

PARKSON RETAIL ASIA LIMITED

(Co. Reg. No. 201107706H)
(Incorporated in the Republic of Singapore)

Unaudited Financial Statements for the Second Quarter ended 31 December 2015
HIGHLIGHTS

	Group								
	Reported Quarter ended			Reported 6 months ended			Like-for-Like Comparable* 6 months ended		
	31.12.2015	31.12.2014	+/(-) %	31.12.2015	31.12.2014	+/(-) %	31.12.2015	31.12.2014	+/(-) %
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross Sales Proceeds	253,559	289,555	(12.4)	490,276	570,256	(14.0)	436,031	524,290	(16.8)
Revenue	103,452	117,519	(12.0)	196,142	227,510	(13.8)	170,547	208,538	(18.2)
Profit Before Tax	4,659	14,465	(67.8)	55,820	24,916	>100.0	13,551	23,128	(41.4)
Net Profit attributable to owners of the Company	2,899	10,225	(71.6)	52,360	17,094	>100.0	9,328	15,315	(39.1)

* The like-for-like comparable figures are provided for comparison purpose only, and do not form part of the financial statements prepared under the accounting standards nor under the disclosure requirements of the Singapore Exchange. These like-for-like comparable figures are computed on same store basis (also excluding the non-recurring items).

The Group recorded the following Same Store Sales Growth (“SSSG”), by countries:

SSSG	Quarter ended		6 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Malaysia	-7.3%	-6.7%	-11.2%	-5.6%
Vietnam	-0.4%	-5.8%	-2.0%	-5.7%
Indonesia	+1.4%	+8.8%	+5.5%	+7.3%
Myanmar	-5.2%	+28.9%	-0.1%	+30.8%

The Malaysia operations recorded a decline in SSSG of -7.3% in Q2 FY2016. The Malaysian Institute of Economic Research reported that the country’s consumer sentiment index (“CSI”) remained below the 100-point confidence threshold for the sixth consecutive quarter, with the CSI reading for the 4th quarter calendar year 2015 at 63.8 points. The Malaysia operations encountered headwinds due, among others, to (i) transitional period of sales adjustment following the introduction of GST on 1 April 2015 and (ii) subdued consumer sentiment resulting from the weakness in the local currency and commodity prices.

The Vietnam operations recorded relatively flat SSSG of -0.4% in Q2 FY2016. Recovery remains patchy with the southern stores (in Ho Chi Minh City) registering positive SSSG in the quarter, however, off-set by the negative SSSG recorded by the northern store (in Hai Phong).

The Indonesia operations recorded SSSG of +1.4% in Q2 FY2016. Consumer sentiment remained robust with Bank Indonesia reporting that the country’s consumer confidence index (“CCI”) for the 4th quarter calendar year 2015 remaining above the 100-point confidence threshold at 103.5 points. However, this CCI reading is below that recorded in the comparative 4th quarter calendar year 2014 which was at 119.1 points.

The Myanmar operations recorded a decline in SSSG of -5.2% in Q2 FY2016. Consumer sentiment was subdued due to the uncertainty surrounding the country’s general election held in November 2015. There are plans to close FMI Centre, where the store is located, for re-development and this has created uncertainty among some suppliers hence affecting sales. However, the landlord has not confirm on the timing for the re-development.

Gross Sales Proceeds (“GSP”) for Q2 FY2016 declined by (12.4)% Year-over-Year (“YoY”) to S\$253.6 million, while GSP for the Year-To-Date (“YTD”) 6 months financial year 2016 (“YTD 6 months FY2016”) declined by (14.0)% YoY to S\$490.3 million. Group’s revenue for Q2 FY2016 declined by (12.0)% YoY to S\$103.5 million, while revenue for YTD 6 months FY2016 declined by (13.8)% YoY to S\$196.1 million. The declines in GSP and revenue, despite sales contribution from new stores, are due significantly to (i) negative SSSG recorded by the Malaysia and Vietnam operations and (ii) local currency weakness of the Malaysian Ringgit resulting in lower sales presented in the reporting currency of Singapore Dollars. On same store basis, GSP and revenue for YTD 6 months FY2016 declined by (16.8)% and (18.2)% respectively. On same store basis and same currency basis, GSP and revenue for YTD 6 months FY2016 declined by (7.7)% and (8.6)% respectively.

Profit Before Tax (“PBT”) for Q2 FY2016 declined by (67.8)% YoY to S\$4.7 million. Among the factors contributing to the decline in PBT for the quarter are (i) the de-leveraging impact from the negative SSSG of the Malaysia operations and (ii) the initial loss-making periods associated with certain of the new stores in their 1st year of operations. For the YTD 6 months FY2016, the Group recorded PBT of S\$55.8 million as compared to PBT of S\$24.9 million in the comparative FY2015 period. There was a significant improvement in PBT for the YTD 6 months FY2016 due to the gain recognized on partial disposal of equity interest in Parkson Hanoi Co Ltd (“PHCL”) of S\$46.0 million. PHCL was a subsidiary of the Group and is now an associate company following this disposal. On same store basis (also excluding non-recurring items), PBT for the YTD 6 months FY2016 declined by (41.4)% YoY to S\$13.6 million. On same store basis and same currency basis, PBT for the YTD 6 months FY2016 declined by (33.5)% YoY.

