaging in continuous professional development and where appropriate, on financial literacy.

The Board, on a continuing basis, evaluates and determines the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to sustain their active participation in board deliberations and effectively discharge their duties.

The Directors are kept up-to-date with market developments and related issues through Board discussion meetings with Management. In addition, the Company may arrange site visits for the Directors, whenever necessary, to enhance their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

Newly appointed Directors, if any, are required to attend a familiarisation programme. This includes meeting key senior management to be briefed on the core businesses and operations of the Group. It also serves as a platform to establish effective channel of communication and interaction with Management.

During the financial year, the Directors had attended the following seminars, forums, talks, dialogues, briefings and breakfast series organised by Bursa Malaysia Berhad, and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities, investment and prospects in various industries and countries, risk management and internal controls, economic and regional issues, board, management, entrepreneurship and leadership, statutory and regulatory updates and requirements, financial and accounting knowledge and updates, sustainability covering community, environment, marketplace and workplace, fraud, corruption and cybersecurity risks, and technology and innovation:

Name of Directors	**Programme**
Tan Sri Cheng Heng Jem	• Lion Group In-House Directors' Training on: (i) Corporate Liability & Directors' Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points
Cheng Hui Yen, Natalie	• Minority Shareholder Watchdog Group (MSWG) with support of Bursa Malaysia – Advocacy Programme on CG Assessment using the Revised ASEAN CG Scorecard Methodology • Bursa Malaysia & ICDM – Breakfast Series: "Companies of the Future - The Role for Boards" • Briefing by Bursa Malaysia – "ESG Engagement for the FTSE4Good Bursa Malaysia Index" • Lion Group In-House Directors' Training on: (i) Corporate Liability & Directors' Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points

Name of Directors	**Programme**
Tan Sri Abdul Rahman bin Mamat	• Iclif in collaboration with Financial Institutions Directors' Education Programme (FIDE) – Emerging Risks, the Future Board, and Return on Compliance (Part 1) • Iclif in collaboration with Financial Institutions Directors' Education Programme (FIDE) – Emerging Risks, the Future Board, and Return on Compliance (Part 2) • BNM-FIDE Forum – Board Conversations - Dialogue with Senior Officials of Bank Negara Malaysia • MICG – Board Evaluation & Board Effectiveness Assessment - Moving the Performance Paradigm • PNB Leadership Forum 2019 • 1st Shariah Dialogue Session 2019 – Knowledge Sharing Session: Takeaways from Legal Cases in Islamic Finance • MIDF – Luncheon Talk with Y.B. Datuk Sri Saifuddin Nasution Ismail - Dealing with the Rising Cost of Living • China's Belt & Road Initiatives – Latest Status & Impact on Business • MIA in collaboration with The Institute of Internal Auditors Malaysia – Audit Committee Conference 2019 - Meeting the New Expectations • Bursa Malaysia & ICDM – Corporate Governance Advocacy Programme: Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times: Building Corporate Longevity
Zainab binti Dato' Hj. Mohamed	• Lion Group In-House Directors' Training on: (i) Corporate Liability & Directors' Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points • Bursa Malaysia & Deloitte – Corporate Governance Advocacy Programme: Cyber Security in the Boardroom - "Accelerating from Acceptance to Action"
Liew Jee Min @ Chong Jee Min	• Bursa Malaysia – Independent Directors' Programme: "The Essence of Independence" • ICDM – Revisiting The Misconception of Board Remuneration
Ooi Kim Lai	• Bursa Malaysia – Sustainability Engagement Series for Directors / Chief Executive Officers • Briefing by Bursa Malaysia – "ESG Engagement for the FTSE4Good Bursa Malaysia Index" • Lion Group In-House Directors' Training on: (i) Corporate Liability & Directors' Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points

The Directors are also updated and apprised on a continuing basis by the Company Secretaries on new and/or revised regulatory and statutory requirements (''Continuing Updates'').

The Board, after having undertaken an assessment, viewed that the Directors, having attended the Programmes and having been kept up-to-date with market developments and related issues as well as apprised with the Continuing Updates, had adequately met the training needs of each of the Directors towards enhancing his skills and knowledge to carry out his duties as a Director.

III. REMUNERATION

Level and Composition of Remuneration that Attract and Retain Talents

The Company has a formal remuneration policy for the Board of Directors and senior management respectively to ensure that it attracts and retains experienced and well qualified Directors and senior management to manage the Company's and the Group's business and operations effectively. Directors do not participate in decisions regarding their own remuneration. The Board continued to apply the criteria set for determining the remuneration packages of executive Directors whilst the recommendation made by the Board on the non-executive Directors' fees for approval by Shareholders at the Company's annual general meeting was reflective of the market competitiveness and responsibilities undertaken by the Directors.

The Board delegates the oversight of the remuneration of the MD and the ED to the Remuneration Committee. The composition and the Terms of Reference of the Remuneration Committee are presented on page 33 of this Annual Report and are available on the Company's website for reference.

Remuneration Factoring in Individual and Company's Performance

Details of the remuneration of the Directors for the financial year ended 30 June 2019 are as follows:

	Fees RM'000	Meeting Allowance RM'000	Salaries & Bonuses* RM'000	Benefits-in-kind RM'000	Total RM'000
The Group					
Executive Directors					
Tan Sri Cheng Heng Jem	343	4	2,418	28	2,793
Cheng Hui Yen, Natalie	25	4	361	33	423
Non-executive Directors					
Tan Sri Abdul Rahman bin Mamat (1)	45	9	–	–	54
Zainab binti Dato' Hj. Mohamed	50	11	–	–	61
Ooi Kim Lai	25	7	–	–	32
Liew Jee Min @ Chong Jee Min (2)	21	4	–	–	25
Yeow Teck Chai (3)	18	4	–	–	22
	527	43	2,779	61	3,410
The Company					
Executive Directors					
Tan Sri Cheng Heng Jem	50	4	120	–	174
Cheng Hui Yen, Natalie	25	4	–	–	29
Non-executive Directors					
Tan Sri Abdul Rahman bin Mamat (1)	45	9	–	–	54
Zainab binti Dato' Hj. Mohamed	50	11	–	–	61
Ooi Kim Lai	25	7	–	–	32
Liew Jee Min @ Chong Jee Min (2)	21	4	–	–	25
Yeow Teck Chai (3)	18	4	–	–	22
	234	43	120	–	397

Notes:

* The salaries are inclusive of employer's provident fund and social security welfare contributions.
(1) Resigned with effect from 1 September 2019.
(2) Appointed on 15 January 2019.
(3) Retired on 23 November 2018.

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

Effective and Independent Audit Committee

The Board affirms its responsibility for the presentation of a balanced and clear assessment of the Group's position, financial performance and future prospects to the Company's stakeholders through the annual financial statements, quarterly financial reports and corporate announcements which are in accordance with the Listing Requirements.

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the quarterly financial results and the annual audited financial statements of the Group and of the Company, including timely and quality disclosure through appropriate corporate disclosure policies and procedures adopted.

During the financial year, the Audit Committee comprises 3 members, all of whom are independent Directors and are financially literate. Subsequent to the financial year, Y. Bhg. Tan Sri Abdul Rahman bin Mamat relinquished the position as a member of the Audit Committee following his resignation on 1 September 2019. The Chairman of the Audit Committee is elected among the members of the Committee who is not the Chairman of the Board. The Terms of Reference and the main works undertaken by the Audit Committee for the financial year under review are set out in the Audit Committee Report on pages 26 to 31 of this Annual Report.

The Board has established a formal and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee evaluates the performance and assesses the suitability, objectivity and independence of the External Auditors based on the policies and procedures which are in place. The Audit Committee also recommends the re-appointment of the External Auditors and their remuneration to the Board. The re-appointment of the External Auditors is subject to the approval of Shareholders at the annual general meeting whilst their remuneration is determined by the Board.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Informed Decisions on Level of Risks and Implementation of Controls in Pursuit of Objectives

The Board has the oversight responsibility of the adequacy and effectiveness of the Group's system of internal controls which comprises the governance, risks and controls aspects. The Board believes that effective maintenance of the system is important to help the Group to achieve its various objectives at many levels and having considered the risks that the Group faces whilst balancing out the interest of its many stakeholders and protecting the Group's assets and investments.

The Board fulfils its oversight function of risk management and internal control system via the Audit Committee. An approved Enterprise Risk Management ("ERM") Framework which was developed based on ISO31000:2009 is in place and provides guidance to both the Board and Management on the risk management reporting structure and governance, processes, assessment methodologies and tools. The Management of key operating companies adopt and apply the prescribed methodologies to identify, evaluate, treat, control, track and report the Strategic, Business, Financial and Operational Risks based on the risk appetite set. In addition to the ERM Framework, the Group has in place an approved Compliance Framework for management of Compliance Risks which are recognised as part of Operational Risks under the ERM Framework.

The Internal Audit Function assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework and provide confirmation of the effectiveness of internal control and risk assessment process by the respective Head of Key Operating Companies ("KOC") and Head of accounts and finance of the KOC (on financial related matters) with the signing off of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis.

An overview of the Board's responsibility, the state and descriptions of the key components of the Group's system of internal control which include the conduct of reviews by the Internal Audit Function, risk management and compliance management is set out in the Statement on Risk Management and Internal Control on pages 19 to 25 of this Annual Report.

Effectiveness of Governance, Risk Management and Internal Control System

The Board has established an Internal Audit Function within the Group to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the Audit Committee to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently. The Internal Audit Function is led by the Group Chief Internal Auditor who reports directly to the Audit Committee. The Internal Auditors attend all meetings of the Audit Committee. The Audit Committee's review of the scope of work, budget, reports by the Internal Audit Function and the detailed description of the Internal Audit Function are provided in the Audit Committee Report on pages 30 and 31 of this Annual Report.

The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 21 in the Statement on Risk Management and Internal Control and pages 30 and 31 in the Audit Committee Report of this Annual Report, respectively.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

Continuous Communication between the Company and Stakeholders to Facilitate Mutual Understanding of Objectives and Expectations

The Board acknowledges the importance of timely and equal dissemination of material information to the Shareholders, investors and public at large. The Board ensures its adherence to and compliance with the disclosure requirements of the Listing Requirements as well as the Corporate Disclosure Guide issued by Bursa Securities.

The Company's Shareholders and members of the public may gain access to any latest corporate information of the Company on its website at www.lion.com.my/parkson which is linked to the announcements published on the website of Bursa Securities at www.bursamalaysia.com.

The Group also values dialogues with institutional investors, fund managers and analysts. The Group has been practising open discussions with investors/fund managers/analysts upon request through meetings, teleconferencing and emails. In this regard, information is disseminated with strict adherence to the disclosure requirements of Bursa Securities.

The Company's website provides easy access to corporate information, Board Charter, Terms of Reference of Board Committees, key policies, annual reports and company announcements pertaining to the Group and its activities.

The Board has identified the Company Secretaries to whom concerns may be conveyed and who would bring the same to the attention of the MD and the ED.

II. CONDUCT OF GENERAL MEETINGS

Participation by Shareholders and Informed Voting Decisions

The Board has oversight over the implementation and maintenance of the required effective communications and engagements with Shareholders.

The annual general meetings and other meetings of Shareholders are the principal forum for dialogue with Shareholders. Shareholders are provided with an opportunity to participate in the question and answer session at which Shareholders may raise questions regarding the proposed resolutions at the said meetings as well as on matters relating to the Group's businesses and affairs. The Chairman, the Board members, Management as well as the External Auditors are in attendance to respond to Shareholders' queries. The Chairman also shares with the Shareholders, the Company's responses to questions submitted in advance of the annual general meetings by the Minority Shareholder Watchdog Group. A summary of key matters discussed at the annual general meetings of the Company are published on the Company's website.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") acknowledges the importance of maintaining a sound system of internal control to safeguard the interests of stakeholders (including shareholders' investments) and the Group's assets. The Board is pleased to present the Statement on Risk Management and Internal Control of the Group covering key subsidiaries, which was prepared with reference to the applicable statutory requirements and regulatory guidelines including:

- Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers;
- Corporate Disclosure Guide and Corporate Governance Guide (3rd Edition); and
- Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Board Responsibility

The Board affirms its overall responsibility for the Group's internal control system and for reviewing the adequacy and effectiveness of this system which covers governance, enterprise risk management, financial, strategy, organisational, operational, regulatory and compliance controls. However, in view of the inherent limitations in any system, such system of internal control can only provide reasonable and not absolute assurance against material misstatements, frauds or losses and unforeseen emerging risks.

The Board delegates the oversight of internal control and risk management to the Audit Committee ("AC"). The AC deliberated at its meetings, the adequacy and effectiveness of internal controls based on the findings and outcome of the audits which were conducted and reported by the Group Internal Audit ("GIA") during the financial year. The reports by the GIA described the issues discovered during the audits and actions taken by Management in addressing them. The Chairman of the AC thereafter briefed the Board members of the proceedings of the AC meetings including highlighting any material matters on internal control or risk management that warranted the Board's attention. Minutes of the AC meetings which recorded these deliberations were also presented to the Board for notation.

Key Components of Internal Control System

The Group's key components of internal control system are as follows:

1. **Integrity and Ethical Values**

    - A Code of Business Ethics and Conduct ("CoBEC") which sets out the principles to guide employees' conduct to the highest standards of personal and corporate integrity. The CoBEC covers areas such as conflict of interest, use of company assets, confidentiality of proprietary information, acceptance of gifts and business courtesies, prohibition of kickbacks as well as provisions which cover personal data protection, competition, anti-money laundering and anti-terrorism financing. The CoBEC is published on the Company's website at www.lion.com.my/parkson.

    - A groupwide integrity framework that accentuates the Group's commitment to uphold integrity in all manner of conduct by its employees at all times in their interaction with various stakeholders, both internal and external. This framework includes Integrity & Fraud Risk Policy which interphases with many of the existing policies adopted within the Group and also addresses fraud reporting and investigation.

2. **Authority and Responsibility**

    - The Board establishes the vision and strategic objectives of the Group and is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders value. The Group's business strategic directions are also reflected in the respective key operating companies' ("KOCs") Corporate Performance Scorecard ("CPS") which are reviewed half-yearly. The Board retains full and effective control of the Group's strategic plans, overseeing the conduct of the Group's businesses, setting policies, implementing, reviewing and maintaining an appropriate system of risk, control and compliance management and ensuring the adequacy and integrity of the Group's system of internal control. The Board is also responsible in ensuring financial integrity, setting the Group's risk appetite, reviewing and approving material transactions, related party transactions, capital financing and succession planning, and overseeing the implementation of stakeholder communication.

- The Board delegates to the Managing Director ("MD") and the Executive Director ("ED"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The MD and the ED may delegate aspects of their authorities and powers but remain accountable to the Board for the Company's performance and are required to report regularly to the Board on the progress being made by the Company's business units and operations. Delegation of responsibilities and accountability by the MD and the ED further down the structure of the Group is communicated and formalised via respective operational structure and organisational chart as well as the authority matrix.

- Board Committees which are guided by respective Terms of Reference were set up to fulfil certain responsibilities delegated by the Board. These Committees assist the Board in promoting governance and accountability as well as overseeing internal controls, Board effectiveness, and nomination and remuneration of Directors and key positions:

  - Audit Committee
  - Nomination Committee
  - Remuneration Committee

- The Management of each operating company is responsible and accountable to the Senior Management, MD, ED and the Board for implementing the framework, policies and procedures on risk and internal control as approved or directed by the Board.

3. Organisation Structure

- An operational structure and organisational chart which defines the lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability.

- The authority matrix outlines the decision areas and the persons empowered to requisite, authorise and approve the expenditure/commitment. Delegated authority carries with it the obligation to exercise sound judgement, good business sense and accountability.

4. Frameworks, Policies and Procedures

- A set of Group level internal policies and procedures which is maintained centrally and accessible to employees via the intranet. The policies and procedures at both Group level and business or operational level are regularly reviewed for updates to resolve operational deficiencies and to meet new compliance requirements. Enhancement efforts to streamline local policies, guidelines or procedures at business or operational level to key Group Policies and Procedures are continuing.

- A Group Procurement/Tender Policy which provides a fairly standardised, uniform and consistent set of controls by promoting accountability, ownership and transparency. This increases the ability of the Group to develop a pool of reliable and competent vendors through proper governance, selection of appropriate procurement method and vendor management.

- A Group Personal Data Protection Framework which provides guidelines on implementation of controls in business and operations processes in meeting the requirements of data protection principles of Personal Data Protection Act 2010.

- Other key policies such as Competition Policy and Sexual Harassment Policy which complement the Group's CoBEC. These policies direct the employees to behave ethically and professionally in ensuring compliance with relevant laws and creation of a conducive working environment.

- A Group Sustainability Framework and Plan which provides the roadmap to enhance Governance and the management of the material Economic, Environmental and Social risks and opportunities as well as stakeholders engagement.

5. Planning, Monitoring and Reporting

- An annual exercise involving all business units to prepare a comprehensive budget and business plan which includes development of business strategies and the establishment of key performance indicators against which the overall performance of the companies within the Group can be measured and evaluated.

- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the AC.

6. Internal Audit

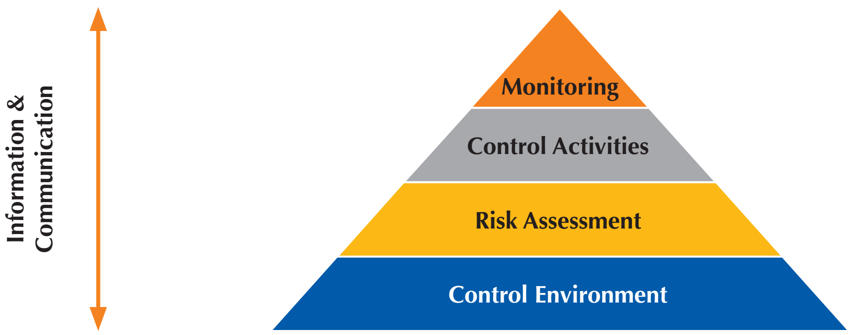
- Internal Audit Charter that is approved by the AC articulates the purpose, responsibility and authority of the GIA function as well as the nature of assurance activities provided by the function.

- Annual Audit Plan that is approved by the AC provides a basis for audit engagements which also considers feedback from the Management. The GIA adopts a risk based audit approach, assesses the selected areas under the audit scope with regard to risk exposures, compliance towards the approved policies and procedures and relevant laws and regulations and where appropriate, benchmarks against best practices in respective industry.

- Review of business processes and systems of internal control and risk management by the GIA which submits its reports to the AC on a quarterly basis. The GIA also established follow-up review to monitor and to ensure that the recommendations of internal audit are effectively implemented.

- Confirmation of the effectiveness of internal control and risk assessment process by the respective Head of KOC and Head of accounts and finance of the KOC (on financial related matters) with the signing off of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis.

- The GIA assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework. The following 5 inter-related COSO components are considered during the assessment:



7. Risk Management

- The Group has in place a risk management framework, Enterprise Risk Management ("ERM") Framework that is modelled after the widely adopted standard ISO31000:2009 Risk Management – Principles and Guideline to guide the implementation of a consistent risk management practice across the Group by both the Board and the Management. It recognises that risks are inherent in businesses and views them within the context of risk as an opportunity, uncertainty or hazard.

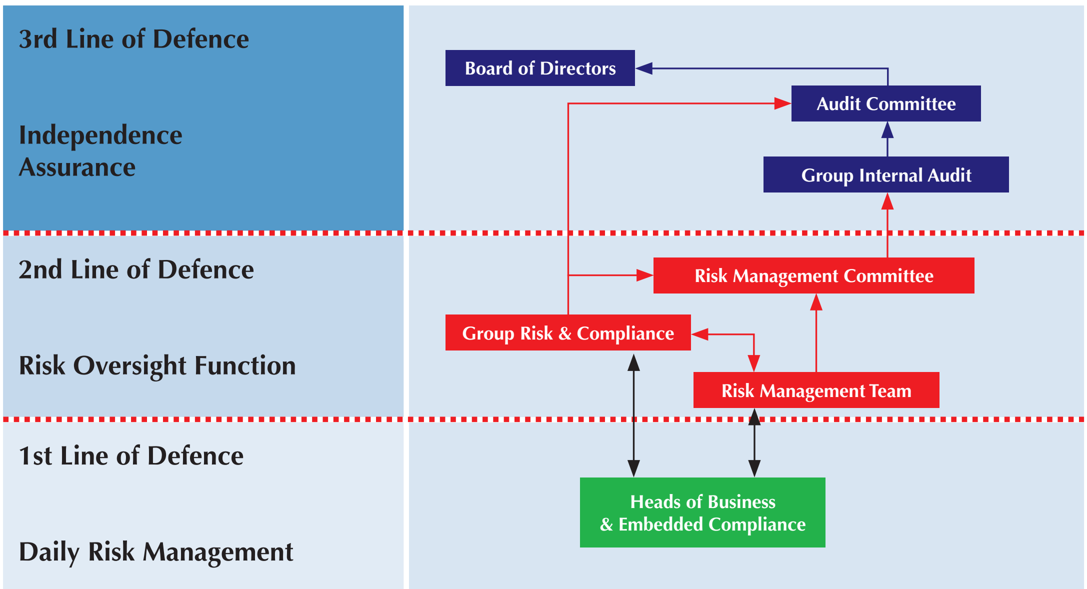
- The ERM Framework provides guidelines on the risk governance, risk management process, risk reporting and generic tools to be used by the Group. The design of the risk governance structure therein is premised on 3 lines of defence concept with clear functional responsibilities and accountabilities for the management of risk:

  – The first line of defence under the framework is found at the KOCs level where the Head of each KOC assumes the overall accountability for the respective KOC's risk management implementation. Each KOC's Heads of department would provide support to the Head of KOC and supervision of risk management practices in key processes under their respective areas of responsibilities. The Heads of KOC, in their half-yearly updates and reporting of respective CPS and Corporate Risk Scorecard ("CRS"), provided confirmation that the risk management process with regard to identification of material issues together with relevant controls and management actions have been adequately complied with.

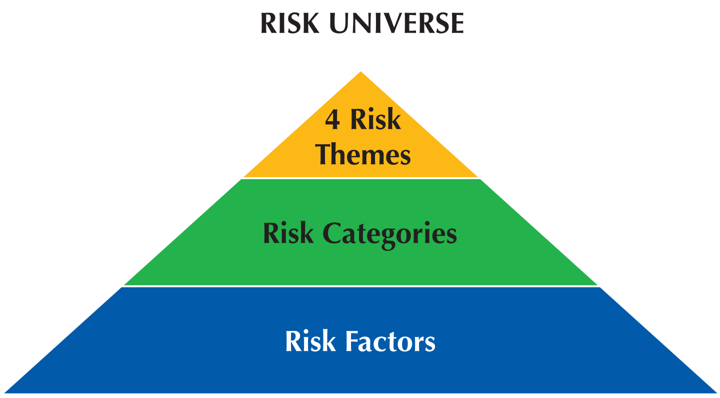
  – The second line of defence provides oversight function via the establishment and roles vested in the KOC's Risk Management Team ("RMT") and Risk Management Committee ("RMC") both of which are supported by the Group Risk and Compliance ("GRC") department. The RMTs establish their strategy roadmap for every financial year via the CPS and identified, analysed and reported risks to the RMC and AC via the CRS. The GRC provides the reporting templates, updated tools, maintenance of Q-Radar system and facilitation or review of KOC's scorecards development or updates with KOCs' risk representatives. The RMC receives and reviews the scorecards reports from KOCs together with the AC.

  – The third line of defence is realised through the provision of objective and independent challenge by GIA with regard to the level of assurance as provided by business operations and oversight functions. The Board, through the deliberations and recommendations of the AC, sets the overall risk appetite for the Group.

- The risk management organisational structure adopted by the Group is illustrated as follows:



- The Group employs a Risk Universe Listing to facilitate identification of risk across 4 risk themes which are Strategic, Business, Financial and Operational as shown in the illustration below:



- Most KOCs of the Group have set risk tolerance ranges, either qualitative or semi-quantitative, for selected result areas via a self-defined risk impact severity table. Such table is referred to together with a risk matrix which provides measurement scales on possibility of risk occurrence and impact. The use of these tools facilitates the measurement of each risk analysed and evaluated at 3 different levels; Inherent, Nett and Target, thereby enabling the RMTs to focus more on the management of high risk areas in line with their risk tolerance.

8. Compliance Management

- Half-yearly Compliance Risk Self-Assessment (CRSA) exercises with mitigations identified to address breaches or material non-compliances.

- Joint review of existing operational practices and selected policies or procedures for possible and appropriate control enhancements. Such exercises may result in revision of relevant policies or procedures, new policies or procedures, introduction of control tools such as standard templates/forms and even development of special purpose automated process.

- A compliance programme reviewed by the AC on an annual basis addressing key compliance areas of statutory and regulatory requirements, codes and internal ethics/standards/policies and procedures. The results and status of the compliance programme were reported by the Compliance Function on a half-yearly basis to the Compliance Committee to monitor and address on-going changes and implementations in the legislative and regulatory requirements affecting the Group.

9. Safety and Hazards Management

- Operations and safety and hazards action plans of operating companies for business resilience and robustness in contingencies, crisis management and disaster recovery management.

- An Issues Management and Communication Policy and process established under the Corporate Communications Function to guide the handling of external communications in the event of any issue/crisis/disaster.

10. Information and Communication Technology/Management Information System

- A quarterly IT Steering Committee meeting is held where all IT Managers from various operating companies meet. It is a platform which enables collaboration among the operating companies, sharing of experiences and consolidation of standard IT platforms.

- A set of Group IT Policies is in place to govern the operations of IT within the Group. Due to the diversity of businesses, each operating company has its own set of IT Policy adopting the standard Group IT Policy wherever possible and adding policies that are peculiar to the business they are in.

- The Group Human Resources Management System runs off a cloud infrastructure where a single system is used across the Lion Group of Companies. Cloud infrastructure is hosted offsite to protect the sensitivity of data and is supported by a hot Disaster Recovery site to enable quick recovery of data in the event of data losses. An annual Disaster Recovery test is carried out to ensure service quality as per agreed service level agreement.

- As part of the Lion Group Cyber Security Strategy, the Group has issued Cyber Security Policy to be adopted by all its operating companies.

11. Insurance

- An insurance programme to safeguard major assets against financial loss resulting from property damage, machinery breakdown, business interruption and general liability, which is reviewed annually.

- A yearly exercise to ensure the adequacy and renewal of the Group's Directors' and Officers' Liability insurance.

12. Whistle-Blowing

- A Whistleblower Policy which provides the channels to report wrongdoings by employees and/or other stakeholders whilst ensuring the integrity of the process and information and also protecting the rights of informants. The implementation of this policy enables the Group to address such concerns that may adversely affect the reputation and interests of the Group more effectively.

- The oversight by the Board and its engagement with the management in the handling of reported wrongdoings are also set out in the Integrity & Fraud Risk Policy.

Risk Management Process

The KOCs' CPS which are prepared every financial year are updated on a half-yearly basis to provide a clear and proper context within which performance-related risks are to be identified, analysed and managed in line with the respective KOCs' strategic direction and business objectives. Key Performance Indicators ("KPI") were assigned to these objectives and their performance were tracked by the KPI owners under the supervision of the Heads of the KOCs.

In establishing a bottom-up reporting of the risk profile of the KOCs, the RMT in the respective KOCs identified possible and actual risks faced by the KOC together with an analysis of the causes, impact and mitigating actions.

The risk owners were responsible to ensure preventative, detective and corrective controls were in place to address these risks. Gaps in controls and continual improvements were implemented through management action plans. This process was executed by the RMTs and documented in the CRS.

The GRC conducted review of the risk profiles, either focusing on specific risk issues or the completeness of the risk assessment process for selected risk profiles. The results of the review were communicated to the administrators of risk scorecards and/or Heads of KOCs for improvement and implementation.

The CPS and CRS were presented by the RMT and RMC to the AC on a half-yearly basis for review on the status of the performance objectives and management action plans implementation. These reviews may result in identification of new risks or re-assessment of reported risks. The AC reviewed significant risks, if any, across the risk themes and guided the KOCs on further mitigations, where required.

The Heads of the KOCs, at the half-yearly reporting, had confirmed that the respective KOC's RMT had reviewed and updated the CPS and CRS with the status of all related material information, controls and management actions and that the risk management process had been complied with and information provided therein fairly reflected the position of the KOC for the period under review.

In all material transactions such as acquisitions and disposals of assets or business and corporate proposals, risks associated with such transactions as analysed by the project team and RMC are presented to the AC and Board for their deliberation and decision making. The AC will review the proposals together with the risks associated therewith after which the Board may approve, decline or modify the proposals in line with the Group's risk appetite and the Group's strategic and business directions.

Conclusion

The Board is of the view that the system of risk management and internal control in place throughout the Group for the year under review, and up to the date of approval of this Statement, is sound and effective, providing reasonable assurance that the structure and operation of controls are appropriate for the Group's operations.

Implementation measures are continuously taken to strengthen the system of risk management and internal control so as to safeguard shareholders' investments and the Group's assets.

Review by External Auditors

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scopes set out in Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the financial year ended 30 June 2019, and reported to the Board that nothing has come to their attention that has caused them to believe the Statement on Risk Management and Internal Control intended to be included in the Annual Report has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, Corporate Disclosure Guide and Corporate Governance Guide (3rd Edition), nor is the Statement factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The report from the External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and for no other purposes or parties. The External Auditors do not assume responsibility to any person other than the Board in respect of any aspects of this Statement.

AUDIT COMMITTEE REPORT

COMPOSITION

As at the date of this Annual Report, the composition of the Audit Committee is as follows:

- **Members**

  Cik Zainab binti Dato' Hj. Mohamed
  (Chairman, Independent Non-Executive Director)

  Mr Liew Jee Min @ Chong Jee Min (Appointed as a member on 15 January 2019)
  (Independent Non-Executive Director)

  Y. Bhg. Tan Sri Abdul Rahman bin Mamat, an independent non-executive Director, had ceased to be a member of the Audit Committee upon his resignation as a member of the Board with effect from 1 September 2019.

  Following Tan Sri Abdul Rahman's cessation as an Audit Committee member, the composition of the Audit Committee of the Company has fallen to below the minimum number of 3 members as per the requirements of Chapter 15 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements"). In this regard, the Company will identify a suitable candidate to fill the vacancy arising from Tan Sri Abdul Rahman's cessation as a member of the Audit Committee within 3 months.

- **Secretaries**

  The Secretaries of Parkson Holdings Berhad, Ms Lim Kwee Peng and Ms Choo Yoon May, are also Secretaries of the Audit Committee.

- **Membership**

  The Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than 3 members, all of whom shall be non-executive Directors with a majority of them being independent Directors. The members of the Audit Committee shall elect a chairman among themselves who is an independent Director and who is not the chairman of the Board. The composition of the Audit Committee shall fulfil the requirements as prescribed in the Listing Requirements.

- **Meetings and Minutes**

  The Audit Committee shall meet at least 4 times annually and the Chief Internal Auditor and the Chief Accountant shall attend the meetings. Relevant members of Senior Management shall be invited to attend these meetings to assist to clarify matters raised at the meetings. A majority of independent Directors present shall form a quorum. The Audit Committee shall meet with the External Auditors without the executive Board members and Management being present at least twice a year.

  Minutes of each Audit Committee Meeting were recorded and tabled for confirmation and adoption at the next Audit Committee Meeting and subsequently presented to the Board for notation. The Chairman of the Audit Committee shall report on each meeting to the Board.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee which are in line with the provisions of the Listing Requirements, the Malaysian Code on Corporate Governance and other best practices are available for reference on the Company's website at www.lion.com.my/parkson.

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, 4 Audit Committee Meetings were held. The attendance of each member was as follows:

Name of Members	Attendance
Cik Zainab binti Dato' Hj. Mohamed	4/4
Y. Bhg. Tan Sri Abdul Rahman bin Mamat [(a)]	4/4
Mr Liew Jee Min @ Chong Jee Min	2/2 [(b)]
Mr Yeow Teck Chai [(c)]	1/1

Notes:

(a) Resigned with effect from 1 September 2019.
(b) There were 2 meetings held subsequent to appointment.
(c) Retired on 23 November 2018.

The Chief Internal Auditor and the Chief Accountant were also present at all the Meetings.

The Audit Committee carried out its duties for the year in accordance with its Terms of Reference.

