PARKSON RETAIL ASIA LIMITED

(the "Company")
(Company registration number: 201107706H)
Incorporated in the Republic of Singapore

RESPONSES TO SGX QUERIES IN RELATION TO RESULTS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

The Board of Directors (the "Board") of Parkson Retail Asia Limited (the "Company", and together with its subsidiaries, the "Group") refers to the unaudited Financial Statements for the period ended 31 March 2020 (the "Q3FY2020 Results Announcement") released on SGXNet on 15 May 2020 and the queries from the Singapore Exchange Securities Trading Limited ("SGX-ST") received on 02 June 2020, and wishes to provide further information to shareholders in relation to the Q3FY2020 Results Announcement.

SGX's Query 1:
We note that the Group has secured bankers' acceptance of $1,911,000, and unsecured loan from the owner of a managed store (Vietnam) of $1,325,000. In aggregate, an amount of $3,236,000 is repayable in one year or less, or on demand.

(a) What are the interest rates applicable to the bankers' acceptance and the said unsecured loan?

Company's Response:

The banker's acceptance bears interest rate at bank's cost of fund (COF) + 0.75% per annum while the unsecured loan bears interest rate at 7% per annum.

(b) How does the Group intend to repay the bankers' acceptance and the unsecured loan?

Company's Response:

The Group has S$30.8 million cash in hand as of 31 March 2020, and shall prioritize payments accordingly.

(c) What are the conditions or circumstances which would trigger repayment of the bankers' acceptance and the unsecured loan?

Company's Response:

The Group is currently not aware of any conditions or circumstances that would trigger the repayment of these amounts except for if the Covid-19 situation deteriorates and the Group's departmental stores are not allowed to operate again. Generally the Group is in cash business, and it prioritizes payments accordingly.

(d) Please provide further information on whether the Company expects cash flow or liquidity issues with regard to the repayment of the aggregate sum of $3,236,000, in light of the COVID-19 situation and its impact on the Company's business operations (if any). Please substantiate the Company's stand with specific details.

Company's Response:

The Group does not foresee any major cashflow or liquidity issues in respect of the repayment of the S$3,236,000. Currently, most of our stores are already opened for business and the Group is managing its cashflow very stringently, focusing only on essential services, prioritizing payments effectively without compromising its operations and reducing costs.

SGX's Query 2:

It is noted that the Group is in a negative working capital position, negative equity position, with a loss net of tax for the 9 months ended 31 March 2020 of approximately $27,652,000. In this regard, please provide the Board's opinion and the bases for its views, on the following:-

(a) The ability of the Group and the Company in meeting its short term debt obligations as and when they fall due; and

Company's Response:

With the Covid-19 outbreak, the Group is expecting a negative impact on its financial performance/cashflows but has also taken measures to reduce its impact. Actions taken, amongst others, are rent reduction negotiation with landlords and payment restructuring negotiation with suppliers. Having said it, most of the Group's debts are amounts owing to suppliers. In so far the Group has quite a cordial relationship with its suppliers generally, it negotiates with suppliers amicably if the Group encounters any payment issue. In addition, as stipulated in the audited accounts of FY2019, the Group has secured continued financial support from the ultimate holding company, Parkson Holdings Berhad, to continue operate as a going concern for the next twelve months from the date of its audited accounts of FY2019. The Group is also trying its level best to generate sufficient cashflows from its operations to meet its obligations as and when they fall due.

(b) The ability of the Group and the Company to operate as going concerns.

Company's Response:

As stated above, the Group has secured continued financial support from the ultimate holding company, Parkson Holdings Berhad, to continue operate as a going concern. The Group is also trying its level best to generate sufficient cashflows from its operations to meet its obligations as and when they fall due.

SGX's Query 3:
It is noted on page 3 of the announced financial results:-

	Group		Company	
	31.03.2020 $'000	30.06.2019 $'000	31.03.2020 $'000	30.06.2019 $'000
Non-current liabilities Provisions	7,445	10,875	-	-

It is stated on page 15 of the announced financial results:- "*Other provisions (non-current) declined to $7.5 million mainly in relation to reversal of onerous contract provision offset against right-of-use assets*." Please elaborate on the reversal of onerous contract provision and right-of-use assets.

Company's Response:

The onerous contract provision was made in prior year pertaining to non-performing stores. With the implementation of SFRS16 Leases with effect from 1 July 2019, such provision shall be offset against right-of-use assets as the provision would have been accounted for under lease liabilities.

SGX's Query 4:
In relation to the material litigation relating to Parkson (Cambodia) Co. Ltd ("PCCO"):-

(a) It is stated on page 15 of the announced financial results:- "The SIAC Arbitration is fixed for hearing on 26 and 27 May 2020." Please clarify whether there are any updates following the SIAC Arbitration hearing?

Company's Response:

The SIAC Arbitration hearing was concluded on 26 May 2020. The SIAC Tribunal has yet to fix a date to issue its decision.

(b) It is stated on page 16 of the announced financial results: "*The Group's maximum potential exposure resulting from the Default Judgment will therefore be limited to its capital contribution in PCCO which has been fully provided for in the audited financial statements for the financial year ended 30 June 2017*."

In this regard, please quantify the Group's maximum potential exposure resulting from the Default Judgment.

Company's Response:

PCCO is negative shareholders' fund and no corporate guarantee has been granted by the Group in favour to the lessor hence the Group is not expecting any exposure from the Default Judgement.

BY ORDER OF THE BOARD

Tan Sri William Cheng Heng Jem
Executive Chairman

03 June 2020