A summary table detailing the segmental PBT for the YTD 6 months FY2016 is appended below:

PBT Summary	Group		
	6 months ended		
	31.12.2015	31.12.2014	+ / (-)
	S\$'000	S\$'000	%
Like-for-like, on same store basis			
Malaysia	14,807	20,661	(28.3)
Vietnam	(164)	2,297	>(100.0)
Indonesia	(870)	(373)	>(100.0)
Myanmar	(533)	(304)	(75.3)
Share of profits of an associate (Sri Lanka)	-	37	(100.0)
Investment holding / Others	311	810	(61.6)
PBT (same store basis)	13,551	23,128	(41.4)
PBT / (Losses) of new / closed / renovated stores			
Malaysia	(1,916)	6,373	>(100.0)
Vietnam	(367)	(3,653)	90.0
Indonesia	(9)	-	(100.0)
PBT / (Losses) of new businesses	(1,399)	-	(100.0)
Non-recurring items			
Gain on partial disposal of equity interest in a former subsidiary, Parkson Hanoi Co Ltd	45,960	-	100.0
Gain on disposal of an associate, Odel PLC	-	1,379	(100.0)
Accrual of store closure costs	-	(2,311)	100.0
Group PBT	55,820	24,916	>100.0

On same store basis, PBT for the Malaysia operations for YTD 6 months FY2016 declined by (28.3)% due to the de-leveraging impact from the negative SSSG of -11.2% and local currency weakness. On same store basis and same currency basis, PBT for the Malaysia operations recorded a decline of (17.1)%.

On same store basis, the Vietnam operations recorded a marginal pre-tax loss due to decline in gross profit margin by 210 bps arising from aggressive promotions and the de-leveraging impact from the negative SSSG of -2.0%.

On same store basis, the Indonesia operations recorded a pre-tax loss of S\$(0.9) million for YTD 6 months FY2016. The Indonesia results in the comparative FY2015 period benefited from the write-back of expired customer loyalty points of prior years of S\$0.9 million which was not repeated in the current FY2016 period.

The store in Myanmar commenced operations in May 2013 and is in its 3rd year gestation period of operations. The store's performance was affected in Q2 FY2016 by the subdued consumer sentiment surrounding the country's general election held in November 2015 and the possible re-development of FMI Centre where the store is located.

The Group has ceased its equity accounting of results in the former associate, Odel PLC, following the completion of disposal of its entire interest in Odel PLC in November 2014.

Investment holding / Others recorded PBT of S\$0.3 million for YTD 6 months FY2016 due largely to recognition of currency translation gain on bank deposits.

The Group's cashflow generation remains robust with net cash generated from operations of S\$36.3 million for the YTD 6 months FY2016 despite faced with challenging environments. The Group balance sheet position continues to be healthy with total equity of S\$181.6 million as at 31 December 2015.



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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) Consolidated Income Statement

	Group					
	Quarter ended			6 months ended		
	31.12.2015	31.12.2014	+/(-) %	31.12.2015	31.12.2014	+/(-) %
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	103,452	117,519	(12.0)	196,142	227,510	(13.8)
Other income	1,906	6,431	(70.4)	52,054	9,630	>100.0
Items of expense						
- Changes in merchandise inventories and consumables	(39,501)	(44,432)	(11.1)	(73,260)	(84,691)	(13.5)
- Employee benefits expense	(13,503)	(12,895)	4.7	(26,469)	(26,017)	1.7
- Depreciation and amortisation expenses	(5,321)	(5,168)	3.0	(10,750)	(10,347)	3.9
- Rental expenses	(25,738)	(29,427)	(12.5)	(52,023)	(58,438)	(11.0)
- Finance costs	(44)	(135)	(67.4)	(102)	(272)	(62.5)
- Other expenses	(16,592)	(17,447)	(4.9)	(29,772)	(32,496)	(8.4)
Total expenses	(100,699)	(109,504)	(8.0)	(192,376)	(212,261)	(9.4)
Share of profits of an associate	-	19	(100.0)	-	37	(100.0)
Profit before tax	4,659	14,465	(67.8)	55,820	24,916	>100.0
Taxation	(2,024)	(5,376)	(62.4)	(3,943)	(9,639)	(59.1)
Net profit for the period	2,635	9,089	(71.0)	51,877	15,277	>100.0
Net profit for the period attributable to:						
Owners of the Company	2,899	10,225	(71.6)	52,360	17,094	>100.0
Non-controlling interests	(264)	(1,136)	(76.8)	(483)	(1,817)	(73.4)
	2,635	9,089	(71.0)	51,877	15,277	>100.0

