



PARKSON RETAIL ASIA LIMITED

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

**AUDIT OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL
STATEMENTS FOR THE 18 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER
2021**

Pursuant to Rule 704(5) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Board of Directors ("Board") of Parkson Retail Asia Limited ("Company", and together with its subsidiaries, the "Group") wishes to highlight that the independent auditor has included in its report, the following audit opinion in respect of the audited financial statements of the Group for the 18 months financial period ended 31 December 2021:-

- 1) Without qualifying its opinion, an emphasis of matter that the independent auditor wishes to draw shareholders' attention that the Group incurred loss before tax of SGD63,086,000 from the continuing operations excluding gain on deconsolidation of a subsidiary in liquidation and write-back of liabilities relating to the same subsidiary in liquidation, and as of that date, the Group's and the Company's current liabilities exceeded the current assets by SGD102,558,000 and SGD13,291,000 respectively, and the Group's total liabilities exceeded total assets by SGD49,257,000. The Group's operations were significantly impacted by movement restrictions and store closure caused by the COVID-19 pandemic in its key markets. 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. As disclosed in Note 2(a) to the audited financial statements, the ability of the Group to continue as a going concern is dependent on the Group generating sufficient cash flows from its operations to meet its working capital needs.
- 2) Qualified opinion that the independent auditor wishes to draw shareholders' attention in respect of the opening balances of the subsidiary in liquidation as the independent auditor has no access to the audit work papers of the preceding auditor and has limited alternative audit procedures in view that all the books and records are in the hands of the receivers.

The Board wishes to further highlight that the independent auditor's report of the audited financial statements of the Group for the previous financial year ended 30 June 2020 contained a similar emphasis of matter as disclosed in item 1 above.

A copy of the independent auditor's report together with the extract of Note 2(a) 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 April 2022.

For and on behalf of the Board
PARKSON RETAIL ASIA LIMITED

Tan Sri William Cheng Heng Jem
Executive Chairman

8 April 2022

Independent Auditor's Report to the Members of Parkson Retail Asia Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Parkson Retail Asia Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the statements of financial position of the Group and of the Company as at 31 December 2021, and the consolidated statement of profit or loss and consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial period from 1 July 2020 to 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)”) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial period from 1 July 2020 to 31 December 2021.

Basis for Qualified Opinion

The Group

PT Tozy Sentosa (“PT Tozy”) (a subsidiary in liquidation)

On 18 May 2021, the Board of Directors of the Company announced that the Company has ceased to have control over PT Tozy. This is because PT Tozy is now managed and supervised in accordance with the Bankruptcy Proceedings. Details of the occurrence of events is elaborated in Note 36 to the financial statements. The financial performance, changes in equity and cash flows of the financial statements of PT Tozy is consolidated up to the date where loss of control occurred (i.e. 17 May 2021) based on unaudited management accounts for which management of the Group has made certain assessments to the financial numbers, where practicable.

- Opening balance

We were appointed auditors of the Company on 25 August 2021. In so far as to the opening balance is concerned, we were not allowed access to the working papers of preceding auditors and no alternative procedures can be made possible as all books and records were in the hands of Receivers. All financial information obtained by us are publicly available to the creditors. For this reason, we were unable to ascertain whether there are any possible adjustments to be made in respect of the prior year under review.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Basis for Qualified Opinion (Cont'd)

The Group (Cont'd)

PT Tozy Sentosa ("PT Tozy") (a subsidiary in liquidation) (Cont'd)

- Opening balance (Cont'd)

During the financial period from 1 July 2020 to 17 May 2021, the Group made an impairment on PT Tozy's right-of-use assets and property, plant and equipment to the sum of SGD35,124,000 and SGD4,595,000 respectively to which we are unable to ascertain the extent to which the impairment made may relate to the prior year and whether the basis of impairment is appropriately applied given the fact that PT Tozy went into debt restructuring in March 2021.

- Limitation of scope beyond the control of the Company

The aforesaid matters as described in the preceding paragraphs cause a limitation of scope for which the circumstances are beyond the control of the Company as to the timing and nature of the audit work for the financial period up to the date of deconsolidation on the ground of loss of control where we were unable to obtain sufficient appropriate audit evidence by performing alternative as to the financial numbers of the assets and liabilities and profit or loss to the date of the deconsolidation of the said subsidiary. To the extent of the presentation of the consolidated financial statements of the Group, the management has recognised that the loss of control of PT Tozy is not within discontinued operations.

