



PARKSON RETAIL ASIA LIMITED

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

**EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR ON THE AUDITED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

Pursuant to Rule 704(5) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Board of Directors (the "Board") of Parkson Retail Asia Limited (the "Company", and together with its subsidiaries, the "Group") wishes to highlight that the independent auditor has, without qualifying its opinion, included in its report an emphasis of matter in respect of the audited financial statements of the Group for the financial year ended 30 June 2019 (the "Audited Financial Statements"). The independent auditor wishes to draw shareholders' attention to Note 2.1 to the Audited Financial Statements, which indicates that the Group incurred a net loss of SGD34,613,000 for the year ended 30 June 2019, and as of that date, the Group's current liabilities exceeded its current assets by SGD61,336,000. As stated in Note 2.1, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the continued financial support from the ultimate holding company, Parkson Holdings Berhad and the Group generating sufficient cash flows from its operations.

The Board wishes to inform that the Group has received undertaking from Parkson Holdings Berhad to provide continued financial support for a period of twelve months from the date of the Board's approval of the Audited Financial Statements. The Board wishes to further highlight that the Auditors' Report in respect of the Audited Financial Statements of the Group for the previous financial year ended 30 June 2018 contained a similar emphasis of matter.

A copy of the Independent Auditor's Report together with the extract of Note 2.1 to the Audited Financial Statements is annexed to this announcement.

The Company will be issuing its full annual report in due course, which will contain the Audited Financial Statements and the Independent Auditor's Report. The next Annual General Meeting will be convened in October 2019.

For and on behalf of the Board
PARKSON RETAIL ASIA LIMITED

Tan Sri William Cheng Heng Jem
Executive Chairman

07 October 2019

**Independent auditor's report
For the financial year ended 30 June 2019**

Independent auditor's report to the members of Parkson Retail Asia Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Parkson Retail Asia Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and of the Company as at 30 June 2019, and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group and statements of changes in equity of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements, which indicates that the Group incurred a net loss of SGD34,613,000 for the year ended 30 June 2019, and as of that date, the Group's current liabilities exceeded its current assets by SGD61,336,000. As stated in Note 2.1, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the continued financial support from the ultimate holding company, Parkson Holdings Berhad and the Group generating sufficient cash flows from its operations.

If the Group is unable to continue in operation existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify certain non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

Our opinion is not modified in respect of this matter.

**Independent auditor's report
For the financial year ended 30 June 2019**

Independent auditor's report to the members of Parkson Retail Asia Limited

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 current period. These matters were addressed in the context of our audit of the financial statements 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 Auditor's 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 for our audit opinion on the accompanying financial statements.

Impairment assessment of property, plant and equipment

The Group operates retail stores primarily in Malaysia, Indonesia and Vietnam. The carrying value of the property, plant and equipment of the Group of SGD95,138,000 is material to the Group's financial statements. Management judgement is involved in the identification of any impairment indicators as well as the assessment of the recoverable value of these assets. Such judgement is made based on forecasted future store performance, which is, amongst others, dependent on the expected store traffic and the competitive environment in local markets. For these reasons, we have identified this as a key audit matter. Management has recognised an impairment charge of SGD12,110,000 on property, plant and equipment during the financial year.

We reviewed the audit procedures performed by the auditors of the Group's subsidiaries. The procedures included, amongst others, assessing management's identification of impairment indicators of assets related to loss-making stores. Where an impairment indicator is identified, the auditors of the subsidiaries evaluated the reasonableness of management's assumptions underlying the impairment calculations which included comparing the actual results of the stores against forecast previously made by management and taking into consideration the viability of the stores future plans, local economic development and industry outlook. Our internal specialists assisted us in evaluating the reasonableness of the discount rate used in deriving the recoverable amount. We performed field visits of selected stores and held discussions with management and the auditors of the subsidiaries on the key findings from their work.