1(a)(ii) Consolidated Statement of Comprehensive Income

	Group					
	Quarter ended			6 months ended		
	31.12.2015	31.12.2014	+/(-)	31.12.2015	31.12.2014	+/(-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Net profit for the period	2,635	9,089	(71.0)	51,877	15,277	>100.0
Other comprehensive income/(loss):						
Remeasurement of defined benefit plan	-	34	>(100.0)	-	34	>(100.0)
Foreign currency translation	4,287	(1,160)	>100.0	(6,727)	665	>(100.0)
Total comprehensive income	6,922	7,963	(13.1)	45,150	15,976	>100.0
Total comprehensive income attributable to:						
Owners of the Company	7,199	9,164	(21.4)	46,288	17,883	>100.0
Non-controlling interests	(277)	(1,201)	(76.9)	(1,138)	(1,907)	(40.3)
	6,922	7,963	(13.1)	45,150	15,976	>100.0

1(a)(iii) Additional information to the Consolidated Income Statement

	Group			
	Quarter ended		6 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	S\$'000	S\$'000	S\$'000	S\$'000
Profit before income tax is arrived at after (charging)/crediting:				
Finance income	849	1,347	2,163	3,030
Gain on partial disposal of a former subsidiary (Note 1)	-	-	45,960	-
Gain on disposal of an associate	-	1,379	-	1,379
Accrual of store closure costs	-	(2,311)	-	(2,311)

Note 1: On 16 June 2015, the Company announced that Parkson Vietnam Co Ltd, a wholly-owned subsidiary of the Company, entered into a capital assignment agreement with an external party to dispose of a 27.8% interest in the charter capital of Parkson Hanoi Co Ltd ("PHCL") for a cash consideration of US\$5,000. This capital assignment transaction of PHCL was completed on 17 August 2015 and a gain on partial disposal of PHCL of S\$45.96 million was recognized on completion. PHCL is now an associate of the Group following this disposal.

1(b)(i) Statements of Financial Position

	Group		Company	
	31.12.2015	30.06.2015	31.12.2015	30.06.2015
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	125,398	96,778	-	-
Land use right	8,343	8,227	-	-
Investments in subsidiaries	-	-	134,021	145,649
Investment in an associate	-	-	-	-
Deferred tax assets	8,335	7,231	-	-
Other receivables	23,194	21,761	28,537	23,161
Prepayments	8,835	8,944	-	-
Intangible assets	5,304	5,350	-	-
Derivatives	17	19	-	-
Investment securities	77	83	-	-
	179,503	148,393	162,558	168,810
Current assets				
Inventories	64,033	57,817	-	-
Investment securities	12,724	11,867	-	-
Trade and other receivables	38,526	17,440	17,317	32,462
Prepayments	4,162	5,234	19	21
Tax recoverable	3,218	2,271	-	-
Cash and short-term deposits	107,280	126,711	11,598	7,644
Assets of disposal group classified as held for sale	-	4,674	-	-
	229,943	226,014	28,934	40,127
Total assets	409,446	374,407	191,492	208,937
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	183,946	140,150	903	912
Other liabilities	35,612	26,111	-	-
Bank overdrafts	-	735	-	-
Tax payable	750	123	-	-
Liabilities of disposal group classified as held for sale	-	70,293	-	-
	220,308	237,412	903	912
Net current assets	9,635	(11,398)	28,031	39,215
Non-current liabilities				
Other payables	7,532	6,949	-	-
	7,532	6,949	-	-
Total liabilities	227,840	244,361	903	912
Net assets	181,606	130,046	190,589	208,025
Equity attributable to owners of the Company				
Share capital	231,676	231,676	231,676	231,676
Other reserves	(163,108)	(157,036)	(47,103)	(30,278)
Retained earnings	112,565	73,751	6,016	6,627
Reserve of disposal group classified as held for sale	-	(386)	-	-
	181,133	148,005	190,589	208,025
Non-controlling interests	473	(17,959)	-	-
Total equity	181,606	130,046	190,589	208,025
Total equity and liabilities	409,446	374,407	191,492	208,937

1(b)(ii) Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

Group			
31.12.2015		30.06.2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	735

There are no non-current loans and borrowings as at 31.12.2015 and 30.06.2015.