Further, there were two items of assets in the balance sheet of PT Tozy as at 17 May 2021 for which we were unable to determine the recoverable amounts of property, plant and equipment under SFRS(I) 1-36 *Impairment of Assets* and other receivables under SFRS(I) 9 *Financial instruments* when applying the derecognition of the subsidiary to which a gain on deconsolidation of SGD13,666,000 and the write back of liabilities totalling SGD53,893,000 were recognised in the consolidated profit or loss:

- i. In so far as to property, plant and equipment of approximately SGD13,843,000 as at 17 May 2021, we understand that auctions carried out on 27 January 2022 and 22 March 2022 did not fetch any significant bidder, the value of SGD13,843,000 as provided in the unaudited management accounts was based on book value. We were unable to ascertain the realisable value of the property, plant and equipment as there is no possible way to perform alternative procedure.
- ii. Similarly, we were unable to determine the recoverable amount of SGD1,583,000 of the other receivables as reported in the unaudited management accounts as no information has been provided from the Receivers' office as to the recoverable amount.

During the financial period ended 31 December 2021, the translation reserve of SGD1,089,000 arising from the translation of a foreign operation previously recognised in other comprehensive income was subsequently reclassified from other comprehensive income to profit or loss upon the loss of control. However, we were unable to determine the correctness of the amount.

Had the effect on the adjustments been made, the impact would increase the loss for the current financial period and corresponding adjustment to the gain on deconsolidation of the said subsidiary.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Basis for Qualified Opinion (Cont'd)

The Company

Investment in PT Tozy

We were appointed as auditors of the Company on 25 August 2021. Based on the 2020 audited financial statements, the Company made an impairment loss of SGD14,145,000 on the investment in PT Tozy. The assumptions applied to the underlying impairment was a pre-tax discount rate of 19.28% and long term growth rate of 2%. The cashflow projection was not made available for our review. PT Tozy has been placed in liquidation since 17 May 2021. We were unable to satisfy ourselves by alternative means as no alternative procedures can be made possible for us to satisfy ourselves as all books and records were in the hands of liquidators in respect of the investment in PT Tozy.

To the extent of the opening balance, as the non-monetary unquoted investment in subsidiary is measured in a foreign currency, we were unable to determine the extent of the effect of possible impairment loss recognised in functional currency and the resulting effect on the exchange differences of SGD1,966,000 (30 June 2020 - SGD1,966,000) included in the amount of SGD32,520,000 (30 June 2020 - SGD31,736,000) as at 31 December 2021 as disclosed in Note 6 to the financial statements. For this reason, we are unable to ascertain the extent of the impairment loss made in FY2020 and whether any possible adjustments to be made in respect of the prior and current year under review. The said subsidiary has been placed in liquidation during the current financial period. As the cost of investment of PT Tozy has been fully impaired since the previous financial year and written off in the current financial period, there is no impact to the realisable value of investment at period end.

In relation to the comparability of the current period's figures and the corresponding figures of the above matter, we cannot ascertain the possible effect on the corresponding figures thereon.

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.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) to the financial statements. The Group incurred a net loss from continuing operations before taxation of SGD63,086,000 (excluding gain on deconsolidation and write back of liabilities relating to a subsidiary in liquidation, PT Tozy) (Year ended 30 June 2020 - SGD74,698,000) for the financial period from 1 July 2020 to 31 December 2021. As of that date, the Group's and Company's current liabilities exceeded their current assets by SGD102,558,000 and SGD13,291,000 (30 June 2020 - SGD117,365,000 and SGD7,241,000) respectively, and the Group's total liabilities exceeded its total assets by SGD49,257,000 (30 June 2020 - SGD65,960,000). The Group's operations were significantly impacted by movement restrictions, lockdowns and store closures caused by the prolonged effects of COVID-19 pandemic in its key markets. 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. As disclosed in Note 2(a), the ability of the Group to continue as a going concern is dependent on the Group generating sufficient cash flows from its operations to meet working capital needs.