The main works undertaken by the Audit Committee for the financial year are as follows:

- **Financial Results**

  Reviewed the quarterly interim unaudited financial statements and the annual audited financial statements of the Group prior to submission to the Board for its consideration and approval focusing particularly on changes in or implementation of significant accounting policies and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB"), significant matters highlighted including financial reporting matters, unusual events, transactions, judgements made by Management and other legal requirements, and the main factors contributing to the financial performance of the Group in terms of revenue and earnings.

  Discussed with Management and External Auditors, and had obtained reasonable assurances that all changes in significant accounting policies had been implemented; applicable accounting standards approved by MASB, provisions of the Companies Act 2016 and requirements under the Listing Requirements had been complied with; significant matters highlighted by the External Auditors including financial reporting matters; judgements made by Management had been assessed; and impact of new accounting standards for the following financial year, where relevant, had been assessed.

- **Internal Audit**

  (a) Reviewed and approved the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas and ensured that key and high risk areas were audited annually.

  (b) Reviewed the effectiveness of audit programmes, and the adequacy and suitability of the resource requirements and skill levels of the Internal Auditors for the year and assessed the performance of the Internal Audit Function.

  (c) Reviewed the internal audit reports, audit recommendations made and Management's response and actions taken to improve the system of internal control and procedures. Where appropriate, the Audit Committee had directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

  Additional audit approach had been included in areas with weaknesses in control as revealed by the Internal Auditors during their previous annual audit reviews.

(d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls had been addressed.

(e) Reviewed the risk and control profile changes of the annual Risk Management and Internal Control – Self-Assessment ratings submitted by the respective operations management. The Internal Auditors had validated the ratings during their audit review, and adjustments to the ratings, if any, had been made accordingly and reported to the Audit Committee.

(f) Reviewed recurrent related party transactions of a revenue or trading nature reports on a quarterly basis for compliance with the review procedures outlined in the Shareholders' Mandate and ensured that the transactions were undertaken on an arm's length basis and on normal commercial terms which were consistent with the Group's usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders.

(g) Reviewed the results of investigative audit reports on internal misconduct and suspicion of fraud with the Group tabled during the year and ensured appropriate remedial actions/measures were taken.

Additional internal control components for better control over areas of weaknesses discovered during the investigative audit had been included in the RMIC-SAQ to ensure that the operating companies level of internal control was adequately assessed and disclosed.

(h) Reviewed the Statement on Risk Management and Internal Control which provided an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on pages 19 to 25 of this Annual Report.

The Audit Committee was satisfied that the system of risk management and internal control in place throughout the Group as described in the Statement on Risk Management and Internal Control, was sound and effective, providing reasonable assurance that the structure and operation of controls were appropriate for the Group's operations. The Audit Committee also acknowledged that implementation measures were continuously taken to strengthen the system of risk management and internal control so as to safeguard the interests of stakeholders including shareholders' investments, and the Group's assets.

(i) Reviewed the Group Compliance Framework for the financial year under review with regard to the scope of activities and their progress as set out in the Compliance Program/Work Plan set out for the financial year.

(j) Approved a budget of RM585,000 for the Internal Audit Function to effectively carry out its audit plan for the financial year ended 30 June 2019.

(k) Approved the Audit Committee Report and recommended the same for Board's approval for inclusion in the Annual Report.

- **External Audit**

(a) Reviewed and discussed with External Auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB, and regulating requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.

(b) Reviewed and discussed with External Auditors the results of the audit and the audit report in particular, significant accounting matters arising from the external audit and their opinion on the financial statements of the Group and of the Company.

(c) Reviewed with External Auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with Management's response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by Management.

(d) Evaluated the performance and assessed the suitability, objectivity and independence of the External Auditors during the year in accordance with the policies and procedures in place, vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the Audit Committee.

The Audit Committee had received from the External Auditors written confirmation on their independence and disclosed that they were not aware of any relationships or matters that, in their professional judgement, might reasonably be thought to bear on their independence and that they were independent in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

(e) Having satisfied with the performance and the assessment on the External Auditors' suitability, objectivity and independence, recommended to the Board the re-appointment of the External Auditors and their remuneration.

(f) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors. The non-audit fees for the financial year ended 30 June 2019 amounted to RM127,000.

(g) Met with the External Auditors without executive Board members and Management twice, in August 2018 and May 2019 to discuss matters in relation to their review.

- **Compliance Management**

(a) Conformance to Group policies and procedures

Received and reviewed the status and outcomes of the half-yearly Compliance Risk Self-Assessment ("CRSA") exercises which seek to identify gaps in compliance with regard to applicable laws, regulations, codes, guidelines and standards, market/industry best practices and Group policies and procedures, and discussed the adequacy of measures to address such gaps or non-compliance. The CRSA questionnaire sets and declaration were completed by the identified Heads of Business, Finance Officers of the Key Operating Companies ("KOCs") and Group Accountants, Company Secretaries, Group Tax, Group Treasury and Group Corporate Planning.

(b) Activities of Group Risk and Compliance Department

Monitored on a half-yearly basis the scope of activities and status of implementation as driven and coordinated by the Group Risk and Compliance as set out in the Compliance Program/Work Plan for the financial year ended 30 June 2019.

- **Risk Management**

(a) The Audit Committee together with the Risk Management Committee:

- Monitored the year-to-date progress on the achievement of targets set for business objectives of KOCs for the financial year via review of the Corporate Performance Scorecards updates on a half-yearly basis. The Audit Committee sought explanation/understanding from the Risk Management Team ("RMT") of KOCs on non-performance.

- Reviewed the key risks as reported by the RMTs in their Corporate Risk Scorecards across the wide spectrum of risk facing the businesses and operations which included strategic risk, business risk, financial risk and operational risk. The Audit Committee provided comments on the adequacy and effectiveness of controls and/or management actions identified and/or implemented by the KOCs in addressing the identified risks.

(b) The Audit Committee provided assurance to the Board on the risk reporting and review activities that took place during the financial year.

- **Related Party Transactions**

  Reviewed the renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature for Shareholders' approval to undertake transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of the Group with related parties ("RRPTs").

  The Audit Committee ensured that the review procedures were sufficient to ensure that the RRPTs were not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders and that the Group had in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and such procedures and processes were reviewed on a yearly basis or whenever the need arose.

  The review on RRPTs by the Internal Auditors was reported to the Audit Committee for 2 quarters where RRPTs had taken place.

  The Management had given assurance to the Audit Committee that mandate for recurrent related party transactions was in compliance with the Listing Requirements and the Group's policies and procedures.

INTERNAL AUDIT FUNCTION

The Internal Audit Function is undertaken by the Group Management Audit Department ("GMA Department") and is independent from Management of the Company and the function which it audits. Its principal activity is to perform regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively.

The Group Chief Internal Auditor, Ms Elsie Tan Chitt Loo, graduated with a Bachelor of Accounting (Hons) from Universiti Malaya in 1985 and is a professional member of the Institute of Internal Auditors Malaysia with more than 25 years of internal audit experience in the field of retail, branding, food and beverage, credit financing and money lending services, property development, mining, manufacturing, steel, agriculture and computer industries.

The purpose, authority and responsibility of the Internal Audit Function as well as the nature of the assurance activities provided by the function are articulated in the Internal Audit Charter approved by the Audit Committee. The Audit Committee is of the opinion that the Internal Audit Function is appropriate to its size and the nature and scope of its activities.

In discharging its function, the GMA Department adopts the *International Standards for the Professional Practice of Internal Auditing* as well as established auditing guidelines to enhance its competency and proficiency.

A risk-based audit plan is tabled to the Audit Committee for approval on an annual basis. The audit plan covers key operational and financial activities that are significant to the overall performance of the Group and is developed to ensure adequate coverage on a regular basis. Key risk areas are continuously identified and prioritised to ascertain the scope of the audit activities through the adoption by the operation management of the Risk Management and Internal Control – Self-Assessment Questionnaire, the Corporate Performance Scorecard and the Corporate Risk Scorecard.

During the financial year, the Internal Auditors had conducted independent reviews and evaluated risk exposures relating to the Group's governance, operations and information system as follows:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with set policies and procedures
- Identification of opportunities to improve the operations and processes
- Investigations and special audit reviews
- Adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework

The Internal Auditors also established follow-up review to monitor and to ensure that internal audit recommendations are effectively implemented.

Significant matters were reported directly to the Audit Committee and Senior Management to ensure improvement and corrective actions are taken.

The internal audit works had been carried out according to the internal audit plan approved by the Audit Committee for the financial year.

An annual assessment for evaluating the adequacy and effectiveness of the Internal Audit Function was carried out in 2019.

The Audit Committee was satisfied that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence and that the audit programme for the financial year under review was carried out by the Internal Auditors as planned.

The Audit Committee was also satisfied that the Internal Audit Function, backed by 9 staff of managerial/executive level who possessed the relevant qualification and experience, had adequate resources to fulfil the internal audit plan for the next financial year.

The total cost incurred in managing the Internal Audit Function of the Group for the financial year ended 30 June 2019 was RM568,140.

NOMINATION COMMITTEE

Chairman	:	Mr Liew Jee Min @ Chong Jee Min *(Independent Non-Executive Director)*
Members	:	Cik Zainab binti Dato' Hj. Mohamed *(Independent Non-Executive Director)* Mr Ooi Kim Lai *(Non-Independent Non-Executive Director)*

Terms of Reference :

- To recommend to the Board, candidates for directorships in Parkson Holdings Berhad
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or major shareholder and from independent sources
- To recommend to the Board, Directors to fill the seats on Board Committees
- To assist the Board in reviewing on an annual basis, the composition, the required mix of skills, experience, diversity and other qualities, including core competencies which each individual Director including the independent non-executive Director should bring to the Board
- To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board
- To review the induction and training needs of Directors
- To consider other matters as referred to the Committee by the Board from time to time

NOMINATION COMMITTEE REPORT

The Nomination Committee comprises 3 members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Mr Liew Jee Min @ Chong Jee Min who is an independent Director.

Appointment to the Board and the Effectiveness of the Board

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates with the necessary mix of skills, experience and competencies to be appointed to the Board and Board Committees to ensure the effectiveness of the Board and the Board Committees. As an enhancement to its current process, the Nomination Committee may also consider procuring suitable candidates from independent sources, when required. The Nomination Committee annually reviews and assesses the performance and effectiveness of the Board and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfilment of the respective Board Committee's Terms of Reference.

The assessment criteria of the Board's evaluation/performance review process as well as the process and criteria to identify and nominate candidates for appointment as a Director, and re-election and re-appointment of existing Directors are set out in the Board Charter.

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the competencies, expected contributions and diversity representation covering the qualifications, knowledge, industrial experience and expertise, seniority and past achievements, appointment scope, role, commitment level, professionalism and integrity, and the appropriateness and the fulfilment of the Board's desired mix of competencies, age, gender and cultural background which would contribute to the overall desired composition of the Board.

The Directors' mix of skills are set out in the respective profile under Directors' Profile on pages 5 to 7 of this Annual Report.

Activities of the Nomination Committee for the Financial Year

The Nomination Committee met twice since the date of the last Annual Report and all the members attended the Meetings.

The Nomination Committee had carried out the following duties for the financial year in accordance with the Terms of Reference:

(i) Assessed and recommended for Board's consideration, the appointment of Mr Liew Jee Min @ Chong Jee Min as an independent non-executive Director, a member of the Audit Committee and the Remuneration Committee, and a member and the Chairman of the Nomination Committee of the Company.

(ii) Reviewed and assessed the performance and effectiveness of the Board as a whole and the Board Committees as well as the individual Directors and their independence based on the broad Fit & Proper, and Independence criteria using a set of quantitative and qualitative performance evaluation forms adopted by the Nomination Committee, and was satisfied that the Board composition was adequate and in line with the Group's business operations and needs.

(iii) Reviewed the term of office and performance of the Audit Committee as a whole and each of its members including an assessment of their financial literacy, and assessed and evaluated the effectiveness of the Audit Committee in conducting its activities in accordance with its Terms of Reference, and was satisfied that all members are financially literate and able to understand matters under the purview of the Audit Committee including financial reporting process.

(iv) Reviewed the retirement by rotation of Mr Ooi Kim Lai and the retirement of Mr Liew Jee Min @ Chong Jee Min who was appointed during the financial year, and recommended their re-election for Board's consideration.

(v) Discussed the vacancy arising from the resignation of Y. Bhg. Tan Sri Abdul Rahman bin Mamat which took effect from 1 September 2019 and the appointment of a new independent Director in due course.

(vi) Reviewed the training needs of the Directors and was satisfied that the Directors having attended the relevant training programmes and having been kept up-to-date with market developments and related issues as well as apprised on a continuing basis by the Company Secretaries on new and/or revised statutory and regulatory requirements, had adequately met the training needs of each of the Directors towards enhancing his skills and knowledge to carry out his duties as a Director.

(vii) Approved and recommended for Board's consideration the Nomination Committee Report incorporating the Nomination Committee's activities for inclusion in the Annual Report.

REMUNERATION COMMITTEE

Members : Cik Zainab binti Dato' Hj. Mohamed
(Independent Non-Executive Director)

: Mr Liew Jee Min @ Chong Jee Min
(Independent Non-Executive Director)

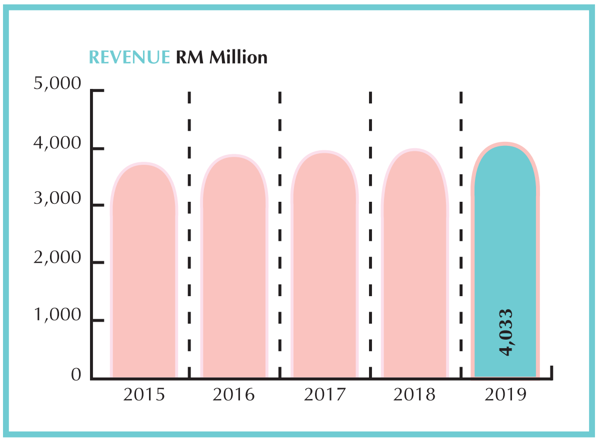
Terms of Reference :

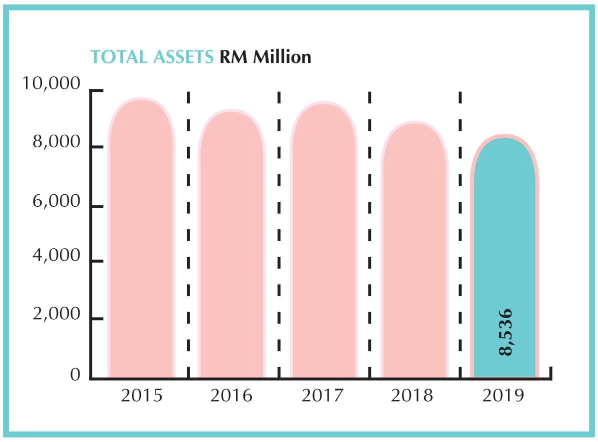
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

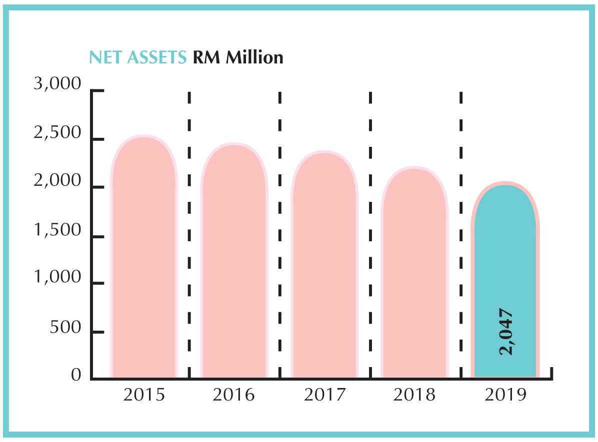
5 YEARS GROUP FINANCIAL HIGHLIGHTS

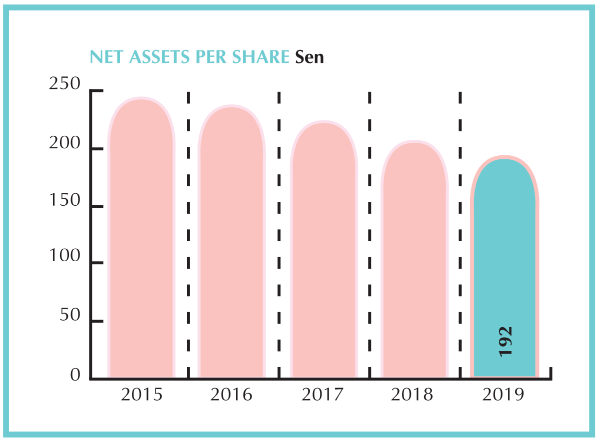
Financial years ended 30 June		**2015**	**2016**	**2017**	**2018**	**2019**
Gross sales proceeds	(RM'000)	11,938,208	12,037,479	11,629,182	11,092,191	**10,453,601**
Revenue	(RM'000)	3,739,179	3,884,082	3,964,024	3,981,735	**4,032,665**
Profit/(loss) before tax	(RM'000)	56,416	(89,718)	223,952	(82,910)	**(24,135)**
Loss after tax	(RM'000)	(12,946)	(162,333)	(113,411)	(169,757)	**(152,268)**
Net profit/(loss) attributable to owners of the parent	(RM'000)	46,593	(95,741)	(120,898)	(99,439)	**(129,184)**
Total assets	(RM'000)	9,823,345	9,462,896	9,757,145	8,947,503	**8,535,916**
Net assets	(RM'000)	2,512,456	2,482,469	2,391,314	2,233,777	**2,046,888**
Total borrowings	(RM'000)	2,351,334	2,579,597	2,696,761	2,499,339	**2,496,668**
Earnings/(loss) per share	(Sen)	4.4	(8.9)	(11.3)	(9.3)	**(12.1)**
Net assets per share	(Sen)	244	238	224	209	**192**
Dividends:						
• Share dividend	(No. of shares)	*	1 for 20	–	–	**–**

* *In respect of the financial year ended 30 June 2015: 3 for 50 distributed on 8 August 2014, 1 for 20 distributed on 26 March 2015 and 3 for 50 distributed on 2 July 2015.*









PARKSON NETWORK, AS AT 30 JUNE 2019

CHAIRMAN'S STATEMENT

TAN SRI CHENG HENG JEM
Chairman

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of Parkson Holdings Berhad ("Company" or "Group") for the financial year ended 30 June 2019.

FINANCIAL PERFORMANCE

I am delighted to report that the Group was able to deliver the following encouraging operating results for the financial year ended 30 June 2019:

- Revenue of RM4,033 million as compared to RM3,982 million in the previous year; and
- Operating profit of RM89 million as compared to RM3 million in the previous year.

This is the results of our dedicated strategies to diversify our retail formats and enhance our product offerings through the increasing extension of lifestyle products and services, as well as our continuous efforts in optimising stores' effectiveness. The Group is committed to continuously improving its performance.

The retail market in China has seen gradual slowdown amid macroeconomic headwinds and continued trade tensions between China and the United States. Nevertheless, the rising consumer demand for quality products and services, and the prevalence of "new retail" have brought opportunities to the Chinese retail industries. In reinforcing our position as a leading lifestyle retailer in China, we continue to focus on the improvement in core businesses' operations, seize the opportunities brought about by consumption upgrade, continue to transform and strengthen the expansion of our retail network, and further enhance the effectiveness of omni-channel marketing programme. We have seen success in these executions as evident by the increasing profitability posted by Parkson China for the financial year under review.

On the Southeast Asian front, while consumer sentiments in the Malaysian retail sector grew moderately, our Parkson Malaysia delivered an encouraging same store sales growth and turned profitable following optimisation of operational efficiency across the stores and tactical promotional activities to drive visitor traffic. Performance of our Vietnam operations has largely been impeded by the increase in new retail space amidst a weak retail environment. Moving on to Indonesia, while the saturated retail and competitive scenes continued to exert pressure upon our operations, several earthquakes in Lombok and Bali had also affected our stores' traffic flow.

Parkson Malaysia

PROSPECTS

The Group remains positive about the consumer market in **China**, with retail sales growth for the first 6 months of 2019 registering above market expectations despite macroeconomic and geopolitical challenges. Looking ahead, the Group will continue executing its strategies aimed at diversifying retail formats, upgrading brand and product categories; as well as identifying optimal locations to expand the Group's network. The Group believes that it is well positioned to provide the best service in the Chinese retail market and demonstrate solid performance amid challenging market conditions.

The Group's operating environment in the **Southeast Asian** region is anticipated to remain challenging amid severe competition. Nevertheless, much emphasis will be placed on cost containment, improving productivity and increasing revenue by carrying out tactical promotional activities. The Group will continue to focus on enhancing product offerings and optimising operational efficiency to improve the results. The Group must also constantly review and align its business strategies to face all current and coming challenges and seize opportunities in the years to come.

APPRECIATION

On behalf of the Board, I would like to record a vote of thanks and appreciation to Y. Bhg. Tan Sri Abdul Rahman bin Mamat who resigned from the Board in September 2019. He was also the Chairman of the Remuneration Committee, and a member of the Audit Committee. Tan Sri Abdul Rahman who had served the Board for more than 8 years, had been a dedicated member and made invaluable contribution to the Board towards the growth and success of the Group during his term of office.

The Board would like to extend its warm welcome to Mr Liew Jee Min @ Chong Jee Min on his appointment as an independent non-executive Director of the Company during the financial year. The Board is confident that the Group will benefit from his invaluable experience and expertise.

I wish to extend my sincere thanks and appreciation to all our valued customers, suppliers, financiers, business associates, Government authorities and shareholders for their continued support, co-operation and confidence in the Group.

I would also like to convey my sincere appreciation and gratitude to my fellow Directors for their invaluable guidance, support and contribution throughout the year as well as to record my appreciation to our Management and staff for their dedication, commitment and contribution to the Group.

TAN SRI CHENG HENG JEM
Chairman

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan ini membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Parkson Holdings Berhad ("Syarikat" atau "Kumpulan") bagi tahun kewangan berakhir 30 Jun 2019.

PRESTASI KEWANGAN

Saya dengan sukacitanya melaporkan bahawa Kumpulan telah mencapai prestasi operasi yang menggalakkan seperti berikut bagi tahun kewangan berakhir 30 Jun 2019:

- Pendapatan sebanyak RM4,033 juta berbanding dengan RM3,982 juta pada tahun kewangan sebelumnya; dan
- Keuntungan operasi sebanyak RM89 juta berbanding dengan RM3 juta dalam tahun sebelumnya.

Prestasi ini merupakan hasil strategi tertumpu kita yang mempelbagaikan format runcit dan menambah baik penawaran produk melalui perluasan produk gaya hidup dan perkhidmatan, serta usaha berterusan dalam mengoptimumkan keberkesanan stor. Kumpulan terus komited untuk menambah baik pencapaiannya.

Pasaran runcit di China secara beransur-ansur mulai mengalami kelembapan berikutan cabaran makroekonomi dan juga ketegangan perdagangan yang berterusan antara China dan Amerika Syarikat. Walau bagaimanapun, peningkatan permintaan pengguna terhadap produk dan perkhidmatan yang berkualiti, dan kemunculan kaedah "runcit yang baharu" telah membuka banyak peluang kepada industri runcit di negara itu. Bagi mengukuhkan lagi kedudukan sebagai peruncit gaya hidup terkemuka di China, kita mengekalkan tumpuan kepada usaha meningkatkan operasi perniagaan teras, merebut peluang yang timbul daripada peningkatan penggunaan, meneruskan perubahan dan mengukuhkan peluasan rangkaian runcit kita serta memantapkan keberkesanan program pemasaran melalui saluran omni. Kita telahpun melihat kejayaan pelaksanaannya seperti yang dibuktikan melalui peningkatan keuntungan Parkson China bagi tahun kewangan dalam kajian.

Bagi operasi di Asia Tenggara, walaupun sentimen pengguna dalam sektor runcit Malaysia yang berkembang pada kadar sederhana, Parkson Malaysia mencatat pertumbuhan stor yang menggalakkan dan juga meraih keuntungan berikutan usaha mengoptimumkan kecekapan operasi di seluruh stor kita serta aktiviti promosi taktikal untuk menarik kehadiran pengunjung. Prestasi operasi di Vietnam, sebahagian besarnya terjejas dengan meningkatnya ruang runcit yang baharu di tengah-tengah persekitaran runcit yang lemah. Di Indonesia, operasi kita terus berdepan dengan tekanan akibat keadaan pasaran yang tepu dan juga persaingan sengit selain kejadian beberapa gempa bumi di Lombok dan Bali yang juga turut mempengaruhi aliran pengunjung ke stor-stor kita.

PROSPEK

Kumpulan kekal positif mengenai pasaran pengguna di **China**, dengan pertumbuhan jualan runcit bagi enam bulan pertama tahun 2019 mencatatkan prestasi yang melepasi jangkaan pasaran di sebalik cabaran makroekonomi dan geopolitik. Dalam melangkah ke hadapan, Kumpulan akan terus melaksanakan strategi yang menyasarkan usaha mempelbagaikan format runcit, menaik taraf kategori jenama dan produk; serta mengenal pasti lokasi optimum untuk mengembangkan rangkaian Kumpulan. Kumpulan percaya bahawa pihaknya berada pada kedudukan yang amat baik untuk menyediakan perkhidmatan terbaik di pasaran runcit China dan mencatatkan prestasi kukuh di dalam keadaan pasaran yang mencabar.

Parkson China

Parkson Vietnam

Persekitaran operasi Kumpulan di rantau **Asia Tenggara** dijangka terus mencabar di tengah-tengah persaingan yang sangat sengit. Walau bagaimanapun, lebih banyak penekanan akan diberikan kepada pengawalan kos, memantapkan produktiviti dan meningkatkan pendapatan dengan menjalankan aktiviti promosi taktikal. Kumpulan akan terus memberi tumpuan untuk meningkatkan penawaran produk dan mengoptimumkan kecekapan operasi bagi menambah baik hasil kewangannya. Kumpulan juga akan mengkaji semula dan menyelaras strategi perniagaannya secara konsisten dalam mendepani semua cabaran semasa dan akan datang selain merebut peluang pada tahun-tahun akan datang.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan dan ucapan terima kasih kepada Y. Bhg. Tan Sri Abdul Rahman bin Mamat yang telah meletak jawatan sebagai ahli Lembaga Pengarah pada September 2019. Beliau juga merupakan Pengerusi Jawatankuasa Imbuhan, dan ahli Jawatankuasa Audit. Tan Sri Abdul Rahman yang telah berkhidmat selama lebih daripada 8 tahun, merupakan ahli Lembaga Pengarah yang berdedikasi dan memberikan sumbangan yang tidak ternilai kepada pihak Lembaga Pengarah ke arah pertumbuhan dan kejayaan Kumpulan sepanjang tempoh berkenaan.

Lembaga Pengarah juga ingin mengalu-alukan pelantikan Encik Liew Jee Min @ Chong Jee Min sebagai Pengarah Bebas Bukan Eksekutif Syarikat dalam tahun kewangan ini. Pihak Lembaga Pengarah yakin bahawa Kumpulan akan beroleh manfaat daripada pengalaman dan kepakaran beliau yang tidak ternilai.

Saya ingin mengucapkan terima kasih dan merakamkan penghargaan yang tulus ikhlas kepada para pelanggan, pembekal, pembiaya, rakan perniagaan, pihak berkuasa Kerajaan dan pemegang saham atas sokongan, kerjasama dan keyakinan mereka yang berterusan kepada Kumpulan.

Saya juga ingin menyampaikan penghargaan yang tulus ikhlas kepada rakan-rakan Pengarah atas bimbingan, sokongan dan sumbangan mereka yang tidak ternilai sepanjang tahun kewangan serta merakamkan penghargaan kepada pihak Pengurusan dan warga kerja atas dedikasi, komitmen dan sumbangan mereka kepada Kumpulan.

TAN SRI CHENG HENG JEM
Pengerusi

Parkson Indonesia

主席报告

我谨代表董事部，提呈百盛控股有限公司截至2019年6月30日会计年度的常年报告和经审核财务报表。

财务表现

我欣然报告，截至2019年6月30日会计年度，本集团录得下述令人鼓舞的业绩：

- 营业额40亿3千300万令吉，上一年度是39亿8千200万令吉；和
- 营业利润8千900万令吉，上一年度是300万令吉。

这是我们积极推行策略的结果，通过推动零售业态多元化、增加时尚产品和服务以加强旗下产品组合，以及持续致力于优化百货商店的效率。本集团承诺将会继续提高其业务表现。

面对宏观经济不景气，以及中国和美国贸易持续紧张的局势，中国零售市场呈逐渐放缓之势。尽管如此，消费群体对产品素质和服务水平要求的提升，以及“新零售”的盛行，为中国的零售业带来机会。在巩固我们作为在中国居于领先地位的时尚零售业者的同时，我们继续集中于改善核心业务的营运、抓住消费升级带来的机会，继续转型和加强我们的零售网的扩充，以及进一步提高全渠道服务计划的效率。我们执行这些措施的成功，可从中国百盛在本会计年度取得利润增长可见。

东南亚方面，尽管马来西亚零售业的消费者情绪适度增长，马来西亚百盛仍取得令人鼓舞的同店销售成长并且转亏为盈，主要归功于各百货商店的业绩效率极优化，以及采取策略性促销活动以吸引顾客人潮。越南疲弱的零售环境，再加上新零售空间的增加，大大阻碍了越南百盛业务的业绩。谈到印尼，饱和的零售和竞争场景对我们的业务继续构成压力，在龙目岛和巴厘岛发生的地震，也影响了我们的百货商店的顾客流量。

展望

本集团对于**中国**的消费市场保持乐观，尽管面对宏观局势和地缘政治挑战，中国的零售销售成长在2019年为首6个月超越市场预期。展望未来，本集团将继续执行策略，着重于拓展多元化零售形式，提升品牌和产品种类，亦会鉴定最优地点以扩大本集团的销售网络。本集团相信，在充满挑战的市场环境中，集团已具备良好条件在中国零售市场提供最佳服务并表现出良好业绩。

在**东南亚地区**，面对激烈竞争，本集团的营运环境预料将继续面对挑战。尽管如此，我们将更加注重控制成本、提高生产力以及通过推行策略性促销活动以增加收入。本集团将继续集中于加强旗下产品组合以及优化营运效率以改善业绩。本集团也必须不断检讨和调整策略，以面对目前与未来的所有挑战，并且在未来年头抓住机会。

鸣谢

我谨代表董事部向已于2019年9月辞去董事职位的尊贵的Tan Sri Abdul Rahman bin Mamat表示衷心感谢。他也曾担任薪酬委员会的主席，以及审核委员会的会员。Tan Sri Abdul Rahman担任本公司董事超过8年，在任期间为董事部对本集团的成长与成就作出卓越贡献，是一位敬业的董事。

董事部也谨此表示热烈欢迎张欲民先生在本会计年度被委任为本公司的独立非执行董事。董事部确信，本集团将会从他的宝贵经验和专长中受惠。

我谨此表达真诚的感激，感谢我们所有尊贵的客户、供应商、金融家、商业伙伴、政府机构以及股东们，继续给予本公司支持与合作，以及对本集团具有信心。

我也要真诚赞扬和感谢董事们，这一年来提供宝贵的指导、支持与贡献；还要感谢我们的管理层和职员们，对本集团的奉献、承诺与贡献。

主席
丹斯里锺廷森

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS

The Group is principally engaged in the operation of the "Parkson" and "Centro" brands department stores. Its stores offer a wide range of internationally renowned brands of fashion and lifestyle related merchandise in 4 main categories namely, *Fashion & Apparel*, *Cosmetics & Accessories*, *Household & Electrical*, and *Groceries & Perishables*, essentially targeting the young and contemporary market segment.

In addition, the Group is also involved in the retailing of fashionable goods, operation of food and beverage ("F&B") outlets, and consumer financing business.

The businesses of the Group are spearheaded by Parkson Retail Group Limited ("PRGL"), listed on The Stock Exchange of Hong Kong Limited, which operates and manages 44 retail stores in China; and Parkson Retail Asia Limited, listed on the Singapore Exchange Securities Trading Limited, that houses 61 retail stores in Southeast Asia.