1(c) Consolidated Statement of Cash Flows

	Group			
	Quarter ended		6 months ended	
	31.12.2015	31.12.2014*	31.12.2015	31.12.2014*
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before tax	4,659	14,465	55,820	24,916
Adjustments for				
- Depreciation and amortisation	5,321	5,168	10,750	10,347
- Finance costs	44	135	102	272
- Finance income	(849)	(1,347)	(2,163)	(3,030)
- Share of profits of an associate	-	(19)	-	(37)
- Gain on disposal of an associate	-	(1,379)	-	(1,379)
- Accrual of store closure costs	-	2,311	-	2,311
- Unrealised currency translation (gain)/ loss	1,195	(711)	(59)	(729)
- Gain on partial disposal of a former subsidiary	-	-	(45,960)	-
- Others	207	115	682	73
Operating cash flows before changes in working capital	10,577	18,738	19,172	32,744
Changes in working capital				
- Inventories	(8,901)	(2,808)	(10,636)	(2,310)
- Receivables and prepayments	(13,754)	1,586	(34,376)	(1,188)
- Payables and other liabilities	41,246	25,579	66,254	34,555
Cash flows from operations	29,168	43,095	40,414	63,801
Finance income received	360	1,147	1,720	2,581
Finance costs paid	-	(2)	-	(3)
Income tax paid	(2,880)	(3,810)	(5,818)	(8,083)
Net cash generated from operating activities	26,648	40,430	36,316	58,296
Investing activities				
Purchase of property, plant and equipment	(19,796)	(9,503)	(32,514)	(14,955)
Proceed from disposal of an associate	-	27,919	-	27,919
Addition of intangible assets	(96)	(16)	(148)	(53)
Investment in deposits of money market instruments	(1,771)	(2,139)	(1,843)	(2,467)
Dividend income from investment securities	62	-	96	86
Net cash generated from / (used in) investing activities	(21,601)	16,261	(34,409)	10,530
Financing activities				
Capital contribution from non-controlling interests	99	-	99	-
Dividends paid	(13,546)	(16,932)	(13,546)	(16,932)
Net cash used in financing activities	(13,447)	(16,932)	(13,447)	(16,932)
Net increase / (decrease) in cash and cash equivalents	(8,400)	39,759	(11,540)	51,894
Cash and cash equivalents at beginning of financial period	114,229	141,777	125,976	129,204
Effects of currency translation on cash and cash equivalents	1,451	(3,193)	(7,156)	(2,755)
Cash and cash equivalents at end of financial period	107,280	178,343	107,280	178,343

* certain comparative figures have been re-classified to conform to current period's presentation

For the purpose of the consolidated statement of cash flows, consolidated cash and cash equivalents comprise the following:

	Group	
	31.12.2015	31/12/2014*
	S\$'000	S\$'000
Cash at bank	46,884	60,625
Short-term bank deposits	60,396	117,718
	107,280	178,343

* certain comparative figures have been re-classified to conform to current period's presentation

1(d)(i) Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Total Equity
	Share capital	Foreign currency translation reserve	Capital redemption reserve	Capital contribution from ultimate holding company	Merger reserve	Bargain purchase of non-controlling interests	Reserve classified as held for sale	Retained earnings	Total	Non-controlling Interests	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000	S\$'000
Group											
Balance at 01.07.2015	231,676	(43,243)	1	9,959	(123,753)	-	(386)	73,751	148,005	(17,959)	130,046
Profit / (loss) for the period	-	-	-	-	-	-		52,360	52,360	(483)	51,877
Loss of control over a subsidiary	-	-	-	-	-	-	386	-	386	19,471	19,857
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	99	99
Foreign currency translation	-	(6,072)	-	-	-	-		-	(6,072)	(655)	(6,727)
Dividends	-	-	-	-	-	-		(13,546)	(13,546)	-	(13,546)
Balance at 31.12.2015	231,676	(49,315)	1	9,959	(123,753)	-	-	112,565	181,133	473	181,606
Balance at 01.07.2014 (restated)	231,676	(36,896)	1	9,959	(123,753)	439	-	152,472	233,898	154	234,052
Profit / (loss) for the period	-	-	-	-	-	-	-	17,094	17,094	(1,817)	15,277
Foreign currency translation	-	755	-	-	-	-	-	-	755	(90)	665
Remeasurement of defined benefit plan	-	-	-	-	-	-	-	34	34	-	34
Dividends	-	-	-	-	-	-	-	(16,932)	(16,932)	-	(16,932)
Balance at 31.12.2014	231,676	(36,141)	1	9,959	(123,753)	439	-	152,668	234,849	(1,753)	233,096

Statement of Changes in Equity

	Share capital	Foreign currency translation reserve	Retained earnings / (Accumulated losses)	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Company				
Balance at 01.07.2015	231,676	(30,278)	6,627	208,025
Profit for the period	-	-	12,935	12,935
Foreign currency translation	-	(16,825)	-	(16,825)
Dividends	-	-	(13,546)	(13,546)
Balance at 31.12.2015	231,676	(47,103)	6,016	190,589
Balance at 01.07.2014	231,676	(11,710)	16,950	236,916
Profit for the period	-	-	33,063	33,063
Foreign currency translation	-	(7,170)	-	(7,170)
Dividends	-	-	(16,932)	(16,932)
Balance at 31.12.2014	231,676	(18,880)	33,081	245,877