Vietnam subsidiaries

The financial statements of two entities in Vietnam, namely Parkson Vietnam Co Ltd ("Parkson Vietnam") and Parkson Haiphong Co Ltd ("Parkson Haiphong") have been prepared on going concern basis in respect of Parkson Vietnam, the financial information is as follows:

- Parkson Vietnam

On 18 December 2021, the Company announced the decision of the arbitrator where the compensation sum of SGD4.1 million (VND68.9 billion) has been awarded to the landlord in respect of the legal proceedings against Parkson Vietnam's leased premises in Da Nang (Vinh Trung outlet), payable within 30 days from the date 10 December 2021 ("VIAC decision") (See Note 36). As at the date of this financial statements, the said amount remains unpaid.

The legal claim of SGD4.1 million awarded by the VIAC decision became due and payable on 9 January 2022. As Parkson Vietnam has only SGD0.4 million cash on hand as at the reporting date, and no other assets for realisation and pending the future plan of the operation in Saigon Tourist Plaza in Ho Chi Minh City, there is material uncertainty that this debt can be paid when demanded.

The operations at Da Nang had ceased in January 2021. As at the date of this financial statements, the only retail store in operation is located at Saigon Tourist Plaza in Ho Chi Minh City. The management is currently reviewing the prospect of the operations of the said retail store. There were certain renovations and upgrading carried out and completed during the financial period. The amount incurred was SGD1,108,000.

In so far as to the sales tax receivable of SGD1,425,000 as at 31 December 2021, the extent of the recoverability is pending on the future revenue earned for the tax to be offset under the tax regulations in Vietnam. We were not aware of any negative news regarding any possible repossession of the lease premises at Saigon Tourist Plaza in Ho Chi Minh City from the management of the subsidiary concerned as at the date of this report.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Material Uncertainty Related to Going Concern (Cont'd)

Vietnam subsidiaries (Cont'd)

- Parkson Vietnam (Cont'd)

As at 31 December 2021, Parkson Vietnam has capital deficiency of SGD28,935,000 (30 June 2020 - SGD35,566,000), the current liabilities exceeded the current assets by SGD39,541,000 (30 June 2020 - SGD32,504,000), reported profit before taxation of SGD6,057,000 (Year ended 30 June 2020 - loss of SGD22,679,000) and net operating cash used in was SGD8,653,000 (Year ended 30 June 2020 - SGD2,792,000) for the financial period ended 31 December 2021.

There is no financial support provided by the ultimate holding company, Parkson Holdings Berhad nor the Group can demonstrate its ability to provide financial support to Parkson Vietnam notwithstanding the fact that one of the bank accounts has been frozen from 21 March 2022 onwards under the court order instituted by the landlord.

Malaysia subsidiaries

Notwithstanding the aforesaid paragraphs, the financial statements have been prepared on a going concern basis, the validity of which is highly dependent on the ability of the Malaysia significant subsidiary, namely, Parkson Corporation Sdn Bhd, to generate sufficient cash flows from its operations to meet working capital needs on the following conditions:

(a) Recovery from the COVID-19 pandemic

As at the date of this report, the Group has resumed operations of its operating retail stores in Malaysia. The Group has assumed that there will be no further major lockdown or movement control order that mandate store closures that will be disruptive to the business operations in Malaysia. In particular, there are no significant changes in economic environment and consumer sentiments from that observed subsequent to period-end and to-date, that would result in significant changes in business operations of the Group.

(b) Continuing support from suppliers and creditors

The Group intends to adhere to the average trade payable turnover days consistent with prevailing terms and expects its creditors to provide continuing support to the Group by offering the same credit terms during this challenging and unprecedented situation. As far as supply chain management is concerned, the Group is cordially discussing with its suppliers to continue trading with Parkson stores amid this difficult time, and at the same time, negotiating on payment plan/arrangement. The Group had negotiated with its landlords for rental rebates to reduce the rental expenses and expects to receive continuing financial support from the landlords.