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

As at 30 June	Number of Stores	
	2019	**2018**
Malaysia	**42**	44
China	**44**	47
Vietnam and Myanmar	**4**	7
Indonesia	**15**	15
	105	113

OVERVIEW

Consolidated Statement of Profit or Loss	2019 RM Million	2018 RM Million	Change
Gross sales proceeds	**10,454**	11,092	-6%
Revenue	**4,033**	3,982	1%
Operating profit	**89**	3	>100%
Loss before tax	**(24)**	(83)	71%
Consolidated Statement of Financial Position			
Total assets	**8,536**	8,948	-5%
Deposits, cash and bank balances	**2,501**	2,594	-4%
Total liabilities	**5,225**	5,340	-2%
Total borrowings	**2,497**	2,499	-0.1%
Net assets	**2,047**	2,234	-8%

For the financial year ended 30 June 2019 ("FYE 2019"), the Group generated a lower gross sales proceeds of RM10,454 million as compared with RM11,092 million a year ago mainly due to store closures and lower merchandise sales derived from concessionaire sales. The Group, however, posted a marginal growth in revenue to RM4,033 million mainly due to the increase in direct sales which was contributed by (i) fashion house stores and private labels; and (ii) strong sales performance from the fashion and beauty segments in China.

The Group's operating profit surged to RM89 million for the FYE 2019 as compared with RM3 million last year. The improvement was mainly attributed to the Group's continuous efforts in optimising stores' effectiveness as well as cost containment exercise carried out to curb operating expenses. The Group, accordingly, reported a lower loss before tax of RM24 million which included impairment losses on property, plant and equipment, and receivables, and provision totalling RM53 million.

As at 30 June 2019, the Group's total assets decreased by 5% to RM8,536 million with deposits, cash and bank balances standing at RM2,501 million, a reduction of 4% from balances as at 30 June 2018 of RM2,594 million. The lower deposits, cash and bank balances were primarily due to repayment to creditors and suppliers. The Group's total liabilities were reduced by 2% to RM5,225 million and its net assets stood at RM2,047 million or RM1.92 per share (2018: RM2,234 million or RM2.09 per share).

REVIEW OF OPERATIONS

Malaysia

	Financial year ended 30 June	
	2019	**2018**
Number of stores	**42**	44
Same store sales ("SSS") growth (%)	**5.1**	(1.5)
Revenue (RM Million)	**1,024**	1,032
Segment profit/(loss) (RM Million)	**5**	(38)

For the FYE 2019, Parkson Malaysia delivered a positive SSS growth of 5.1% which was achieved through the optimisation of operational efficiency across the stores and tactical promotional activities to drive visitor traffic. The operations, however, reported a slight decrease in revenue of RM1,024 million compared with RM1,032 million a year ago due to stores closure. Savings arising from stores' rationalisation and improved operating efficiencies have enabled the operations to turn profitable to RM5 million.

During the financial year under review, Parkson Malaysia opened its first store in the city of Bintulu in Sarawak. *Parkson The Spring Bintulu* represents a new shopping landmark that provides customers a fun and entertaining shopping experience. The Group will continue to pursue new location opportunities, and where necessary, undertake closure of stores due to changing market dynamics. During the FYE 2019, Parkson Malaysia exited from *Suria KLCC* in Kuala Lumpur following the change of business model of the mall, and closed down 2 underperforming stores at *Riverside Shopping Complex* in Kuching and *M Square Mall* in Puchong. The Group has 42 Parkson department stores in Malaysia as at 30 June 2019.

7DAYZ, a modern fashion brand under Parkson opened its fourth standalone store at *Berjaya Times Square Mall* in Kuala Lumpur. *7DAYZ* offers simple yet stylish designs at affordable prices for men, women and children of all age groups. Other standalone stores by *7DAYZ* are located at *Sunway Pyramid*, *Sunway Velocity Mall* and *Paradigm Mall JB*. The brand is also available within Parkson department stores. On the cosmetics front, *Play Up*, a multi brand beauty concept store opened a new store at *Berjaya Times Square Mall* in November 2018. *Play Up* offers a hassle-free and economical solution for shoppers with over 10,000 affordable beauty products from exciting and fashionable brands. Apart from foreign brands, *Play Up* also supports home-grown brands, giving exposure to local cosmetics brands and access to quality products for buyers.

Moving forward, more emphasis will be placed on improving productivity and increasing revenue by carrying out tactical promotional activities. The Group will continue to focus on enhancing product offerings and optimising operational efficiency to improve results. The Group shall also constantly review and align its business strategies to face all current and coming challenges besides seizing opportunities in the coming year.

China

	Financial year ended 30 June	
	2019	**2018**
Number of stores	**44**	47
SSS growth (%)	**(3)**	0.5
Revenue (RM Million)	**2,721**	2,629
Segment profit (RM Million)	**167**	119

The retail market in China has seen gradual slowdown amid macroeconomic headwinds and continued trade tensions between China and the United States. A negative SSS growth of 3% was reported by Parkson China for the FYE 2019.

The operations, however, posted a higher revenue of RM2,721 million for the financial year under review mainly attributable to improved stores' efficiency and the increased contributions from the fashion and beauty segments. The Group's continuous efforts in optimising stores' effectiveness have borne fruit resulting in operating profit increasing to RM167 million for the FYE 2019.

In reinforcing our position as a leading lifestyle retailer in China, the Group will remain focus on improvement in its core businesses' operations, seize the opportunities brought about by consumption upgrade, and continue to transform and strengthen the expansion of our retail network while augmenting a solid omni-channel marketing programme.

- **Diversified retail formats and continued expansion of retail network**

  In light of the resilience proven in the performance of the fashion and beauty segments, Parkson China created a new milestone with the opening of *Parkson Beauty*, a new one-stop beauty standalone concept store in Changsha to capitalise on its potential and opportunities. *Parkson Beauty* features the latest items from internationally renowned brands under one roof. Our flagship *Parkson Beauty* stores concept currently operating in Changsha, Qingdao and Nanning have been well received by key customer groups and have already become a leading fashion brand in China. Apart from the standalone concept stores, the Group introduced *Play Up*, the first beauty collection brand of Parkson that gathers over 110 brands and 1,500 products for younger customers. This represents another solid effort of Parkson China in offering diversified products and services for its customers.

  The rising consumer demand for quality products and services in China has bolstered Parkson to diversify its retail formats in order to stand out in the retail industry. The Group has upgraded several supermarkets located in department stores to gourmet supermarkets where a wide selection of premium products and new-retail facilities such as face-scanning payment technologies, were offered to discerning middle class customers. These new offerings had made our gourmet supermarkets a sought-after place to shop. The Group plans to open more supermarkets in second-tier and third-tier cities to cater for the rapidly changing consumer demand.

The Group's key F&B brand, *Hogan Bakery*, will continue expanding its footprint with new outlets to be opened in prime locations in Shanghai and other provinces in China. Parkson China will also develop and launch more F&B brands with the objective of providing a full spectrum of consumer experience, by integrating the retail and catering businesses so that customers can enjoy a quality dining experience while shopping.

Parkson China is actively looking for opportunities to expand its portfolio, and also plans to open new department stores focusing on fashion and beauty brands targeting key customers; the millennials. The Group has a network coverage of 44 stores in 30 cities across China as at 30 June 2019.

- **Solid omni-channel marketing offering optimised customer experience**

  With the acceleration of technology and innovation in the Chinese retail landscape, the Group had launched a number of initiatives to stimulate sales and tap into rising online and offline sales opportunities over the years.

  The Group will continue to channel its marketing efforts to build an omni-channel community online and drive visitor traffic at its stores using the online and social media channels including Parkson's official *WeChat* account and its mobile shopping application, *Parkson Plaza*. The Group will blend social media elements into marketing its business lines, thus, enhancing shopping experience for its customers.

The Group remains positive about the consumer market in China regardless of the macroeconomic and geopolitical challenges. Looking ahead, the Group will continue executing its strategies aimed at diversifying retail formats, upgrading brand and product categories; as well as identifying optimal locations to expand its network. The Group will also further enhance the effectiveness of its omni-channel marketing in optimising customer service and experience. The Group believes that it is well positioned to provide the best service in the Chinese retail market and demonstrate solid performance amid challenging market conditions.

Vietnam and Myanmar

	Financial year ended 30 June	
	2019	**2018**
Number of stores	**4**	7
SSS growth - Vietnam (%)	**(19.3)**	(8.3)
- Myanmar (%)	*****	(3.8)
Revenue (RM Million)	**62**	84
Segment loss (RM Million)	**(24)**	(17)

* Not applicable as our single store in Myanmar was closed in December 2018.

The Group's Vietnam operations recorded a negative SSS growth of 19.3% for the FYE 2019 as a result of the increasingly competitive retail scene. The ongoing renovation of a major store has further affected sales performance resulting in the operations recording a lower revenue of RM60 million for the financial year under review. Intensive promotional activities were carried out to capture sales resulting in margin erosion and hence, higher operating loss. Following the closure of 2 non-performing stores in line with the store's optimisation strategies, the Group has 4 stores in Vietnam as at 30 June 2019.

The Group had, after due consideration closed down its only store in Myanmar during the financial year under review. The store recorded a revenue of RM2 million with an operating loss of RM4 million during the FYE 2019.

While the Group continues to take active measures to monitor and assess the viability of its stores, there are plans to refresh some aged department stores so as to remain relevant in the face of the intense competition brought on by the influx of retail players.

Indonesia

	Financial year ended 30 June	
	2019	**2018**
Number of stores	**15**	15
SSS growth (%)	**(2.2)**	(3.8)
Revenue (RM Million)	**144**	161
Segment loss (RM Million)	**(22)**	(20)

Our Indonesia operations recorded a negative SSS growth of 2.2% for the FYE 2019 amidst the soft consumer sentiments and competition. Several earthquakes in Lombok and Bali had also resulted in lesser tourist visits to our stores. The negative SSS growth coupled with the closure of underperforming stores over the years had resulted in the operations recording a lower revenue of RM144 million for the financial year under review.

Included in the operating loss for the FYE 2019 was a provision relating to rental obligation of non-performing stores of RM9 million. Excluding this provision of rental obligation, the operations would have recorded a lower operating loss of RM13 million as compared with RM20 million a year ago, attributed to the improved operational efficiency.

During the financial year under review, the Group continued to establish its presence to reach out to the underserved markets in Indonesia. In October 2018, the Group set up *Centro Icon Mall*, the flagship store in Gresik, to cater for the needs of the community there; and in December 2018, the Group launched *Centro Pesona Square Mall* (the second Centro store in Depok) to better utilise its advantageous position in the city. On the other hand, the Group closed 2 underperforming stores in Jakarta in its efforts to maximise stores' productivity. As at 30 June 2019, the Group owned and operated 15 stores in Indonesia.

The Group believes that the large population and growing middle class with higher household purchasing power will bode well for the Group's operations in Indonesia. Opening of new stores will be done selectively and the Group will prioritise on cost containment, optimising operational efficiency and productivity at stores as well as enhancing product offerings to improve results.

Others

	Financial year ended 30 June	
	2019	**2018**
Revenue (RM Million)	**81**	78
Segment loss (RM Million)	**(37)**	(40)

Results of this Division were mainly derived from the consumer financing business, operation of F&B business and investment holding. For the FYE 2019, the Group's consumer financing operations continued to post increasing revenue and profitability; whilst the F&B business registered revenue growth with improving operating efficiencies from its bakery operations.

The Group's consumer financing business carried out by *Parkson Credit* is committed to providing customers with convenience in purchasing products via easy payment instalments based on Syariah financing scheme. In striving to meet customer and regulatory requirements, *Parkson Credit* has achieved *ISO 9001:2015* for the provision of credit financing services. For the FYE 2019, *Parkson Credit* continued to show considerable progress with revenue and operating profit increasing to RM34 million (2018: RM33 million) and RM21 million (2018: RM14 million) respectively. The Group will continuously maintain its mission to provide more choices, better value, excellent service and convenience to its customers.

On the F&B business, our *Hogan Bakery* operations registered revenue growth with improving operating efficiencies, whilst certain loss-making F&B outlets were closed down after due consideration. During the FYE 2019, our bakery operations have gained traction with increasing traffic. As at 30 June 2019, the Group has 7 *Hogan Bakery* outlets in Malaysia.

SUSTAINABILITY STATEMENT

The Group has embraced the values of corporate responsibility and elements of sustainability management since the early days of its operations. This Sustainability Statement provides an overview of our sustainability practices for the financial year ended 30 June 2019 ("FYE 2019") in the areas of Environmental, Social and Governance ("ESG") practices. We are committed to monitoring our performance relating to material sustainability issues and making efforts for continuous improvement.

The Company is honoured to have been included as a constituent of FTSE4Good Bursa Malaysia Index effective 26 June 2019, as it has met the globally recognised standards designed to measure the performance of companies demonstrating good ESG practices. Independently evaluated based on numerous stringent criteria, the recognition by FTSE4Good not only testifies to the Group's sustainability efforts but also to its ongoing commitment to prioritise economic, environmental and social impacts and create meaningful value to stakeholders.

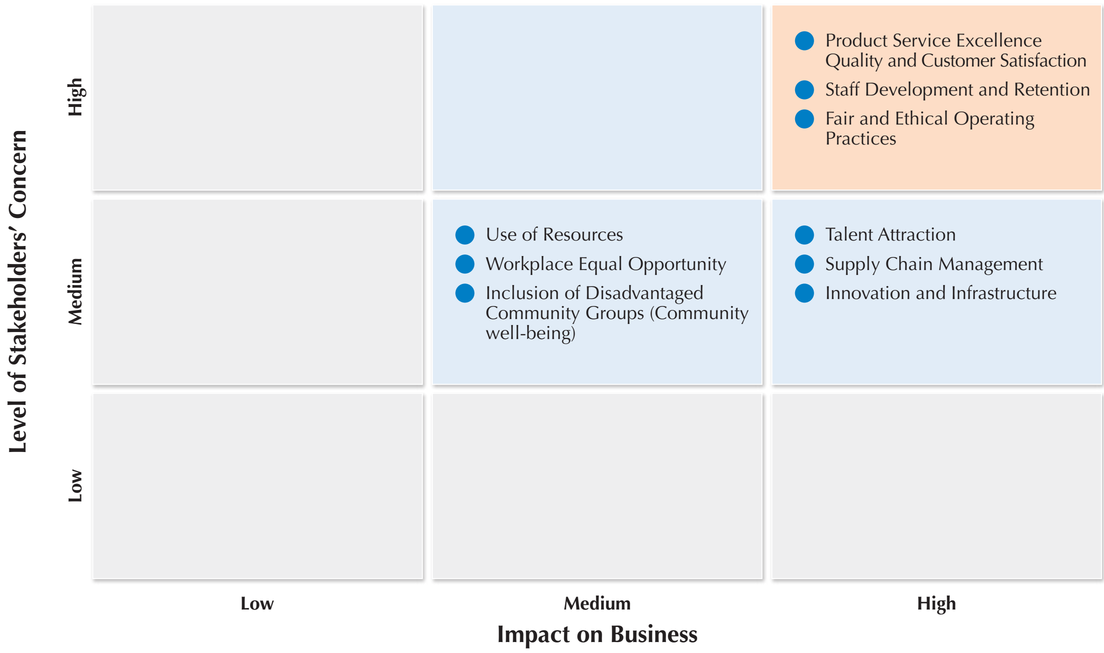
MATERIALITY

We have applied the relevant Global Reporting Initiative ("GRI") Standards to carry out our first materiality assessment to identify and prioritise sustainability topics for reporting based on their importance to the organisation and stakeholders.

The assessment yielded 9 material topics, with (i) Product Responsibility and Customer Satisfaction (ii) Talent Management and Capability Building and (iii) Fair and Ethical Operating Practices being the focal points for the Group.

The findings of the assessment have been plotted in the materiality matrix below based on their impact to the Group's business, and against their importance to both internal and external stakeholders.

Group Materiality Matrix



SUMMARY OF ESG MATERIAL TOPICS

For the purpose of the report structure and clarity, the material topics are grouped into key themes and categorised according to our four sustainability pillars of **Environment, Workplace, Community and Marketplace**, corresponding to the ESG framework.

A summary of the Group's ESG impacts, where the impacts occur, our involvement with these impacts and our management approach is presented in the table below. An indirect involvement indicates that the impacts arise outside of the Group, where we may have limited or no control.

Material Topics, Impacts and Management Approach and Goals

Material Topics	Where the Impacts Occur	Our Involvement	Management Approach and Goals
Environment			
Use of Resources (Energy Consumption)	• Electricity used in offices and department stores for our business operations. • Our carbon emissions resulting from the use of electricity.	Direct	• Minimise energy consumption where possible. • Minimise carbon footprint through energy efficiency.
Workplace (Social)			
Talent Attraction	Groupwide	Direct	• Attract the best talent through competitive remuneration package and ongoing professional development.
Staff Development and Retention	Groupwide	Direct	• Practise meritocracy in performance appraisal and reward of staff. • Provide ongoing learning and development opportunities in line with job requirements and career aspirations.
Workplace Equal Opportunity	Groupwide	Direct	• Staff recruitment based on objective criteria regardless of their ethnic background, gender, age, religion, disability or any factors which do not have bearing on job requirements. • Practise meritocracy in staff performance appraisal.
Community (Social)			
Inclusion of Underprivileged Community Groups (Community well-being)	Groupwide	Indirect	• Support community initiatives through charitable giving and fundraising.

Material Topics	Where the Impacts Occur	Our Involvement	Management Approach and Goals
Marketplace (Governance)			
Fair and Ethical Operating Practices	Groupwide	Direct	• Zero-tolerance against fraud, corruption and unethical practices. • Whistleblowing policy.
Product, Service Excellence Quality and Customer Satisfaction	Groupwide, department stores, F&B outlets, financial services business and customer touch points	Direct	• Enriching customers' experience. • Continuous training for servicing personnel. • Proper handling of customers' feedback. • Safeguarding customers' privacy. • Adhering to food safety regulations. • ISO-certified and Syariah-based financing services. • Parkson Card loyalty programme.
Innovation and Infrastructure	Groupwide	Direct	• Implementation of LionPeople Global HR Information System • Acceptance of eWallet payment. • Launch of Parkson Card mobile app. • Implementation of B2B vendor online portal.
Supply Chain Management	Groupwide and suppliers/ vendors	Indirect	• Drive responsible business practices across our supply chain through vendor selection process, and vendors' periodic acknowledgement of their commitment to the Group's Vendor Code of Conduct.

To elaborate further on our commitment, the Group is carrying out the following measures and activities under the 4 pillars of Environment, Workplace, Community and Marketplace:

ENVIRONMENT

- **Climate Change and Carbon – Energy Conservation**

  The Group is committed to minimising its environmental footprint impact through its energy and carbon reduction initiatives. Our primary environmental footprint stems from electricity consumption, where it is used for lighting and air-conditioning in all our offices, department stores and F&B outlets. Not only minimising our environmental footprint in coherence with our belief of conducting business in a socially responsible manner, this will also benefit us financially by reducing operational costs.

  To align with the energy conservation objective, our Parkson stores began rolling out light emitting diode ("LED") lights across our network of stores progressively. Compared with conventional lights, LED lights could contribute to 35% to 45% savings in energy consumption (measured in kilowatt hours, KWH).

  In addition to installation of LED lights, other energy conservation initiatives undertaken by the Group include optimising the usage of high energy consumption store equipment (e.g. elevators, air conditioners) by only switching on escalators/air conditioners closer to the commencement of store operating hour, and cultivation of energy-saving habits (e.g. switching off lights, air-conditioners and office equipment when not in use).

  Moving forward, we target to continue rolling out LED lights in the remaining stores, whilst upholding the other conservation initiatives currently in place.

- **Prudent Use of Paper Practices**

  We acknowledge that the environmental impact of paper usage is significant. Our approach is to avoid unnecessary paper consumption and waste generation, where possible and appropriate. We always look at ways to reduce paper usage and encourage the usage of electronic platforms such as social media, SMS and email as efficient alternative modes of communication with our customers and for our day-to-day internal operations, and to use recycled paper to print any document where possible.

WORKPLACE

The Group recognises that our success depends on our people's commitment in delivering the highest levels of service to our customers. We strive to provide a fair, performance-based working environment that is diverse, inclusive and collaborative. As part of our commitment to maintain our employee diversity, we have an open-door policy with regard to persons with disabilities.

- **Talent Attraction**

  We are committed to the principles of equality and nondiscrimination, and strive to employ on the basis of merit regardless of gender, age, race, religion, disability or any factors which do have bearing on job requirements. Our sources of talent include recruitment from the open market, whilst the Lion-Parkson Foundation scholarship programme builds a healthy pipeline of talent for our businesses. In attracting external talent, we strive to implement remuneration practices that are externally competitive and internally fair and equitable.

- **Staff Development and Retention**

  The Group provides learning and development ("L&D") opportunities in respect of technical, functional and behavioral competencies for our people in line with their job requirements and career aspirations. These opportunities can be in the form of on-the-job, formal class training and continuing education, so as to better equip them in serving our customers as well as in dealing with other stakeholders.

- **Rewards and Performance**

  We practise meritocracy in assessing our people's performance, and in providing due recognition for their excellence. We have put in place an objective performance appraisal policy which requires all permanent staff to take part in periodic performance assessment. Such regular performance discussions provide opportunities for us to identify development needs of our people, whilst at the same time allow our people to provide upward feedback on their concerns.

- **Safety & Health in the Workplace**

  The safety and health of our employees is vital to our businesses, hence the Group subscribes to the safety, health and environmental regulations with a systematic approach reinforced by constant training and monitoring to ensure the safety and well-being of our employees. Workplace incidents are taken seriously; they are investigated and appropriate actions taken to prevent recurrence.

  In compliance with legal requirements such as the Occupational Safety and Health Act, Factories and Machineries Act and related regulations, we have in place our Safety and Health Policy and Guidelines. Compliance with the safe work practices stated in these guidelines is the primary responsibility of all employees, consignors and their promoters, contractors and consultants performing their duties at our premises. Safety campaigns are held to remind and refresh the staff on safety awareness and related issues with training conducted for staff on the use of fire extinguishers, first aid i.e. CPR and injury management, and evacuation procedures.

- **Employee Engagement and Work-Life Balance**

  We espouse the requirement to engage and listen to our employees in order to create a conducive, happy and productive workplace. We create forums to enable effective employee engagement such as town-halls, "lunch & learn", festive open houses, sports and recreation activities/pursuits. Such engagements address both work and social requirements of our employees leading to a healthy work-life balance which proves to be an important factor for recruitment and retention of employees. The Group strives to provide a working environment that promotes work-life balance for its employees comprising the above elements as well as organizing various healthy lifestyle campaigns and programs to promote healthier living.

COMMUNITY

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

Empowerment through Education

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

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

For the 10th consecutive year, students from 5 schools had staged calligraphy demonstrations and orchestra performances at 9 participating Parkson stores in the Klang Valley over 3 weekends prior to the 2019 Lunar New Year, and successfully raised RM237,247.31 from the sale of their calligraphy pieces. The Lunar New Year Calligraphy Exhibition and Charity Sale in Parkson stores initiated in 2010, has raised a total of RM2,382,643.97 to assist needy students in these schools.

The third Lion Parkson charity run was held on 30 September 2018 at Pavilion Kuala Lumpur and managed to raise RM1.2 million for education and charity, including the expansion of the Home for Handicapped and Mentally Disabled Children in Banting, Selangor; National Cancer Society Malaysia; Kasih Hospice Care Society; and Kuala Lumpur and Selangor Chinese Chambers of Commerce and Industry Education Fund. 45 cancer patients and survivors from National Cancer Society had participated in the 1km Run for Cancer category.

Home for Special Children

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

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

Medical Assistance for the Less Fortunate

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

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

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

MARKETPLACE

(i) Customer Satisfaction And Experience

In today's highly competitive retail market, it is imperative for us to provide the best value and experience to our customers while they shop at Parkson. To achieve this, we have implemented, inter alia, the following:

- **Enriching In-Store Experience**

  We strive to provide wholesome shopping experience to our customers by incorporating lifestyle elements such as cafes, bakeries, saloons and children playgrounds in some of our stores. In addition, we carry out various activities such as festive celebration party, cooking class, fashion show and many other interesting events at our stores. These activities provide value-add to our customers, while at the same time serve as a platform for us to engage with and better understand our customers.

  In response to the growing Chinese tourist arrivals, we now accept payment via eWallet (i.e. AliPay and UnionPay), deploy Mandarin-speaking frontline personnel and have in-store marketing information in Mandarin at certain stores with high tourist traffic.

- **Product Responsibility**

  Parkson being a true-blue Malaysian brand and household name for over 30 years has a responsibility to its customers to ensure that all merchandise carried by its stores fulfil customers' expectations. Hence, the Group places high priority on the quality of the products offered to its customers and ensures that its suppliers share the same philosophy.

  Our F&B businesses adhere strictly to the Food Safety Management Policy to manage food safety in the operations of our F&B stores and the Standard Operating Procedures ("SOPs") laid down by our brands' overseas Principals which have very stringent food safety policies.

  The Group's financial services business under Parkson Credit Sdn Bhd ("Parkson Credit") provides hire purchase and credit sale financing to customers for purchase of motorcycles and household appliances; as well as offering money lending services. Parkson Credit is ISO-certified and Syariah-compliant and in conducting its business operations, adopts responsible financing best practices and is committed to providing affordable and quality financial services in line with its corporate values and within the regulatory framework. Its risk management function is in place to oversight the credit and business risks with its business model and credit policies based on regulatory guidelines, risk experience and management know-how.

- **System Efficiency**

  We strive to achieve the highest efficiency in our operating systems and technology to support our daily business activities across our Group; where our IT resources provide daily support services to ensure our systems run smoothly and are risk-protected. We also ensure that the connectivity with our subsidiaries and business partners through emails, mobile and web-based communications are maintained and risk-protected at all times. Continuous constructive feedback and suggestions have enabled our IT resources to improve and fine-tune business processes and upgrade specific IT facilities to provide quality and timely services.

- **Supply Chain Management**

  The Group incorporates sustainability considerations such as fair labour practices and safety requirements in our vendor selection process. Subsequently, all our registered vendors are required to acknowledge their commitment to the Vendor Code of Conduct periodically.

  The Vendor Code of Conduct serves to inform our vendors of their role and contribution as a key business partner and on the need to comply with all rules and regulations including health, safety and labour standards, avoid conflict of interest, conserve the environment, and notify the Group of any breaches or non-conformance.

- **Parkson Card Loyalty Programme**

  We launched our Parkson Card loyalty programme in December 2014 with the objective to better serve our customers. As at 30 June 2019, we have a total of 1.9 million Parkson Card members.

  The launch of Parkson Card has enabled us to devise targeted promotions and events catering to the preference of our members. In addition, Parkson Card is accepted in all countries where we have operations, and is supported by a wide range of our merchant partners.

  To provide further convenience to members, we launched the Parkson Card mobile app in Malaysia in September 2017. This mobile app allows members to track their spending in Parkson, as well as viewing offers from Parkson and our merchant partners.

- **Store Visits**

  We welcome students and stakeholders to a tour of our stores to provide them with insights and hands-on experience in the retail industry. We entertain requests from students of related retail and business courses from local institutes of higher learning to visit our stores.

- **Continuous Training for Servicing Personnel**

  As aforementioned in the Workplace section, we provide L&D opportunities to our people in line with their job requirements. In the case of our frontline servicing personnel, they are required to undergo retraining on customer service basics and product knowledge periodically, and are encouraged to attend other courses such as English language, communication, problem-solving and related subjects.

  These courses will certainly enhance the capabilities of our frontline personnel in delivering a better service to our customers at our stores.

- **Customer Feedback**

  We emphasise on the needs and concerns of our customers, and strive to address them in a timely manner upon receiving customers' feedback from our customer care desk, email, phone calls and social media platforms such as Facebook and WhatsApp.

  In addition, we take proactive measures to identify lapses in our service standards, such as through the deployment of 'Mystery Shopper' in our stores.

- **Customer Privacy**

  As a department store operator with our Parkson Card loyalty programme and financial services provider under Parkson Credit which offers hire purchase and credit sale financing as well as money lending services, we handle significant amount of personal data of our customers, and recognise the importance of protecting the privacy of our customers.

  We continuously strive to ensure the confidentiality and protection of customer and stakeholders' information and documents based on requirements under the Personal Data Protection Act 2010. Information on our vendors, suppliers and customers is strictly private and confidential, and is treated as such at all times.

- **Innovation and Infrastructure**

  We continue to embrace technology in our pursuit to better serve our customers as well as to improve our processes. Among the measures taken are:

  - Acceptance of eWallet payment at selected Parkson stores
  - Launch of Parkson Card mobile app
  - Implementation of B2B vendor online portal to facilitate vendors' management process
  - Implementation of LionPeople Global HR Information System to streamline our people management process

(ii) Ethical And Responsible Business Practices

- **Anti Corruption**

  The Group is committed to operating our business with integrity and by adhering to ethical business principles. We maintain zero-tolerance for bribery, fraud and corruption, and we are developing our Anti-Bribery and Corruption Policy ("ABC Policy") which abide by the rules, laws and regulations of the countries we are operating in. The new ABC Policy will incorporate more comprehensive issues and a robust set of internal standards and procedures to further enhance the Group's core principles in the existing Code of Business Ethics and Conduct ("CoBEC").

  We apprise our people on the Group's CoBEC and the need to conduct business at the highest ethical standards. We do not tolerate bribery and corrupt practices or behaviours that may bring disrepute to the Group or its people. Above all, we expect honesty, integrity and respect to be exhibited in our dealings and interactions within and outside the Group. In this regard, we have made it mandatory for our people at or above certain grade to declare any conflict of interest at least once a year.

  We have also put in place the Whistleblower Policy, where we encourage our stakeholders to disclose suspected wrongdoings which may involve or concern our Group's Directors, management, employees, performance, relations with other stakeholders, assets and reputation. Whistleblowers will be accorded protection of their identity unless the disclosure is required by any applicable law.

  All concerns may be communicated to the Chief Auditor of the Group via telephone call, mail, email and/or facsimile, as follows:

  Tel No. : 603-3344 2882 ext. 3900
  Email : whistleblowing@parkson.com.my
  Fax No. : 603-3344 2889
  Address : Level 5, Klang Parade, No. 2112 Jalan Meru, 41050 Klang, Selangor Darul Ehsan

  Our goal in the coming years is to increase awareness on the Group's anti-corruption stance and ethical operating practices among our internal and external stakeholders.

AWARD

The Company was awarded the QRadar Excellence Award 2018 by Tricor-Roots Consulting for its implementation of the Enterprise Risk Management and Performance Management programme.

STAKEHOLDER ENGAGEMENT

Stakeholders engagement is imperative in understanding their expectations. We recognise that stakeholder expectation, assessment and feedback are an integral part of our sustainability strategy and initiatives, and we are continuously improving our stakeholder engagement approach via various communication channels.

Stakeholder Group	Stakeholders Expectation	Communication Channel/Platform
Employees	• Learning and development • Respect and recognition • Job satisfaction • Pay and benefits	• Meetings • Training programmes • Internal newsletter • Performance appraisals • Staff gatherings and other engagement channels
Customers	• Price promotion • Convenience and experience • Engaging, knowledgeable personnel • Responsible financing	• Face-to-face interaction through service channels • Communication through Customer Service Department and Corporate Communications Department • Feedback through website, e-mail, social media • Sales, promotions, road shows and related events • In-Store information
Suppliers/Vendors	• Long term partnership • Financial resilience • Sustainable business growth • Experienced management team	• Liaison with suppliers before sourcing and engaging with contract managers • Meetings, business alliance events/ meetings • Vendor service/support channel
Shareholders and investors	• Good governance • Sustainable business growth • Disclosure and transparency	• Investor relations channel and meetings • Annual General Meeting • Quarterly reports, Annual Report
Government and regulators	• Regulatory compliance	• Meetings and events
Local communities	• Responsible corporate citizen • Support for social causes	• Activities and sponsorships by the Group, Lion-Parkson Foundation and Lion Group Medical Assistance Fund
Media	• Response to media enquiries and requests for interviews • Long term engagement	• Media releases, media statements and interviews • Advertisements • Media invitations and sponsorships
Industry Associations	• Support for mutual interests • Parkson is a member of the Malaysia Retailers Association (MRA), Malaysia Retail Chain Association (MRCA) as well as the Inter Continental Group of Department Stores (IGDS) • Parkson Credit is a member of Credit Sale Companies Association	• Meetings and events

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other information relating to its subsidiaries are set out in Note 15 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	(152,268)	(76,550)
Loss for the financial year attributable to:		
Owners of the parent	(129,184)	(76,550)
Non-controlling interests	(23,084)	–
	(152,268)	(76,550)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than, in respect of the Group, impairment losses on property, plant and equipment, and receivables, and provision of land tax amounting to a total of RM53,130,000 and in respect of the Company, impairment loss on amounts due from subsidiaries amounting to RM71,886,000.