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

	31.12.2015	31.12.2014
	No. of Shares	No. of Shares
Issued Share Capital	677,300,000	677,300,000
Treasury Shares held	-	-
Shares to be issued pursuant to the exercise of all the outstanding share options	-	-

1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	31.12.2015	30.6.2015
Total number of issued shares excluding treasury shares	677,300,000	677,300,000

The Company did not hold any treasury shares as at 31 December 2015 and 30 June 2015.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for in the most recent audited financial statements for the financial year ended 30 June 2015, except as mentioned in Note 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted the applicable new and revised Financial Reporting Standards ("FRSs") that became effective for the financial year beginning on or after 1 July 2015. The adoption of these new and revised FRSs has no material impact to the Group.

6. Earnings per ordinary share

Earnings per ordinary share attributable to owners of the Company:-

	Group			
	Quarter ended		6 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Basic and diluted (cents)	0.43	1.51	7.73	2.52
Based on weighted average number of shares ('000)	677,300	677,300	677,300	677,300

There are no potential dilution effects on the ordinary shares of the Company. Accordingly, the basic and diluted earnings per share for the reported periods are the same.

7. Net Asset Value per ordinary share

	Group		Company	
	31.12.2015	30.6.2015	31.12.2015	30.6.2015
Net asset value per ordinary share based on total number of issued shares excluding treasury shares (S\$)	0.27	0.22	0.28	0.31

8. Review of Group Performance

Review of Business Environments

The Group recorded the following SSSG, by countries:

SSSG	Quarter ended		6 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Malaysia	-7.3%	-6.7%	-11.2%	-5.6%
Vietnam	-0.4%	-5.8%	-2.0%	-5.7%
Indonesia	+1.4%	+8.8%	+5.5%	+7.3%
Myanmar	-5.2%	+28.9%	-0.1%	+30.8%

The Malaysia operations recorded a decline in SSSG of -7.3% in Q2 FY2016. The Malaysian Institute of Economic Research reported that the country's consumer sentiment index ("CSI") remained below the 100-point confidence threshold for the sixth consecutive quarter, with the CSI reading for the 4th quarter calendar year 2015 at 63.8 points. The Malaysia operations encountered headwinds due, among others, to (i) transitional period of sales adjustment following the introduction of GST on 1 April 2015 and (ii) subdued consumer sentiment resulting from the weakness in the local currency and commodity prices.

The Vietnam operations recorded relatively flat SSSG of -0.4% in Q2 FY2016. Recovery remains patchy with the southern stores (in Ho Chi Minh City) registering positive SSSG in the quarter, however, off-set by the negative SSSG recorded by the northern store (in Hai Phong).

The Indonesia operations recorded SSSG of +1.4% in Q2 FY2016. Consumer sentiment remained robust with Bank Indonesia reporting that the country's consumer confidence index ("CCI") for the 4th quarter calendar year 2015 remaining above the 100-point confidence threshold at 103.5 points. However, this CCI reading is below that recorded in the comparative 4th quarter calendar year 2014 which was at 119.1 points.

The Myanmar operations recorded a decline in SSSG of -5.2% in Q2 FY2016. Consumer sentiment was subdued due to the uncertainty surrounding the country's general election held in November 2015. There are plans to close FMI Centre, where the store is located, for re-development and this has created uncertainty among some suppliers hence affecting sales. However, the landlord has not confirm on the timing for the re-development..

Review of Operational Results

The components of GSP for Q2 FY2016 and YTD 6 months FY2016 are as follows:-

	Group					
	Quarter ended			6 months ended		
	31.12.2015	31.12.2014	+ / (-)	31.12.2015	31.12.2014	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross Sales Proceeds						
Sale of goods - direct sales	50,993	57,602	(11.5)	93,361	107,476	(13.1)
Sale of goods - concessionaire sales	198,521	227,838	(12.9)	389,046	454,739	(14.4)
Total merchandise sales	249,514	285,440	(12.6)	482,407	562,215	(14.2)
Consultancy and management service fees	173	252	(31.3)	343	480	(28.5)
Rental income	3,872	3,863	0.2	7,526	7,561	(0.5)
Total gross sales proceeds	253,559	289,555	(12.4)	490,276	570,256	(14.0)

The Group's GSP declined by (12.4)% YoY to S\$253.6 million for Q2 FY2016 and declined by (14.0)% YoY to S\$490.3 million for YTD 6 months FY2016. GSP declined for the quarter and YTD period, despite sales contribution from new stores, due significantly to (i) negative SSSG recorded by the Malaysia and Vietnam operations and (ii) local currency weakness of the Malaysian Ringgit resulting in lower sales presented in the reporting currency of Singapore Dollars. On same store basis, the Group's GSP for YTD 6 months FY2016 declined by (16.8)% to S\$436.0 million. On same store basis and same currency basis, GSP for YTD 6 months FY2016 recorded a decline of (7.7)% YoY.