Inventory obsolescence

The Group's inventories mainly consist of inventories at its retail stores and they amounted to SGD53,322,000, representing 21% of the Group's total assets as at 30 June 2019. Inventories are subject to the risk of theft and/or obsolescence which is an inherent risk to the Group. Inventories are carried at the lower of cost and net realisable value. As the determination of net realisable value requires significant management judgement, we have identified this as a key audit matter. The allowance for inventory shrinkages and inventory obsolescence recognised in profit or loss was SGD475,000 for the current financial year.

The Group's disclosures for inventories are included in Note 20 to the financial statements.

Parkson Retail Asia Limited and its subsidiaries

Independent auditor's report

For the financial year ended 30 June 2019

Independent auditor's report to the members of Parkson Retail Asia Limited

Inventory obsolescence (cont'd)

We reviewed the audit procedures performed by the auditors of the subsidiaries. The procedures included, amongst others, attending stock count, reviewing management's reconciliation of stock count results to inventory record and performing roll forward of stock count to year end quantity, where applicable. We assessed the adequacy of the shrinkage allowance made by assessing the total shrinkage loss recognised after the inventory cycle counts and projected it to year end. We tested the design and effectiveness of system controls over the purchasing, receiving and invoice matching process. The adequacy of the allowance for obsolescence made by the management is assessed by reviewing selling prices of samples of inventories, gross margins of inventories sold during the year and aging of inventories. We held discussions with management and the auditors of the relevant subsidiaries on the key findings from their work.

Impairment assessment of investment in subsidiaries and amount due from subsidiaries (Parent company only)

As at 30 June 2019, the Company has significant investment in subsidiaries whose carrying amount mainly relates to Parkson Corporation Sdn Bhd and PT Tozy Sentosa. There is significant management judgement involved in the assessment of the recoverability of these subsidiaries which operate the Group's department store operations in Malaysia and Indonesia respectively.

We also focused on the amount due from subsidiaries which amounted to SGD7,499,000 as at 30 June 2019, representing 5% of the Company's total assets.

During the current financial year, management recognised allowance for doubtful debts of SGD4,221,000 against the amount due from subsidiaries. No impairment loss was recognised on the investment in subsidiaries during the year.

Management's assessment of the recoverable amount of the investments in subsidiaries and the amount due from subsidiaries involves estimation and judgement relating to the assumptions used in profit forecast and discounted cashflows, in order to derive the recoverable values. Key assumptions and estimates used in the cash flow projections are pre-tax discount rates, budgeted gross margins and growth rates. For these reasons, we have identified this as a key audit matter.

Our audit procedures included, amongst others, assessing the reasonableness of the assumptions used in the cash flow projections approved by the board of directors. The auditors of the subsidiaries were involved in the evaluation of the reasonableness of the assumptions used by management in their cash flow projects, which included a comparison of the historical performance of the subsidiaries against forecasts, and considering the viability of future plans, local economic conditions and industry outlook. Our internal specialists also assisted us in evaluating the reasonableness of certain key assumptions such as the pre-tax discount rates and terminal growth rate. We held discussions with management and the auditors of the subsidiaries on the key findings from their work.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

Independent auditor's report

For the financial year ended 30 June 2019

Independent auditor's report to the members of Parkson Retail Asia Limited

Other Information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs 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 SSAs, 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, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of management's 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 consolidated financial statements. 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 current period and are therefore the key audit matters. We describe these matters in our auditor's 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 our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Peck Yen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

7 October 2019

Notes to the financial statements
For the financial year ended 30 June 2019

2.1 Fundamental accounting concept

The financial statements of the Group have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of SGD34,613,000 (2018: SGD43,931,000) during the financial year ended 30 June 2019 and as at that date, the Group's current liabilities exceeded its current assets by SGD61,336,000 (2018: SGD70,892,000, 1.7.2017: SGD55,456,000). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The directors are of the view that it is appropriate to prepare the Group's financial statements on a going concern basis as the ultimate holding company, Parkson Holdings Berhad, has agreed to provide financial support for the next twelve months from the date of the financial statements to enable the Group to meet its financial obligations as and when they fall due and the Group will be able to generate sufficient cash flows from its operations.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.