(c) Rationalisation of operations

As part of the Group's plans to return to profitability, below are some of the initiatives, including amongst others, the following:

- downsizing and closure of unprofitable stores to reduce costs and improve productivity; and
- increase sales through omni channel promotional and marketing activities.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Material Uncertainty Related to Going Concern (Cont'd)

Malaysia subsidiaries (Cont'd)

- (d) The cash and bank balances of Parkson Corporation Sdn Bhd were SGD62,168,000 as at 31 December 2021, including fixed deposits of SGD5,220,000 pledged for bank guarantee facility of SGD10,678,000.

On 4 April 2022, the ultimate holding company, Parkson Holdings Berhad has entered into an arrangement with the Company for a loan facility sum of RM50,000,000 (SGD16,718,000).

If for any reason, the assumptions as mentioned above do not materialise, may result in the Group not being able to continue as a going concern, it could have an impact on the classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. No such adjustments have been made to these financial statements.

Our opinion is not modified in respect of this matter.

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. In addition to the matters described in the *Basis for Qualified Opinion* section and the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matter	Our responses and work performed
<u>Impairment assessment of property, plant and equipment and right-of-use assets</u> The Group operates department stores primarily in Malaysia, Indonesia and Vietnam. The carrying amounts of the property, plant and equipment and right-of-use assets of the Group as at 31 December 2021 are SGD26,524,000 (30 June 2020 - SGD64,974,000) and SGD171,898,000 (30 June 2020 - SGD258,919,000) respectively and are material to the Group's financial statements. Due to losses incurred by certain subsidiaries caused in part by the prolonged effects of COVID-19 pandemic and the uncertain global economic environment, there is higher inherent risk relating to the impairment of non-financial assets. The Group's property, plant and equipment and right-of-use assets as at 31 December 2021 are mainly held by a subsidiary, Parkson Corporation Sdn Bhd, which operates in Malaysia. Management judgement is involved in the identification of any impairment indicators as well as the assessment of the recoverable values 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.	Our review of the impairment assessment included the following procedures, amongst others: - we performed a review of the relevant audit working papers of the identified risks for which we instructed and coordinated the work of our component auditors in addressing the significant misstatements relating to the impairment assessment reviewed by the component auditors; - we assessed the appropriateness of the management's identification of CGU and impairment indicators of assets related to the individual department stores; - where an impairment indicator is identified, we, with the assistance of the auditors of the subsidiaries, - we evaluated the reasonableness of management's key assumptions underlying the VIU computation such as the expected recovery from the COVID-19 pandemic, discount rate and growth rates; - we compared 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 while taking into account the uncertainty associated with the prolonged COVID-19 pandemic situation; - we reviewed the auditor's expert in assessing the appropriateness of the valuation methodologies, assumptions and reasonableness of estimates used by the management's expert; and

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matter	Our responses and work performed
<u>Impairment assessment of property, plant and equipment and right-of-use assets (Cont'd)</u> For the purpose of impairment testing, the recoverable amount of the asset is determined based on the higher of value-in-use ("VIU") and fair value less costs to sell ("FVLCTS"), for the cash-generating-unit ("CGU") (i.e. retail store) to which the assets belong. Management has recognised an impairment charge of SGD9,516,000 and SGD35,148,000 on property, plant and equipment and right-of-use assets respectively during the financial period. We have identified the impairment testing performed on the Group's property, plant and equipment and right-of-use assets to be a Key Audit Matter due to the significant judgement and assumptions applied in arriving at the estimates used in computing the recoverable values of these assets and the uncertainties which arise as a result of having to consider long-term trends and market conditions and their impact on the key assumptions used.	Our review of the impairment assessment included the following procedures, amongst others (Cont'd): - we performed sensitivity analysis over the assumptions, estimates and its measurement against source data and appropriate external sources, where appropriate; - we assessed and evaluated whether the management's expert has the necessary competence, capability and objectivity for the required purposes; - we assessed the competency, capability and objectivity of the auditor's expert; and - we also considered the adequacy of the Group's disclosures made to the financial statements in relation to the impairment of property, plant and equipment and right-of-use assets. The Group's disclosures for property, plant and equipment and right-of-use assets are included in Note 4 and Note 21 to the financial statements respectively.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matter	Our responses and work performed
<u>Allowance for inventory shrinkage and obsolescence</u> The Group's inventories of SGD19,465,000 (30 June 2020 - SGD41,274,000) mainly consist of inventories at department stores and represented 6% (30 June 2020 - 9%) of the Group's total assets as at the reporting date. 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. The Group's inventories as at 31 December 2021 are mainly held by Parkson Corporation Sdn Bhd and Parkson Private Label Sdn Bhd, both operate in Malaysia. The allowance for inventory shrinkage and obsolescence totalled SGD672,000 (Year ended 30 June 2020 - SGD SGD1,037,000) for the current financial period. We have identified the allowance for inventory shrinkage and obsolescence as a Key Audit Matter as the determination of the net realisable value of inventories requires significant management judgement.	Our review of the allowance for inventory shrinkage and obsolescence included the following procedures, amongst others: - we performed a review of the relevant audit working papers of the identified risks for which we instructed and coordinated the work of our component auditors in addressing the significant misstatements relating to the assessment for inventory shrinkage and obsolescence carried out by the component auditors; - observed stock counts with the assistance of the component auditors, reviewed management's reconciliation of stock count results to inventory record and performed roll forward/backward of stock count to period 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 period end; - we tested the design and effectiveness of system controls over the purchasing, receiving and invoice matching process; - we assessed the adequacy of the allowance for obsolescence made by the management by reviewing selling prices of samples of inventories, ageing of inventories and gross margins of inventories sold during the period and after the period end;