The Group generated total merchandise sales of S\$482.4 million for the YTD 6 months FY2016, with concessionaire sales contributing 80.6% and direct sales contributing the balance of 19.4%. By product segment, the Fashion & Apparel category constitute 53.4% of the total merchandise sales, the Cosmetic & Accessories category constitute 28.8%, the Household, Electrical Goods & Others category constitute 14.3% while the remaining balance of 3.5% came from the Groceries & Perishables category.

The merchandise gross margins (a combination of the commission from concessionaires and direct sales margin) for Q2 FY2016 and YTD 6 months FY2016 declined by 20 bps YoY to 24.0% and 23.8% respectively. Gross margin was affected on the downside by aggressive promotions and concessions given to suppliers in the Vietnam operations.

Review of Financial Results

Revenue and Other Income

The Group's revenue declined by (12.0)% YoY to S\$103.5 million for Q2 FY2016 and declined by (13.8)% YoY to S\$196.1 million for YTD 6 months FY2016. The decline in revenues is in line with the decline in GSP as explained above. The components of revenue for Q2 FY2016 and YTD 6 months FY2016 are as follows:-

	Group					
	Quarter ended			6 months ended		
	31.12.2015	31.12.2014	+ / (-)	31.12.2015	31.12.2014	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue						
Sale of goods - direct sales	50,993	57,602	(11.5)	93,361	107,476	(13.1)
Commission from concessionaire sales	48,414	55,802	(13.2)	94,912	111,993	(15.3)
Consultancy and management service fees	173	252	(31.3)	343	480	(28.5)
Rental income	3,872	3,863	0.2	7,526	7,561	(0.5)
Total revenue	103,452	117,519	(12.0)	196,142	227,510	(13.8)

Other income for Q2 FY2016 declined by (70.4)% YoY to S\$1.9 million due to the absence of translation gain on foreign currency deposits and gain on disposal of shares in an associate, Odel PLC, which were recorded in the comparative Q2 FY2015. Other income for YTD 6 months FY2016 increased YoY by >100.0% to S\$52.1 million due to the gain on partial disposal of equity interest in a former subsidiary, Parkson Hanoi Co Ltd, of S\$46.0 million.

Expenses

For Q2 FY2016 and YTD 6 months FY2016, total expenses of the Group declined by (8.0)% YoY to S\$100.7 million and by (9.4)% YoY to S\$192.4 million respectively. Analysis of the major operating expense items for Q2 FY2016 and YTD 6 months FY2016 is as follows:

Changes in merchandise inventories and consumables

Changes in merchandise inventories and consumables refer to the cost of direct sales. Cost of direct sales for Q2 FY2016 and YTD 6 months FY2016 declined by (11.1)% to S\$39.5 million and by (13.5)% to S\$73.3 million respectively. These declines are in line with the decline in direct sales.

Employee benefits expense

Staff cost increased by 4.7% to S\$13.5 million for Q2 FY2016 and increased by 1.7% to S\$26.5 million for YTD 6 months FY2016. These increases are primarily due to the inclusion of staff costs for new stores operating in FY2016 period and yearly wage increase.

As a percentage of revenue, the staff cost ratios increased by 210 bps YoY to 13.1% for Q2 FY2016 and to 13.5% for YTD 6 months FY2016. The increases in staff cost ratios are significantly due to (i) negative SSSG recorded by the Malaysia and Vietnam operations resulting in lower staff productivity and (ii) staff costs for new stores where the sales are lower at the initial stages of operations.

Depreciation and amortisation expenses

Depreciation and amortisation increased by 3.0% to S\$5.3 million for Q2 FY2016, and increased by 3.9% to S\$10.8 million for YTD 6 months FY2016. These increases are primarily due to the inclusion of the depreciation costs for the new stores operating in the FY2016 period.

As a percentage of revenue, depreciation and amortization expense ratios increased by 70 bps YoY to 5.1% for Q2 FY2016 and increased by 100 bps YoY to 5.5% for YTD 6 months FY2016. The higher ratios for Q2 FY2016 and YTD 6 months FY2016 are primarily due to (i) negative SSSG recorded by the Malaysia and Vietnam operations resulting in lower store productivity and (ii) depreciation incurred for new stores but where the sales are lower at the initial stages of operations.

Rental expenses

Rental expenses declined by (12.5)% to S\$25.7 million for Q2 FY2016, and declined by (11.0)% to S\$52.0 million for YTD 6 months FY2016. Rental expenses declined, despite the increase in the number of stores, due to (i) reduction in the turnover rent component following weaker sales, (ii) local currency weakness of the Malaysian Ringgit and (iii) closure of the Landmark store in Hanoi in January 2015.