DIVIDEND

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

ISSUES OF SHARES AND DEBENTURES

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

DIRECTORS

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

Tan Sri Cheng Heng Jem
Cheng Hui Yen, Natalie
Zainab binti Dato' Hj. Mohamed
Ooi Kim Lai
Liew Jee Min @ Chong Jee Min (Appointed on 15 January 2019)
Tan Sri Abdul Rahman bin Mamat (Resigned with effect from 1 September 2019)
Yeow Teck Chai (Retired on 23 November 2018)

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

Au Chen Sum
Cai Hao Ying
Chai Woon Chew
Chang Chae Young (Appointed on 1 August 2018)
Cheng Hui Yen, Natalie
Cheng Hui Yuen, Vivien
Cheong Tuck Yee
Chong Cheng Tong
Chong Sui Hiong
Chuah Say Chin
Da Min (Appointed on 19 December 2018)
Dato' Fu Ah Kiow
Dato' Sri Dr. Hou Kok Chung
Gao Guang Ping
Gao Guang Qing
Gui Cheng Hock
Haji Mohamad Khalid bin Abdullah
He Dong (Appointed on 18 December 2018)
Hu Da Zhi (Appointed on 27 September 2019)
Huang Li Min
Jin Chun Xu
Juliana Cheng San San
Ko Desmond
Lee Whay Keong
Li Bing
Li Cheng
Lim Guang Wei
Loh Chai Hoon
Low Kim Tuan
Ma Li
Michael Chan Foong Wee
Ng Ho Peng
Ng Tiak Soon
Nie Ru Xuan
Norman Siu Yong Ching Jr
Ooi Kim Lai
Poh Wan Chung
Pong Yuet Yee
Pun Chi Tung, Melvyn

DIRECTORS (continued)

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

Tan Boon Heng	
Tan Guan Soon	
Tan Kim Kee	
Tan Soo Khoon	
Tan Sri Cheng Heng Jem	
Teoh Yee Seang	
Tony Ng Kok Siong	
Wang Wing Ying	
Wang Xiu Min	
Wong Chee Keong	
Xie Hua	
Yau Ming Kim, Robert	
Yu Kai Yan	(Appointed on 15 April 2019)
Yuan Xiao Yu	
Zhang Pei	
Zhang Yi Ming	
Zhang Zhi Jun	
Zhou Jia	
Chen Ya Ping	(Resigned with effect from 19 December 2018)
Ooi Chee Wey	(Resigned with effect from 20 July 2018)
Sun Jian	(Resigned with effect from 27 September 2019)
Tan Siang Long	(Retired on 31 October 2018)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Company as shown in Note 8(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director and a person connected with the Director of the Company has a substantial financial interest, save and except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related corporations and certain corporations in which the Director and a person connected with the Director of the Company has a substantial interest as disclosed in Note 35 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Directors and Officers of the Group and of the Company are covered under a Directors' and Officers' Liability Insurance up to an aggregate limit of US$25 million (equivalent to approximately RM103.5 million) against any legal liability, if incurred by the Directors and Officers of the Group and of the Company in the discharge of their duties while holding office for the Company and its subsidiaries.

AUDITORS' INDEMNITY

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS

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

		Number of ordinary shares		
	1.7.2018	**Acquired**	**Disposed**	**30.6.2019**
Tan Sri Cheng Heng Jem				
Direct interest	297,853,526	1,069,513	(12,000,000)	286,923,039
Deemed interest	347,612,878	–	(6,080,833)	341,532,045
Ooi Kim Lai				
Direct interest	197	–	–	197

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

Direct Interest

		Number of ordinary shares		
	1.7.2018	**Acquired**	**Disposed**	**30.6.2019**
Parkson Retail Asia Limited ("PRA")				
Tan Sri Cheng Heng Jem	500,000	–	–	500,000
Cheng Hui Yen, Natalie	50,000	–	–	50,000

Tan Sri Cheng Heng Jem
Deemed Interest

		Number of ordinary shares		
	1.7.2018	**Acquired**	**Disposed**	**30.6.2019**
Giftmate Sdn Bhd	120,000	–	–	120,000
Parkson Myanmar Investment Company Pte Ltd	2,100,000	–	–	2,100,000
PRA	457,933,300	–	–	457,933,300

DIRECTORS' INTERESTS (continued)

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

Tan Sri Cheng Heng Jem
Deemed Interest

	Number of ordinary shares of HK$0.02 each			
	1.7.2018	**Acquired**	**Disposed**	**30.6.2019**
Parkson Retail Group Limited	1,448,270,000	–	–	1,448,270,000

	Currency	**1.7.2018**	**Acquired**	**Disposed**	**30.6.2019**
Investments in the People's Republic of China					
Guizhou Shenqi Parkson Retail Development Co Ltd	Rmb	10,200,000	–	–	10,200,000
Lion Food & Beverage Ventures Limited	Rmb	3,640,000	–	–	3,640,000
Qingdao No. 1 Parkson Co Ltd	Rmb	223,796,394	–	–	223,796,394
Wuxi Sanyang Parkson Plaza Co Ltd	Rmb	48,000,000	–	–	48,000,000
Xinjiang Youhao Parkson Development Co Ltd	Rmb	10,200,000	–	–	10,200,000

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

TREASURY SHARES

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

As at 30 June 2019, the number of treasury shares held were 26,721,880 shares. Further details are disclosed in Note 25(b) to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss, the statements of other comprehensive income and the statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (continued)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent in respect of these financial statements; and

   (ii) the values attributed to the current assets in these financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS AND AUDITORS' REMUNERATION

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

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 7 October 2019.

TAN SRI CHENG HENG JEM
Chairman and Managing Director

CHENG HUI YEN, NATALIE
Executive Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

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

We, **Tan Sri Cheng Heng Jem** and **Cheng Hui Yen, Natalie**, being two of the Directors of **Parkson Holdings Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 69 to 205 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 7 October 2019.

TAN SRI CHENG HENG JEM
Chairman and Managing Director

CHENG HUI YEN, NATALIE
Executive Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

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

I, **Tan Sri Cheng Heng Jem**, the Director primarily responsible for the financial management of **Parkson Holdings Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 69 to 205 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Tan Sri Cheng Heng Jem** at Kuala Lumpur in the Federal Territory on 7 October 2019.

TAN SRI CHENG HENG JEM

Before me,

W530
TAN SEOK KETT
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PARKSON HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Parkson Holdings Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 69 to 205.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Risk area and rationale	Our response
Revenue recognition	
The Group relies on its information technology systems in the accounting for revenue from direct sales and commissions from concessionaire sales of RM3,650,420,000 (in which product prices, Point of Sales and other relevant support system reside). Such information system processes large volumes of data which consists of individually low value transactions. In addition, the Group recognised deferred revenue of RM21,676,000 as at 30 June 2019 in respect of customer loyalty awards. The quantum of deferred revenue recognised at each reporting period requires management's estimates in relation to the historical trends of redemption of customer loyalty points. The aforementioned factors gave rise to higher risk of material misstatements from the perspective of timing of recognition and the amount of revenue to be recognised. Accordingly, we identified revenue recognition to be an area of audit focus as the magnitude and the high volume of transactions may give rise to a higher risk of material misstatements relating to timing and the amount of revenue recognised. The disclosures for revenue of the Group is included in Note 4 to the financial statements.	Our audit procedures included, amongst others: - involved our information technology specialists to test the operating effectiveness of the automated controls of the information technology systems; - tested the information technology dependent manual and manual controls in place to ensure the completeness and accuracy of revenue recognised, including the updating of approved product price changes in the system; - performed procedures to corroborate the occurrence of revenue by tracing samples of cash receipts to the settlement reports from financial institutions; - tested the reconciliation of data between the Point of Sales system and the general ledger to corroborate the completeness of revenue; - tested the information technology controls surrounding the customer loyalty points systems and processes such as capturing and recording of loyalty points into the system; - assessed the accuracy of deferred revenue recognition using the historical rates of redemption of the customer loyalty points used by management; and - performed cut-off procedures to determine if revenue is recorded in the correct accounting period.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Risk area and rationale	Our response
Impairment of assets	
(a) Property, plant and equipment	
The Group primarily operates retail stores in China, Malaysia, Indonesia and Vietnam, as well as food and beverage stores in Malaysia and China. The Group recognised property, plant and equipment with a total carrying amount of RM2,544,239,000, representing 45% of total non-current assets of the Group as at 30 June 2019. On an annual basis, management is required to assess for indicators of impairment to determine if impairment assessment should be carried out. For the financial year ended 30 June 2019, the Group recorded impairment losses of RM41,480,000 in relation to property, plant and equipment. The impairment assessment is a complex process which involves significant judgement and assumptions in the determination of the recoverable amounts, in particular assumptions relating to gross margin, growth rates as well as overall market and economic conditions of the industry. Due to the significance of the amounts, the complexity and subjectivity involved in the annual impairment test, we considered this as a key audit matter. The disclosures for property, plant and equipment of the Group and of the Company are included in Note 11 to the financial statements.	Our audit procedures included, amongst others: - obtained understanding of the Group's and of the Company's policies and procedures to identify indication of impairment of assets relating to underperforming stores; - examined approved cash flow forecasts as well as historical trend analysis; - compared the key assumptions used in the impairment assessments with reference to historical performance, external data reflecting current market conditions and our understanding of the business, in particular gross margin and growth rates used in determining the value in use at each cash generating units ("CGU") level; - involved our internal valuation specialists to assist us in evaluating the appropriateness of discount rate, methodologies and assumptions used in the cash flow forecasts; and - assessed the adequacy of disclosures in relation to impairment assessment including those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the assets.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Risk area and rationale	Our response
Impairment of assets (continued)	
(b) Goodwill	
The Group has a balance of goodwill of RM1,255,430,000, representing 22% of total non-current assets of the Group. On an annual basis, management is required to perform an impairment assessment of the CGUs to which the goodwill has been allocated. The impairment assessment is a complex process which involves significant judgement and assumptions in the determination of the recoverable amounts, in particular assumptions relating to gross margin, growth rates as well as overall market and economic conditions of the industry. Due to the significance of the amounts, the complexity and subjectivity involved in the annual impairment test, we considered this as a key audit matter. The disclosures for goodwill of the Group are included in Note 13 to the financial statements.	Our audit procedures included, amongst others: - obtained understanding of the Group's and of the Company's policies and the relevant internal methodologies applied in determining the CGUs and the recoverable amounts; - examined cash flow forecasts and compared the key assumptions used in the impairment assessments with reference to historical performance, external data in a similar industry and our understanding of the business, in particular gross margin and growth rates; - involved our internal valuation specialists to assist us in evaluating the appropriateness of discount rate applied to cash flows of the CGUs for each country, methodologies and assumptions used in the impairment assessment; and - assessed the adequacy of disclosures in relation to impairment assessment including those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the assets.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Risk area and rationale	Our response
Inventory obsolescence	
The Group's inventories mainly consist of inventories at retail stores and food and beverage stores. The Group held inventories with a total carrying amount of RM366,589,000, representing 13% of total current assets of the Group as at 30 June 2019. The inventories were subject to losses arising from obsolescence, hence allowance for inventory obsolescence is assessed on an annual basis. For the financial year ended 30 June 2019, management has recorded write down of inventories amounting to a total of RM2,966,000 to their net realisable value. Due to the significance of the value of inventories, the significant judgements and assumptions used in the determination of net realisable values/allowance of obsolescence's assessment, we considered this as a key audit matter. The Group's disclosures for inventories are included in Note 24 to the financial statements.	Our audit procedures included, amongst others: - obtained an understanding of the Group's policies and tested the design and effectiveness of controls over the identification of obsolete inventories; - assessed the adequacy of the allowance of obsolescence made by checking to the history of sales trend and checking samples of inventories to ascertain that inventories were sold at positive margin and selling price was more than its carrying amount; - tested accuracy of inventory ageing reports by checking to the dates of invoices; and - assessed the adequacy of the Group's disclosures on the allowances of inventory obsolescence in the financial statements.
Impairment on loan receivables	
The carrying amount of loan receivables arising from the credit services segment of the Group was RM155,982,000, representing 66% of total trade receivables of the Group as at 30 June 2019. The adoption of MFRS 9 *Financial Instruments* has fundamentally changed the Group's and the Company's accounting for impairment of these trade receivables by replacing MFRS 139 *Financial Instruments: Recognition and Measurement*'s incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of credit exposures with significant deterioration in credit quality, assumptions used in the ECL models such as the expected future cash flows and forward-looking macroeconomic factors. The disclosures for loan receivables of the Group are included in Note 20 to the financial statements.	Our audit procedures included, amongst others: - tested the controls over credit assessment, approval, recording and monitoring of loan receivables; - reviewed the methodologies, inputs and assumptions used by management in calculating impairment allowance for the three stages of credit exposures under MFRS 9 in accordance with credit quality; - reviewed the reasonableness of the loss rates used by the management in the estimation of impairment allowances based on the historical default trend and forward-looking adjustments; and - assessed the adequacy of the disclosures on the Group's exposure to credit risk in the financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2019 annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
7 October 2019

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	**4,032,665**	3,981,735	**–**	–
Other items of income					
Other income	5	**301,562**	318,772	**1,059**	3,788
Items of expense					
Purchase of goods and changes in inventories		**(1,844,388)**	(1,696,113)	**–**	–
Employee benefits expense	6	**(625,127)**	(645,472)	**(872)**	(891)
Depreciation and amortisation	8(a)	**(234,748)**	(275,032)	**(1)**	–
Promotional and advertising expenses		**(77,713)**	(80,640)	**–**	–
Rental expenses		**(885,611)**	(941,854)	**–**	–
Other expenses	8(d)	**(577,712)**	(657,902)	**(4,452)**	(9,651)
Operating profit/(loss)		**88,928**	3,494	**(4,266)**	(6,754)
Finance income	7	**74,042**	102,853	**2,901**	3,994
Finance costs	7	**(150,134)**	(130,003)	**(3,239)**	(7,045)
Share of results of associates	16	**7,560**	1,962	**–**	–
Share of results of joint ventures	17	**8,599**	8,590	**–**	–
Gain on disposal and dilution of interests in subsidiaries	15(c)	**–**	18,788	**–**	–
Impairment loss on:					
- Property, plant and equipment	11	**(41,480)**	(41,039)	**–**	–
- An investment property	12	**–**	(1,990)	**–**	–
- Intangible assets	13	**–**	(24,217)	**–**	–
- Investments in an associate and joint ventures		**–**	(12,995)	**–**	–
- Deposits, amounts due from an associate, a joint venture and managed stores		**(5,300)**	(8,353)	**–**	–
- Amounts due from subsidiaries	19	**–**	–	**(71,886)**	–
Provision of land tax		**(6,350)**	–	**–**	–
Loss before tax	8	**(24,135)**	(82,910)	**(76,490)**	(9,805)
Income tax expense	9	**(128,133)**	(86,847)	**(60)**	–
Loss for the financial year		**(152,268)**	(169,757)	**(76,550)**	(9,805)

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Loss for the financial year attributable to:					
Owners of the parent		**(129,184)**	(99,439)	**(76,550)**	(9,805)
Non-controlling interests	15(d)	**(23,084)**	(70,318)	**–**	–
		(152,268)	(169,757)	**(76,550)**	(9,805)
Loss per share attributable to owners of the parent (sen)					
Basic	10(a)	**(12.11)**	(9.32)		
Diluted	10(b)	**(12.11)**	(9.32)		

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Loss for the financial year	**(152,268)**	(169,757)	**(76,550)**	(9,805)
<u>**Other comprehensive income/(loss)**</u>				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plan, net of tax	**230**	379	**–**	–
Change in fair value of financial assets	**(523)**	–	**–**	–
	(293)	379	**–**	–
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation	**(115,417)**	(75,111)	**–**	–
Other comprehensive loss for the financial year, net of tax	**(115,710)**	(74,732)	**–**	–
Total comprehensive loss for the financial year	**(267,978)**	(244,489)	**(76,550)**	(9,805)
Total comprehensive loss for the financial year attributable to:				
Owners of the parent	**(189,737)**	(147,068)	**(76,550)**	(9,805)
Non-controlling interests	**(78,241)**	(97,421)	**–**	–
	(267,978)	(244,489)	**(76,550)**	(9,805)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Non-current assets			
Property, plant and equipment	11	**2,544,239**	2,718,906
Investment properties	12	**200,485**	211,291
Intangible assets	13	**1,259,852**	1,273,895
Land use rights	14	**255,750**	266,853
Investments in associates	16	**25,587**	18,443
Investments in joint ventures	17	**22,445**	24,966
Deferred tax assets	18	**117,531**	125,647
Trade receivables	20	**67,968**	85,206
Other receivables	21	**250,434**	299,597
Investment securities	22	**23,414**	18,945
Time deposits	23	**863,620**	811,910
		5,631,325	5,855,659
Current assets			
Inventories	24	**366,589**	377,910
Trade and other receivables	20	**582,077**	547,310
Investment securities	22	**314,278**	375,371
Tax recoverable		**3,868**	9,653
Deposits, cash and bank balances	23	**1,637,779**	1,781,600
		2,904,591	3,091,844
Total assets		**8,535,916**	8,947,503
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	25	**4,151,005**	4,151,005
Treasury shares	25	**(20,903)**	(20,903)
Other reserves	26	**(1,573,800)**	(1,517,787)
Accumulated losses		**(509,414)**	(378,538)
		2,046,888	2,233,777
Non-controlling interests	15(d)	**1,264,360**	1,373,780
Total equity		**3,311,248**	3,607,557

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019 (continued)

	Note	2019 RM'000	2018 RM'000
Equity and liabilities (continued)			
Non-current liabilities			
Deferred tax liabilities	18	**141,373**	155,177
Loans and borrowings	27	**2,307,400**	1,967,453
Long term payables	29	**541,636**	575,165
Provisions	30	**30,578**	23,292
		3,020,987	2,721,087
Current liabilities			
Trade and other payables and other liabilities	31	**1,518,371**	2,050,392
Contract liabilities	32	**448,261**	–
Loans and borrowings	27	**189,268**	530,850
Provisions	30	**12,930**	10,025
Other financial liability	34	**–**	1,036
Tax payables		**34,851**	26,556
		2,203,681	2,618,859
Total liabilities		**5,224,668**	5,339,946
Total equity and liabilities		**8,535,916**	8,947,503

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

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Non-current assets			
Property, plant and equipment	11	**8**	–
Intangible assets	13	**28**	28
Investments in subsidiaries	15	**21,360**	21,360
Amounts due from subsidiaries	19	**711,219**	771,232
		732,615	792,620
Current assets			
Trade and other receivables	20	**155**	150
Amounts due from subsidiaries	19	**7,883**	148,471
Tax recoverable		**–**	264
Deposits, cash and bank balances	23	**11,571**	2,691
		19,609	151,576
Total assets		**752,224**	944,196
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	25	**4,151,005**	4,151,005
Treasury shares	25	**(20,903)**	(20,903)
Other reserves	26	**2,905,831**	2,905,831
Accumulated losses		**(6,298,207)**	(6,221,657)
Total equity		**737,726**	814,276
Current liabilities			
Trade and other payables and other liabilities	31	**1,648**	2,337
Amounts due to subsidiaries	33	**3,069**	3,499
Loans and borrowings	27	**9,781**	123,048
Other financial liability	34	**–**	1,036
Total liabilities		**14,498**	129,920
Total equity and liabilities		**752,224**	944,196

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Attributable to owners of the parent						
	Non-distributable						
	Share capital RM'000 (Note 25)	Treasury shares RM'000 (Note 25)	Other reserves RM'000 (Note 26)	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2018	**4,151,005**	**(20,903)**	**(1,517,787)**	**(378,538)**	**2,233,777**	**1,373,780**	**3,607,557**
Effect of MFRS 9 adoption	**–**	**–**	**4,002**	**(2,726)**	**1,276**	**991**	**2,267**
At 1 July 2018, restated	**4,151,005**	**(20,903)**	**(1,513,785)**	**(381,264)**	**2,235,053**	**1,374,771**	**3,609,824**
Total comprehensive loss for the financial year	**–**	**–**	**(60,783)**	**(128,954)**	**(189,737)**	**(78,241)**	**(267,978)**
Transactions with owners							
Transfer to capital reserves	**–**	**–**	**768**	**(768)**	**–**	**–**	**–**
Acquisition of non-controlling interests in a subsidiary	**–**	**–**	**–**	**(5,877)**	**(5,877)**	**5,877**	**–**
Dilution of equity interests in a subsidiary	**–**	**–**	**–**	**7,449**	**7,449**	**(7,449)**	**–**
Dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(30,598)**	**(30,598)**
Total transactions with owners	**–**	**–**	**768**	**804**	**1,572**	**(32,170)**	**(30,598)**
At 30 June 2019	**4,151,005**	**(20,903)**	**(1,573,800)**	**(509,414)**	**2,046,888**	**1,264,360**	**3,311,248**
At 1 July 2017	4,151,005	(20,903)	(1,470,493)	(268,295)	2,391,314	1,457,413	3,848,727
Total comprehensive loss for the financial year	–	–	(48,008)	(99,060)	(147,068)	(97,421)	(244,489)
Transactions with owners							
Transfer to capital reserves	–	–	714	(714)	–	–	–
Acquisition of non-controlling interests in subsidiaries	–	–	–	(10,469)	(10,469)	9,512	(957)
Disposal and dilution of interests in subsidiaries	–	–	–	–	–	12,057	12,057
Dividends to non-controlling interests	–	–	–	–	–	(7,781)	(7,781)
Total transactions with owners	–	–	714	(11,183)	(10,469)	13,788	3,319
At 30 June 2018	4,151,005	(20,903)	(1,517,787)	(378,538)	2,233,777	1,373,780	3,607,557

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	← Non-distributable		→		
	Share capital RM'000 (Note 25)	Treasury shares RM'000 (Note 25)	Other reserves RM'000 (Note 26)	Accumulated losses RM'000	Total equity RM'000
At 1 July 2018	**4,151,005**	**(20,903)**	**2,905,831**	**(6,221,657)**	**814,276**
Total comprehensive loss for the financial year	**–**	**–**	**–**	**(76,550)**	**(76,550)**
At 30 June 2019	**4,151,005**	**(20,903)**	**2,905,831**	**(6,298,207)**	**737,726**
At 1 July 2017	4,151,005	(20,903)	2,905,831	(6,211,852)	824,081
Total comprehensive loss for the financial year	–	–	–	(9,805)	(9,805)
At 30 June 2018	4,151,005	(20,903)	2,905,831	(6,221,657)	814,276

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
Loss before tax	**(24,135)**	(82,910)	**(76,490)**	(9,805)
Adjustments for:				
Depreciation and amortisation	**234,748**	275,032	**1**	–
Amortisation of:				
- Deferred lease expense	**3,212**	6,309	**–**	–
- Deferred lease income	**(505)**	(221)	**–**	–
Write off of:				
- Property, plant and equipment	**19,716**	3,007	**–**	–
- Intangible assets	**–**	59	**–**	–
- Bad debts	**–**	97	**–**	–
Impairment loss on:				
- Investment in a subsidiary	**–**	–	**–**	2,591
- Property, plant and equipment	**41,480**	41,039	**–**	–
- An investment property	**–**	1,990	**–**	–
- Intangible assets	**–**	24,217	**–**	–
- Investments in an associate and joint ventures	**–**	12,995	**–**	–
Allowance for impairment loss on amounts due from subsidiaries	**–**	–	**71,886**	–
Allowance for impairment loss on receivables	**15,895**	19,240	**–**	–
Write down of inventories	**2,966**	8,686	**–**	–
Reversal of impairment loss on:				
- Property, plant and equipment	**(9,393)**	(3,601)	**–**	–
- Receivables	**(2,143)**	(4,517)	**–**	–
Reversal of write down of inventories	**–**	(3,847)	**–**	–
Unrealised foreign currency exchange loss/(gain)	**4,318**	(12,538)	**–**	(3,788)
Loss/(gain) on disposal of property, plant and equipment	**5,157**	10,359	**(23)**	–
Net fair value (gain)/loss on derivatives	**(1,036)**	1,607	**(1,036)**	1,607
Defined benefit plan	**578**	584	**–**	–
Gain on disposal and dilution of interests in subsidiaries	**–**	(18,788)	**–**	–
Share of results of associates	**(7,560)**	(1,962)	**–**	–
Share of results of joint ventures	**(8,599)**	(8,590)	**–**	–
Finance costs	**150,134**	130,003	**3,239**	7,045
Finance income	**(74,042)**	(102,853)	**(2,901)**	(3,994)
Dividend income from investment securities	**(826)**	(847)	**–**	–
Operating profit/(loss) before working capital changes	**349,965**	294,550	**(5,324)**	(6,344)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities (continued)				
Operating profit/(loss) before working capital changes, brought forward	**349,965**	294,550	**(5,324)**	(6,344)
Changes in working capital:				
Inventories	**12,055**	14,217	**–**	–
Receivables	**27,939**	(47,141)	**129,271**	19,869
Payables	**(154,038)**	(70,641)	**(2,158)**	602
Cash flows generated from operations	**235,921**	190,985	**121,789**	14,127
Taxes (paid)/received	**(70,340)**	(84,245)	**204**	81
Interest paid	**(142,015)**	(158,187)	**(2,200)**	(7,045)
Interest received	**62,908**	91,724	**2,340**	3,994
Net cash flows generated from operating activities	**86,474**	40,277	**122,133**	11,157
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 11(iv))	**(121,349)**	(288,846)	**(9)**	–
Additions to intangible assets	**(110)**	(1,146)	**–**	–
Proceeds from disposal of property, plant and equipment	**1,837**	1,071	**23**	–
Acquisition of subsidiaries, net of cash acquired	**–**	(957)	**–**	–
Net cash inflow on disposal and dilution of interests in subsidiaries (Note 15(c))	**–**	1,260	**–**	–
Dividends received from:				
- An associate	**170**	41	**–**	–
- A joint venture	**10,805**	10,304	**–**	–
- Investment securities	**106**	847	**–**	–
Changes in:				
- Investment securities	**56,540**	(142,900)	**–**	–
- Deposits with banks	**234,876**	714,777	**–**	–
Net cash flows generated from investing activities	**182,875**	294,451	**14**	–

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from financing activities				
Dividends paid to non-controlling interests	**(30,598)**	(7,781)	**–**	–
Proceeds from loans and borrowings	**473,364**	2,194,167	**–**	–
Repayment of loans and borrowings	**(519,304)**	(2,221,810)	**(90,600)**	–
Hire purchase principal payments	**(1,402)**	(1,189)	**–**	–
Net cash flows used in financing activities	**(77,940)**	(36,613)	**(90,600)**	–
Net increase in cash and cash equivalents	**191,409**	298,115	**31,547**	11,157
Effects of changes in exchange rates	**(4,755)**	(26,239)	**–**	–
Cash and cash equivalents at beginning of year	**853,766**	581,890	**(29,757)**	(40,914)
Cash and cash equivalents at end of year (Note 23)	**1,040,420**	853,766	**1,790**	(29,757)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 15. There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 7 October 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

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

On 1 July 2018, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 July 2018.

Description

MFRS 9: Financial Instruments
MFRS 15: Revenue from Contracts with Customers
MFRS 15: Clarification to MFRS 15
Amendments to MFRS 140: Transfers of Investment Property
Annual Improvements to MFRSs 2014 - 2016 Cycle
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

The adoption of the above standards and amendments did not result in material impact to the financial statements of the Group and of the Company, except for the following:

MFRS 9: Financial Instruments

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

The Group and the Company applied MFRS 9 retrospectively, with an initial application of 1 July 2018. Under the transitional provisions of MFRS 9, the Group and the Company have elected not to restate the comparative information. Differences arising from the adoption of MFRS 9 have been recognised in opening accumulated losses.

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on 2 criterias: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding.

The assessment of the Group's and of the Company's business model was made as at the date of initial application on 1 July 2018. The assessment of whether contractual cash flows on debt instruments solely consist of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Group's and of the Company's financial assets:

Trade receivables and other financial assets

Trade receivables and other financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortised cost.

Unquoted equity investments

Equity investments in non-listed companies previously classified as available-for-sale financial assets are now classified and measured as equity instruments designated at FVOCI. The Group elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.2 **Changes in accounting policies** (continued)

MFRS 9: Financial Instruments (continued)

(b) Impairment

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking ECL model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs. The accounting treatment for impairment of financial assets is further disclosed in Note 2.13(b).

Upon the adoption of MFRS 9, the Group had recognised additional impairment on the Group's trade receivables which resulted in an increase in accumulated losses of RM2,726,000 as at 1 July 2018.

The effect of the Group of adopting MFRS 9 as at 1 July 2018 was as follows:

Consolidated statement of financial position

	As at 30.6.2018 RM'000	Effects of MFRS 9 (a) RM'000	(b) RM'000	As at 1.7.2018 RM'000
Non-current assets				
Investment securities				
Financial assets:				
- Available-for-sale	933	(933)	–	–
- Held-to-maturity	18,012	(18,012)	–	–
- At FVOCI	–	23,938	–	23,938
Current assets				
Trade receivables	214,464	–	(2,726)	211,738
Equity				
Accumulated losses	(378,538)	–	(2,726)	(381,264)
Fair value reserve of financial assets at FVOCI	–	4,002	–	4,002
Non-controlling interests	1,373,780	991	–	1,374,771

(a) Effects relating to changes in classification and measurement of financial assets.
(b) Effects relating to additional impairment on trade receivables under new ECL model.

The following table presents the reconciliation of the financial assets at FVOCI during the financial year ended 30 June 2019:

	Group 2019 RM'000
At 1 July 2018	**23,938**
Loss for the financial year included in other comprehensive income	**(523)**
Exchange differences	**(1)**
At 30 June 2019	**23,414**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

MFRS 15: Revenue from Contracts with Customers

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

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

The Group is principally engaged in the operation of department stores. The Group adopted MFRS 15 using the modified retrospective method with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

(a) Loyalty points programme

Under IFRIC 13 Customer Loyalty Programmes, the loyalty programme offered by the Group required the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to the points issued but not yet redeemed or expired. The Group concluded that under MFRS 15, the loyalty programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under MFRS 15, the Group will need to allocate a portion of the transaction price to the loyalty programme based on relative standalone selling price instead of the allocation using the fair value of points issued. The portion of transaction price allocated to the loyalty programme is recognised as a contract liability until the points are redeemed and any adjustments to the contract liability balance are recognised as revenue.

(b) Presentation and disclosure

The presentation and disclosure requirements in MFRS 15 are more detailed than those under the current MFRS 118. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's and in the Company's financial statements. In particular, notes to the financial statements of the Group and of the Company will be expanded to disclose how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the standalone selling price of each performance obligation. In addition, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

MFRS 15: Revenue from Contracts with Customers (continued)

Upon adoption of MFRS 15, the Group's unfulfilled performance obligations referred as deferred revenue from gift cards/voucher sold and customer loyalty award included in other liabilities are reclassed as contract liabilities as further disclosed in Notes 31 and 32.

Consolidated statement of financial position

	As at 30.6.2018 RM'000	Effect of MFRS 15 RM'000	As at 1.7.2018 RM'000
Other liabilities			
Deferred revenue	482,376	(482,376)	–
Contract liabilities			
Deferred revenue	–	482,376	482,376

Set out below are the amounts of each affected line items of the financial statements of the Group as at 30 June 2019 as a result of the adoption of MFRS 15. The adoption of MFRS 15 did not have a material impact on the statement of profit or loss, the statement of other comprehensive income and the statement of cash flows of the Group. The first column shows amounts prepared under MFRS 15 and the second column shows the amounts would have been had MFRS 15 not been adopted.

Consolidated statement of financial position
As at 30 June 2019

	Amounts prepared under		
	MFRS 15 RM'000	Previous MFRS RM'000	Differences RM'000
Trade and other payables and other liabilities	1,518,371	1,966,632	(448,261)
Contract liabilities	448,261	–	448,261

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 16: Leases	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Share-based Payment	1 January 2020
Amendments to MFRS 3: Business Combinations	1 January 2020
Amendments to MFRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14: Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134: Interim Financial Reporting	1 January 2020
Amendments to MFRS 137: Provision, Contingent Liabilities and Contingent Asset	1 January 2020
Amendments to MFRS 138: Intangible Assets	1 January 2020
Amendments to IC Interpretation 12: Service Concession Agreements	1 January 2020
Amendments to IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132: Intangible Assets-Website Costs	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The standard that may impact the financial statements of the Group and of the Company is discussed below:

<u>MFRS 16: Leases</u>

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

MFRS 16: Leases (continued)

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

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

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

The Group will adopt the transitional provisions in MFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses as at 1 July 2019 and will not restate the comparatives. In addition, the Group will apply the new requirements to contracts that were previously identified as leases applying MFRS 117 and measure the lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group will elect to apply exemptions for commitments expiring within 12 months and low value assets under the requirements of MFRS 16.

