

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

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**RESPONSES TO SGX QUERIES IN RELATION TO THE ANNUAL REPORT 2021**

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The Board of Directors (“**Board**”) of Parkson Retail Asia Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Annual Report for the 18 months financial period ended 31 December 2021. The Board has received the following queries from the Singapore Exchange Securities Trading Limited (“**SGX**”), and sets out its responses below.

**SGX’s Queries:**

- (i) *Listing Rule 710 requires issuers to explicitly state, when varying from any provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), to explain the reason for variation, and explain how the practices it has adopted are consistent with the intent of the relevant principle. In this regard:*

*(a) Provision 2.4 of the Code states that:*

*“The Board and Board Committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company’s annual report.”*

*With reference to page 21 of the annual report for FY2021, the Company has provided that:*

*“The Company does not have a written Board Diversity Policy as at the date of this report. The composition of the Board is reviewed at least annually, or as and when appropriate by the NC to ensure that there is a mix of experience and expertise to enable the Company to benefit from a diverse perspective from directors of different background. The Company is in the process of implementing a written Board Diversity Policy before the end of the financial year ending 31 December 2022 to meet the requirements under Rule 710A of the Listing Rules.”*

*Please explain whether and how the Company has complied with Provision 2.4 of the Code.*

*If the Company has not complied with Provision 2.4 of the Code, please explain its reason(s) for varying from Provision 2.4 of the Code. Please also explain and explicitly state whether the practices it has adopted are consistent with the intent of Principle 2 of the Code.*

**Company's Response:**

The Company recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of the Board's performance. The Board is committed to achieving an appropriate balance of diversity and mix of skills, experience, gender, age and the core competencies of accounting, legal and regulatory, business or management experience and industry knowledge to avoid groupthink and foster constructive debate, and due regard was given to the foregoing in the appointment of the Company's existing board of directors.

As disclosed on page 21 of the annual report, the board of directors comprise Directors, who as a group, provide an appropriate balance and diversity of skills, experience, gender, age and knowledge of the Group, as well as core competencies such as accounting and finance, legal, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. Ms Vivien Cheng is the only female Director on the Board, and the youngest among the Directors. Ms Vivien Cheng, who has brand management experience, has been mentored and guided by her father, Tan Sri Cheng, who is the Chairman. Mr Michael Chai brings with him legal expertise. Mr Koong who has his own chartered accounting firm, brings with him knowledge on tax matters. Mr Sam brings with him a wealth of management experience, having held senior positions in both the Singapore government and private sectors. The Chairman founded Parkson and he has other successful businesses, a few of which are also listed on recognised stock exchanges.

The Board and the NC also review the size and composition of the Board on an annual basis, to ensure that there is a mix of experience and expertise to enable the Company to benefit from a diverse perspective from directors of different background.

The Board has an independent element as well that sufficiently enables it to exercise objective judgment and no individual or group of individuals dominate the Board's decision-making process. The Board has established a process for assessing independence as further elaborated on pages 20-21 of the annual report, and as part of the process each NED is required to confirm via a declaration form on an annual basis, or as and when required, his/her independence based on the guidelines provided in the Code and the Listing Rules. The NC will take into consideration the NED's declaration during its review to determine whether the NED is independent in character and judgement, and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the NED's judgement. Based on such assessment, the Board and the NC are of the view that each of the NEDs (being all of the IDs on the Board) are independent and accordingly the Company had maintained a satisfactory independent element on the Board, for FY2021.

The Company believes that the practices adopted above are consistent with the intent of Principle 2 of the Code.

While the Board has not implemented a fixed diversity policy, the Board and the NC are satisfied that the current Board composition has the appropriate level of independence and mix of expertise and experience that as a group, provides an appropriate balance and diversity of skills, experience and knowledge of the Company.

Notwithstanding the foregoing, the Company recognises there are many dimensions to Board diversity and will formalise its Board Diversity Policy in writing by the end of the financial year ending 31 December 2022.

**(b) Provision 8.1 of the Code states that:**

***“The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:***

***(a) each individual director and the CEO; and***

***(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.”***

***We note the Company’s disclosure on remuneration at pages 27 and 28 of the annual report for FY2021. Where the Company’s practices deviate from the provisions of the Code, please explicitly state the provision from which it has deviated from, the reason(s) for the deviation and explain how the practices it had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.***

**Company’s Response:**

The Board is cognisant of the requirements under Provision 8.1 of the Code for listed issuers to make certain remuneration disclosures which had not been disclosed in the annual report, namely the breakdown of the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000. For the avoidance of doubt, as disclosed on page 22 of the annual report, the position of the Group CEO is currently vacant.

