PARKSON RETAIL ASIA LIMITED
(the "Company")
(Company registration number: 201107706H)
Incorporated in the Republic of Singapore

RESPONSES TO SGX QUERIES IN RELATION TO THE ANNOUNCEMENT DATED 12 OCTOBER 2020

The Board of Directors (the "Board") of Parkson Retail Asia Limited (the "Company", and together with its subsidiaries, the "Group") refers to the announcement dated 12 October 2020 titled "Emphasis of Matter by the Independent Auditor on the Audited Financial Statements for the financial year ended 30 June 2020". The Board has received the following queries from the Singapore Exchange Securities Trading Limited, and sets out its responses below.

SGX's Queries:

(a) *Please provide the Board's assessment on the Company's ability to continue as a going concern and the basis for its assessment;*

Company's Response:

As stated in Note 2.1 to the Company's audited consolidated financial statements for the financial year ended 30 June 2020 ("FY2020"), the Directors 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 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 that recovery of business will be in line with trajectory observed since July 2020. In particular there are no significant changes in the economic environment and consumer sentiments from that observed subsequent to year end and to-date, which would result in significant changes in the revenue and gross margins forecasted by management;

(b) management intends to manage cash flows 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) on 27 July 2020, the Group announced it has entered into a conditional Asset Transfer Agreement for the disposal of a property in Vietnam for a consideration of USD10 million, inclusive of value added tax. The Group expects the conditions stipulated in the Asset Transfer Agreement to be fulfilled and the disposal of the property to be completed and the net proceeds on disposal of approximately SGD13,236,000 to be received in the financial year ending 30 June 2021;

(e) the Group has unutilised banking facilities of approximately SGD6,748,000 as of 30 June 2020 that is available for use; and

(f) subsequent to the year end, the Group received additional advances of SGD4,428,000 from the ultimate holding company, Parkson Holdings Berhad. These advances are unsecured, interest bearing at 3% to 7% per annum and the payment of the first quarter installment will be in 2024. The parties intend to execute a supplemental loan agreement in the financial year ending 30 June 2021 for an additional amount of RM30 million. This is subject to shareholders' approval.

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.

While the Company's audited consolidated financial statements for FY2020 show the Group's net current liabilities ("NCL") as at 30 June 2020 of SGD117,365,000, the Company wishes to clarify that this is a balance sheet position as of 30 June 2020 but does not mean this entire amount is due and payable immediately on 30 June 2020 or at any one single point in time over the next 12 months. The Company also wishes to highlight that, with the implementation of *SFRS(I) 16 Leases* with effect from 1 July 2019, the NCL position as at 30 June 2020 has also included "current lease liabilities" of SGD60,530,000. Without the said "current lease liabilities", the NCL as at 30 June 2020 would have been SGD56,835,000 (2019 : SGD61,336,000). The Group will continue to monitor its NCL position.

As at 30 June 2020, the ultimate holding company, Parkson Holdings Berhad, has advanced to the Group an amount of SGD11,361,000 out of which SGD10,226,000 was classified as non-current liabilities as disclosed in Note 25 to the Company's audited consolidated financial statements.

The negative equity as at 30 June 2020 of SGD65,960,000, largely arose from the loss after tax ("LAT") of SGD84,995,000 attained by the Group for FY2020 (2019 : SGD34,613,000). The higher LAT for FY2020 was mainly attributed to the

implementation of *SFRS(I) 16 Leases* effective from 1 July 2019 which had given rise to additional net operating expenses of SGD38,210,000 (without considering the deferred tax impact) for FY2020 (2019 : nil), as disclosed on page 8 of the Annual Report 2020. Without this, the LAT (without considering the deferred tax impact) would hypothetically be SGD46,785,000. This figure is higher than the LAT of the previous financial year in view of the COVID-19 pandemic which has severely affected the business operations of the Group, as disclosed in our previous financial results and update announcements. The Group will strive to improve its performance by carrying out measures including but not limited to cost cutting, closure of non-performing stores/brands/businesses and enhancement of store productivity.

Cash generation is essential and remains as a key factor for the Group to continue operating as a going concern. The Board wishes to highlight that the Group is in cash-based retail business. The Group receives streams of cash flows from its department stores operating across the regions on a daily basis. It manages its cash flows by prioritizing payments to liabilities as and when they fall due, and cash flows generated from operations are used to meet the Group's current liabilities as and when they fall due. The Group will continue to manage its cash flows cautiously.

(b) *Please provide the Board's opinion and its basis as to whether trading in the shares of the Company should be suspended pursuant to Listing Rule 1303(3); and*

Company's Response:

With reference to the Board's views as set out in (a) above, and together with the audited consolidated financial statements of the Company as set out in the Annual Report 2020, which were made available on SGXNet on 15 October 2020, the Board is of the view that trading in the shares of the Company should not be suspended pursuant to Listing Rule 1303(3).

(c) *Please provide the Board's confirmation that the Company has made all material disclosures to ensure that its shares can continue to be traded in an orderly manner, and the basis for its assessment.*

Company's Response:

The Board confirms that the Company has made all material disclosures to ensure that its shares can continue to be traded in an orderly manner. The Company's Annual Report 2020 together with the circulars to shareholders were made publicly available on SGXNet on 15 October 2020 and provide an overview of the financial position and business operations of the Company and the Group. The Company remains mindful of its duty to keep its shareholders updated on developments as required under the listing rules, through timely announcements (including its periodic financial results announcements). In particular, in respect of the COVID-19 pandemic, the Company has also continued to

provide updates on the pandemic's impact on store performance as well as various key mitigation and cost control measures, through its Annual Report 2020 and its announcements dated 27 August 2020, 15 May 2020 and 20 March 2020. In light of the continued challenging business environment for the retail industry and additional issues brought on by the COVID-19 pandemic, the Executive Directors continue to tap on the respective countries' CEOs/COOs to progressively update the Board on significant operational issues and proposed actions to resolve them. Other than the periodic financial results announcements and announcements relating to COVID-19 pandemic, the Company also makes the necessary announcements to shareholders progressively.

BY ORDER OF THE BOARD

Tan Sri William Cheng Heng Jem
Executive Chairman

16 October 2020