As at 30 June 2019, the Group has commitments from non-cancellable operating leases amounting to RM5,528,875,000 as further detailed in Note 36(b). The Group conducted a preliminary assessment and estimated that the adoption of MFRS 16 will result in the recognition of right-of-use assets and lease liabilities primarily arising from leases of premises and properties in relation to the Group's various businesses.

2.4 Basis of consolidation

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.5 Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Business combinations and goodwill (continued)

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

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the 'acquired' entity is reflected within equity as merger reserve/deficit. The profit or loss reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

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

2.6 Investments in associates and joint ventures

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investments in associates and joint ventures (continued)

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

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

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

2.7 Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

2.9 Investment properties

Investment properties and investment properties under construction ("IPUC") are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. These investment properties are depreciated to write off the value over the unexpired lease terms ranging from 1.9% to 2.4% per annum (2018: 1.9% to 2.4% per annum). IPUC are not depreciated as they are not yet ready for their intended use.

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

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

2.10 Intangible assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

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

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

- **Customer relationships**

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

- **Computer software**

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

- **Club memberships**

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

- **Brands**

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

2.11 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. Land use rights are amortised over their original lease terms which ranged from 42 to 66 years (2018: 42 to 66 years).

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of non-financial assets (continued)

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

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

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

The following assets have specific characteristics for impairment testing:

Goodwill

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

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

Intangible assets

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

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the instruments.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

(a) Financial assets (continued)

Initial recognition and measurement (continued)

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, transaction costs, in the case of a financial asset not at FVPL.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in 4 categories:

(a) financial assets at amortised cost (debt instruments)

(b) financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)

(c) financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

(d) financial assets at FVPL

- **Financial assets at amortised cost**

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

(a) Financial assets (continued)

- **Financial assets at FVOCI (debt instruments)**

The Group and the Company measure debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as how financial assets are measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

- **Financial assets designated at FVOCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

- **Financial assets at FVPL**

Financial assets at FVPL include financial assets held for trading. Financial assets held for trading comprise investment securities, derivatives and financial assets acquired principally for the purpose of selling or repurchasing them in the near term.

Subsequent to initial recognition, financial assets at FVPL are measured at fair value. 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 FVPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVPL are recognised separately in profit or loss as part of other income or other expense.

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 OCI for debt instruments is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

(b) Impairment of financial assets

The impairment requirements under MFRS 9 are based on an expected credit loss ("ECL") model that replaces the incurred loss model under the MFRS 139. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which include loan receivables held by the Group. The ECL model also applies to lease receivables under MFRS 117 Leases.

The measurement of ECL involves increased complexity and judgement as follows:

- **Determining a significant increase in credit risk since initial recognition**

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at the reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Group applies a 3-stage approach based on the change in credit quality since initial recognition for loan receivables.

	Stage 1	Stage 2	Stage 3
3-stage approach	Performing	Under-performing	Non-performing
12-month	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired
Interest revenue basis	Gross carrying amount	Gross carrying amount	Net carrying amount

For other financial assets, the Group and the Company apply a simplified approach in calculating ECLs. Under this approach, the Group and the Company do not track changes in credit risks, but instead recognise a loss allowance based on lifetime ECLs at each reporting date.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.13 Financial instruments (continued)

(b) Impairment of financial assets (continued)

- **ECL measurement**

There are 3 main components to measure ECL: (i) a probability of default model ("PD"); (ii) a loss given default model ("LGD"); and (iii) the exposure at default model ("EAD"). The models are to leverage the Group's existing impairment model and credit risk management process as much as possible and perform the required adjustments to produce the MFRS 9 compliant model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group has decided to continue measuring the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assesses other financial assets according to Group's policy.

The Group considers multiple scenarios based on economic condition when estimating the ECL.

- **Expected life**

Lifetime ECL must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment.

- **Financial assets at FVOCI**

The ECLs for financial assets measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position which remains at fair value. Instead, an amount equals to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to profit and loss upon derecognition of the assets.

- **Forward-looking information**

In the Group's ECL models, the Group considers applicable forward-looking information in the measurement of ECL based on the Group's existing resources.

(c) Financial liabilities

<u>Initial recognition and measurement</u>

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings and payables.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

(c) Financial liabilities (continued)

Subsequent measurement

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

- **Financial liabilities at FVPL**

  Financial liabilities at FVPL include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing them in the near term. This category includes derivative financial instruments entered into by the Group and by the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9.

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

- **Financial liabilities at amortised cost**

  After initial recognition, other financial liabilities, including loans and borrowings, are subsequently measured at amortised cost using the EIR method. Gains or losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

  This category generally applies to trade and other payables, and loans and borrowings. Financial liabilities are classified as current liabilities, except for those having repayment date later than 12 months after the reporting date which are classified as non-current.

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. The difference in the respective carrying amounts is recognised in profit or loss.

(d) Offsetting of financial instruments

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

2.14 Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Inventories

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

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

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

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

2.16 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Borrowing costs

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

2.18 Government grants

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

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

2.19 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2.19 Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

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

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

Fair value hedges

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

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

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

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

Hedges of a net investment

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

2.20 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is classified as current when:

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

The Group classifies all other liabilities as non-current.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plan

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

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

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

(c) Employee share option plans

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases

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

(a) As lessee

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

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

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

(b) As lessor

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

2.23 Foreign currency

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Foreign currency (continued)

(b) Transactions and balances (continued)

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

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

(c) Group companies

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

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

2.24 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group and the Company recognise revenue when or as they transfer control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Revenue recognition (continued)

(a) Sale of goods

Revenue on sale of goods is recognised net of sales taxes and discounts upon the transfer of control of goods to the customer, usually on the delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Commissions from concessionaire sales

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

(c) Interest income

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

(d) Revenue from services

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

(e) Rental income

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

(f) Promotion income and sales commissions

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

(g) Consultancy and management service fees

Revenue from the provision of consultancy and management services is recognised over the scheduled period on a straight-line basis as the customer simultaneously receives and consumes the benefits provided by the Group.

(h) Revenue from customer loyalty award

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Revenue recognition (continued)

(i) Dividend income

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

(j) Revenue from food and beverage operations

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

2.25 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.26 Income taxes

(a) Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Income taxes (continued)

(b) Deferred tax (continued)

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

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

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

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

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

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

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

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

2.27 Segmental reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Ordinary share capital and share issuance expenses

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

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

2.29 Treasury shares

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

2.30 Contingencies

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

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

2.31 Fair value measurement

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

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

- in the principal market for the asset or liability; or

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 Fair value measurement (continued)

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.1 Judgements made in applying accounting policies (continued)

(ii) Operating lease commitments - the Group as lessee

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

3.2 Key sources of estimation uncertainty

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

(i) Income taxes

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

(ii) Operating lease commitments - the Group as lessee

The Group has entered into commercial property leases for its retail store business. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of relevant properties and so accounts for them as operating leases. A 5% difference in the minimum lease payments would result in approximately RM30,000,000 (2018: RM32,000,000) variance in the profit or loss (net of tax) for the financial year.

(iii) Impairment of receivables

The Group uses a provision matrix to calculate ECLs for loan receivables from credit services segment. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historically observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic condition is expected to deteriorate over the next year which can lead to increasing number of defaults, the historical default rates are adjusted. At each reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 20.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key sources of estimation uncertainty (continued)

(iii) Impairment of receivables (continued)

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

Where there is an objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's receivables at the reporting date are disclosed in Note 20.

(iv) Impairment of goodwill and other intangibles

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

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 13.

(v) Deferred tax assets

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

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

The Group has RM934,679,000 (2018: RM777,100,000) of tax losses carried forward. These losses relate to subsidiaries that have history of losses, not expired and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward at the reporting date.

If the Group was able to recognise all unrecognised deferred tax assets, the profit or loss and the equity would have increased by RM234,059,000 (2018: RM193,993,000). Further details on deferred taxes are disclosed in Note 18.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key sources of estimation uncertainty (continued)

(vi) Impairment of property, plant and equipment

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

(vii) Provisions for restoration costs

The Group makes provision for restoration costs based on the estimated costs to restore the leased areas in the event of relocation. As at 30 June 2019, the Group has the balance of provisions for restoration costs of RM24,154,000 (2018: RM25,133,000). A 10% difference in the estimated costs to restore the leased areas would result in approximately RM2,415,000 (2018: RM2,513,000) variance in provisions for restoration costs.

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

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

4. REVENUE

	Group	
	2019	**2018**
	RM'000	**RM'000**
Revenue from contracts with customers: (i)		
Sales of goods - direct sales	**2,237,126**	2,025,551
Commissions from concessionaire sales (ii)	**1,413,294**	1,578,230
Food and beverage ("F&B") operations	**46,354**	44,309
Consultancy and management service fees	**7,026**	6,533
	3,703,800	3,654,623
Revenue from other sources:		
Rental income	**293,760**	293,693
Credit services	**34,279**	32,572
Dividend income from investment securities	**826**	847
	328,865	327,112
	4,032,665	3,981,735

4. REVENUE (continued)

(i) Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Sales of goods - direct sales RM'000	Commissions from concessionaire sales RM'000	F&B operations RM'000	Consultancy and management service fees RM'000	Total revenue from contracts with customers RM'000
2019					
Geographical market					
Within Malaysia	**642,183**	**357,333**	**21,901**	**–**	**1,021,417**
Outside Malaysia	**1,594,943**	**1,055,961**	**24,453**	**7,026**	**2,682,383**
	2,237,126	**1,413,294**	**46,354**	**7,026**	**3,703,800**
Timing of revenue recognition					
At a point in time	**2,237,126**	**1,413,294**	**46,354**	**–**	**3,696,774**
Over time	**–**	**–**	**–**	**7,026**	**7,026**
	2,237,126	**1,413,294**	**46,354**	**7,026**	**3,703,800**
2018					
Geographical market					
Within Malaysia	645,044	354,580	21,873	–	1,021,497
Outside Malaysia	1,380,507	1,223,650	22,436	6,533	2,633,126
	2,025,551	1,578,230	44,309	6,533	3,654,623
Timing of revenue recognition					
At a point in time	2,025,551	1,578,230	44,309	–	3,648,090
Over time	–	–	–	6,533	6,533
	2,025,551	1,578,230	44,309	6,533	3,654,623

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

	Group	
	2019 RM'000	**2018 RM'000**
Gross revenue from concessionaire sales	**7,834,230**	8,688,686
Commissions from concessionaire sales	**1,413,294**	1,578,230

5. OTHER INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Management fees	**81,465**	88,680	**–**	–
Promotion income	**47,779**	54,931	**–**	–
Administration fees	**58,404**	48,359	**–**	–
Credit card handling fees	**33,066**	37,238	**–**	–
Equipment and display space lease income	**31,828**	28,110	**–**	–
Service fees	**14,885**	13,490	**–**	–
Government grants (i)	**5,232**	3,961	**–**	–
Others	**28,903**	44,003	**1,059**	3,788
	301,562	318,772	**1,059**	3,788

(i) Various government grants were granted by the local authorities in the People's Republic of China ("PRC") to reward certain subsidiaries for their contributions to the local economy. There are no unfulfilled conditions or contingencies attached to these government grants.

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages, salaries and bonuses	**469,841**	500,049	**788**	799
Defined contribution plans	**54,964**	57,877	**75**	82
Defined benefit plan (Note 29(iii))	**578**	584	**–**	–
Other staff related expenses	**99,744**	86,962	**9**	10
	625,127	645,472	**872**	891

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration amounting to RM3,216,000 (2018: RM3,290,000) and RM203,000 (2018: RM211,000) respectively as further disclosed in Note 8(b).

7. FINANCE INCOME/COSTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Finance income				
Interest income on:				
Short term deposits and others	**55,051**	74,433	**143**	36
Unwinding of discount on rental deposits receivable	**7,815**	1,705	**–**	–
Amounts due from subsidiaries	**–**	–	**2,758**	3,958
Gain on redemption of financial assets at fair value through profit or loss	**7,971**	17,032	**–**	–
Change of fair value of financial assets at fair value through profit or loss	**3,205**	9,683	**–**	–
	74,042	102,853	**2,901**	3,994
Finance costs				
Interest expenses on:				
Notes (Note 27(iii))	**–**	68,963	**–**	–
Term loans and bank loans	**145,939**	55,684	**1,485**	4,178
Bank overdrafts and others	**2,676**	4,082	**1,754**	2,865
Discount adjustments on rental deposits payable and provisions for restoration costs	**1,410**	1,202	**–**	–
Hire purchase liabilities	**109**	72	**–**	2
	150,134	130,003	**3,239**	7,045

8. LOSS BEFORE TAX

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors' remuneration (Note 8(b))	**3,410**	3,497	**397**	418
Auditors' remuneration:				
- Statutory audit	**2,946**	3,398	**32**	32
- Parkson Retail Group Limited's statutory audit *	**3,549**	3,845	**–**	–
Depreciation and amortisation:				
- Property, plant and equipment (Note 11)	**224,820**	262,048	**1**	–
- Investment properties (Note 12)	**439**	818	**–**	–
- Intangible assets (Note 13)	**1,053**	3,453	**–**	–
- Land use rights (Note 14)	**8,436**	8,713	**–**	–
Write off of:				
- Property, plant and equipment	**19,716**	3,007	**–**	–
- Intangible assets	**–**	59	**–**	–
- Bad debts	**–**	97	**–**	–
Impairment loss on investment in a subsidiary (Note 15)	**–**	–	**–**	2,591
Allowance for impairment loss on receivables (Notes 20 and 21)	**15,895**	19,240	**–**	–
Write down of inventories	**2,966**	8,686	**–**	–
Reversal of impairment loss on:				
- Property, plant and equipment (Note 11)	**(9,393)**	(3,601)	**–**	–
- Receivables (Note 20)	**(2,143)**	(4,517)	**–**	–
Bad debts recovered	**(211)**	(691)	**–**	–
Reversal of write down of inventories	**–**	(3,847)	**–**	–
Foreign currency exchange loss/(gain), net:				
- Realised	**1,704**	(85)	**2,022**	–
- Unrealised	**4,318**	(12,538)	**–**	(3,788)
Loss/(gain) on disposal of property, plant and equipment	**5,157**	10,359	**(23)**	–
Net fair value (gain)/loss on derivatives	**(1,036)**	1,607	**(1,036)**	1,607
Operating lease rentals in respect of leased properties:				
- Minimum lease payments	**800,523**	849,325	**–**	–
- Contingent lease payments	**81,876**	86,220	**–**	–
- Amortisation of deferred lease expense (Note 21(iii))	**3,212**	6,309	**–**	–
Sub-lease of properties:				
- Minimum lease payments	**(227,979)**	(238,259)	**–**	–
- Contingent lease payments	**(62,664)**	(51,717)	**–**	–
- Amortisation of deferred lease income (Note 29(ii))	**(505)**	(221)	**–**	–

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

8. LOSS BEFORE TAX (continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors:				
Fees	**368**	366	**75**	75
Salaries and other emoluments	**2,809**	2,852	**128**	129
Pension costs - defined contribution plans	**39**	72	**–**	7
	3,216	3,290	**203**	211
Non-executive Directors:				
Fees	**159**	165	**159**	165
Other emoluments	**35**	42	**35**	42
	194	207	**194**	207
Total Directors' remuneration (Note 8(a))	**3,410**	3,497	**397**	418

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

	Number of Directors			
	Group		Company	
	2019	**2018**	**2019**	**2018**
Executive Directors:				
- RM50,000 and below	**–**	–	**1**	1
- RM150,001 to RM200,000	**–**	–	**1**	1
- RM350,001 to RM400,000	**–**	1	**–**	–
- RM400,001 to RM450,000	**1**	–	**–**	–
- RM2,750,001 to RM2,800,000	**1**	–	**–**	–
- RM2,850,001 to RM2,900,000	**–**	1	**–**	–
Non-executive Directors*:				
- RM50,000 and below	**3**	1	**3**	1
- RM50,001 to RM100,000	**2**	3	**2**	3

* 2019: Including a Director who had retired on 23 November 2018, a Director who was appointed on 15 January 2019 and a Director who had resigned with effect from 1 September 2019.

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

9. INCOME TAX EXPENSE

The major components of income tax expense are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Statements of profit or loss				
Income tax:				
Malaysian income tax	**18,042**	13,871	**60**	–
Foreign tax	**115,241**	92,720	**–**	–
	133,283	106,591	**60**	–
(Over)/under provision in prior years	**(231)**	1,948	**–**	–
	133,052	108,539	**60**	–
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	**(1,901)**	(22,308)	**–**	–
(Over)/under provision in prior years	**(3,018)**	616	**–**	–
	(4,919)	(21,692)	**–**	–
Total income tax expense	**128,133**	86,847	**60**	–

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

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit or loss for the year.

Under the PRC income tax law, except for certain preferential treatments available to certain PRC subsidiaries of the Group, the PRC companies are subject to corporate income tax at a rate of 25% (2018: 25%) on their respective taxable income. As at 30 June 2019, 7 (2018: 7) PRC entities within the Group were granted preferential corporate income tax rates or corporate income tax exemptions from the relevant PRC tax authorities.

Subsidiaries incorporated in Vietnam, Indonesia, Singapore, Cambodia and Myanmar are subject to tax rates of 20%, 25%, 17%, 20% and 25% (2018: 20%, 25%, 17%, 20% and 25%) respectively for the financial year ended 30 June 2019.

9. INCOME TAX EXPENSE (continued)

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 30 June 2019 and 30 June 2018 are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loss before tax	**(24,135)**	(82,910)	**(76,490)**	(9,805)
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	**(5,792)**	(19,898)	**(18,358)**	(2,353)
Different tax rates in other jurisdiction	**14,850**	8,998	**–**	–
Expenses not deductible for tax purposes	**86,492**	83,093	**18,667**	3,262
Income not subject to tax	**(3,819)**	(13,435)	**(249)**	(909)
Deferred tax assets not recognised	**45,941**	61,278	**–**	–
Reversal of previously recognised tax losses	**5,411**	2,031	**–**	–
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**(7,823)**	(35,252)	**–**	–
(Over)/under provision of income tax in prior years	**(231)**	1,948	**–**	–
(Over)/under provision of deferred tax in prior years	**(3,018)**	616	**–**	–
Effects on share of results of associates and joint ventures	**(3,878)**	(2,532)	**–**	–
Tax expense	**128,133**	86,847	**60**	–

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

10. LOSS PER SHARE

(a) Basic

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

	Group	
	2019	**2018**
Loss for the financial year attributable to owners of the parent (RM'000)	**(129,184)**	(99,439)
Weighted average number of ordinary shares in issue ('000)	**1,067,180**	1,067,180
Basic loss per share (sen)	**(12.11)**	(9.32)

(b) Diluted

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

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

11. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM'000	Land (i) RM'000	Office equipment and vehicles RM'000	Furniture, fittings and other equipment RM'000	Renovations (ii) RM'000	Capital work-in-progress (iii) RM'000	Total RM'000
At 30 June 2019							
Cost							
At 1 July 2018	2,055,686	9,437	19,084	615,153	1,577,638	492,536	4,769,534
Additions	3,751	–	987	29,249	64,522	29,023	127,532
Disposals	–	–	(1,788)	(38,963)	(92,741)	–	(133,492)
Write off	–	–	–	(27,196)	(54,842)	(1,435)	(83,473)
Reclassification from investment properties (Note 12)	11,605	–	–	–	–	–	11,605
Reclassification	149	–	–	5,435	17,579	(23,163)	–
Exchange differences	(21,775)	364	(98)	(5,763)	(5,156)	(4,546)	(36,974)
At 30 June 2019	2,049,416	9,801	18,185	577,915	1,507,000	492,415	4,654,732
Accumulated depreciation							
At 1 July 2018	389,174	–	15,164	393,676	1,159,975	–	1,957,989
Charge for the financial year (Note 8(a))	58,796	–	1,603	51,673	112,748	–	224,820
Disposals	–	–	(1,643)	(34,940)	(89,915)	–	(126,498)
Write off	–	–	–	(22,817)	(40,859)	–	(63,676)
Reclassification from investment properties (Note 12)	1,585	–	–	–	–	–	1,585
Reclassification	–	–	–	15	(15)	–	–
Exchange differences	(3,106)	–	(94)	(1,200)	(7,320)	–	(11,720)
At 30 June 2019	446,449	–	15,030	386,407	1,134,614	–	1,982,500
Accumulated impairment loss							
At 1 July 2018	–	–	–	22,809	58,671	11,159	92,639
Impairment loss for the financial year	–	–	113	11,643	29,724	–	41,480
Reversal of impairment loss for the financial year (Note 8(a))	–	–	–	(883)	(7,092)	(1,418)	(9,393)
Write off	–	–	–	(32)	(49)	–	(81)
Exchange differences	–	–	–	852	2,219	277	3,348
At 30 June 2019	–	–	113	34,389	83,473	10,018	127,993
Net book value							
At 30 June 2019	1,602,967	9,801	3,042	157,119	288,913	482,397	2,544,239

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	**Office equipment RM'000**	**Motor vehicle RM'000**	**Total RM'000**
Cost			
At 1 July 2018/2017 and 30 June 2018	–	137	137
Additions	9	–	9
Disposals	–	(137)	(137)
At 30 June 2019	9	–	9
Accumulated depreciation			
At 1 July 2018/2017 and 30 June 2018	–	137	137
Charge for the financial year (Note 8(a))	1	–	1
Disposals	–	(137)	(137)
At 30 June 2019	1	–	1
Net book value			
At 30 June 2019	8	–	8
At 30 June 2018	–	–	–

(i) The Group owns two pieces of land located in Tangerang Selatan, Banten, Indonesia with building use rights (Hak Guna Bangunan or HGB). The HGBs will expire on 18 December 2040 and 20 October 2028 respectively. Management believes that there will be no difficulty in extending the land rights since both the pieces of land were acquired and supported by legal ownership.

(ii) Included in renovations are the provisions for restoration costs based on the estimated costs to restore the leased areas at the end of their respective lease term.

(iii) Capital work-in-progress comprises mainly ongoing renovation for retail stores. These capital work-in-progress will be reclassified to appropriate categories of property, plant and equipment when they are ready for their intended use.

Included in capital work-in-progress as at 30 June 2019 was a building under construction located in Tianjin City, the PRC of Rmb744,251,000 (equivalent to approximately RM448,486,000) (2018: Rmb741,323,000 or equivalent to approximately RM452,207,000).

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Aggregate costs of purchase of property, plant and equipment	**127,532**	296,850	**9**	–
Hire purchase	**(502)**	(2,715)	**–**	–
Provisions for restoration costs (Note 30(i))	**(5,681)**	(5,289)	**–**	–
Cash payments during the financial years	**121,349**	288,846	**9**	–

(v) As at 30 June 2019, net book values of buildings of RM1,126,681,000 (2018: RM1,172,237,000) are pledged with financial institutions for banking facilities extended to the Group as disclosed in Note 27.

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Motor vehicles	**451**	–
Furniture, fittings and other equipment	**1,748**	2,253
	2,199	2,253

12. INVESTMENT PROPERTIES

Group	2019 Completed investment properties (i) RM'000	2019 IPUC (ii) RM'000	2019 Total RM'000	2018 Completed investment properties (i) RM'000	2018 IPUC (ii) RM'000	2018 Total RM'000
Cost						
At 1 July 2018/2017	**27,666**	**194,033**	**221,699**	19,592	194,033	213,625
Reclassification (to)/from property, plant and equipment (Note 11)	**(11,605)**	**–**	**(11,605)**	9,042	–	9,042
Exchange differences	**(402)**	**–**	**(402)**	(968)	–	(968)
At 30 June	**15,659**	**194,033**	**209,692**	27,666	194,033	221,699
Accumulated depreciation						
At 1 July 2018/2017	**5,375**	**–**	**5,375**	4,357	–	4,357
Charge for the financial year (Note 8(a))	**439**	**–**	**439**	818	–	818
Reclassification (to)/from property, plant and equipment (Note 11)	**(1,585)**	**–**	**(1,585)**	351	–	351
Exchange differences	**(55)**	**–**	**(55)**	(151)	–	(151)
At 30 June	**4,174**	**–**	**4,174**	5,375	–	5,375
Accumulated impairment loss						
At 1 July 2018/2017	**–**	**5,033**	**5,033**	–	3,043	3,043
Impairment loss for the financial year	**–**	**–**	**–**	–	1,990	1,990
At 30 June	**–**	**5,033**	**5,033**	–	5,033	5,033
Net book value						
At 30 June	**11,485**	**189,000**	**200,485**	22,291	189,000	211,291
Estimated fair value						
At 30 June	**65,661**	**189,000**	**254,661**	74,853	189,000	263,853

12. INVESTMENT PROPERTIES (continued)

	Group 2019 RM'000	Group 2018 RM'000
Rental income derived from investment properties	**2,612**	3,496
Direct operating expenses (including repair and maintenance) generating rental income	**(446)**	(818)
Profit arose from investment properties	**2,166**	2,678

(i) The Group's completed investment properties consist of commercial buildings. The fair values of buildings as at 30 June 2019 and 30 June 2018 were determined based on the valuations performed by accredited independent firm of professional valuers, on direct comparison method. The fair values of the completed investment properties are categorised as Level 3 under the fair value hierarchy.

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

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

The fair value of the land as at 30 June 2019 and 30 June 2018 were determined based on valuations performed by independent professionally qualified valuers, on a direct comparison method. The fair value of the IPUC is categorised as Level 3 under the fair value hierarchy.

(iii) The Group has no restrictions on realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

(iv) As at 30 June 2019, net book values of investment properties of RM190,808,000 (2018: RM1,891,000) are pledged for loan facilities extended to the Group as disclosed in Note 27.

(v) Description of valuation techniques used and key inputs to valuation on investment properties are as follows:

Valuation technique	Significant unobservable inputs
Completed investment properties and IPUC at 30 June 2019 and 30 June 2018	
Direct comparison method	Selling price per square foot of comparable properties adjusted for location, accessibility, size, title conditions and restrictions, land tenure, zoning or designated use, building, improvements and amenities and time element.

Direct comparison method

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

13. INTANGIBLE ASSETS

Group	Goodwill RM'000	Customer relationships RM'000	Computer software RM'000	Club memberships RM'000	Brands RM'000	Total RM'000
Cost						
At 1 July 2017	1,651,649	3,579	20,098	387	65,163	1,740,876
Additions	–	–	325	–	821	1,146
Disposal and dilution of interests in subsidiaries	(43,033)	–	(30)	–	(16,135)	(59,198)
Write off	–	–	(354)	–	–	(354)
Exchange differences	(54,507)	(441)	(1,129)	(1)	(1,810)	(57,888)
At 30 June 2018 and 1 July 2018	**1,554,109**	**3,138**	**18,910**	**386**	**48,039**	**1,624,582**
Additions	**–**	**–**	**110**	**–**	**–**	**110**
Write off	**–**	**(3,249)**	**–**	**–**	**–**	**(3,249)**
Exchange differences	**(15,565)**	**111**	**88**	**3**	**(434)**	**(15,797)**
At 30 June 2019	**1,538,544**	**–**	**19,108**	**389**	**47,605**	**1,605,646**
Accumulated amortisation						
At 1 July 2017	–	3,579	16,456	169	10,053	30,257
Amortisation (Note 8(a))	–	–	1,057	–	2,396	3,453
Disposal and dilution of interests in subsidiaries	–	–	(9)	–	–	(9)
Write off	–	–	(295)	–	–	(295)
Exchange differences	–	(441)	(855)	–	(1,304)	(2,600)
At 30 June 2018 and 1 July 2018	**–**	**3,138**	**16,354**	**169**	**11,145**	**30,806**
Amortisation (Note 8(a))	**–**	**–**	**657**	**–**	**396**	**1,053**
Write off	**–**	**(3,249)**	**–**	**–**	**–**	**(3,249)**
Exchange differences	**–**	**111**	**164**	**2**	**(62)**	**215**
At 30 June 2019	**–**	**–**	**17,175**	**171**	**11,479**	**28,825**
Accumulated impairment loss						
At 1 July 2017	339,686	–	284	–	25,838	365,808
Impairment loss	512	–	–	–	23,705	24,217
Disposal and dilution of interests in subsidiaries	(43,033)	–	–	–	(15,629)	(58,662)
Exchange differences	(11,482)	–	–	–	–	(11,482)
At 30 June 2018 and 1 July 2018	**285,683**	**–**	**284**	**–**	**33,914**	**319,881**
Exchange differences	**(2,569)**	**–**	**11**	**–**	**(354)**	**(2,912)**
At 30 June 2019	**283,114**	**–**	**295**	**–**	**33,560**	**316,969**
Net carrying amount						
At 30 June 2019	**1,255,430**	**–**	**1,638**	**218**	**2,566**	**1,259,852**
At 30 June 2018	1,268,426	–	2,272	217	2,980	1,273,895

13. INTANGIBLE ASSETS (continued)

Company	**Club memberships**	
	2019	**2018**
	RM'000	**RM'000**
Cost		
At 1 July 2018/2017 and 30 June	**135**	135
Accumulated amortisation and impairment loss		
At 1 July 2018/2017 and 30 June	**107**	107
Net carrying amount		
At 30 June	**28**	28

<u>Goodwill</u>

In the previous financial year ended 30 June 2018, the Group made an allowance for impairment loss on goodwill of RM512,000. The allowance was made after considering the measurable decrease in the estimated future cash flows noted in certain subsidiaries. The recoverable amount of the goodwill as at 30 June 2019 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by directors covering a five-year period. The impairment charge was recorded in the consolidated statement of profit or loss.

<u>Customer relationships</u>

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

(a) Impairment tests for goodwill

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

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

	2019	**2018**
	%	%
CGU		
Malaysia	**15.4**	14.6
PRC	**11.0**	11.0

13. INTANGIBLE ASSETS (continued)

(a) Impairment tests for goodwill (continued)

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

	Malaysia RM'000	PRC RM'000	Total RM'000
Retailing			
At 30 June 2019	**19,722**	**1,235,708**	**1,255,430**
At 30 June 2018	19,722	1,248,704	1,268,426

(b) Key assumptions used in value in use calculations

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

Revenue : the bases used to determine the future potential earnings are historical sales and expected growth rates of the relevant industry.

Gross margins : gross margins are based on the average gross margin achieved in the past 3 to 5 years.

Operating expenses : the bases used to determine the values assigned are the cost of inventories purchased for resale, staff costs, depreciation and amortisation, rental expenses and other operating expenses. The value assigned to the key assumption reflects past experience and management's commitment to maintain the operating expenses to an acceptable level.

Growth rates : the forecasted growth rates are based on published industry research and do not exceed the long term average growth rate for the industries relevant to the CGUs.

Discount rates : discount rates reflect management's estimate of the risks specific to these entities. In determining appropriate discount rates for each unit, consideration has been given to the applicable weighted average cost of capital for each unit.

(c) Sensitivity to changes in assumptions

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

14. LAND USE RIGHTS

	Group 2019 RM'000	Group 2018 RM'000
Cost		
At 1 July 2018/2017	**375,319**	391,338
Exchange differences	**(3,914)**	(16,019)
At 30 June	**371,405**	375,319
Accumulated amortisation		
At 1 July 2018/2017	**108,466**	104,093
Amortisation (Note 8(a))	**8,436**	8,713
Exchange differences	**(1,247)**	(4,340)
At 30 June	**115,655**	108,466
Net book value	**255,750**	266,853
Amount to be amortised:		
- Not later than one year	**8,436**	8,713
- Later than one year but not later than five years	**33,756**	34,854
- Later than five years	**213,558**	223,286

Land use rights include the payment for land use rights to the PRC authorities which are amortised on a straight-line basis over their respective lease periods, ranging from 42 to 45 years (2018: 42 to 45 years). The net book values of those leasehold land as at 30 June 2019 are RM233,713,000 (2018: RM244,703,000).

