

**RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN  
RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31  
DECEMBER 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 queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s annual report for the financial year ended 31 December 2021. The Company wishes to provide its responses to the queries from SIAS as below:

**SIAS Query 1**

**As noted in the chairman’s statement, the Group closed 5 department stores in Malaysia but opened a new high-end department store in Pavilion Bukit Jalil, Kuala Lumpur in December 2021. The total number of stores in Malaysia stood at 38 as at 31 December 2021.**

**In Vietnam, only the Saigon Tourist Plaza store in Ho Chi Minh City remains. The three stores including those in Danang and Haiphong were closed. The Group has also exited Indonesia completely.**

**All year-on-year comparisons may not be meaningful as the annual report covers an 18-month financial period due to a change in the financial year compared to FY2020 (12 months ended 30 June 2020).**

**On the outlook, the chairman has stated that management *“remains committed to improving the operations and financial performance .... its priorities on enhancing product offerings, optimizing operational efficiency and productivity at stores as well as cost control.... Opening of new stores will be done selectively.... plans to refresh some of the aging department stores... reviewing its store area to ensure satisfactory store productivity and efficiency”* (page 4).**

- (i) Can management help shareholders understand if the Group is constantly on the “defensive” and, at its best, it can only optimise its operations as the market continues to shrink?**

**Company’s Response**

For the Malaysia operation, the Group continues to rationalise its operations as some of these stores that were closed, were located in malls and locations that had outlived their times, many of which were from the 1980s and before. Over time, shopping behaviours and the market place had also changed. Past market places were concentrated in major town centres and at malls that were built in the 1980s and 1990s, whereas today, the shift in township has rendered these once upon a time town centres becoming old towns as newer township has surfaced in residential areas with newer malls as shopping alternatives.

- (ii) What is the Board’s view of the departmental store retailing business in the long run? How does the Group create value for shareholders?**

**Company’s Response**

Parkson stores create shopping destinations for customers to experience one-stop shopping experiences and they provide wide range of merchandizes to fulfil the needs of the customers.

The Group also has a very strong loyalty program in place and will continue to refresh the aging department stores. The Group has been in the retail business for many years, and will continue to review the business model of department store retailing business to keep the entire business relevant and to remain competitive with the fast-changing business environment.

The Group is at all times striving to improve its operation and financial results to create value for shareholders.

- (iii) Are there any positives that shareholders can look forward to? Also, does management see any silver lining during the pandemic?**

**Company's Response**

The retail sentiment and business are gradually recovering in Malaysia, and business should also benefit from the incremental re-opening of borders and thus increased tourism in the countries where the Group operates. The Group has taken various actions including but not limited to costs saving during the pandemic and this is expected to have a positive impact to the Group in the long run.

- (iv) In terms of the strategic direction, is the Board considering any diversification away from retail?**

**Company's Response**

The Board is not currently considering any diversification away from retail.

**SIAS Query 2**

**Would the Board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:**

- (i) Pavilion Bukit Jalil: Why is management confident of the performance of the newly opened high-end store at Pavilion Bukit Jalil? How is this different from the stores that were closed?**

**Company's Response**

The location, its ingress and egress, mall size covering 1.8 million square feet, mall's management track record as well as the primary population size of 500,000 within the 5 km radius and the secondary population of 1.9 million within the 20km radius from the vicinity of the mall are primary considerations on new store opening. In this context, these factors have met the criteria for new store opening. On the other hand, stores that were closed were generally aging and loss-making.

- (ii) Vietnam: With just one store remaining in Vietnam, is the Group able to operate efficiently in the country? In addition, can management elaborate further on the "collaboration" with Muji, Kohnan and Uniqlo? Is the Group sub-leasing space to these brands to set up their flagship outlets? What is the Group's value-add to these brands?**

**Company's Response**

The Group is currently reviewing the Vietnam operation with one (1) remaining store in the country and is fully aware of the current situation faced by the Vietnam operation. The current store has a long-term lease with Muji, Kohnan and Uniqlo wherein a substantial portion of the store is rented out to these international brands for their respective flagship outlets in Vietnam. The current store, namely Saigon Tourist Plaza is located at a strategic location in Ho Chi Minh City and this collaboration is also a co-branding strategy wherein both parties would be able to complement each other in the long run.

- (iii) **Growth plans: Can the Board also give shareholders more insights on the regional growth plans following the exit from Indonesia and scaling down in Vietnam?**

**Company's Response**

At this juncture, the Group will only focus on the retail business in Malaysia and Vietnam regions.

- (iv) **Digital strategy: It is concerning that “digital” and “omni channel” only appeared once each in the 190-page annual report. A search on other key terms, such as “online” and “e-commerce” yielded no results. What is the Group’s digital strategy and how successful is the Group?**

**Company's Response**

For the Malaysia operation, the Group launched its e-commerce platform in December 2020 and the business although is currently small, has potential in the long run. The Group will continue to enhance its products offering and carry out attractive promotion to improve the online business.

