

PARKSON RETAIL ASIA LIMITED
(the “Company”)
(Incorporated in the Republic of Singapore)
(Company Registration Number: 201107706H)

PROPOSED DISPOSAL OF PROPERTY IN HAI PHONG CITY, VIETNAM

1. INTRODUCTION

The Board of Directors (“**Board**”) of Parkson Retail Asia Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Parkson Haiphong Co. Ltd. (“**PHCL**”), a wholly-owned subsidiary of Parkson Corporation Sdn Bhd (“**PCSB**”), which in turn is a wholly-owned subsidiary of the Company, has on 27 July 2020 entered into a conditional asset transfer agreement (“**SPA**”) with Thuy Duong Construction & Trading Joint Stock Company (“**Purchaser**”) pursuant to which PHCL has agreed to sell, and the Purchaser has agreed to purchase, the whole retail podium of Parkson TD Plaza Shopping Center, a mixed commercial and residential development located at Nga Nam New Urban Area, Cat Bi Airport, Dong Khe Ward, Ngo Quyen District, Hai Phong City, Vietnam (“**Property**”), subject to the terms and conditions set out in the SPA (“**Proposed Disposal**”).

The Proposed Disposal is a “major transaction” as defined under Chapter 10 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Listing Manual**”).

Accordingly, the Proposed Disposal is conditional upon the approval of shareholders of the Company (“**Shareholders**”) under Rule 1014 of the Listing Manual. The Company will be seeking the approval of its Shareholders for the Proposed Disposal at an extraordinary general meeting (“**EGM**”) of the Company to be convened.

2. INFORMATION RELATING TO THE PROPOSED DISPOSAL

2.1 Information on PHCL

PHCL was incorporated in Vietnam on 8 December 2006, and is a wholly-owned subsidiary of PCSB, which in turn is a wholly-owned subsidiary of the Company. PHCL owns the Property (which includes certain land use rights), which has an area of approximately 23,000 square meters.

PHCL is engaged in the business of operating and managing two (2) stores, one of which is in Ho Chi Minh City, Vietnam and the other is located on the Property. Following the completion of the disposal of the Property, PHCL will only continue its business of operating and managing the store in Ho Chi Minh City, Vietnam, and will cease to operate any Parkson brand department store on the Property.

2.2 Information on the Purchaser

Based on publicly available information, the Purchaser is a joint stock company established under the laws of Vietnam on 31 May 2007 with registered capital of VND180,000,000,000.

The principal activities of the Purchaser comprise real-estate, land use rights trading with owned or leased properties, and the construction of residential buildings.

2.3 Key terms of the Proposed Disposal

(a) Consideration

The consideration for the sale and purchase of the Property is payable in cash by the Purchaser to PHCL, and shall be the Vietnamese Dong equivalent of US\$10 million (equivalent to approximately S\$13.8 million applying an exchange rate of US\$1.00 : S\$1.38¹ (“**Relevant Exchange Rate**”)), applying the transfer buying rate of US Dollar quoted by the Joint Stock Commercial Bank for Foreign Trade of Vietnam on the date of notarisation of the SPA (“**Consideration**”). The Consideration amount is inclusive of value added tax imposed under Vietnamese laws on the transfer of the Property (“**VAT**”), which VAT is subject to any adjustments issued and determined by the relevant competent authorities.

PHCL, the Purchaser and Ho Chi Minh City Development Joint Stock Commercial Bank (“**HD Bank**”) will enter into a tripartite agreement to, *inter alia*, appoint HD Bank as escrow agent and to hold the Consideration amount in escrow on the terms and conditions set out therein, so as to facilitate completion under the SPA.

The Purchaser will also deposit an earnest deposit, which shall be the Vietnamese Dong equivalent of US\$50,000 (equivalent to approximately S\$69,000 applying the Relevant Exchange Rate) applying the transfer buying rate of US Dollar quoted by the Joint Stock Commercial Bank for Foreign Trade of Vietnam on the date of the SPA (“**Earnest Deposit**”), in PHCL’s designated bank account within three (3) business days from the signing date of the SPA and the Purchaser’s receipt of PHCL’s request for the Earnest Deposit. PHCL shall reimburse the Earnest Deposit to the Purchaser within three (3) business days upon (a) PHCL’s receipt of the full Consideration or (b) in the event the SPA is terminated.