After careful consideration, the Board had decided not to disclose the foregoing as it is of the opinion that it is in the best interests of the Group not to disclose the breakdown of the remuneration of the top five key management personnel in view of the confidentiality of remuneration matters and as the Board believes that such disclosure may be prejudicial to the Group’s business interests given the competitive environment it is operating in as well as the disadvantages this might bring. Conversely, the Board is of the view that information provided in the annual report regarding the Company’s remuneration policies is sufficient to enable shareholders to understand the link between remuneration paid to the top five key management and their performance, including, specifically, details in relation to the setting of key performance indicators for key management personnel and how this affects their remuneration package, as further elaborated on pages 25-29 of the annual report.

The Company is accordingly of the view that their practice is consistent with Principle 8 of the Code as a whole and that non-disclosure of the breakdown of the remuneration of the top five key management does not compromise the ability of the Company to meet with the requirement of having good corporate governance, especially considering that the RC also reviews the remuneration package of such key management personnel to ensure that they are fairly remunerated.

**(ii) We refer to the audited statements of financial position, consolidated statement of profit or loss and consolidated statement of cash flows on pages 54, 55, 59 and 60 respectively. Please provide an explanation for the material difference in the**

**amounts of the following items, as compared to the unaudited financial results announcement of the Company for FY2021.**

**(a) Profit/(loss) from continuing operations before tax of S\$4,473,000 as compared to the amount of S\$5,097,000;**

**Company's Response:**

The difference is largely due to the following:

- allowance for expected credit loss on trade and other receivables resulting in a decrease of S\$496,000; and
- depreciation of right-of-use assets resulting in a decrease of S\$237,000.

**(b) Profit/(loss) from continuing operations, net of tax of S\$4,698,000 as compared to the amount of S\$5,647,000;**

**Company's Response:**

The difference is largely due to the following:

- responses in (a) above, and
- adjustment to income tax and deferred tax expenses resulting in a decrease of S\$325,000.

**(c) Profit/(loss) for the period/year, net of tax of S\$13,744,000 as compared to the amount of S\$14,683,000;**

**Company's Response:**

The difference is largely due to the responses in (a) and (b) above.

**(d) Total non-current liabilities of S\$190,296,000 as compared to the amount of S\$202,780,000;**

**Company's Response:**

The difference is largely due to the following:

- re-measurement of lease liabilities (non-current), resulting in a decrease of S\$10,228,000; and
- reclassification of a loan from a third party repayable on 15 October 2022 from non-current to current, resulting in a decrease of S\$1,327,000.

**(e) Operating profit before working capital changes of S\$48,118,000 as compared to the amount of S\$60,006,000;**

**Company's Response:**

The difference is largely due to the following:

- impairment of right-of-use assets reclassified to working capital changes - receivables, resulting in a decrease of S\$17,432,000;
- presentation as a reduction in income from rent concession on lease liabilities, resulting in an increase of S\$3,698,000; and

- presentation as a reduction in lease derecognition, resulting in an increase of S\$2,247,000.

***(f) The net cash generated from/(used in) investing activities of approximately S\$4,818,000 compared to the amount of S\$(1,893,000); and***

**Company's Response:**

The difference is largely due to the following:

- reclassification of proceeds from net investment in sublease from operating activities to investing activities, resulting in an increase of S\$5,260,000; and
- reclassification of purchase of property, plant and equipment from investing activities to operating activities, resulting in an increase of S\$1,451,000.

***(g) The net cash generated from/(used in) financing activities of S\$(73,372,000) as compared to the amount of S\$(80,605,000)***

**Company's Response:**

The difference is largely due to the following:

- reclassification of advances from related companies from operating activities to financing activities, resulting in an increase of S\$10,141,000;
- reclassification of repayment of loan to ultimate holding company from operating activities to financing activities, resulting in a decrease of S\$1,265,000; and
- presentation as an additional pledged deposits, resulting in a decrease of S\$647,000.

BY ORDER OF THE BOARD

Tan Sri William Cheng Heng Jem  
Executive Chairman

28 April 2022