- (v) **Interest: The Group paid interest of \$23.5 million and \$24.2 million in FY2020 and FP2021 respectively. Net cash used in financing activities was \$(73.4) million in FP2021. Equity attributable to owners of the Company is now negative \$(49.2) million as at 31 December 2021. Has the Board evaluated the group’s financial position? What is the impact of rising interest rate? How much bargaining power does the Group have in its rent negotiation?**

**Company's Response**

The Group is fully aware of and is constantly evaluating its current financial position. For clarity purpose, the interest of \$23.5 million and \$24.2 million relate to interest expense on lease liabilities following the adoption of SFRS (I)16 Leases, and are not directly related to interest expense on bank borrowings. The bank borrowings incurred by the Group as at 31 December 2021 was not substantial, and accordingly rising interest rate would not have a significant impact on the Group’s financial results. The Group is one of the larger department store players in Malaysia, comprising 38 stores across the nation, has built up relationship with the landlords over the years, and occupies sizeable areas within the malls where the stores are located, is accordingly in a better position on reasonable rent negotiation with the landlords especially during the lockdown period of COVID-19.

**SIAS Query 3**

**In the statement to shareholders, the chairman warmly welcomed Mr Sam Chong Keen who joined the Company as an independent non-executive director on 30 October 2020. Tan Sri Cheng Heng Jem is the ultimate controlling party of Lion Asiapac Limited. Mr Sam Chong Keen was appointed to the Board on 22 February 1997 at Lion Asiapac Limited (LAP). He served as the LAP’s managing director till 31 May 2002 and remains the chairman and independent director of LAP. Mr Sam Chong Keen was concurrently the chief executive officer and executive vice-chairman of LTC Corporation Limited.**

- (i) **Please disclose the rationale, selection criteria and the search and nomination process that led to the appointment of Mr Sam Chong Keen in October 2020 as required in the SGX template.**

**Company's Response**

The NC has put in place a process for the selection and appointment of new directors which includes identification of potential candidates, evaluation of candidates’ skills, knowledge and experience, and assessment of the candidate’s suitability. Following the retirement of Mr Ng

Tiak Soon, an independent director (“ID”) of the Company who has vast experience in the area of audit, being previously an audit partner at Ernst & Young LLP, the NC has requested for nomination of candidates to fill the vacancy. Nominations were received and after the review process, the NC ultimately selected Mr Sam whom the NC considered to have vast experience working in senior positions in various commercial industries which the NC felt could add to the mix of skills of the existing board members.

- (ii) **How did the nomination committee (NC) evaluate the long association between Mr Sam Chong Keen and the controlling shareholder?**

**Company’s Response**

Mr Sam Chong Keen stepped down as managing director of LAP back in 2002. However, he remained as a non-executive director and was subsequently re-designated as an independent director of LAP in 2005. He was re-designated as an independent non-executive chairman of LAP in 2017 and has held this position since then. Save as above, the NC has received confirmation from Mr Sam that he is not in any way related to or associated with the executive chairman of the Company or any other controlling shareholder of the Company. The NC had assessed the independence of Mr Sam and concluded that Mr Sam was capable of exercising independent business judgment on the affairs of the Company and its subsidiaries and making decisions in the best interest of the Group.

- (iii) **Has the NC evaluated how the appointment of Mr Sam Chong Keen as an independent director would be perceived by minority shareholders?**

**Company’s Response**

The NC had taken the minority shareholders’ perception into consideration in the selection process. The NC had also considered Mr Sam’s credentials and his skill set, and assessed his independence. The NC had opined that Mr Sam’s independence had not been compromised by virtue that he was an ex-employee of LAP 20 years ago and is currently an independent director of LAP.

**Currently, the three independent directors have professional experience in accounting and legal, but no related experience in retail, real estate, lifestyle, etc.**

- (iv) **Has the NC reviewed the overall desired competency matrix of the Board and identified any gaps in skills or competencies that could be addressed in future director appointments, especially as the Group struggles in its core business?**

**Company’s Response**

The NC has reviewed the overall desired competency matrix of the Board and is of the view that the current Board and its Board committees 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. Nevertheless, the NC will take into consideration an additional criteria relating to retail experience/exposure for future ID appointments.

- (v) **Can the NC help shareholders understand if the independent directors have the appropriate balance and mix of skills, knowledge, experience, especially in retail, marketing, lifestyle, operations to engage in effective and constructive debate with the executive directors/management?**

**Company’s Response**

The IDs, although not directly involved in the retail business, have good commercial exposure and possess various professional expertise, and have always given their opinions and advice

from different perspectives for the executive directors/management to consider and evaluate. The NC is of the view that the current Board has the right size to perform its functions, is comprised of professionals with a diverse set of qualifications and expertise, and has gender and age diversity. The executive chairman who has vast experience in the retail business covering operations in various countries including China, is always in consultation with the independent directors on specific important business decisions.

BY ORDER OF THE BOARD

Tan Sri William Cheng Heng Jem  
Executive Chairman

22 April 2022