The Consideration was arrived at after arm’s length negotiations, on a willing-seller and willing-buyer basis, and was determined after taking into account the market valuation of the Property of US\$9.5 million (equivalent to approximately S\$13.1 million applying the Relevant Exchange Rate) as set out in the Valuation Report (defined below).

The unaudited book value of the Property as at 31 March 2020 was approximately S\$13.7 million*. The Consideration, net of VAT, represents a deficit of approximately S\$0.6 million over the book value of the Property. After considering the transaction costs, the Group expects to record a net loss of approximately S\$0.7 million from the Proposed Disposal.

* The unaudited book value of the Property as at 31 March 2020 of S\$13.7 million was arrived at after the mark down by S\$3.0 million as included in the Company’s unaudited consolidated financial statements for the financial period ended 31 December 2019 to reflect its current market value.

(b) Conditions

The Proposed Disposal is subject to and conditional upon the fulfilment of, *inter alia*, the following conditions:

- (i) the approval by PHCL’s board and/or shareholders (if applicable) for PHCL’s entry into and performance of its obligations under the SPA;
- (ii) the approval by the Company’s Board and/or Shareholders (if applicable) for PHCL’s entry into and performance of its obligations under the SPA;
- (iii) the approval by the Purchaser’s board and/or shareholders (if applicable) for the Purchaser’s entry into and performance of its obligations under the SPA;
- (iv) PHCL having provided the Purchaser with a list of tenants and the lease contracts of such tenants for the Purchaser to verify and decide whether it will take over such tenants, and the Purchaser giving written notice to PHCL on the list of tenants which

¹ Being the exchange rate extracted from www.oanda.com as at 26 July 2020.

it will take over;

- (v) the SPA being duly notarised by a competent Notary Public Office in Hai Phong City with PHCL as the seller of the Property and the Purchaser as the purchaser of the Property;
- (vi) the novation of the lease contracts signed by PHCL and the tenants of the Property to the Purchaser, excluding any lease contracts which the Purchaser does not wish to take over, which shall take effect from the date the Purchaser is issued the Amended Certificates of Land Use Right (as defined below);
- (vii) the Property not being possessed by any third party, save for tenants whose lease contracts have been novated from PHCL to the Purchaser (as referred to in Paragraph 2.3(b)(vi) above), at the time of hand-over of the Property;
- (viii) subject to Paragraph 2.3(b)(i) and (ii) above, the issuance of the amended certificates of land use rights and/or ownership of houses and other assets attached to land by a competent state authority ("**Amended Certificates of Land Use Right**"), thereby registering the Purchaser as the owner of the Property;
- (ix) the handing-over of the Property and the assets, equipment, systems, fixtures and fittings attached to the Property ("**Inventory**") on an "as is" basis, and all documents relating to the Property and the Inventory, by PHCL to the Purchaser within 30 days that the Purchaser is issued the Amended Certificates of Land Use Right; and
- (x) the issuance of the VAT invoice by PHCL to the Purchaser.

The abovementioned conditions are required to be fulfilled (or waived) within 180 days from the date of the SPA (or such other date as may be agreed in writing between PHCL and the Purchaser).

(c) Governing Law

The SPA is governed by the laws of Vietnam.

2.4 Valuation

For purposes of the Proposed Disposal, PHCL had commissioned Jones Lang LaSalle Vietnam Company Limited ("**Independent Valuer**"), an independent valuer, to perform a valuation on the Property. Based on the valuation report issued by the Independent Valuer on 15 June 2020, the market value of the Property as at 15 June 2020 was US\$9.5 million (equivalent to approximately S\$13.1 million applying the Relevant Exchange Rate) ("**Valuation Report**").

The valuation for the Property had been carried out by the Independent Valuer using the income approach where it mainly relied on the discounted cash flow approach which was cross checked with the direct capitalisation approach.

3. RATIONALE AND USE OF PROCEEDS

The Proposed Disposal will help to strengthen the cash flow position of the Group and reduce its liabilities. The Group will also have more flexibility to redeploy its resources for working capital purposes.

The Group estimates that there will be net proceeds of approximately S\$13.1 million, being the cash Consideration from the Proposed Disposal less estimated VAT of S\$0.7 million and estimated expenses of approximately S\$0.05 million. Shareholders should note the amount of VAT is subject to any adjustments issued and determined by the relevant competent authorities.