As at 30 June 2019, net book values of land use rights of RM226,758,000 (2018: RM237,412,000) are pledged with financial institutions for banking facilities extended to the Group as disclosed in Note 27.

15. INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost	#	#
Share option granted to employees of subsidiaries	**23,951**	23,951
	23,951	23,951
Less: Accumulated impairment loss	**(2,591)**	(2,591)
	21,360	21,360
Movement in accumulated impairment loss:		
At 1 July 2018/2017	**2,591**	–
Recognised in profit or loss (Note 8(a))	**–**	2,591
At 30 June	**2,591**	2,591
Market value of quoted subsidiaries outside Malaysia	**558,181**	791,235

Represent RM24 (2018: RM24)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
Held by the Company						
East Crest International Limited	British Virgin Islands	Investment holding	**100**	100	**–**	–
Parkson Vietnam Investment Holdings Co Ltd	British Virgin Islands	Investment holding	**100**	100	**–**	–
Parkson Properties Holdings Co Ltd	British Virgin Islands	Investment holding	**100**	100	**–**	–
Prime Yield Holdings Limited	British Virgin Islands	Investment holding	**100**	100	**–**	–
Puncak Pelita Sdn Bhd ƒ	Malaysia	Investment holding	**100**	100	**–**	–
Corporate Code Sdn Bhd	Malaysia	Investment holding	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
Subsidiaries of East Crest International Limited						
PRG Corporation Limited ƒ	British Virgin Islands	Investment holding	**100**	100	**–**	–
Serbadagang Holdings Sdn Bhd ƒ	Malaysia	Ceased operation	**100**	100	**–**	–
Park Avenue Fashion Sdn Bhd	Malaysia	Retailing business	**100**	100	**–**	–
Smart Spectrum Limited	British Virgin Islands	Investment holding	**100**	100	**–**	–
Parkson Retail Asia Limited ("PRA") + β	Singapore	Investment holding	**68**	68	**32**	32
Subsidiaries of Parkson Vietnam Investment Holdings Co Ltd						
Parkson HCMC Holdings Co Ltd (Dissolved on 20.8.2018)	British Virgin Islands	Dormant	**–**	100	**–**	–
Parkson HaiPhong Holdings Co Ltd (Dissolved on 20.8.2018)	British Virgin Islands	Dormant	**–**	100	**–**	–
Parkson TSN Holdings Co Ltd	British Virgin Islands	Investment holding	**100**	100	**–**	–
Subsidiaries of Parkson Properties Holdings Co Ltd						
Parkson Properties NDT (Emperor) Co Ltd	British Virgin Islands	Dormant	**100**	100	**–**	–
Parkson Properties Hanoi Co Ltd	British Virgin Islands	Dormant	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
Subsidiaries of Prime Yield Holdings Limited						
Dyna Puncak Sdn Bhd	Malaysia	Investment holding	**100**	100	**–**	–
Gema Binari Sdn Bhd	Malaysia	Investment holding	**100**	100	**–**	–
Parkson Credit Holdings Sdn Bhd	Malaysia	Investment holding	**100**	100	**–**	–
Prestasi Serimas Sdn Bhd	Malaysia	Operation of food and beverage businesses	**100**	100	**–**	–
Subsidiary of PRG Corporation Limited						
Parkson Retail Group Limited ("PRGL") + @	Cayman Islands	Investment holding	**54.6** *1 **0.4**	54.6 *1 0.4	**45.0**	45.0
Subsidiary of PRGL						
Grand Parkson Retail Group Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Subsidiaries of Grand Parkson Retail Group Limited						
Leonemas International Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Malverest Trading International Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Oroleon International Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Releomont International Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Releomont (Hong Kong) Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Exonbury Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018	% of ownership interest held by non-controlling interests * 2019	2018
Subsidiaries of Grand Parkson Retail Group Limited (continued)						
Parkson Investment Pte Ltd +	Singapore	Investment holding	**100**	100	**–**	–
Parkson Supplies Pte Ltd +	Singapore	Investment holding	**100**	100	**–**	–
Creation International Investment & Development Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Step Summit Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Global Heights Investment Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Golden Village Group Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Lung Shing International Investments & Development Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Capital Park Development Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Favor Move International Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Jet East Investments Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Bond Glory Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Victor Crest Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Lion Food & Beverage Ventures Limited +	British Virgin Islands	Investment holding	**91**	91	**9**	9
Yeehaw Best Practices Sdn Bhd ƒ (Note 15(b)(ii))	Malaysia	Operating as a licensor for the brand of “Franco”	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018	% of ownership interest held by non-controlling interests * 2019	2018
Subsidiary of Leonemas International Limited						
Leonemas (Hong Kong) Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Subsidiary of Leonemas (Hong Kong) Limited						
Qingdao Lion Plaza Retail Management Co Ltd +	People's Republic of China	Property management	**100**	100	**–**	–
Subsidiary of Malverest Trading International Limited						
Malverest (Hong Kong) Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Subsidiary of Malverest (Hong Kong) Limited						
Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Subsidiaries of Parkson Retail Development Co Ltd						
Zhangjiakou Parkson Shopping Mall Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Qingdao Parkson Shopping Plaza Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Qingdao Parkson Beer City Property Management Co Ltd +	People's Republic of China	Property management	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
Subsidiary of Oroleon International Limited						
Oroleon (Hong Kong) Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Subsidiary of Oroleon (Hong Kong) Limited						
Parkson Retail Laos Holdings Sdn Bhd (Note 15(a))	Malaysia	Investment holding	**100**	100	**–**	–
Parkson Credit Sdn Bhd (Note 15(c)(i))	Malaysia	Provision of money lending and credit services	**70** *2 **30**	*2 100	**–**	–
Subsidiary of Parkson Retail Laos Holdings Sdn Bhd						
Parkson Lao Sole Co Ltd +	Lao People's Democratic Republic	Wholesale and retail trade	**100**	100	**–**	–
Subsidiary of Releomont (Hong Kong) Limited						
Anshan Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Subsidiaries of Exonbury Limited						
Hong Kong Fen Chai Investment Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Shanghai Nine Sea Parkson Plaza Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Shanghai Lion Parkson Investment Consultant Co Ltd +	People's Republic of China	Provision of consultancy and management services	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018	% of ownership interest held by non-controlling interests * 2019	2018
Subsidiaries of Exonbury Limited (continued)						
Parkson Investment Holdings Co Ltd +	People's Republic of China	Investment holding	**70** *3 **30**	70 *3 30	**–**	–
Jinan Lion Consultant Management Co Ltd +	People's Republic of China	Provision of consultancy and management services	**100**	100	**–**	–
Subsidiary of Hong Kong Fen Chai Investment Limited						
Xi'an Lucky King Parkson Plaza Co Ltd +	People's Republic of China	Operation of department stores	**91** *4 **9**	91 *4 9	**–**	–
Subsidiaries of Xi'an Lucky King Parkson Plaza Co Ltd						
Xi'an Chang'an Parkson Store Co Ltd +	People's Republic of China	Operation of department stores	**51** *5 **49**	51 *5 49	**–**	–
Xi'an Shidai Parkson Store Co Ltd +	People's Republic of China	Operation of department stores	**51** *5 **49**	51 *5 49	**–**	–
Shanxi Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Subsidiaries of Shanghai Lion Parkson Investment Consultant Co Ltd						
Shanghai Shijie Fashions Co Ltd +	People's Republic of China	Sale of fashion	**100**	100	**–**	–
Shanghai Lion Parkson Management Consultant Co Ltd +	People's Republic of China	Provision of consultancy and management services	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018	% of ownership interest held by non-controlling interests * 2019	2018
<u>Subsidiary of Shanghai Lion Parkson Management Consultant Co Ltd</u>						
Shanghai Shihong Supermarket Co Ltd +	People's Republic of China	Food and beverage management services	**100**	100	**–**	–
<u>Subsidiaries of Parkson Investment Holdings Co Ltd</u>						
Shanghai Xinzhuang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Lanzhou Parkson Retail Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Zigong Parkson Retail Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Shanghai Lion Cosmetics Co Ltd +	People's Republic of China	Sale of cosmetics, general merchandise, food and related products	**100**	100	**–**	–
Shanghai Parkson Food & Beverage Management Co Ltd +	People's Republic of China	Food and beverage management services and operations	**100**	100	**–**	–
<u>Subsidiaries of Shanghai Xinzhuang Parkson Retail Development Co Ltd</u>						
Chenzhou Shishang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Hunan Changsha Shishang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
Subsidiary of Parkson Investment Pte Ltd						
Rosenblum Investments Pte Ltd +	Singapore	Investment holding	**100**	100	**–**	–
Subsidiaries of Parkson Supplies Pte Ltd						
Chongqing Wanyou Parkson Plaza Co Ltd + (Note 15(b)(iii))	People's Republic of China	Operation of department stores and related services, provision of consultancy and management services, and marketing planning	**100**	100	**–**	–
Mianyang Fulin Parkson Plaza Co Ltd +	People's Republic of China	Operation of department stores	**60** *6 **40**	60 *6 40	**–**	–
Sichuan Shishang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Subsidiary of Creation International Investment & Development Limited						
Creation (Hong Kong) Investment & Development Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Subsidiaries of Step Summit Limited						
Guizhou Shenqi Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**60**	60	**40**	40
Shanghai Hongqiao Parkson Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
Subsidiaries of Step Summit Limited (continued)						
Hefei Parkson Xiaoyao Plaza Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Guizhou Tongren Parkson Retail Co Ltd + ^	People's Republic of China	Operation of department stores	**100**	–	**–**	–
Subsidiaries of Shanghai Hongqiao Parkson Development Co Ltd						
Changshu Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Shaoxing Shishang Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Changzhou Shifeng Retail Development Co Ltd +	People's Republic of China	Sales of apparel	**100**	100	**–**	–
Changzhou Lion Food & Beverage Co Ltd +	People's Republic of China	Food and beverage management services	**100**	100	**–**	–
Shanghai Delight Food & Beverage Management Co Ltd +	People's Republic of China	Food and beverage management services	**100**	100	**–**	–
Subsidiaries of Shanghai Delight Food & Beverage Management Co Ltd						
Shanghai Delight Food Co Ltd +	People's Republic of China	Food production and related business	**100**	100	**–**	–
Kunming Hogan Food & Beverage Management Co Ltd +	People's Republic of China	Food and beverage operations	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
<u>Subsidiaries of Hefei Parkson Xiaoyao Plaza Co Ltd</u>						
Anshan Tianxing Parkson Shopping Centre Co Ltd +	People's Republic of China	Operation of department stores	**51** *7 **49**	51 *7 49	**–**	–
Qingdao Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
<u>Subsidiary of Global Heights Investment Limited</u>						
Asia Victory International Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
<u>Subsidiary of Asia Victory International Limited</u>						
Shunhe International Investment Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
<u>Subsidiary of Shunhe International Investment Limited</u>						
Kunming Yun Shun He Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
<u>Subsidiaries of Kunming Yun Shun He Retail Development Co Ltd</u>						
Guizhou Zunyi Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**90** *8 **10**	90 *8 10	**–**	–
Liupanshui Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018	% of ownership interest held by non-controlling interests * 2019	2018
Subsidiaries of Kunming Yun Shun He Retail Development Co Ltd (continued)						
Kunshan Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Panzhihua Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Tianjin Parkson Shopping Mall Co Ltd +	People's Republic of China	Operation of department stores and property management	**60** *9 **20** *10 **20**	60 *9 20 *10 20	**–**	–
Subsidiaries of Golden Village Group Limited						
Duo Success Investments Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
Jiangxi Parkson Retail Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
Subsidiary of Duo Success Investments Limited						
Huge Return Investment Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Subsidiary of Lung Shing International Investments & Development Limited						
Anshan Lung Shing Property Services Limited +	People's Republic of China	Property management	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
Subsidiary of Capital Park Development Limited						
Capital Park (HK) Investment & Development Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Subsidiary of Capital Park (HK) Investment & Development Limited						
Wuxi Sanyang Parkson Plaza Co Ltd +	People's Republic of China	Operation of department stores	**60**	60	**40**	40
Subsidiary of Favor Move International Limited						
Hanmen Holdings Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Subsidiary of Jet East Investments Limited						
Victory Hope Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Subsidiary of Victory Hope Limited						
Nanning Brilliant Parkson Commercial Co Ltd +	People's Republic of China	Operation of department stores	**70** *11 **30**	70 *11 30	**–**	–
Subsidiary of Bond Glory Limited						
Choice Link Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
<u>Subsidiary of Choice Link Limited</u>						
Great Dignity Development Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
<u>Subsidiary of Great Dignity Development Limited</u>						
Shantou Parkson Commercial Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
<u>Subsidiary of Victor Crest Limited</u>						
Wide Crest Limited +	British Virgin Islands	Investment holding	**100**	100	**–**	–
<u>Subsidiaries of Wide Crest Limited</u>						
Wide Field International Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Sea Coral Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Parkson Venture Pte Ltd +	Singapore	Investment holding	**100**	100	**–**	–
<u>Subsidiary of Wide Field International Limited</u>						
Shenyang Parkson Shopping Plaza Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–
<u>Subsidiary of Sea Coral Limited</u>						
Dalian Parkson Retail Development Co Ltd +	People's Republic of China	Operation of department stores	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018	% of ownership interest held by non-controlling interests * 2019	2018
Subsidiary of Parkson Venture Pte Ltd						
Qingdao No. 1 Parkson Co Ltd +	People's Republic of China	Operation of department stores	**95.9**	95.9	**4.1**	4.1
Subsidiary of Lion Food & Beverage Ventures Limited						
Parkson Food & Beverage Ventures Limited +	Hong Kong SAR	Investment holding	**100**	100	**–**	–
Subsidiary of Parkson Food & Beverage Ventures Limited						
Shanghai Lion Food and Beverage Management Co Ltd +	People's Republic of China	Food and beverage management services	**100**	100	**–**	–
Subsidiaries of PRA						
Parkson Corporation Sdn Bhd	Malaysia	Operation of department stores	**100**	100	**–**	–
Centro Retail Pte Ltd +	Singapore	Investment holding	**100**	100	**–**	–
PT Tozy Sentosa +	Indonesia	Operation of department stores, supermarkets and merchandising	**90** *12 **10**	90 *12 10	**–**	–
Parkson Myanmar Co Pte Ltd +	Singapore	Investment holding	**100**	100	**–**	–
Parkson Yangon Company Limited +	Myanmar	Operation of department stores	**95** *13 **5**	95 *13 5	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018	% of ownership interest held by non-controlling interests * 2019	2018
Subsidiaries of Parkson Corporation Sdn Bhd						
Parkson Vietnam Co Ltd +	Vietnam	Operation of department stores	**100**	100	**–**	–
Parkson Haiphong Co Ltd +	Vietnam	Operation of department stores	**100**	100	**–**	–
Kiara Innovasi Sdn Bhd (Note 15(b)(iv))	Malaysia	Operation of department stores	**100**	100	**–**	–
Parkson Cambodia Holdings Co Ltd	British Virgin Islands	Investment holding	**100**	100	**–**	–
Parkson Online Sdn Bhd	Malaysia	Dormant	**100**	100	**–**	–
Parkson SGN Co Ltd +	Vietnam	Operation of retail stores	**100**	100	**–**	–
Parkson Edutainment World Sdn Bhd (Note 15(b)(i))	Malaysia	Dormant	**100**	70	**–**	30
Parkson Lifestyle Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	**100**	100	**–**	–
Parkson Unlimited Beauty Sdn Bhd	Malaysia	Import, operate and distribute fragrance and beauty care products	**100**	100	**–**	–
Parkson Private Label Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
Subsidiaries of Parkson Corporation Sdn Bhd (continued)						
Parkson Trading (Vietnam) Company Limited +	Vietnam	Wholesaler of apparels and consumer products	**100**	100	**–**	–
Solid Gatelink Sdn Bhd	Malaysia	Operation of food and beverage businesses	**100**	100	**–**	–
Parkson Trends Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	**100**	100	**–**	–
Subsidiary of Parkson Vietnam Co Ltd						
Parkson Vietnam Management Services Co Ltd +	Vietnam	Management and consulting services on real estate, business and marketing in relation to department stores (commercial)	**100**	100	**–**	–
Subsidiary of Parkson Cambodia Holdings Co Ltd						
Parkson (Cambodia) Co Ltd +	Cambodia	Dormant	**100**	100	**–**	–
Subsidiary of Parkson Myanmar Co Pte Ltd						
Parkson Myanmar Investment Company Pte Ltd +	Singapore	Investment holding	**70**	70	**30**	30

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018	% of ownership interest held by non-controlling interests * 2019	2018
<u>Subsidiaries of Parkson Myanmar Investment Company Pte Ltd</u>						
Parkson Myanmar Asia Pte Ltd +	Singapore	Investment holding	**100**	100	**–**	–
Myanmar Parkson Company Limited +	Myanmar	Dormant	**90** *14 **10**	90 *14 10	**–**	–
<u>Subsidiary of Parkson TSN Holdings Co Ltd</u>						
Parkson HBT Properties Co Ltd +	Vietnam	Real estate consulting and management services	**100**	100	**–**	–
<u>Subsidiaries of Dyna Puncak Sdn Bhd</u>						
Idaman Erajuta Sdn Bhd	Malaysia	Investment holding	**100**	100	**–**	–
Magna Rimbun Sdn Bhd	Malaysia	Investment holding	**100**	100	**–**	–
True Excel Investments Limited	British Virgin Islands	Investment holding	**100**	100	**–**	–
<u>Subsidiary of Idaman Erajuta Sdn Bhd</u>						
Festival City Sdn Bhd	Malaysia	Operation of department stores and property management	**100**	100	**–**	–
<u>Subsidiary of Magna Rimbun Sdn Bhd</u>						
Megan Mastika Sdn Bhd	Malaysia	Property management and investment holding	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	% of ownership interest held by the Group * 2018	% of ownership interest held by non-controlling interests * 2019	% of ownership interest held by non-controlling interests * 2018
Subsidiary of Megan Mastika Sdn Bhd						
Dimensi Andaman Sdn Bhd ƒ	Malaysia	Investment holding, property development and project management	**100**	100	**–**	–
Subsidiary of True Excel Investments Limited						
True Excel Investments (Cambodia) Co Ltd +	Cambodia	Investment holding	**100**	100	**–**	–
Subsidiaries of Gema Binari Sdn Bhd						
Parkson Branding Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	**100**	100	**–**	–
Giftmate Sdn Bhd ƒ	Malaysia	Trading of all kinds of gifts and souvenir products	**60**	60	**40**	40
Subsidiaries of Parkson Branding Sdn Bhd						
Parkson Fashion Sdn Bhd	Malaysia	Distribution and retailing of fashionable goods	**100**	100	**–**	–
Parkson Branding (L) Limited (Struck off on 6.7.2019)	Malaysia	Dormant	**100**	100	**–**	–
Subsidiary of Prestasi Serimas Sdn Bhd						
Ombrello Resources Sdn Bhd ƒ	Malaysia	Trading of food and beverages	**100**	100	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (continued)

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

* Equals to the proportion of voting rights held.

*1 Held by East Crest International Limited.

*2 Held by Parkson Credit Holdings Sdn Bhd.

*3 Held by Parkson Investment Pte Ltd.

*4 Held by Huge Return Investment Limited.

*5 Held by Parkson Retail Development Co Ltd.

*6 Held by Shanghai Hongqiao Parkson Development Co Ltd.

*7 Held by Creation (Hong Kong) Investment & Development Limited.

*8 Held by Parkson Investment Holdings Co Ltd.

*9 Held by Xi'an Lucky King Parkson Plaza Co Ltd.

*10 Held by Nanning Brilliant Parkson Commercial Co Ltd.

*11 Held by Hanmen Holdings Limited.

*12 Held by Centro Retail Pte Ltd.

*13 Held by Parkson Myanmar Co Pte Ltd.

*14 Held by Parkson Myanmar Asia Pte Ltd.

^ Subsidiary which was newly incorporated during the financial year.

β Listed on the Singapore Exchange Securities Trading Limited.

@ Listed on The Stock Exchange of Hong Kong Limited.

In the previous financial year ended 30 June 2018, the Company made an allowance for impairment loss on investment in Parkson Vietnam Co Ltd of RM2,591,000. The allowance was made after considering the measurable decrease in the fair value estimation of the investment.

(a) Acquisition of subsidiary

There was no acquisition of subsidiary during the current financial year ended 30 June 2019.

In the previous financial year ended 30 June 2018, the Group acquired Parkson Retail Laos Holdings Sdn Bhd for a consideration of RM1. No disclosure on the fair values of the acquired assets and liabilities of the combined entities as the acquisition of this subsidiary had no material effects on the Group's financial results and financial position.

15. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Increase in shareholdings in subsidiaries

(i) Parkson Edutainment World Sdn Bhd ("Parkson Edutainment")

During the current financial year ended 30 June 2019, Parkson Corporation Sdn Bhd ("PCSB"), a wholly-owned subsidiary of PRA, completed the acquisition of the remaining 30% equity interest comprising 300,000 ordinary shares in its subsidiary, Parkson Edutainment, for a total cash consideration of RM1 ("Acquisition of Parkson Edutainment").

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

The effects of the change in Group's ownership interest in Parkson Edutainment are as follows:

	Group 2019 RM'000
Increase in non-controlling interests	**5,877**
Decrease in equity attributable to owners of the parent	**(5,877)**

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

In the previous financial year ended 30 June 2018, Grand Parkson Retail Group Limited ("Grand Parkson"), a wholly-owned subsidiary of PRGL, completed the acquisition of the remaining 30% equity interest comprising 30 ordinary shares in its subsidiary, Yeehaw Best, for a total cash consideration of Rmb1,458,990 (equivalent to approximately RM890,000) ("Acquisition of Yeehaw Best").

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

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

In the previous financial year ended 30 June 2018, Parkson Supplies Pte Ltd ("Parkson Supplies"), a wholly-owned subsidiary of PRGL, completed the acquisition of the remaining 30% interest in its subsidiary, Chongqing Wanyou, for a cash consideration of Rmb1 (equivalent to approximately RM0.61) ("Acquisition of Chongqing Wanyou").

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

(iv) Kiara Innovasi Sdn Bhd ("Kiara Innovasi")

In the previous financial year ended 30 June 2018, PCSB completed the acquisition of the remaining 40% equity interest comprising 2,000,000 ordinary shares in its subsidiary, Kiara Innovasi, for a total cash consideration of RM67,200 ("Acquisition of Kiara Innovasi").

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

15. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Disposal and dilution of interests in subsidiaries

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

(i) 70% equity interest in Parkson Credit Sdn Bhd ("Parkson Credit") which resulted in dilution of interest

On 18 October 2018, Parkson Credit Holdings Sdn Bhd ("Parkson Credit Holdings"), a wholly-owned subsidiary of the Company, completed the disposal to Oroleon (Hong Kong) Limited ("Oroleon"), a wholly-owned subsidiary of PRGL, of 70% of the equity interest comprising 21,000,000 ordinary shares in the capital of Parkson Credit at a consideration of RM49,000,000 ("Disposal of Parkson Credit").

Following the completion of the Disposal of Parkson Credit, Parkson Credit became an indirect 70% owned subsidiary of PRGL with the remaining 30% being owned by Parkson Credit Holdings and hence, Parkson Credit remains a subsidiary of the Company. The Disposal of Parkson Credit has resulted in the dilution of the Group's effective interest in Parkson Credit from 100% to 68.48%.

The effects of the change in Group's ownership interest in Parkson Credit are as follows:

	Group 2019 RM'000
Decrease in non-controlling interests	**(7,449)**
Increase in equity attributable to owners of the parent	**7,449**

(ii) 60% equity interest in Dalian Tianhe Parkson Shopping Centre Co Ltd ("Dalian Tianhe Parkson")

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

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

15. INVESTMENTS IN SUBSIDIARIES (continued)

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

(iii) 15% equity interest in Vertigo Dot My Sdn Bhd ("Vertigo") which resulted in loss of control

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

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

The dilution had the following effects on the Group's financial results and position for the financial year ended 30 June 2018:

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

** Represent RM2

15. INVESTMENTS IN SUBSIDIARIES (continued)

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

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

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

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

The dilution had the following effects on the Group's financial results and position for the financial year ended 30 June 2018:

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

** Represent RM2

15. INVESTMENTS IN SUBSIDIARIES (continued)

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

(v) 70% equity interest in Super Gem Resources Sdn Bhd ("Super Gem Resources")

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

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

The disposal had the following effects on the Group's financial results and position for the financial year ended 30 June 2018:

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

15. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Material non-controlling interests

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

Proportion of equity interest held by non-controlling interests:

Name	**Country of incorporation and operation**	**2019**	**2018**
		%	**%**
PRA	Singapore	**32.0**	32.0
PRGL	Cayman Islands	**45.0**	45.0

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Accumulated net assets balances of non-controlling interests:		
PRA	**15,231**	40,188
PRGL	**1,247,858**	1,332,207
Other individually immaterial subsidiaries	**1,271**	1,385
Total	**1,264,360**	1,373,780
Profit/(loss) allocated to non-controlling interests:		
PRA	**(32,712)**	(45,202)
PRGL	**9,742**	(23,860)
Other individually immaterial subsidiaries	**(114)**	(1,256)
Total	**(23,084)**	(70,318)

15. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Material non-controlling interests (continued)

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

	PRA		PRGL	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(i) Summarised statements of financial position				
Non-current assets	**375,645**	458,849	**4,853,655**	4,882,539
Current assets	**414,130**	386,038	**2,409,308**	2,562,595
Non-current liabilities	**(142,773)**	(105,644)	**(2,867,181)**	(2,632,520)
Current liabilities	**(601,757)**	(595,491)	**(1,556,873)**	(1,815,885)
Non-controlling interests	**119**	8,633	**(74,439)**	(53,779)
Total equity	**45,364**	152,385	**2,764,470**	2,942,950
Attributable to non-controlling interests	**15,231**	40,188	**1,247,858**	1,332,207
(ii) Summarised statements of profit or loss				
Revenue	**1,205,197**	1,252,114	**2,768,422**	2,651,156
Loss for the financial year	**(104,630)**	(129,185)	**(7,933)**	(71,141)
Attributable to non-controlling interests	**(32,712)**	(45,202)	**9,742**	(23,860)
Dividends paid to non-controlling interests	**–**	–	**(30,598)**	(7,781)
(iii) Summarised statements of cash flows				
Operating activities	**66,001**	(24,581)	**407,283**	179,266
Investing activities	**(57,246)**	(54,416)	**233,950**	386,544
Financing activities	**34,007**	11,006	**(523,599)**	(218,505)
Net increase/(decrease) in cash and cash equivalents	**42,762**	(67,991)	**117,634**	347,305

16. INVESTMENTS IN ASSOCIATES

	Group 2019 RM'000	Group 2018 RM'000
Unquoted shares in Malaysia, at cost	**15,926**	15,926
Unquoted shares outside Malaysia, at cost	**24,056**	24,056
Share of post-acquisition reserves	**(4,421)**	(11,811)
Less: Accumulated impairment loss	**(10,987)**	(10,987)
	24,574	17,184
Exchange differences	**1,013**	1,259
	25,587	18,443

Movement in accumulated impairment loss:

	2019	2018
At 1 July 2018/2017	**10,987**	–
Recognised in profit or loss	**–**	10,987
At 30 June	**10,987**	10,987

Details of associates are as follows:

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018
Shanghai Nine Sea Lion Properties Management Co Ltd ("Shanghai Nine Sea") &	People's Republic of China	Property management and real estates services	**35**	35
Parkson Hanoi Co Ltd #	Vietnam	Dormant	**42**	42
Parkson Newcore Retail Shanghai Ltd ("Newcore") #	People's Republic of China	Operation of outlet stores	**49**	49
Habitat Blue Sdn Bhd ("Habitat Blue") &	Malaysia	Operation of computer software development and maintenance	**40**	40
AUM Hospitality Sdn Bhd (Under court liquidation)	Malaysia	Investment holding and provision of management services	**20**	20

* Equals to the proportion of voting rights held.

Audited by a member firm of Ernst & Young Global.

& Audited by a firm other than Ernst & Young.

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

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

16. INVESTMENTS IN ASSOCIATES (continued)

In the previous financial year ended 30 June 2018, the Group made an allowance for impairment loss on investment in Habitat Blue of RM10,987,000. The allowance was made after considering the measurable decrease in the Group's share of fair value estimation of the investment.

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

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

	Newcore RM'000	Habitat Blue RM'000	Shanghai Nine Sea RM'000	Total RM'000
2019				
(i) Summarised statements of financial position				
Non-current assets	**46,453**	**348**	**33**	**46,834**
Current assets	**92,748**	**843**	**9,366**	**102,957**
Total assets	**139,201**	**1,191**	**9,399**	**149,791**
Non-current liabilities	**6,001**	**–**	**–**	**6,001**
Current liabilities	**83,886**	**1,858**	**5,335**	**91,079**
Total liabilities	**89,887**	**1,858**	**5,335**	**97,080**
Net assets/(liabilities)	**49,314**	**(667)**	**4,064**	**52,711**
(ii) Summarised statements of profit or loss				
Revenue	**528,400**	**410**	**19,433**	**548,243**
Profit/(loss) for the financial year	**15,299**	**(992)**	**183**	**14,490**
(iii) Dividend received from an associate	**–**	**–**	**(170)**	**(170)**
(iv) Group's share of net assets/(liabilities), excluding goodwill on acquisition	**24,164**	**(267)**	**1,423**	**25,320**
Goodwill on acquisition	**–**	**10,245**	**–**	**10,245**
Cumulative share of unrecognised loss	**–**	**617**	**–**	**617**
Cumulative impairment loss	**–**	**(10,595)**	**–**	**(10,595)**
Carrying amount of Group's interest in associates	**24,164**	**–**	**1,423**	**25,587**
(v) Group's share of results of associates	**7,496**	**–**	**64**	**7,560**

16. INVESTMENTS IN ASSOCIATES (continued)

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

	Newcore RM'000	Habitat Blue RM'000	Shanghai Nine Sea RM'000	Total RM'000
2018				
(i) Summarised statements of financial position				
Non-current assets	51,344	576	44	51,964
Current assets	77,999	1,593	8,732	88,324
Total assets	129,343	2,169	8,776	140,288
Non-current liabilities	16,379	–	–	16,379
Current liabilities	78,484	1,985	4,353	84,822
Total liabilities	94,863	1,985	4,353	101,201
Net assets	34,480	184	4,423	39,087
(ii) Summarised statements of profit or loss				
Revenue	538,758	448	20,812	560,018
Profit/(loss) for the financial year	5,689	(3,998)	661	2,352
(iii) Dividend received from an associate	–	–	(41)	(41)
(iv) Group's share of net assets, excluding goodwill on acquisition	16,895	74	1,548	18,517
Goodwill on acquisition	–	10,371	–	10,371
Cumulative share of unrecognised loss	–	542	–	542
Impairment loss for the financial year	–	(10,987)	–	(10,987)
Carrying amount of Group's interest in associates	16,895	–	1,548	18,443
(v) Group's share of results of associates	2,788	(1,057)	231	1,962

16. INVESTMENTS IN ASSOCIATES (continued)

The summarised aggregate financial information of the Group's other individually non-material associates is set out below:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Loss for the financial year	**(36)**	(166)
Group's share of current year's unrecognised loss	**(15)**	(34)
Group's cumulative share of unrecognised loss	**(2,455)**	(2,440)

The Group has not recognised loss arising from these other individually non-material associates when its share of losses exceeds the Group's interest in the associates.

17. INVESTMENTS IN JOINT VENTURES

	Group	
	2019	**2018**
	RM'000	**RM'000**
Unquoted shares in Malaysia, at cost	**19,300**	19,300
Unquoted shares outside Malaysia, at cost	**4,675**	4,675
Share of post-acquisition reserves	**3,494**	5,700
Less: Accumulated impairment loss	**(7,741)**	(7,741)
	19,728	21,934
Exchange differences	**2,717**	3,032
	22,445	24,966

Movement in accumulated impairment loss:		
At 1 July 2018/2017	**7,741**	5,733
Recognised in profit or loss	**–**	2,008
At 30 June	**7,741**	7,741

17. INVESTMENTS IN JOINT VENTURES (continued)

Details of joint ventures are as follows:

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group * 2019	2018
Xinjiang Youhao Parkson Development Co Ltd ("Xinjiang Youhao") ^	People's Republic of China	Operation of department stores	**51**	51
Marlow House Asia Limited &	British Virgin Islands	Investment holding	**50**	50
Watatime group of companies: &				
Watatime Marketing Sdn Bhd	Malaysia	Wholesaling of watches	**50**	50
J. Bovier Time (M) Sdn Bhd	Malaysia	Retailing of watches	**50**	50
Watatime (Subang) Sdn Bhd	Malaysia	Retailing of watches	**37.5**	37.5
Watatime (M) Sdn Bhd	Malaysia	Retailing of watches	**50**	50
Watatime Group Sdn Bhd	Malaysia	Dormant	**50**	50
The Timepiece Repair Specialist Sdn Bhd	Malaysia	Retailing of watches	**50**	50
Wata Time (S) Pte Ltd	Singapore	Dormant	**50**	50
Valino International Apparel Sdn Bhd ("Valino") &	Malaysia	Apparel retailer	**50**	50

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

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

& Audited by a firm other than Ernst & Young.