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matter	Our responses and work performed
<u>Allowance for inventory shrinkage and obsolescence (Cont'd)</u>	Our review of the allowance for inventory shrinkage and obsolescence included the following procedures, amongst others (Cont'd): - we reviewed the audit procedures performed by the auditors of the subsidiaries and held discussions with them and management in assessing the assumptions used in the estimates; and - we also considered the adequacy of the Group's disclosures made to the financial statements in relation to the allowance for inventory shrinkage and obsolescence. The Group's disclosures for inventories are included in Note 13 to the financial statements.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matter	Our responses and work performed
<u>Impairment assessment of investments in subsidiaries (Parent company only)</u> As at 31 December 2021, the Company has significant investment in a subsidiary, Parkson Corporation Sdn Bhd. Due to the economic slowdown and uncertainty in the global economic environment, including the prolonged effects caused by the COVID-19 pandemic, which has affected the Group's operations, there is higher risk that impairment for investments in subsidiaries is required to be recognised. There is significant management judgement involved in the assessment of the recoverability of the cost of investment in Parkson Corporation Sdn Bhd which operates department stores in Malaysia. Other than Parkson Corporation Sdn Bhd, impairment losses have been made for all other investments in subsidiaries held by the Company. There is no impairment loss charged for the current financial period. Management's assessment of the recoverable amount of the investments in subsidiaries involves estimation and judgement relating to the assumptions used in profit forecast and discounted cashflows and considers the heightened level of estimation uncertainty associated with the market and economic conditions prevailing at the reporting date brought on by the COVID-19 pandemic.	Our review of the impairment assessment of investments in subsidiaries of the Company included the following procedures, amongst others: - we assessed the reasonableness of the assumptions used in the cash flow projections approved by the board of directors; - we held discussions with management and the auditors of the subsidiaries to obtain an understanding of assumptions used in the cash flow projections; - the auditors of the subsidiaries were involved to assist us in the evaluation of the reasonableness of the assumptions used by management in their cash flow projections, 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, taking into account the uncertainty associated with the prolonged COVID-19 pandemic situation; - we assessed and evaluated whether the management's expert has the necessary competence, capability and objectivity for the required purposes; - we assessed the competency, capability and objectivity of the auditor's expert; and - we also considered the adequacy of the Group's disclosures made to the financial statements in relation to the impairment of investment in subsidiaries held by the Company. The Group's disclosures for investment in subsidiaries of the Company are included in Note 6 to the financial statements.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matter	Our responses and work performed
<u>Impairment assessment of investments in subsidiaries (Parent company only)</u> Key assumptions and estimates used in the cash flow projections included pre-tax discount rates, budgeted gross margins and growth rates. Thus, we have identified this as a Key Audit Matter.	