The Group intends to utilise the net proceeds from the Proposal Disposal for general working capital purposes of the Group.

4. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures computed pursuant to Rule 1006 of the Listing Manual in respect of the Proposed Disposal are set out below:

Bases in Rule 1006	Size of Relative Figure
(a) Net asset value of the Property of S\$13.7 million, compared with the Group's net asset value as at 31 March 2020 of S\$(11.3) million	(121.9)%
(b) Net loss ⁽¹⁾ of S\$0.7 million attributable to the Property, compared with the Group's net loss ⁽¹⁾ for the nine months period ended 31 March 2020 of S\$29.0 million	2.4%
(c) Aggregate consideration of S\$13.1 million as compared with the Group's market capitalisation of S\$12.6 million ⁽²⁾	104.0%
(d) Number of equity securities issued by the Company as consideration for the Proposed Disposal, compared with the number of equity securities previously in issue	N.A. ⁽³⁾
(e) Aggregate volume or amount of proved and probable reserves to be disposed of compared with the Group's proved and probable reserves	N.A. ⁽⁴⁾

Notes:

- (1) Net loss means loss including discontinued operations that have not been disposed of and before income tax and non-controlling interests.
- (2) The Company's market capitalisation is determined by multiplying the number of shares of the Company ("Shares") in issue (being 673,800,000 Shares (excluding treasury Shares)) by the volume-weighted average price of the Shares (being S\$0.02 transacted on 23 July 2020 (being the last market day on which Shares were traded preceding the date of the SPA)).
- (3) This is not applicable as the Proposed Disposal does not involve any issuance of consideration shares.
- (4) This is not applicable as the Company is not a mineral, oil and gas company.

As the relative figures for the Proposed Disposal as computed on the basis set out in Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal constitutes a "major transaction" as defined under Chapter 10 of the Listing Manual. Accordingly, the Company intends to seek the approval of its Shareholders for the Proposed Disposal at the EGM.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The following pro forma financial effects of the Proposed Disposal are for illustrative purposes only and have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2019 ("FY2019"), and on the following key bases and assumptions:

- (i) for the purposes of illustrating the financial effects of the Proposed Disposal on the net tangible assets ("NTA") per Share of the Group, it is assumed that the Proposed Disposal had been completed on 30 June 2019;
- (ii) for the purposes of illustrating the financial effects of the Proposed Disposal on the Loss per Share ("LPS") of the Group, it is assumed that the Proposed Disposal had been completed on 1 July 2018;

- (iii) the NTA per Share is computed based on the 673,800,000 Shares (excluding treasury Shares) in issue as at 30 June 2019, and the LPS of the Group is computed based on the weighted average number of 673,800,000 Shares (excluding treasury Shares) in issue for FY2019; and
- (iv) transaction costs in relation to the Proposed Disposal are approximately S\$0.05 million.

NTA

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to the Shareholders (S\$ million)	14.0	10.3
NTA per Share (cents)	2.07	1.53

LPS

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to the Shareholders (S\$ million)	34.6	40.2*
LPS (cents)	5.14	5.97*

* This is arrived at after excluding the profit from operations relating to the Parkson store at the Property for the financial year from 1 July 2018 to 30 June 2019, in addition to the net loss attributable to the Property.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or Controlling Shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholdings in the Company, if any).

7. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Disposal.

8. FURTHER INFORMATION AND CIRCULAR TO SHAREHOLDERS

The Company will make further announcements to update Shareholders on the Proposed Disposal as and when necessary or appropriate.

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal. A circular to the Shareholders setting out, among others, further information on the Proposed Disposal, together with the notice of EGM to be convened, will be uploaded to SGXNET in due course.

9. DOCUMENTS FOR INSPECTION

Subject to prevailing regulations, orders, advisories, and guidelines relating to safe distancing which may be issued by the relevant authorities, a copy of the SPA and the Valuation Report will be available for inspection during normal business hours at the registered office of the Company at 80 Robinson Road #02-00 Singapore 068898, for three (3) months from the date of this announcement.

10. CAUTION IN TRADING

Shareholders and potential investors of the Company should note that the Proposed Disposal is subject to the fulfilment of certain conditions precedent.

Shareholders and potential investors of the Company are advised to exercise caution when dealing or trading in the Shares of the Company. In particular, Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Tan Sri William Cheng Heng Jem
Executive Chairman

27 July 2020