

PARKSON RETAIL ASIA LIMITED

(the "Company")

(Company registration number: 201107706H)

Incorporated in the Republic of Singapore

RESPONSES TO SGX QUERIES IN RELATION TO THE FULL YEARLY RESULTS ANNOUNCEMENT DATED 22 FEBRUARY 2022

The Board of Directors ("**Board**") of Parkson Retail Asia Limited ("**Company**", and together with its subsidiaries, the "**Group**") refers to the announcement dated 22 February 2022 titled "Unaudited Financial Statements for the Sixth Quarter and Eighteen Months ended 31 December 2021". The Board has received the following queries from the Singapore Exchange Securities Trading Limited, and sets out its responses below.

SGX's Query:

It was disclosed in the unaudited FY2021 Financial Statements that the Group reported a decrease in the "Other receivables" financial statement line item under its non-current assets from S\$10,544,000 as at 30 June 2020 to S\$6,073,000 as at 31 December 2021.

In this regard, please disclose:

- a. *The nature and breakdown of the Group's other receivables in its non-current assets;*

Company's Response:

Non-current assets – Other receivables

	Nature	As at 31 December 2021 S\$'000
1	Rental deposits	3,774
2	Deferred lease expenses	2,131
3	Other deposits	168
Total		6,073

- b. *The underlying transactions and terms of the transactions (including contract sum) and payment terms of the underlying contracts;*

Company's Response:

Not applicable.

- c. *Aging of the Group's other receivables;*

Company's Response:

	Current S\$'000	Past due (days)				As at 31 Dec 2021 Total S\$'000
		<30 S\$'000	30 to 60 S\$'000	60 to 90 S\$'000	>90 S\$'000	
Other receivables	941	20	3	68	12,359	13,391

Note: Other receivables for >90 days were mainly related to non-current other receivables mentioned in (a) above (S\$6,073,000), rental and other deposits (S\$1,806,000), and an amount recoverable from a contractor (S\$1,391,000). There was no impairment made on the amount recoverable from the contractor in view that there was a corresponding amount owing to the same contractor of S\$1,876,000.

- d. *The Group's plans to recover these other receivables; and*

Company's Response:

The Group monitors the movement and recoverability of the trade and other receivables progressively, and where necessary, intends to engage in discussions with the debtors on the recoverability of these debts.

- e. *The Board's assessment on the recoverability of these other receivables.*

Company's Response:

The Board will review the aging/movement of these debts progressively, and will instruct the management to engage in discussion with the debtors, issue letter of demand and initiate legal action to recover the debts in the event where there is an indication of non-recoverability of these debts.

SGX's Query:

We note that the Group recognised a write-back for trade and other receivables amounting to S\$706,000 for the quarter ended 31 December 2021, and S\$582,000 for the 18 months ended 31 December 2021. This is as compared to providing an allowance for its trade and other receivables of S\$394,000 and S\$1,410,000 for the quarter and the 18 months ended 31 December 2020 respectively.

In this regard, please disclose the following information:

- a. *How the Group's write-back for the trade and other receivables was determined and the rationale for the write-back; and*

Company's Response:

The Group had in its second quarterly announcement for FY2021 made an impairment of the tenancy deposit relating to the closure of a store in Danang, Vietnam and the early termination of its tenancy agreement. Pursuant to the Vietnam International Arbitration Centre's decision on 10 December 2021 in respect of the settlement of dispute between the subsidiary of the Company, Parkson Vietnam Co Ltd ("PVCL") and the landlord of PVCL's store in Danang, Vietnam (in which the Company had also made the announcement on 18 December 2021), the same tenancy deposit had been written off by PVCL in the last quarterly announcement for FY2021. Arising from this, the impairment of the tenancy deposit made in the second quarterly announcement will need to be reversed in the last quarter and accordingly the 18 months ended 31 December 2021.

- b. *The Board's opinion on the reasonableness of the methodologies used to determine the write-back of S\$706,000 and S\$582,000 for the quarter and the 18 months ended 31 December 2021 respectively.*

Company's Response:

The allowance and write back of allowance for trade and other receivables were in accordance with the applicable accounting standards and generally accepted accounting principles. The Board is accordingly of the view that the methodologies adopted have considered relevant facts and circumstances.

SGX's Query:

We note that the Group recognised a write-down of liabilities of S\$53,893,000 in the quarter ended 31 December 2021. Please disclose the nature of the "liabilities" being referred to, and provide the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the write-down.