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. This other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the opening balance of the financial statements of PT Tozy, as to the measurement and presentation of the financial statements as at 30 June 2020. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

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 SFRS(I), 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.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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, actions taken to eliminate threats or safeguards applied.

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.

Independent Auditor's Report to the Members of Parkson Retail Asia Limited (Cont'd)

Other Matter

The financial statements for the financial year ended 30 June 2020 were audited by another firm of auditors who expressed an unmodified opinion on those financial statements in its report dated 12 October 2020.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, 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 Yeo Boon Chye.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 8 April 2022

2(a) Going concern basis

The Group

As at 31 December 2021, the Group's current liabilities exceeded the Group's current assets by SGD102,558,000 (30 June 2020 - SGD117,365,000), and the Group's total liabilities exceeded its total assets by SGD49,257,000 (30 June 2020 - SGD65,960,000). The Group's operations were significantly impacted by movement restrictions, lockdowns and store closures caused by the prolonged effects of COVID-19 pandemic in its key markets. 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 management has prepared an 18-month projected cashflows forecast from 1 January 2022 to review the appropriateness of the going concern and the directors of the Company are of the view that it is appropriate to prepare the Group's financial statements on a going concern on the following bases:

- (a) the Group will be able to generate sufficient cash flows from its Malaysia operations to pay its liabilities as and when they fall due. Management has assumed that there will not be any further significant lockdown or movement control orders in the countries where the Group operates which will cause major disruption to business operations and the recovery of business will gradually be that of pre-Covid. In particular, there are no significant changes in the economic environment and consumer sentiments from that observed subsequent to the reporting period-end and to-date, which would result in significant changes in the revenue and gross margins forecasted by management;
- (b) management intends to manage cashflow of the subsidiaries on overall Group basis, where necessary;
- (c) there are no changes in the credit terms granted by suppliers and the Group intends to adhere to the average trade payables turnover days consistent with prior years;
- (d) the Group has unutilised banking facilities of approximately SGD2,506,000 (30 June 2020 - SGD7,263,000) as of 31 December 2021 that is available for use;
- (e) on 4 April 2022, the ultimate holding company, Parkson Holdings Berhad has entered into an arrangement with the Company for a loan facility sum of RM50,000,000 (SGD16,178,000); and
- (f) the Group has regarded the subsidiaries in the Republic of Vietnam as a separate legal entity to which the resources whether financial or otherwise, is limited to the capital contribution which the Group has participated in. The cash resource is the only available working capital that the subsidiaries can depend upon for its continual operations. At the date of this report, the Group is aware that a bank account of subsidiary, Parkson Vietnam Co Ltd has been frozen on 21 March 2022 onwards under the court order instituted by the landlord.

Notwithstanding the above, the assumptions are subject to other factors including but not limited to general economic conditions either nationally or in regions in which the Group operates. As the assumptions were made based on conditions prevailing as at the reporting date, actual outcome may differ materially from these assumptions.

If for any reason, the assumptions as mentioned above do not materialise, may result in the Group not being able to continue as a going concern, it could have an impact on the classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. No such adjustments have been made to these financial statements.

2(a) Going concern basis (Cont'd)

The Company

As at 31 December 2021, the Company's current liabilities exceeded the Company's current assets by SGD13,291,000 (30 June 2020 - SGD7,241,000).

As at the balance sheet date, included in current liabilities are mainly:

- non-trade amount due to ultimate holding company of SGD6,483,000 (30 June 2020 - SGD1,135,000);
- non-trade amount due to a subsidiary, Parkson Corporation Sdn Bhd, totalling SGD4,860,000 (30 June 2020 - SGD4,793,000); and
- non-trade amounts due to other related companies totalling SGD601,000 (30 June 2020 - SGD605,000).

These non-trade amounts represent advances which are unsecured, non-interest bearing and are repayable on demand.

On 4 April 2022, the ultimate holding company, Parkson Holdings Berhad, has entered into an arrangement with the Company for a loan facility sum of RM50,000,000 (SGD16,178,000) and agreed not to demand immediate repayment from the Company in the next twelve months from the date of this financial statements.

The subsidiary, Parkson Corporation Sdn Bhd has also given an undertaking that it shall not demand immediate repayment from the Company in the next twelve months from the date of this financial statements.