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

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

In the previous financial year ended 30 June 2018, the Group made an allowance for impairment loss on investment in Watatime group of companies of RM2,008,000. The allowance was made after considering the measurable decrease in the Group's share of fair value estimation of the investment.

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

There is no material contingent liability and capital commitment relating to joint ventures as at 30 June 2019 and 30 June 2018.

17. INVESTMENTS IN JOINT VENTURES (continued)

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

	Watatime group of companies RM'000	Xinjiang Youhao RM'000	Total RM'000
2019			
(i) Summarised statements of financial position			
Non-current assets	8,474	6,969	15,443
Current assets	54,347	105,991	160,338
Total assets	62,821	112,960	175,781
Non-current liabilities	–	1,014	1,014
Current liabilities	61,418	69,142	130,560
Total liabilities	61,418	70,156	131,574
Net assets	1,403	42,804	44,207
(ii) Summarised statements of profit or loss			
Revenue	49,173	98,925	148,098
(Loss)/profit for the financial year	(3,723)	18,208	14,485
(iii) Dividend received from a joint venture	–	(10,805)	(10,805)
(iv) Group's share of net assets	137	21,830	21,967
Cumulative share of unrecognised loss	1,871	–	1,871
Cumulative impairment loss	(2,008)	–	(2,008)
Carrying amount of Group's interest in joint ventures	–	21,830	21,830
(v) Group's share of results of joint ventures	–	9,287	9,287

17. INVESTMENTS IN JOINT VENTURES (continued)

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

		Watatime group of companies RM'000	Xinjiang Youhao RM'000	Total RM'000
2018				
(i)	Summarised statements of financial position			
	Non-current assets	9,814	8,853	18,667
	Current assets	72,168	110,808	182,976
	Total assets	81,982	119,661	201,643
	Non-current liabilities	–	1,099	1,099
	Current liabilities	76,856	72,163	149,019
	Total liabilities	76,856	73,262	150,118
	Net assets	5,126	46,399	51,525
(ii)	Summarised statements of profit or loss			
	Revenue	59,768	106,206	165,974
	(Loss)/profit for the financial year	(5,046)	22,699	17,653
(iii)	Dividend received from a joint venture	–	(10,304)	(10,304)
(iv)	Group's share of net assets	2,008	23,664	25,672
	Impairment loss for the financial year	(2,008)	–	(2,008)
	Carrying amount of Group's interest in joint ventures	–	23,664	23,664
(v)	Group's share of results of joint ventures	(2,504)	11,576	9,072

17. INVESTMENTS IN JOINT VENTURES (continued)

The summarised aggregate financial information of the Group's other individually non-material joint ventures and Group's share of results of joint ventures and carrying amount of the Group's interest in joint ventures, are set out below:

	Group 2019 RM'000	Group 2018 RM'000
Loss for the financial year	**(1,375)**	(965)
Group's share of results of joint ventures	**(688)**	(482)
Carrying amount of the Group's interest in individually non-material joint ventures	**615**	1,302

18. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2019 RM'000	Group 2018 RM'000
At 1 July 2018/2017	**(29,530)**	(55,038)
Recognised in profit or loss (Note 9)	**4,919**	21,692
Dilution of interests in subsidiaries	**–**	105
Exchange differences	**769**	3,711
At 30 June	**(23,842)**	(29,530)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**117,531**	125,647
Deferred tax liabilities	**(141,373)**	(155,177)
	(23,842)	(29,530)

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

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

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Unused tax losses RM'000	Accrued rental expenses RM'000	Others * RM'000	Total RM'000
At 1 July 2018	**1,342**	**14,436**	**93,245**	**16,624**	**125,647**
Recognised in profit or loss	**(133)**	**(6,638)**	**6,828**	**(6,834)**	**(6,777)**
Exchange differences	**(16)**	**(155)**	**(1,151)**	**(17)**	**(1,339)**
At 30 June 2019	**1,193**	**7,643**	**98,922**	**9,773**	**117,531**
At 1 July 2017	1,544	22,916	101,954	36,258	162,672
Recognised in profit or loss	(146)	(7,781)	(4,889)	(18,480)	(31,296)
Exchange differences	(56)	(699)	(3,820)	(1,154)	(5,729)
At 30 June 2018	1,342	14,436	93,245	16,624	125,647

* Others comprise accrued of coupon provision and other expenses.

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Asset revaluation RM'000	Withholding taxes RM'000	Others RM'000	Total RM'000
At 1 July 2018	**(8,325)**	**(131,243)**	**(15,609)**	**–**	**(155,177)**
Recognised in profit or loss	**1,391**	**2,482**	**7,823**	**–**	**11,696**
Exchange differences	**72**	**1,870**	**166**	**–**	**2,108**
At 30 June 2019	**(6,862)**	**(126,891)**	**(7,620)**	**–**	**(141,373)**
At 1 July 2017	(21,143)	(143,197)	(51,945)	(1,425)	(217,710)
Recognised in profit or loss	12,056	5,680	35,252	–	52,988
Dilution of interests in subsidiaries	105	–	–	–	105
Exchange differences	657	6,274	1,084	1,425	9,440
At 30 June 2018	(8,325)	(131,243)	(15,609)	–	(155,177)

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

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Unused tax losses	**934,679**	777,100
Unabsorbed capital allowances	**10,956**	9,872
Other temporary differences	**12,192**	11,808
	957,827	798,780
Deferred tax at respective jurisdiction's applicable tax rate, if recognised	**234,059**	193,993

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

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

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

As announced in the Annual Budget 2019, effective from year of assessment 2019, the unused tax losses of Malaysian entities as at 31 December 2018 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unabsorbed losses will be disregarded.

19. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2019 RM'000	**2018 RM'000**
Non-current		
Amounts due from subsidiaries	**7,237,076**	7,226,249
Less: Allowance for expected credit loss ("ECL")	**(6,525,857)**	(6,455,017)
	711,219	771,232
Current		
Amounts due from subsidiaries	**8,929**	148,471
Less: Allowance for ECL	**(1,046)**	–
	7,883	148,471
Total amount due from subsidiaries (Note 20)	**719,102**	919,703
Movement in allowance accounts:		
At 1 July 2018/2017	**6,455,017**	6,455,017
Charge for the financial year	**71,886**	–
At 30 June	**6,526,903**	6,455,017

The non-current portion of the amounts due from subsidiaries represents the amount which the Company does not intend to demand repayment within twelve months from the reporting date. An amount of RM37,605,000 (2018: Nil) bears interest of 7% per annum (2018: Nil).

The current portion of the amounts due from subsidiaries are unsecured, repayable on demand and interest free except for the amount of RM3,000,000 (2018: RM94,376,000) which bears interest of 6.18% per annum (2018: 4.6% per annum).

20. TRADE AND OTHER RECEIVABLES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current				
Trade receivables (i)				
Third parties	**70,036**	85,206	**–**	–
Less: Allowance for ECL	**(2,068)**	–	**–**	–
Trade receivables, net	**67,968**	85,206	**–**	–
Current				
Trade receivables (i)				
Third parties	**173,061**	135,561	**–**	–
Less: Allowance for ECL	**(3,252)**	(6,303)	**–**	–
Trade receivables, net	**169,809**	129,258	**–**	–
Other receivables				
Sundry receivables (ii)	**185,097**	165,109	**2**	2
Less: Allowance for ECL	**(10,389)**	(8,092)	**–**	–
	174,708	157,017	**2**	2
Prepayments	**96,708**	91,850	**–**	–
Less: Allowance for ECL	**(10,349)**	(9,995)	**–**	–
	86,359	81,855	**–**	–
Deposits (iii)	**75,733**	86,949	**12**	12
Less: Allowance for ECL	**(44,243)**	(43,993)	**–**	–
	31,490	42,956	**12**	12
Amounts due from associates and joint ventures (iv)	**29,908**	38,393	**19**	14
Less: Allowance for ECL	**(19,889)**	(17,081)	**–**	–
	10,019	21,312	**19**	14
Amounts due from managed stores (v)	**13,188**	15,303	**–**	–
Less: Allowance for ECL	**(12,949)**	(14,570)	**–**	–
	239	733	**–**	–
Lease prepayments (vi)	**107,563**	112,083	**–**	–
Deferred lease expense (Note 21)	**1,435**	1,974	**–**	–
Amounts due from related parties (vii)	**455**	122	**122**	122
Other receivables, net	**412,268**	418,052	**155**	150
Total current trade and other receivables	**582,077**	547,310	**155**	150

20. TRADE AND OTHER RECEIVABLES (continued)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade and other receivables (as above)				
- non-current	**67,968**	85,206	**–**	–
- current	**582,077**	547,310	**155**	150
Total trade and other receivables	**650,045**	632,516	**155**	150
Add: Deposits, cash and bank balances (Note 23)	**2,501,399**	2,593,510	**11,571**	2,691
Add: Long term deposits	**131,015**	154,639	**–**	–
Add: Amounts due from subsidiaries (Note 19)	**–**	–	**719,102**	919,703
Less: Prepayments	**(86,359)**	(81,855)	**–**	–
Less: Lease prepayments	**(107,563)**	(112,083)	**–**	–
Less: Deferred lease expense	**(1,435)**	(1,974)	**–**	–
Total financial assets carried at amortised cost	**3,087,102**	3,184,753	**730,828**	922,544

(i) Trade receivables

Included in trade receivables are loan receivables from credit services segment of RM155,982,000 (2018: RM140,430,000).

(ii) Sundry receivables

Sundry receivables comprise the following:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Advances to suppliers	**34,932**	46,638	**–**	–
Accrued interest on deposits	**49,981**	25,885	**–**	–
Others	**100,184**	92,586	**2**	2
	185,097	165,109	**2**	2

Sundry receivables are non-interest bearing with average credit terms ranging from 1 to 90 days (2018: 1 to 90 days).

20. TRADE AND OTHER RECEIVABLES (continued)

(iii) Deposits

Included in deposits are amounts of RM30,449,000 (2018: RM30,074,000) paid by Parkson Vietnam Co Ltd ("Parkson Vietnam") to two individuals and a Vietnamese company (collectively the "Vietnamese Store Owners"). These Vietnamese Store Owners separately own department stores in Vietnam which are operated and managed by Parkson Vietnam Management Services Co Ltd, a subsidiary of the Group. Pursuant to agreements entered into between these Vietnamese Store Owners, Parkson Vietnam is allowed to acquire certain equity interests in the department stores upon fulfilment of certain conditions. The deposits are non-interest bearing and are secured by certain percentage of the charter capital of the Vietnamese Store Owners in the companies operating the department stores and the assets of the Vietnamese company's department store. These deposits have been fully impaired in the previous financial years.

(iv) Amounts due from associates and joint ventures

Included in amounts due from associates and joint ventures are:

(a) an amount due from an associate, Parkson Hanoi Co Ltd of RM11,796,000 (2018: RM14,288,000) which is unsecured, non-interest bearing and repayable upon demand.

(b) loans and related interest receivables due from a joint venture, Watatime (M) Sdn Bhd of RM12,793,000 (2018: RM12,793,000) which certain principal amounts bear interest of 7% per annum (2018: 7% per annum).

(c) entrusted loans to an associate, Parkson Newcore Retail Shanghai Ltd amounted to a total of RM5,999,000 as at 30 June 2018 (2019: RM Nil) which had a fixed term bearing interest rate at 4.75% per annum.

(v) Amounts due from managed stores

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

(vi) Lease prepayments

Lease prepayments are non-interest bearing except for an amount of approximately RM57,312,000 (2018: RM65,027,000) paid to landlords by subsidiaries in the PRC which bore interests ranging from 7% to 12% per annum (2018: 7% to 18% per annum).

(vii) Amounts due from related parties

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

The relationship of the related parties with the Group and the Company are further disclosed in Note 35.

<u>Trade receivables</u>

Trade receivables consist of mainly financing receivables relating to the Group's provision of financing facilities based on Islamic principles. Other trade receivables have credit terms ranging from payment in advance to 30 days (2018: payment in advance to 30 days).

Other information on financial risks of trade and other receivables are disclosed in Note 39.

20. TRADE AND OTHER RECEIVABLES (continued)

Ageing analysis of trade receivables

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

	Group 2019 RM'000	Group 2018 RM'000
Neither past due nor impaired	**207,932**	178,175
1 to 30 days past due not impaired	**12,412**	18,408
31 to 60 days past due not impaired	**4,716**	8,421
61 to 90 days past due not impaired	**3,043**	3,834
More than 91 days past due not impaired	**7,402**	4,621
Past due but not impaired	**27,573**	35,284
Impaired	**7,592**	7,308
	243,097	220,767

Trade receivables that are neither past due nor impaired

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

Trade receivables that are past due but not impaired

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

Impairment of trade receivables under MFRS 9 for the financial year ended 30 June 2019

The Group uses general approach in performing impairment analysis for loan receivables at each reporting date. Under the general approach, impairment analysis is performed based on 3 stages to measure ECLs. The Group, on the other hand, applies a simplified approach in calculating ECLs for other trade receivables.

Set out below is the information about the credit risk exposure on the Group's trade receivables as at 30 June 2019:

	Credit Services			Others	
	12-month ECLs	Lifetime ECLs		Simplified approach	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	RM'000	Total RM'000
At 1 July 2018	**108**	**840**	**3,145**	**2,210**	**6,303**
Effect of MFRS 9 adoption	**–**	**–**	**2,726**	**–**	**2,726**
At 1 July 2018, restated	**108**	**840**	**5,871**	**2,210**	**9,029**
Charge for the financial year (Note 8(a))	**–**	**–**	**3,368**	**1,567**	**4,935**
Written off	**(10)**	**(356)**	**(7,655)**	**11**	**(8,010)**
Exchange differences	**–**	**–**	**–**	**(634)**	**(634)**
At 30 June 2019	**98**	**484**	**1,584**	**3,154**	**5,320**

20. TRADE AND OTHER RECEIVABLES (continued)

Other receivables that are impaired

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Sundry receivables - nominal amounts	**10,389**	8,092
Less: Allowance for ECL	**(10,389)**	(8,092)
	–	–
Prepayments - nominal amounts	**10,349**	9,995
Less: Allowance for ECL	**(10,349)**	(9,995)
	–	–
Deposits - nominal amounts	**44,243**	43,993
Less: Allowance for ECL	**(44,243)**	(43,993)
	–	–
Amounts due from associates and joint ventures - nominal amounts	**19,889**	17,081
Less: Allowance for ECL	**(19,889)**	(17,081)
	–	–
Amounts due from managed stores - nominal amounts	**12,949**	14,570
Less: Allowance for ECL	**(12,949)**	(14,570)
	–	–

20. TRADE AND OTHER RECEIVABLES (continued)

Movement in allowance accounts:

Group	Trade receivables RM'000	Sundry receivables RM'000	Prepayments RM'000	Deposits RM'000	Amounts due from associates and joint ventures RM'000	Amounts due from managed stores RM'000	Total RM'000
At 1 July 2018	**6,303**	**8,092**	**9,995**	**43,993**	**17,081**	**14,570**	**100,034**
Effect of MFRS 9 adoption	**2,726**	**–**	**–**	**–**	**–**	**–**	**2,726**
At 1 July 2018, restated	**9,029**	**8,092**	**9,995**	**43,993**	**17,081**	**14,570**	**102,760**
Charge for the financial year (Note 8(a)):							
Trade and sundry receivables and deposits	**4,935**	**3,979**	**–**	**1,681**	**–**	**–**	**10,595**
Amount due from a joint venture	**–**	**–**	**–**	**–**	**5,300**	**–**	**5,300**
	4,935	**3,979**	**–**	**1,681**	**5,300**	**–**	**15,895**
Reversal of impairment loss (Note 8(a))	**–**	**(2,143)**	**–**	**–**	**–**	**–**	**(2,143)**
Written off	**(8,010)**	**–**	**–**	**(408)**	**–**	**–**	**(8,418)**
Exchange differences	**(634)**	**461**	**354**	**(1,023)**	**(2,492)**	**(1,621)**	**(4,955)**
At 30 June 2019	**5,320**	**10,389**	**10,349**	**44,243**	**19,889**	**12,949**	**103,139**
At 1 July 2017	7,925	12,473	10,527	47,328	18,103	13,290	109,646
Charge for the financial year (Note 8(a)):							
Trade and sundry receivables	10,009	878	–	–	–	–	10,887
Amount due from an associate	–	–	–	–	73	–	73
Amounts due from managed stores	–	–	–	–	–	857	857
	10,009	878	–	–	73	857	11,817
Reversal of impairment loss (Note 8(a))	–	(4,517)	–	–	–	–	(4,517)
Disposal and dilution of interests in subsidiaries	(3,194)	(1,360)	–	(4,969)	–	–	(9,523)
Written off	(8,365)	–	–	–	–	–	(8,365)
Exchange differences	(72)	618	(532)	1,634	(1,095)	423	976
At 30 June 2018	6,303	8,092	9,995	43,993	17,081	14,570	100,034

21. OTHER RECEIVABLES

	Group	
	2019	**2018**
	RM'000	**RM'000**
Non-current		
Lease and other prepayments [(i)]	**96,257**	116,404
Lease deposits	**69,380**	94,503
Other deposit [(ii)]	**61,635**	60,136
Deferred lease expense [(iii)]	**30,560**	35,869
	257,832	306,912
Less: Allowance for ECL	**(7,398)**	(7,315)
	250,434	299,597

Movement in allowance accounts:

At 1 July 2018/2017	**7,315**	–
Charge for the financial year (Note 8(a))	**–**	7,423
Exchange differences	**83**	(108)
At 30 June	**7,398**	7,315

(i) This represents mainly the long term portion of the prepaid lease rental paid to lessors.

(ii) Other deposit represents an amount of US$14,887,000 paid for the proposed lease and acquisition of a retail mall in Cambodia.

(iii) Deferred lease expense represents the difference between the fair value of non-current rental deposits recognised on initial recognition and the nominal deposit amount, which is amortised on a straight-line basis over the lease terms ranging from 2 to 20 years (2018: 2 to 20 years).

21. OTHER RECEIVABLES (continued)

(iii) (continued)

The movement in deferred lease expense is as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
At 1 July 2018/2017	**37,843**	43,718
Additions during the financial year	**–**	4,611
Reversal during the financial year	**(2,482)**	(2,379)
Recognised in profit or loss (Note 8(a))	**(3,212)**	(6,309)
Exchange differences	**(154)**	(1,798)
At 30 June	**31,995**	37,843
Disclosed as:		
Current (Note 20)	**1,435**	1,974
Non-current	**30,560**	35,869
	31,995	37,843

22. INVESTMENT SECURITIES

	Group	
	2019	**2018**
	RM'000	**RM'000**
Non-current		
Equity securities: (i)		
- Unquoted shares, at cost	**–**	18,945
- Unquoted shares, at fair value through other comprehensive income	**23,414**	–
	23,414	18,945
Current		
Financial assets at fair value through profit or loss:		
- Wealth management products (ii)	**314,278**	375,371
Total investment securities	**337,692**	394,316

(i) This amount included investments in Lion Insurance Company Limited and Lion Group Management Services Sdn Bhd, related parties of the Group.

(ii) This represents the Group's investment in non-principal guaranteed wealth management products that are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including bonds, trusts, cash funds, bond funds or unlisted equity investment issued and are circulated in the PRC in accordance with the related entrusted agreements. The wealth management products are measured at fair value, which are disclosed in Note 38(a).

23. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current				
Time deposits, representing total non-current deposits, cash and bank balances	**863,620**	811,910	**–**	–
Current				
Deposits, cash and bank balances:				
Cash on hand and at banks				
- Malaysia	**20,177**	26,852	**1,576**	1,091
- Foreign	**892,823**	580,861	**345**	–
Deposits with:				
Licensed banks				
- Malaysia	**83,150**	33,720	**9,650**	1,600
- Foreign	**601,568**	1,110,208	**–**	–
Licensed finance companies in Malaysia	**40,061**	29,959	**–**	–
Total current deposits, cash and bank balances	**1,637,779**	1,781,600	**11,571**	2,691
Deposits, cash and bank balances (as above)				
- non-current	**863,620**	811,910	**–**	–
- current	**1,637,779**	1,781,600	**11,571**	2,691
Total deposits, cash and bank balances	**2,501,399**	2,593,510	**11,571**	2,691
Less:				
Investments in principal guaranteed deposits	**(175,236)**	(793,171)	**–**	–
Time deposits with original maturity of more than three months when acquired	**(1,275,468)**	(913,108)	**–**	–
Bank overdrafts (Note 27)	**(10,275)**	(33,465)	**(9,781)**	(32,448)
Cash and cash equivalents	**1,040,420**	853,766	**1,790**	(29,757)

23. DEPOSITS, CASH AND BANK BALANCES (continued)

As at 30 June 2019, deposits with licensed banks and time deposits of the Group amounting to a total of RM1,093,056,000 (2018: RM1,237,446,000) are pledged with financial institutions for banking facilities extended to the Group as disclosed in Note 27.

The investments in principal guaranteed deposits have terms of less than one year and have an expected average annual rate of return of 3.5% (2018: 3.4%). Pursuant to the underlying contracts or notices, the investments in principal guaranteed deposits are capital guaranteed upon the maturity date.

The deposits, cash and bank balances of the subsidiaries in the PRC which amounted to RM2,231,577,000 (2018: RM2,411,547,000) at the reporting date were denominated in Rmb which is not freely convertible in the international market. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

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

	Group	
	2019	**2018**
	%	**%**
Licensed banks	**3.3**	3.3
Licensed finance companies	**3.3**	3.4

Deposits of the Group have varying periods of between 1 day and 36 months (2018: 1 day and 36 months). Bank balances are deposits held at call with licensed banks.

24. INVENTORIES

	Group	
	2019	**2018**
	RM'000	**RM'000**
At costs:		
Merchandise inventories	**328,486**	330,588
Properties held for sale	**2,741**	3,268
Consumables	**10,431**	10,755
	341,658	344,611
At net realisable value:		
Merchandise inventories	**24,931**	33,299
Total	**366,589**	377,910

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,844,388,000 (2018: RM1,696,113,000).

25. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary shares		Amount	
	Total number of issued shares '000	Treasury shares '000	Issued share capital RM'000 (a)	Treasury shares RM'000 (b)
Group/Company				
At 1 July 2018/2017 and 30 June 2019/2018	**1,093,902**	**(26,722)**	**4,151,005**	**(20,903)**

(a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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

During the financial year and in the previous financial year, the Company did not repurchase its own shares and none of the existing treasury shares held were cancelled. The shares repurchased were being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 30 June 2019, the number of outstanding ordinary shares in issue after the set off of 26,721,880 (2018: 26,721,880) treasury shares held by the Company were 1,067,180,170 (2018: 1,067,180,170) ordinary shares.

26. OTHER RESERVES

Group	Exchange fluctuation reserves RM'000	Asset revaluation reserve RM'000 (a)	Capital reserves RM'000 (b)	Merger deficit RM'000 (c)	Premium on acquisition of non-controlling interests RM'000	Fair value reserve of financial assets at FVOCI RM'000	Total RM'000
At 1 July 2018	**370,519**	**84,307**	**102,332**	**(2,071,102)**	**(3,843)**	**–**	**(1,517,787)**
Effect of MFRS 9 adoption	–	–	–	–	–	**4,002**	**4,002**
At 1 July 2018, restated	**370,519**	**84,307**	**102,332**	**(2,071,102)**	**(3,843)**	**4,002**	**(1,513,785)**
Other comprehensive income/ (loss) for the financial year							
Foreign currency translation	**(111,458)**	**(1,861)**	**(2,098)**	–	–	–	**(115,417)**
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	–	–	–	**(523)**	**(523)**
Less: Non-controlling interests	**53,208**	**838**	**943**	–	–	**168**	**55,157**
	(58,250)	**(1,023)**	**(1,155)**	–	–	**(355)**	**(60,783)**
Transactions with owners							
Transfer to capital reserves, representing total transactions with owners	–	–	**768**	–	–	–	**768**
At 30 June 2019	**312,269**	**83,284**	**101,945**	**(2,071,102)**	**(3,843)**	**3,647**	**(1,573,800)**
At 1 July 2017	411,333	87,693	105,426	(2,071,102)	(3,843)	–	(1,470,493)
Other comprehensive income/ (loss) for the financial year							
Foreign currency translation	(62,053)	(6,160)	(6,898)	–	–	–	(75,111)
Less: Non-controlling interests	21,239	2,774	3,090	–	–	–	27,103
	(40,814)	(3,386)	(3,808)	–	–	–	(48,008)
Transactions with owners							
Transfer to capital reserves, representing total transactions with owners	–	–	714	–	–	–	714
At 30 June 2018	370,519	84,307	102,332	(2,071,102)	(3,843)	–	(1,517,787)

26. OTHER RESERVES (continued)

Company	Capital redemption reserve 2019 RM'000	2018 RM'000
At 1 July 2018/2017 and 30 June	**2,905,831**	2,905,831

(a) Asset revaluation reserve

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

(b) Capital reserves

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

(c) Merger deficit

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

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

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

27. LOANS AND BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Secured:				
Hire purchase liabilities (Note 28)	**792**	1,356	**–**	–
Bankers' acceptance	**7,516**	5,076	**–**	–
Term loans (i)	**47,723**	50,480	**–**	–
Revolving financing	**18,000**	–	**–**	–
Bank loans (ii):				
US$ denominated	**–**	72,251	**–**	–
HK$ denominated	**104,962**	273,622	**–**	–
Unsecured:				
Term loans	**–**	60,600	**–**	60,600
Revolving financing	**–**	34,000	**–**	30,000
Bank overdrafts	**10,275**	33,465	**9,781**	32,448
Total current loans and borrowings	**189,268**	530,850	**9,781**	123,048
Non-current				
Secured:				
Hire purchase liabilities (Note 28)	**330**	715	**–**	–
Term loans (i)	**132,550**	–	**–**	–
Bank loans (ii):				
US$ denominated	**2,018,668**	1,966,738	**–**	–
HK$ denominated	**155,852**	–	**–**	–
Total non-current loans and borrowings	**2,307,400**	1,967,453	**–**	–
Total loans and borrowings	**2,496,668**	2,498,303	**9,781**	123,048
Total loans and borrowings				
Hire purchase liabilities (Note 28)	**1,122**	2,071	**–**	–
Other loans and borrowings:				
Bankers' acceptance	**7,516**	5,076	**–**	–
Term loans (i)	**180,273**	111,080	**–**	60,600
Bank loans (ii)	**2,279,482**	2,312,611	**–**	–
Revolving financing	**18,000**	34,000	**–**	30,000
Bank overdrafts	**10,275**	33,465	**9,781**	32,448
	2,496,668	2,498,303	**9,781**	123,048

27. LOANS AND BORROWINGS (continued)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Maturity of loans and borrowings (excluding hire purchase liabilities):				
Within one year	**188,476**	529,494	**9,781**	123,048
More than one year and less than two years	**2,262,892**	–	**–**	–
More than two years and less than five years	**44,178**	1,966,738	**–**	–
	2,495,546	2,496,232	**9,781**	123,048

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

	At 1 July 2018 RM'000	**Proceeds RM'000**	**Repayment RM'000**	**Exchange differences RM'000**	**At 30 June 2019 RM'000**
Bankers' acceptance	**5,076**	**19,605**	**(17,345)**	**180**	**7,516**
Term loans [(i)]	**111,080**	**157,187**	**(91,304)**	**3,310**	**180,273**
Bank loans [(ii)]	**2,312,611**	**282,572**	**(380,655)**	**64,954**	**2,279,482**
Revolving financing	**34,000**	**14,000**	**(30,000)**	**–**	**18,000**
	2,462,767	**473,364**	**(519,304)**	**68,444**	**2,485,271**
Hire purchase liabilities	**2,071**	**502**	**(1,402)**	**(49)**	**1,122**
Total	**2,464,838**	**473,866**	**(520,706)**	**68,395**	**2,486,393**

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

27. LOANS AND BORROWINGS (continued)

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

	Group	
	2019	**2018**
	%	**%**
Bankers' acceptance	**7.1**	7.1
Term loans	**8.8**	7.6
Bank loans	**4.4**	4.2
Revolving financing	**6.8**	4.9
Bank overdrafts	**6.9**	7.0

(i) As at 30 June 2019, term loans totalling RM109,876,000 (2018: RM50,480,000) are secured by 774,200,000 ordinary shares (2018: 374,200,000 ordinary shares) of HK$0.02 each in the capital of PRGL. Another term loan of the Group amounted to RM70,397,000 as at 30 June 2019 is secured by an investment property with a net carrying amount of RM189,000,000.

(ii) Bank loans denominated in US$ bear floating interest rates ranging from 1.9% to 2.1% per annum (2018: 1.4% to 2.1% per annum) over London Interbank Offered Rate. Bank loans denominated in HK$ bear floating interest rates ranging from 1% to 1.2% per annum (2018: 1.2% to 1.6% per annum) over Hang Seng Interbank Offered Rate.

As at 30 June 2019, bank loans of the Group are secured by buildings, investment properties and land use rights with total net carrying amount of RM1,355,247,000 (2018: RM1,411,540,000), and deposits with licensed banks and time deposits totalling RM1,093,056,000 (2018: RM1,237,446,000).

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

The Notes bore a fixed coupon at 4.5% per annum. The maturity date of the Notes was 3 May 2018 and PRGL had fully settled the repayment of the Notes in the previous financial year.

As at 30 June 2019, financial covenant involving gearing ratio under a bank overdraft facility of the Company was not met. The Company had fully settled the repayment of the said bank overdraft in August 2019.

28. HIRE PURCHASE LIABILITIES

	Group	
	2019	**2018**
	RM'000	**RM'000**
Minimum lease payments:		
Not later than one year	**817**	1,460
Later than one year and not later than two years	**83**	730
Later than two years and not later than five years	**250**	–
Later than five years	**43**	–
	1,193	2,190
Less: Future finance charges	**(71)**	(119)
	1,122	2,071
Present value of finance lease liabilities:		
Not later than one year	**792**	1,356
Later than one year and not later than two years	**73**	715
Later than two years and not later than five years	**219**	–
Later than five years	**38**	–
	1,122	2,071
Representing:		
Current (Note 27)	**792**	1,356
Non-current (Note 27)	**330**	715
	1,122	2,071

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

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

	Group	
	2019	**2018**
	%	%
Contractual interest rates	**2.4 - 3.8**	3.8
Weighted average effective interest rate	**6.2**	7.1

29. LONG TERM PAYABLES

	Group 2019 RM'000	Group 2018 RM'000
Rental deposits (i)	**457,783**	489,600
Accrued rental expenses	**65,170**	67,306
Deferred lease income (ii)	**15,722**	15,698
Defined benefit obligation (iii)	**2,875**	2,464
Others	**86**	97
	541,636	575,165

(i) Non-current rental deposits have maturity ranging from 2 to 15 years (2018: 2 to 15 years). The rental deposits are initially recognised at their fair values. The difference between the fair value and the nominal deposit amount is recorded as deferred lease income.

(ii) Deferred lease income represents the difference between the fair value of non-current rental deposits recognised on initial recognition and the nominal deposit amount, which is amortised on a straight-line basis over the lease terms ranging from 2 to 15 years (2018: 2 to 15 years).