Company's Response:

The liabilities were related largely to lease liabilities of a subsidiary in Indonesia, namely PT Tozy which is currently under bankruptcy proceedings and has been deconsolidated by the Group with effect from 17 May 2021. The receivers had during the course of bankruptcy proceedings reassessed the liabilities including the lease liabilities of PT Tozy to a lower amount than the original amount previously recorded, after claims from creditors were processed by the receivers. Accordingly, the Group had written down the liabilities previously recorded by PT Tozy to the reassessed amount by the receivers. The write-down of liabilities is, however, merely a reclassification from the effect on deconsolidation of a subsidiary previously recognised in the earlier quarterly announcements of FY2021. The Board is accordingly of the view that the methodologies adopted are reasonable within the known circumstances.

SGX's Query:

As at 31 December 2021, the Group reported an aggregate of S\$3,552,000 of borrowings (comprising a secured bank overdraft of S\$364,000 and banker's acceptance of S\$1,887,000 and unsecured loan from a third party of S\$1,301,000) which are repayable in one-year or less, or on demand.

It also reported an aggregate of S\$10,232,000 in unsecured loans (comprising a loan from a third party of S\$1,327,000 and loan from its ultimate holding company of S\$8,905,000) which are repayable after one year. It was further disclosed that “The bank overdraft and banker’s acceptance are secured by short-term deposit of S\$6.0 million (30 June 2020: S\$2.4 million) and a corporate guarantee from a subsidiary”.

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“The Group was in a net current liabilities (“NCL”) position of S\$99.5 million as at 31 December 2021. NCL of the Group decreased by 15.2% from S\$117.4 million as at 30 June 2020 to S\$99.5 million as at 31 December 2021 due mainly to the increase in cash and short term deposits arising from the December 2021 festive season collections, derecognition of lease liabilities following the termination of tenancy agreements in Vietnam and deconsolidation of a subsidiary in Indonesia. The negative equity of the Group decreased to S\$48.5 million as at 31 December 2021 from S\$66.0 million as at 30 June 2020 due to mainly to profit attained by the Group for the current period.”

- a. *Please disclose the pro-active actions which management plans to take to ensure that the Company’s financial position remains strong.*

Company’s Response:

The Board is always mindful of its current financial position and has taken the following proactive steps and implemented a Business Continuity Plan (BCP) to continuously improve its financial position, as disclosed in its previous quarterly announcements relating to the Group’s financial results:-

- (i) reduced costs and negotiated with landlords for rent waivers/reductions;
- (ii) prioritised essential services only;
- (iii) negotiated with creditors/suppliers and financial institutions to restructure payment plans, where appropriate;
- (iv) continued to embark on and develop online sales platforms to maintain the Group’s revenue;
- (v) carried out aggressive promotions to attract sales;
- (vi) exited from non-viable brands and loss-making stores;
- (vii) slowed down non-essential expenditures;
- (viii) implemented stringent standard operating procedures to ensure the highest level of hygiene standard for the safety of staff and customers who shop at the stores; and
- (ix) closed non-profitable stores and brands.

- b. *Please assess the Company’s ability to operate as a going concern.*

Company’s Response:

The following processes currently undertaken by the management of the Company are essentially to allow the Group to continue operating as a going-concern:-

- (i) the management manages cashflow of the subsidiaries of the Company on an entity by entity basis as well as on a Group basis and reviews on an overall basis the timing of payment to creditors; and

- (ii) the management is using its best efforts to ensure there are no significant changes in the credit terms granted by the suppliers to the Group.

c. *Please assess the Company's ability to meet its debt covenants (if any).*

Company's Response:

The Company/Group will continue to monitor/improve its financial position and endeavour to comply with its debt covenants and where necessary, engage in on-going discussions with the financial institutions on its ability to meet the debt covenants.

d. *Please assess the Company's ability to meet its short-term obligations when they fall due.*

Company's Response:

Further to (b) above, the Group is in a cash-based retail business and will always prioritise to make payments to short term obligations as and when they fall due. The Group is managing its cash collection on a daily basis and at the same time looking into its cashflow forecast critically to ensure that it is in a position to meet its debts as and when they fall due. Apart from this, the Group will always endeavour to maintain cordial relationships with its suppliers to seek their continued support and understanding, where necessary, to allow the Group to pay its debts (if any) by tranches/instalments.

Based on the above, the Group will take necessary measure to ensure short term obligations are duly fulfilled and acceptable to the known creditors.

BY ORDER OF THE BOARD

Tan Sri William Cheng Heng Jem
Executive Chairman

3 March 2022