As a percentage of revenue, the rental expense ratios declined marginally by 10 bps YoY to 24.9% for Q2 FY2016, but increased by 80 bps YoY to 26.5% for YTD 6 months FY2016. The higher ratio for YTD 6 months FY2016 is significantly due to (i) new stores that are paying base rentals but where the sales are lower at the initial stages of operations and (ii) negative SSSG for Malaysia and Vietnam operations resulting in lower store productivity.

Other expenses

Other expenses consist mainly of (a) promotional and advertising expenses; (b) selling and distribution expenses and (c) general and administrative expenses which declined by (4.9)% to S\$16.6 million for Q2 FY2016 and declined by (8.4)% to S\$29.8 million for YTD 6 months FY2016. Other expenses declined in part due to (i) local currency weakness of the Malaysian Ringgit, (ii) closure of the Landmark store in Hanoi in January 2015 and (iii) absence of store closure costs of S\$2.3 million accrued in the comparative Q2 FY2015.

As a percentage of revenue, the other expenses ratios increased by 120 bps YoY to 16.0% for Q2 FY2016 and increased by 110 bps YoY to 15.3% for YTD 6 months FY2016. The higher ratios are contributed by (i) increase in other operating expenses related to the new stores operating in FY2016 period where sales are lower at the initial stages of operations and (ii) negative SSSG recorded by the Malaysia and Vietnam operations resulting in lower store productivity.

Share of profits of an associate

The Group has ceased its equity accounting of results in the associate, Odel PLC, following the completion of the disposal of its entire interest in Odel PLC in November 2014.

PBT

PBT declined by (67.8)% YoY to S\$4.7 million for Q2 FY2016. As a percentage of revenue, PBT ratio reduced by 780 bps YoY to 4.5% for Q2 FY2016. Among the factors contributing to the decline in PBT for the quarter are (i) the de-leveraging impact from the negative SSSG of the Malaysia operations and (ii) the initial loss-making periods associated with certain of the new stores in their 1st year of operations.

For the YTD 6 months FY2016, the Group recorded PBT of S\$55.8 million as compared to PBT of S\$24.9 million in the comparative FY2015 period. As a percentage of revenue, PBT ratio for YTD 6 months FY2016 improved substantially to 28.5%. There was a significant improvement in PBT for the YTD 6 months FY2016 due to the gain recognized on partial disposal of equity interest in Parkson Hanoi Co Ltd ("PHCL") of S\$46.0 million. PHCL was a subsidiary of the Group and is now an associate company following this disposal.

On same store basis (also excluding non-recurring items), PBT for YTD 6 months FY2016 declined by (41.4)% YoY to S\$13.6 million. On same store basis and same currency basis, PBT for the YTD 6 months FY2016 declined by (33.5)% YoY.

Taxation

The Group's effective tax rate for YTD 6 months FY2016 is substantially lower than the statutory tax rates of the countries where the Group operates due to inclusion of the gain on partial disposal of PHCL which is a non-taxable item.

Net profit attributable to owners of the Company

Attributable net profit declined by (71.6)% YoY to S\$2.9 million for Q2 FY2016 in line with the decline in PBT. For the YTD 6 months FY2016, attributable net profit recorded significant increase to S\$52.4 million due to the gain on partial disposal of PHCL of S\$46.0 million. As a percentage of revenue, the attributable net profit ratio for YTD 6 months FY2016 improved substantially due to this gain on partial disposal of PHCL.

On same store basis (also excluding non-recurring items), attributable net profit for the YTD 6 months FY2016 declined by (39.1)% YoY to S\$9.3 million. On same store basis and same currency basis, attributable net profit for the YTD 6 months FY2016 declined by (30.8)% YoY.

Review of Group Balance Sheet

Property, plant and equipment increased to S\$125.4 million as at 31 December 2015 due to inclusion of the capital equipment for the 9 new stores operating in the FY2016 period.

Inventories increased to S\$64.0 million arising from the Group's investments in private label and agency line apparels. The current portion of trade and other receivables increased to S\$38.5 million due to higher receivables from credit card companies and higher GST recoverable on input tax, both increases arising from the year-end holiday sales. The current portion of prepayments declined to S\$4.2 million due to amortization of the prepaid rentals for stores in Indonesia.

The Group completed the partial disposal of PHCL on 17 August 2015 resulting in the de-consolidation of PHCL as a subsidiary. PHCL is now treated as an associate of the Group. Following the de-consolidation of PHCL, the assets, liabilities and reserve of the disposal group have been reversed. The non-controlling interests increased to S\$0.5 million following the de-consolidation of PHCL. The minority interests of PHCL had to previously share the negative equity position of PHCL prior to the de-consolidation.

In line with the year-end holiday sales and the resulting increase in merchandise buying and concessionaire sales collection, the current portion of trade and other payables increased to S\$183.9 million as at 31 December 2015. Trade and other payables also increase due to higher GST payable on output tax following the year-end holiday sales. The current portion of other liabilities increased to S\$35.6 million due to higher accrued liability on capital expenditure for new stores.