The movement in deferred lease income is as follows:

	Group 2019 RM'000	Group 2018 RM'000
At 1 July 2018/2017	**15,887**	26,121
Additions during the financial year	**392**	538
Refunds during the financial year	**–**	(9,521)
Recognised in profit or loss (Note 8(a))	**(505)**	(221)
Exchange differences	**15**	(1,030)
At 30 June	**15,789**	15,887
Disclosed as:		
Current (Note 31)	**67**	189
Non-current	**15,722**	15,698
	15,789	15,887

29. LONG TERM PAYABLES (continued)

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

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

	Group	
	2019 RM'000	**2018 RM'000**
Components of employee benefits expense recognised in profit or loss		
Current service cost	**333**	342
Interest cost on benefit obligations	**209**	191
Expected return on assets	**36**	51
Employee benefits expense (Note 6)	**578**	584
Estimated liabilities for employee benefits at the reporting date		
Defined benefit obligation, representing liabilities at 30 June	**2,875**	2,464
Changes in the present value of the defined benefit obligation		
Benefit obligation at 1 July 2018/2017	**2,464**	2,586
Provision during the financial year	**578**	584
Payment during the financial year	**(43)**	–
Remeasurement recognised in other comprehensive income	**(230)**	(379)
Exchange differences	**106**	(327)
Benefit obligation at 30 June	**2,875**	2,464

30. PROVISIONS

	Group 2019 RM'000	Group 2018 RM'000
Non-current		
Provisions for restoration costs [(i)]	**22,980**	23,292
Provisions for onerous contracts [(ii)]	**7,598**	–
	30,578	23,292
Current		
Provisions for restoration costs [(i)]	**1,174**	1,841
Provisions for onerous contracts [(ii)]	**11,756**	8,184
	12,930	10,025
Total	**43,508**	33,317

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

The movement in the provisions are as follows:

	Group 2019 RM'000	Group 2018 RM'000
At 1 July 2018/2017	**25,133**	36,654
Arose during the financial year	**5,681**	5,289
Utilised during the financial year	**(2,625)**	(1,852)
Reversed during the financial year	**(5,040)**	(13)
Reclassed to accrued rental expenses (non-current)	**–**	(13,207)
Unwinding of discount	**955**	305
Exchange differences	**50**	(2,043)
At 30 June	**24,154**	25,133
Disclosed as:		
Current	**1,174**	1,841
Non-current	**22,980**	23,292
	24,154	25,133

30. PROVISIONS (continued)

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

The movement in the provisions are as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
At 1 July 2018/2017	**8,184**	6,569
Arose during the financial year	**18,492**	4,770
Utilised during the financial year	**(7,380)**	(3,006)
Exchange differences	**58**	(149)
At 30 June	**19,354**	8,184
Disclosed as:		
Current	**11,756**	8,184
Non-current	**7,598**	–
	19,354	8,184

31. TRADE AND OTHER PAYABLES AND OTHER LIABILITIES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade and other payables:				
Trade payables [(i)]	**1,078,332**	1,134,666	**–**	–
Other payables [(ii)]	**240,400**	256,773	**–**	1
Amounts due to related parties [(iii)]	**–**	4,761	**–**	–
Deposits	**77,377**	78,483	**–**	–
Accruals	**122,195**	93,144	**1,648**	2,336
Deferred lease income (Note 29(ii))	**67**	189	**–**	–
	1,518,371	1,568,016	**1,648**	2,337
Other liabilities:				
Deferred revenue from gift cards/vouchers sold [(iv)]	**–**	459,526	**–**	–
Deferred revenue from customer loyalty award [(v)]	**–**	22,850	**–**	–
	–	482,376	**–**	–
	1,518,371	2,050,392	**1,648**	2,337

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

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Total trade and other payables (as above)	**1,518,371**	1,568,016	**1,648**	2,337
Add:				
Loans and borrowings (Note 27)	**2,496,668**	2,498,303	**9,781**	123,048
Rental deposits (Note 29)	**457,783**	489,600	**–**	–
Accrued rental expenses (Note 29)	**65,170**	67,306	**–**	–
Amounts due to subsidiaries	**–**	–	**3,069**	3,499
Less:				
Deferred lease income	**(67)**	(189)	**–**	–
Total financial liabilities carried at amortised cost	**4,537,925**	4,623,036	**14,498**	128,884

(i) Credit terms of trade payables granted to the Group vary from 30 to 90 days (2018: 30 to 90 days).

(ii) Other payables are normally settled on average terms of 30 to 90 days (2018: average terms of 30 to 90 days).

(iii) The amounts due to related parties were unsecured, interest free and repayable on demand.

The relationship of the related party with the Group and the Company are further disclosed in Note 35.

(iv) As a result of the adoption of MFRS 15, deferred revenue recognised from gift cards/vouchers sold is included in contract liabilities.

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

	Group	
	2019 RM'000 (included in contract liabilities)	**2018 RM'000 (included in other liabilities)**
At 1 July 2018/2017	**459,526**	502,511
Arising during the financial year	**1,252,406**	1,371,063
Revenue recognised during the financial year	**(1,280,315)**	(1,396,538)
Exchange differences	**(5,032)**	(17,510)
At 30 June	**426,585**	459,526

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

(v) As a result of the adoption of MFRS 15, deferred revenue recognised from customer loyalty award is included in contract liabilities.

A reconciliation of the deferred revenue from customer loyalty award is as follows:

	Group	
	2019 RM'000 (included in contract liabilities)	**2018 RM'000 (included in other liabilities)**
At 1 July 2018/2017	**22,850**	30,002
Arising during the financial year	**51,580**	57,091
Revenue recognised during the financial year	**(36,962)**	(39,514)
Lapsed amounts reversed	**(15,617)**	(22,801)
Exchange differences	**(175)**	(1,928)
At 30 June	**21,676**	22,850

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

Other information on financial risks of trade and other payables are disclosed in Note 39.

32. CONTRACT LIABILITIES

	Group	
	2019 RM'000	**2018 RM'000**
Deferred revenue from:		
Gift cards/vouchers sold	**426,585**	–
Customer loyalty award	**21,676**	–
	448,261	–

Revenue recognised during the financial year that was included in the contract liabilities and the reconciliation of the deferred revenue are presented in Notes 31(iv) and 31(v).

33. AMOUNTS DUE TO SUBSIDIARIES

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

34. OTHER FINANCIAL LIABILITY

	Group/Company	
	2019	2018
	RM'000	RM'000
Derivative not designated as hedging instrument		
Cross currency interest rate swap	–	1,036

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

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

In the previous financial year ended 30 June 2018, a fair value loss on cross currency interest rate swap of RM1,607,000 was recognised in profit or loss (Note 8(a)). During the current financial year ended 30 June 2019, the Company has settled the cross currency interest rate swap agreement.

35. SIGNIFICANT RELATED PARTY DISCLOSURES

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

35. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Purchases of goods and services from:		
- BonusKad Loyalty Sdn Bhd	**9,436**	10,093
- PT Monica Hijaulestari	**1,958**	6,933
- Lion Group Management Services Sdn Bhd	**478**	2,308
- Valino International Apparel Sdn Bhd	**3,797**	1,284
- Posim Marketing Sdn Bhd	**1,078**	751
- Secom (Malaysia) Sdn Bhd	**1,202**	1,149
- Lion Steelworks Sdn Bhd	**118**	510
- WatchMart (M) Sdn Bhd	**501**	648
- Watatime (M) Sdn Bhd	**917**	772
- Brands Pro Management Sdn Bhd	**399**	660
- Daphne Malaysia Sdn Bhd	**783**	–
Rental of office and/or warehouse space from:		
- Visionwell Sdn Bhd	**872**	1,032

	Company	
	2019	**2018**
	RM'000	**RM'000**
Interest income from subsidiaries (Note 7)	**2,758**	3,958

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

Information regarding outstanding balances arising from related party transactions as at 30 June 2019 are disclosed in Note 19, Note 20, Note 31 and Note 33.

35. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Short-term employee benefits	**11,492**	11,972	**203**	204
Pension costs				
- Defined contribution plans	**129**	250	**–**	7
	11,621	12,222	**203**	211

36. COMMITMENTS

(a) Capital commitments

Capital expenditure at the reporting date is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Purchase of property, plant and equipment:		
Approved and contracted for	**269,916**	276,495
Approved but not contracted for	**–**	3,044
	269,916	279,539

(b) Non-cancellable operating lease commitments

	Group	
	2019 RM'000	**2018 RM'000**
As lessee		
Future minimum rentals payable:		
Not later than one year	**728,209**	814,907
Later than one year and not later than five years	**2,653,452**	3,077,662
Later than five years	**2,147,214**	2,991,297
	5,528,875	6,883,866

36. COMMITMENTS (continued)

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

The Group leases certain of its properties and equipment under operating lease arrangements. These leases have remaining non-cancellable lease terms ranging from 1 to 22 years (2018: 1 to 22 years) with terms of renewal included in the contracts and there are no restrictions placed upon the Group by entering into these lease agreements.

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

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
As lessor		
Future minimum rentals receivable:		
Not later than one year	**147,766**	178,091
Later than one year and not later than five years	**335,212**	342,396
Later than five years	**212,892**	250,064
	695,870	770,551

The Group leases certain of its properties under operating leases. These leases have remaining non-cancellable lease terms ranging from 1 to 10 years (2018: 1 to 10 years) with terms of renewal included in the contracts.

37. CORPORATE GUARANTEES

As at 30 June 2019, the Company has provided corporate guarantees amounting to RM38,000,000 (2018: RM15,000,000) in favour of financial institutions as security for the credit facilities totalling RM115,000,000 (2018: RM15,000,000) granted to subsidiaries of the Company.

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

38. FAIR VALUE

(a) Fair value measurement

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

	Level 2 RM'000	Level 3 RM'000
2019		
Investment properties (Note 12):		
Completed investment properties	**–**	**65,661**
IPUC	**–**	**189,000**
Investment securities (Note 22):		
Financial assets at fair value through other comprehensive income		
- Unquoted shares	**–**	**23,414**
Financial assets at fair value through profit or loss		
- Wealth management products	**–**	**314,278**
2018		
Investment properties (Note 12):		
Completed investment properties	–	74,853
IPUC	–	189,000
Investment securities (Note 22):		
Financial assets at fair value through profit or loss		
- Wealth management products	–	375,371
Derivative (Note 34):		
Cross currency interest rate swap	(1,036)	–

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

Fair value of investment properties is determined using a direct comparison method based on comparable transactions of the investment properties, as disclosed in Note 12.

Fair values of unquoted shares and wealth management products are determined using the future cash flows that are estimated based on expected applicable yield of the underlying investment portfolio and discounted at rates that reflect the credit risk of various counterparties.

Fair value of cross currency interest rate swap was estimated using valuation techniques with observable inputs, which uses present value calculations, incorporating various input including foreign exchange spot and interest rate curves. During the current financial year ended 30 June 2019, the Company has settled the cross currency interest rate swap agreement as disclosed in Note 34.

Changing one or more of the inputs to reasonable alternative assumptions would not significantly change the fair values of the financial assets categorised as Level 3 under the fair value hierarchy.

38. FAIR VALUE (continued)

(b) Financial instruments

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

	Note
Amounts due from subsidiaries	19
Trade and other receivables	20
Trade and other payables	31
Amounts due to subsidiaries	33

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

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

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

(aa) Financial instruments classified as current

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

(bb) Long term loans and borrowings

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

(cc) Deposit receivables/payables

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Interest rate risk

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

Interest rate sensitivity

A reasonably possible change of 100 basis point in interest rate, arising mainly from the lower/higher interest on bank loans, with all other variables held constant, the Group's profit or loss for the year would have been RM17,535,000 (2018: RM18,058,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Foreign currency risk

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

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

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

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

Functional currency	Net financial assets held in US$ RM'000	HK$ RM'000	SGD RM'000	Total RM'000
Deposits, cash and bank balances				
At 30 June 2019				
Ringgit Malaysia	**13,088**	**199**	**87**	**13,374**
Chinese Renminbi	**15,764**	**51,973**	**–**	**67,737**
Vietnamese Dong	**251**	**–**	**–**	**251**
Burmese Kyat	**321**	**–**	**–**	**321**
	29,424	**52,172**	**87**	**81,683**
At 30 June 2018				
Ringgit Malaysia	3,235	22	887	4,144
Chinese Renminbi	35,738	7,463	2,082	45,283
Vietnamese Dong	245	–	–	245
Burmese Kyat	316	–	–	316
	39,534	7,485	2,969	49,988

Foreign currency sensitivity

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

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

<u>Analysis of financial instruments by remaining contractual maturities</u>

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

	Not later than one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Financial liabilities:				
Group				
2019				
Trade and other payables	**1,518,304**	**–**	**–**	**1,518,304**
Loans and borrowings:				
Bank overdrafts	**10,275**	**–**	**–**	**10,275**
Revolving financing	**18,599**	**–**	**–**	**18,599**
Hire purchase liabilities	**817**	**333**	**43**	**1,193**
Bankers' acceptance	**7,566**	**–**	**–**	**7,566**
Term loans	**48,729**	**154,533**	**–**	**203,262**
Bank loans	**105,908**	**2,340,268**	**–**	**2,446,176**
Long term payables:				
Rental deposits	**–**	**457,783**	**–**	**457,783**
Total undiscounted financial liabilities	**1,710,198**	**2,952,917**	**43**	**4,663,158**
2018				
Trade and other payables	1,567,827	–	–	1,567,827
Loans and borrowings:				
Bank overdrafts	33,465	–	–	33,465
Revolving financing	34,609	–	–	34,609
Hire purchase liabilities	1,460	730	–	2,190
Bankers' acceptance	5,171	–	–	5,171
Term loans	121,060	–	–	121,060
Bank loans	349,780	2,169,591	–	2,519,371
Long term payables:				
Rental deposits	–	489,600	–	489,600
Total undiscounted financial liabilities	2,113,372	2,659,921	–	4,773,293

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

	Not later than one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Financial liabilities: (continued)				
Company				
2019				
Trade and other payables	**1,648**	**–**	**–**	**1,648**
Loans and borrowings:				
Bank overdrafts	**9,781**	**–**	**–**	**9,781**
Total undiscounted financial liabilities	**11,429**	**–**	**–**	**11,429**
2018				
Trade and other payables	2,337	–	–	2,337
Loans and borrowings:				
Bank overdrafts	32,448	–	–	32,448
Revolving financing	30,339	–	–	30,339
Term loans	64,689	–	–	64,689
Total undiscounted financial liabilities	129,813	–	–	129,813

(d) Credit risk

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

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 20.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk (continued)

Credit risk concentration profile

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

At the reporting date, the Group and the Company do not have any significant exposure to any individual customer or counterparty nor do they have any major concentration of credit risk related to any financial instrument, except that the Company has an amount due from East Crest International Limited, a wholly-owned subsidiary of the Company, which amounted to RM697,124,000 (2018: RM820,218,000) represents 97% (2018: 89%) of the Company's receivables.

Financial assets that are neither past due nor impaired

Information regarding receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks and other financial institutions are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

40. SEGMENTAL INFORMATION

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

(i) Retailing - Operation and management of retail stores in Malaysia, PRC, Vietnam, Myanmar and Indonesia.

(ii) Others - Operation of food and beverage businesses, credit services and investment holding.

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

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

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

40. SEGMENTAL INFORMATION (continued)

The Group's segmental information is as follows:

	Retailing Malaysia RM'000	Retailing PRC RM'000	Retailing Vietnam and Myanmar RM'000	Retailing Indonesia RM'000	Others RM'000	Elimination RM'000	Total RM'000
30 June 2019							
Revenue:							
External customers	**1,023,739**	**2,721,046**	**62,107**	**144,420**	**81,353**	**–**	**4,032,665**
Inter-segment	**288**	**–**	**–**	**–**	**–**	**(288)**	**–**
Total revenue	**1,024,027**	**2,721,046**	**62,107**	**144,420**	**81,353**	**(288)**	**4,032,665**
Results:							
Segment profit/(loss)	**5,390**	**167,093**	**(24,319)**	**(22,111)**	**(37,125)**	**–**	**88,928**
Finance income							**74,042**
Finance costs							**(150,134)**
Share of results of associates							**7,560**
Share of results of joint ventures							**8,599**
Impairment loss on:							
- Property, plant and equipment							**(41,480)**
- Amount due from a joint venture							**(5,300)**
Provision of land tax							**(6,350)**
Loss before tax							**(24,135)**
Total assets	**592,133**	**7,174,984**	**98,316**	**136,110**	**534,373**	**–**	**8,535,916**
Total liabilities	**513,754**	**4,286,030**	**66,041**	**103,153**	**255,690**	**–**	**5,224,668**
Capital expenditure	**44,837**	**69,696**	**1,572**	**8,562**	**2,975**	**–**	**127,642**

40. SEGMENTAL INFORMATION (continued)

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

	Retailing						
	Malaysia RM'000	**PRC RM'000**	**Vietnam and Myanmar RM'000**	**Indonesia RM'000**	**Others RM'000**	**Elimination RM'000**	**Total RM'000**
30 June 2018							
Revenue:							
External customers	1,030,878	2,628,720	83,877	160,531	77,729	–	3,981,735
Inter-segment	917	–	–	–	–	(917)	–
Total revenue	1,031,795	2,628,720	83,877	160,531	77,729	(917)	3,981,735
Results:							
Segment (loss)/profit	(38,478)	118,944	(17,480)	(19,663)	(39,829)	–	3,494
Finance income							102,853
Finance costs							(130,003)
Share of results of associates							1,962
Share of results of joint ventures							8,590
Gain on disposal and dilution of interests in subsidiaries							18,788
Impairment loss on:							
- Property, plant and equipment							(41,039)
- An investment property							(1,990)
- Intangible assets							(24,217)
- Investments in an associate and joint ventures							(12,995)
- Deposits, amounts due from an associate and managed stores							(8,353)
Loss before tax							(82,910)
Total assets	641,309	7,543,341	115,317	134,911	512,625	–	8,947,503
Total liabilities	507,523	4,425,618	60,984	86,975	258,846	–	5,339,946
Capital expenditure	81,567	208,510	437	2,996	4,486	–	297,996

41. CAPITAL MANAGEMENT

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

The Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. No changes were made in the objective, policies or processes during the financial years ended 30 June 2019 and 30 June 2018.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade and other payables and other liabilities (Note 31)	**1,518,371**	2,050,392	**1,648**	2,337
Contract liabilities (Note 32)	**448,261**	–	**–**	–
Provisions (Note 30)	**43,508**	33,317	**–**	–
Long term payables (Note 29)	**541,636**	575,165	**–**	–
Loans and borrowings (Note 27)	**2,496,668**	2,498,303	**9,781**	123,048
Less: Deposits, cash and bank balances (Note 23)	**(2,501,399)**	(2,593,510)	**(11,571)**	(2,691)
Investment securities - current (Note 22)	**(314,278)**	(375,371)	**–**	–
Net debt/(cash) (A)	**2,232,767**	2,188,296	**(142)**	122,694
Total equity, representing total capital	**3,311,248**	3,607,557	**737,726**	814,276
Capital and net debt (B)	**5,544,015**	5,795,853	**737,584**	936,970
Gearing ratio (A/B)	**40%**	38%	*	13%

* The gearing ratio of the Company as at 30 June 2019 is not meaningful as the Company's deposit, cash and bank balances exceeded its payables.

42. STATUS OF LITIGATIONS

(i) On 15 November 2018, in order to enforce the rights of Parkson (Cambodia) Co Ltd ("PCCO"), a wholly-owned subsidiary of Parkson Retail Asia Limited ("PRA") which is in turn a 67.96% owned subsidiary of the Company, and to safeguard and protect the interests and assets of the Group, PCCO had served a notice of arbitration on Hassan (Cambodia) Development Co., Ltd ("Lessor"), *inter alia*, claiming sums aggregating US$4,829,102 relating to a planned store in Cambodia. PCCO commenced the arbitration proceedings under the Singapore International Arbitration Centre to resolve the disputes arising out of and/or in relation to the lease agreement entered into between the Lessor and PCCO ("Lease Agreement") where the Lessor was to have completed and handed over store premises in a new building to be constructed ("Premises") on or before 31 December 2016 but the Lessor had failed to hand over the Premises by the stipulated deadline and also failed to remedy its breaches under the Lease Agreement. On 12 December 2018, the Lessor claimed against PCCO in the Phnom Penh Municipal Court of First Instance (the "Case"), *inter alia*, for US$12,440,000 in damages from PCCO. PCCO is currently applying to the Cambodian Appellate Court to challenge the jurisdiction of the Phnom Penh Court of First Instance to hear the Case.

The Group has been advised that PCCO has a better than even chance to recover the advance rental and security deposit amounting to US$4,488,500 and that it has a good defence to the Lessor's claims in the Case.

(ii) On 17 July 2019, Parkson Corporation Sdn Bhd ("PCSB"), a wholly-owned subsidiary of PRA, received a statutory notice pursuant to Section 466(1)(a) of the Companies Act 2016 ("Notice") from Millennium Mall Sdn Bhd ("MMSB"), the lessor of M Square Mall, claiming for RM1.5 million in alleged outstanding rental and late payment charges. In response to the Notice, PCSB has filed a Fortuna injunction on 29 July 2019, to restrain any filing of a winding-up petition against PCSB. Subsequently, PCSB has also received a legal letter of demand from MMSB ("MMSB Letter of Demand") alleging wrongful termination of the lease and claiming an aggregate amount of approximately RM77.9 million in respect of reinstatement costs, rental charges as well as other charges.

On 27 September 2019, the High Court had decided in favour of PCSB and, *inter alia*, ordered an injunction restraining MMSB from acting on the Notice and from filing a winding-up petition against PCSB; and further ordered MMSB to reimburse/pay PCSB an amount of RM10,000 for legal costs. On 1 October 2019, MMSB has filed an appeal against the decision of the High Court dated 27 September 2019. PCSB intends to oppose the appeal vigorously.

The Group has been advised that it has a good chance to successfully dispute and contest the MMSB Letter of Demand as the claimed amount is inflated and that there is also amount owing by MMSB to PCSB.

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2019

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
1.	44-60, Zhongshan Road Shinan District, Qingdao Shandong Province, China	Leasehold 3.4.2045	76,013.2 sq metres	Commercial building	Shopping complex and office (19)	99.3	June 2004
2.	127, Renmin Zhong Road Wuxi, China	Leasehold 22.4.2044	30,498.6 sq metres	Commercial building	Shopping complex and office (23)	24.1	June 2004
3.	239, Dongda Street Xi'an, China	Leasehold 1.5.2040	17,755.4 sq metres	Commercial building	Shopping complex (22)	20.2	June 2004
4.	37, Financial Street Xicheng District Beijing, China	Leasehold 30.10.2047	60,888.6 sq metres	Commercial building	Shopping complex and office (25)	401.8	July 2006
5.	88, Er Dao Street Tie Dong District Anshan City Liaoning Province, China	Leasehold 11.5.2040	42,574.0 sq metres	Commercial building	Shopping complex (32)	172.1	January 2008
6.	New Urban Area Nga Nam Catbi Airport Ngo Quyen District Hai Phong City, Vietnam	Leasehold 4.11.2075	23,000.0 sq metres	Commercial building	Shopping complex (13)	51.2	June 2009
7.	The Northeast Corner of Nanmenwai Street and Shenyi Street Heping District Tianjin, China	Leasehold 10.7.2052	61,426.2 sq metres	Commercial building	Shopping complex under construction	448.5	March 2013
8.	Kawasan Bandar XLII Daerah Melaka Tengah Melaka						
	- Lot No. PT 842 HS(D) 72191	Leasehold 28.11.2111	23.2 acres	Land	For mixed development	150.2	December 2012, January 2015
	- Lot No. PT 845 HS(D) 80216	Leasehold 25.5.2113	6 acres	Land	For mixed development	38.8	January 2015
9.	CBD Sektor VII Bintaro Jaya B.07 Blok D No. 5 Pondok Jaya, Pondok Aren Tangerang Selatan, Banten Indonesia	Leasehold 18.12.2040 and 20.10.2028	2,981 sq metres	Commercial building	Retail space and office (3)	44.1	March 2015
10.	No. 195 Hong Kong East Road Laoshan District, Qingdao Shandong, China	Leasehold 5.12.2050	228,622.0 sq metres	Commercial building	Shopping complex (4)	953.4	December 2015
11.	121, Renmin Zhong Road Wuxi, China	Leasehold November 2052	11,190.9 sq metres	Commercial building	Shopping complex and office (13)	113.9	March 2018

ANALYSIS OF SHAREHOLDINGS

Issued Shares as at 30 September 2019

Total Number of Issued Shares	:	1,093,902,050
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote per ordinary share

Distribution of Shareholdings as at 30 September 2019

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares ^
Less than 100	2,631	19.24	80,963	0.01
100 to 1,000	1,994	14.58	852,563	0.08
1,001 to 10,000	6,019	44.02	22,963,024	2.15
10,001 to 100,000	2,560	18.72	77,816,777	7.29
100,001 to less than 5% of issued shares	462	3.38	423,089,728	39.65
5% and above of issued shares	7	0.06	542,377,115	50.82
	13,673	100.00	1,067,180,170	100.00

Substantial Shareholders as at 30 September 2019

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares ^	Deemed Interest No. of Shares	Deemed Interest % of Shares ^
1. Tan Sri Cheng Heng Jem	286,923,039	26.89	341,130,606	31.96
2. Lion Industries Corporation Berhad	70,617,853	6.62	233,693,845	21.90
3. Lion Forest Industries Berhad	56,000,000	5.25	–	–
4. LLB Steel Industries Sdn Bhd	–	–	233,693,845	21.90
5. Steelcorp Sdn Bhd	–	–	233,693,845	21.90
6. Amsteel Mills Sdn Bhd	177,559,617	16.64	56,134,228	5.26
7. Urusharta Jamaah Sdn Bhd	105,908,219	9.92	–	–

Note:

^ *Excluding a total of 26,721,880 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2019.*

Thirty Largest Registered Shareholders as at 30 September 2019

Registered Shareholders	No. of Shares	% of Shares ^
1. Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Cheng Heng Jem (419450)	143,987,730	13.49
2. Urusharta Jamaah Sdn Bhd	105,908,219	9.92
3. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-1	61,689,636	5.78
4. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-2	61,243,212	5.74
5. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	57,321,709	5.37
6. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	56,226,609	5.27
7. Lion Forest Industries Berhad	56,000,000	5.25
8. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-3	30,672,692	2.87
9. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-2	19,530,790	1.83
10. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-1	19,084,365	1.79
11. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Cheng Heng Jem (MGN-WCH0004M)	18,578,254	1.74
12. Affin Hwang Nominees (Tempatan) Sdn Bhd Trillionvest Sdn Bhd	18,146,213	1.70
13. RHB Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd for Amsteel Mills Sdn Bhd	14,487,530	1.36
14. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-3	12,577,911	1.18
15. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Trillionvest Sdn Bhd (3rd pty)	12,473,000	1.17
16. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LIO0157M)	11,222,649	1.05
17. RHB Nominees (Tempatan) Sdn Bhd Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for Cheng Heng Jem	10,808,737	1.01
18. Cartaban Nominees (Tempatan) Sdn Bhd icapital.biz Berhad	10,742,298	1.01
19. HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH)	10,351,200	0.97
20. HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse Securities (Europe) Limited	10,346,700	0.97
21. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-4	9,466,547	0.89
22. HSBC Nominees (Asing) Sdn Bhd TNTC for State Teachers Retirement System of OHIO	8,403,808	0.79
23. Cheng Yong Kim	8,170,986	0.77
24. Lion Holdings Private Limited	7,006,526	0.66
25. Citigroup Nominees (Asing) Sdn Bhd CGML IPB for ASM Connaught House Fund LP	5,907,765	0.55
26. Lion-Parkson Foundation	5,816,389	0.55
27. Maybank Nominees (Asing) Sdn Bhd MTrustee Berhad for Excel Step Investments Limited (419463)	5,756,772	0.54
28. RHB Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd for Lion Industries Corporation Berhad	5,512,470	0.52
29. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Kin Kheong (E-IMO)	5,410,000	0.51
30. CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	4,189,179	0.39

Note:

^ *Excluding a total of 26,721,880 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2019.*

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2019

The Directors' interests in shares in the Company and its related corporations as at 30 September 2019 are as follows:

	Direct Interest No. of Ordinary Shares	Direct Interest % ^	Deemed Interest No. of Ordinary Shares	Deemed Interest % ^
The Company				
Tan Sri Cheng Heng Jem	286,923,039	26.89	341,532,045	32.00
Ooi Kim Lai	197	Negligible	–	–

	Direct Interest No. of Ordinary Shares	Direct Interest %	Deemed Interest No. of Ordinary Shares	Deemed Interest %
Related Corporations				
Tan Sri Cheng Heng Jem				
Giftmate Sdn Bhd	–	–	120,000	60.00
Parkson Myanmar Investment Company Pte Ltd	–	–	2,100,000	70.00
Parkson Retail Asia Limited ("PRA")	500,000	0.07	457,933,300	67.96
Parkson Retail Group Limited	–	–	1,448,270,000 #	54.97
Cheng Hui Yen, Natalie				
PRA	50,000	0.01	–	–

Investments in the People's Republic of China	Deemed Interest Rmb	Deemed Interest % of Holdings
Tan Sri Cheng Heng Jem		
Guizhou Shenqi Parkson Retail Development Co Ltd	10,200,000	60.00
Lion Food & Beverage Ventures Limited	3,640,000	91.00
Qingdao No. 1 Parkson Co Ltd	223,796,394	95.91
Wuxi Sanyang Parkson Plaza Co Ltd	48,000,000	60.00
Xinjiang Youhao Parkson Development Co Ltd	10,200,000	51.00

Notes:

^ *Excluding a total of 26,721,880 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2019.*

Ordinary shares of HK$0.02 each.

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2019.

MATERIAL CONTRACTS INVOLVING THE INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

(a) Conditional Option Agreement dated 13 September 2013 and supplemented by a Letter dated 7 February 2014 and a Supplemental Option Agreement dated 12 May 2014 (collectively, the "Said Option Agreements") entered into between True Excel Investments (Cambodia) Co., Ltd ("True Excel") (a wholly-owned subsidiary of Parkson Holdings Berhad) as grantee and PP.SW Development Co. Ltd ("PP.SW"), a company in which a Director who is also a major shareholder of the Company has interest, as grantor wherein True Excel is granted the option to enter into a lease agreement ("Option to Lease") for the lease of the lower ground floor and first floor of a mall to be constructed at Sangkat Kakap, Khan Dang Kor, Phnom Penh, Cambodia for a term of 50 years with automatic renewal for another 50 years for an indicative refundable deposit of approximately US$42.00 million (equivalent to approximately RM138.60 million) to be satisfied wholly in cash upon the terms and conditions of the Said Option Agreements. By a Letter dated 2 June 2017, the commencement date to exercise the Option to Lease was extended to 31 December 2019.

(b) Conditional Sale and Purchase Agreement dated 13 September 2013 and supplemented by a Letter dated 7 February 2014 and a Supplemental Conditional Sale and Purchase Agreement dated 12 May 2014 (collectively, the "Said Sale and Purchase Agreements") entered into between PP.SW as vendor and True Excel as purchaser for the purchase by True Excel of the second to seventh floors of a mall to be constructed in Sangkat Kakap, Khan Dang Kor, Phnom Penh, Cambodia ("Property") for an indicative consideration of approximately US$75.09 million (equivalent to approximately RM247.80 million) to be satisfied wholly in cash upon the terms and conditions of the Said Sale and Purchase Agreements. By a Letter dated 2 June 2017, the handover date of the Property was extended until 31 December 2019 for PP.SW to complete and hand over the Property to True Excel.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to External Auditors and its affiliated companies for the financial year by the Group and by the Company were RM127,000 (2018: RM362,000) and RM13,000 (2018: RM13,000) respectively.

(II) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2019 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Obtaining of management support, office equipment, energy and conservation services, security services and equipment, training and other related products and services	Lion Industries Corporation Berhad Group Lion Corporation Berhad Group Lion Forest Industries Berhad Group	489 205 3
		697

Notes:

"Group" includes subsidiary and associated companies, excluding public companies

The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

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FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–								

I/We ....

I.C. No./Company No. ....

of ....

being a member of PARKSON HOLDINGS BERHAD, hereby appoint ....

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the 36th Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 27 November 2019 at 10.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To approve Directors' benefits		
3. To re-elect Mr Ooi Kim Lai as Director		
4. To re-elect Mr Liew Jee Min @ Chong Jee Min as Director		
5. To re-appoint Messrs Ernst & Young as Auditors		
6. Authority to Directors to Issue Shares		
7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this.................. day of.. 2019

No. of shares: .... Signed: ....

Representation at Meeting:

(i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 November 2019 shall be eligible to attend the Meeting.

(ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.

(iii) If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.

(iv) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.

(v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vi) The instrument appointing a proxy shall be deposited at the Office of the Registrar of the Company at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting.

(vii) Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.

PARKSON HOLDINGS BERHAD (89194-P)
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