The Group's financial position remains robust with total equity of S\$181.6 million as at 31 December 2015. The Group generated robust net cash from operations for YTD 6 months FY2016 of S\$36.3 million despite faced with challenging environments.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's commentary of its core business as outlined in paragraph 10 in the preceding quarterly results announcement dated 13 November 2015 was largely in line with the operating environment encountered in the reported quarter.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Malaysia operations for the next reporting quarter Q3 FY2016 may encounter muted consumer sentiment, however, this drag will be buffered by progressive normalisation of sales post-GST.

Vietnam's discretionary retail environment is anticipated to gradually improve in the 2nd half FY2016 in line with the country's economic growth.

The Indonesian operations for the next reporting quarter is expected to remain robust in line with increasing domestic demand from the middle class population.

The Myanmar operations may be affected by the possible closure of FMI Centre, where the store is located, for re-development. However, the landlord has not confirm on the timing for the re-development.

To meet the challenging environment, the Group has invested in new businesses. This encompasses investments in private label and agency line apparels, edutainment and supermarket, among others. These new businesses together with the Group's new stores opening programme will impact the Group's working capital in the short term but will be the platform to build on future profitability.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	Special interim
Dividend Type	Cash
Dividend per Ordinary Share	4.0 cents, (one-tier) tax exempt

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No interim dividend has been declared for the quarter ended 31 December 2015.

PART II - ADDITIONAL DISCLOSURE

13. Group Performance by Geographical Segment

Group	Malaysia	Vietnam	Indonesia	Myanmar	Unallocated	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
6 months ended 31.12.2015						
Gross Sales Proceeds	331,932	67,062	88,815	2,467	-	490,276
Revenue	146,693	17,128	31,384	937	-	196,142
Profit/(Loss) before tax	11,492	(531)	(879)	(533)	-	9,549
Investment holding/Others	-	-	-	-	311	311
<i>Non-recurring item:</i>						
- Gain on partial disposal of a former subsidiary	-	45,960	-	-	-	45,960
Total Profit/(Loss) Before Tax	11,492	45,429	(879)	(533)	311	55,820
6 months ended 31.12.2014						
Gross Sales Proceeds	401,280	79,683	86,438	2,855	-	570,256
Revenue	172,738	22,552	31,290	930	-	227,510
Profit/(Loss) before tax	27,034	(1,356)	(373)	(304)	-	25,001
Investment holding/Others	-	-	-	-	810	810
Share of profits of an associate	-	-	-	-	37	37
<i>Non-recurring items:</i>						
- Gain on disposal of an associate	-	-	-	-	1,379	1,379
- Accrual of store closure costs	-	(2,311)	-	-	-	(2,311)
Total Profit/(Loss) Before Tax	27,034	(3,667)	(373)	(304)	2,226	24,916

14. Interested person transactions for the 6 months period ended 31 December 2015

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	S\$'000	S\$'000
Lion Corporation Berhad Group ⁽¹⁾	-	188
Lion Forest Industries Berhad Group ⁽²⁾	-	1,413
Parkson Holdings Berhad Group ⁽³⁾	-	3,132
Secom (M) Sdn Bhd ⁽⁴⁾	-	285
Bonuskad Loyalty Sdn Bhd ⁽⁵⁾	-	3,795
PT Monica Hijaulestari ⁽⁶⁾	-	2,411
PT Tozy Bintang Sentosa ⁽⁷⁾	-	118

Notes:

- (1) Purchases of equipment, furniture and fittings and sale of gift vouchers.
- (2) Purchase of building materials, light fittings and merchandises, procurement of energy conservation services and sale of gift vouchers.
- (3) Rental of retail space, purchase of merchandises, net concessionaire sales and sale of gift vouchers.
- (4) Purchase of security equipment and procurement of security services.
- (5) Marketing fees payable for bonus points issued and amounts receivable for points redemption made by cardholders.
- (6) Purchase of merchandise.
- (7) Rental of office and warehouse.

15. Disclosure on the use of IPO proceeds

As at 31 December 2015, the Company has fully utilised its IPO proceeds as follows:

- S\$49.2 million for the purpose of store openings in Malaysia, Indonesia and Vietnam;
- S\$5.0 million for the purpose of information technology investment;
- S\$12.4 million to subscribe for the rights issue of shares in Odel PLC, a former associate company;
and
- S\$2.6 million as capital contribution to a joint-venture company established to operate department stores in Myanmar.

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

16. Confirmation by Directors

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results of Parkson Retail Asia Limited for the second quarter and half-year ended 31 December 2015, to be false or misleading.

**BY ORDER OF THE BOARD
PARKSON RETAIL ASIA LIMITED**

Tan Sri William Cheng Heng Jem
Executive Chairman

Singapore
3 February 2016