



PARKSON RETAIL ASIA LIMITED

(Co. Reg. No. 201107706H)
(Incorporated in the Republic of Singapore)

Unaudited Financial Statements for the Second Quarter and Six Months ended 31 December 2020

This quarterly reporting announcement is mandatory, made pursuant to the requirements of Singapore Exchange Securities Trading Limited (“SGX-ST”), as required under Rule 705(2C) of the SGX-ST Listing Rules.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) Consolidated Income Statement

	Group			Group		
	Quarter ended			6 months ended		
	31.12.2020	31.12.2019	+/(-) %	31.12.2020	31.12.2019	+/(-) %
	\$'000	\$'000		\$'000	\$'000	
Revenue	50,817	96,931	(47.6)	104,859	176,138	(40.5)
Other items of income						
- Finance income	626	177	>100	1,253	410	>100
- Other income	812	1,098	(26.0)	1,706	1,744	(2.2)
Items of expense						
- Changes in merchandise inventories and consumables	(19,954)	(38,814)	48.6	(41,397)	(74,433)	44.4
- Employee related expense	(10,992)	(13,942)	21.2	(21,456)	(28,249)	24.0
- Depreciation of right-of-use assets	(10,568)	(14,593)	27.6	(23,511)	(30,226)	22.2
- Depreciation and amortisation expense	(4,140)	(5,276)	21.5	(8,854)	(9,594)	7.7
- Promotional and advertising expense	(519)	(1,753)	70.4	(847)	(2,747)	69.2
- Operating lease expenses	668	(5,694)	>100	668	(9,272)	>100
- Interest expense on lease liabilities	(6,061)	(8,570)	29.3	(12,672)	(15,880)	20.2
- Finance costs	(160)	(177)	9.6	(343)	(616)	44.3
- Other expenses	(6,395)	(14,522)	56.0	(13,156)	(23,823)	44.8
Total expenses	(58,121)	(103,341)	43.8	(121,568)	(194,840)	37.6
Loss before tax	(5,866)	(5,135)	(14.2)	(13,750)	(16,548)	16.9
Tax (expense)/credit	(284)	(2,344)	87.9	1,682	(666)	>100
Loss for the quarter/period	(6,150)	(7,479)	17.8	(12,068)	(17,214)	29.9
Net loss attributable to:						
Owners of the Company	(6,149)	(7,479)	17.8	(12,065)	(17,201)	29.9
Non-controlling interests	(1)	-	>(100)	(3)	(13)	76.9
	(6,150)	(7,479)	17.8	(12,068)	(17,214)	29.9

1(a)(ii) Consolidated Statement of Comprehensive Income

	Group			Group		
	Quarter ended			6 months ended		
	31.12.2020	31.12.2019	+/(-) %	31.12.2020	31.12.2019	+/(-) %
	\$'000	\$'000	%	\$'000	\$'000	%
Loss for the quarter/period	(6,150)	(7,479)	17.8	(12,068)	(17,214)	29.9
Other comprehensive income/(loss):						
Foreign currency translation	322	(1,661)	>100	1,569	(222)	>100
Total comprehensive loss	(5,828)	(9,140)	36.2	(10,499)	(17,436)	39.8
Total comprehensive loss attributable to:						
Owners of the Company	(5,829)	(9,138)	36.2	(10,494)	(17,431)	39.8
Non-controlling interests	1	(2)	>100	(5)	(5)	-
	(5,828)	(9,140)	36.2	(10,499)	(17,436)	39.8

1(a)(iii) Additional information to the Consolidated Income Statement

	Group		Group	
	Quarter ended		6 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	\$'000	\$'000	\$'000	\$'000
The following items were included in arriving at loss before taxation:				
Allowance for trade and other receivables	397	51	401	811
Depreciation of property, plant and equipment	4,114	5,194	8,802	9,430
Depreciation of right-of-use assets	10,568	14,593	23,511	30,226
Interest expense on lease liabilities	6,061	8,570	12,672	15,880
Operating lease expenses	(668)	5,694	(668)	9,272
Impairment of property, plant and equipment	-	4,285	-	4,285
Property, plant and equipment written off	206	82	207	116
(Reversal of)/Allowance for inventory shrinkages	(511)	(391)	148	446

1(b)(i) Statements of Financial Position

	Group		Company	
	31.12.2020	30.06.2020	31.12.2020	30.06.2020
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	61,297	64,974	-	-
Right-of-use assets	231,135	258,919	-	-
Investment in subsidiaries	-	-	126,518	125,570
Deferred tax assets	5,966	3,176	-	-
Other receivables	11,893	10,544	-	-
Lease receivables	22,972	22,671	-	-
Prepayments	122	86	-	-
Intangible assets	411	474	-	-
Investment securities	184	183	-	-
	333,980	361,027	126,518	125,570
Current assets				
Inventories	30,249	41,274	-	-
Trade and other receivables	12,931	11,930	4,461	-
Lease receivables	1,027	2,714	-	-
Prepayments	2,614	1,267	3	12
Tax recoverable	2,175	1,829	-	-
Cash and short-term deposits	19,006	10,169	73	115
	68,002	69,183	4,537	127
Asset classified as held for sale	12,636	13,237	-	-
Total assets	414,618	443,447	131,055	125,697
Current liabilities				
Trade and other payables	112,811	97,685	12,111	6,858
Other liabilities	23,801	25,050	651	510
Contract liabilities	9,287	9,211	-	-
Provisions	1,471	1,447	-	-
Loan and borrowings	4,517	5,862	-	-
Lease liabilities	36,451	60,530	-	-
	188,338	199,785	12,762	7,368
Net current liabilities	(107,700)	(117,365)	(8,225)	(7,241)
Non-current liabilities				
Other payables	5,363	4,254	-	-
Provisions	6,925	6,882	-	-
Loan and borrowings	10,481	11,621	9,029	8,961
Lease liabilities	279,530	286,428	-	-
Deferred tax liabilities	440	437	440	437
	302,739	309,622	9,469	9,398
Total liabilities	491,077	509,407	22,231	16,766
Net (liabilities)/assets	(76,459)	(65,960)	108,824	108,931
Equity attributable to the owners of the Company				
Share capital	231,676	231,676	231,676	231,676
Treasury shares	(549)	(549)	(549)	(549)
Other reserves	(166,803)	(168,373)	(47,535)	(48,356)
Accumulated losses	(140,668)	(128,604)	(74,768)	(73,840)
	(76,344)	(65,850)	108,824	108,931
Non-controlling interests	(115)	(110)	-	-
Total equity	(76,459)	(65,960)	108,824	108,931

1(b)(ii) Group's borrowings and debt securities

	Group			
	31.12.2020		30.06.2020	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand				
- Bank overdraft	296	-	2,599	-
- Banker's acceptance	2,961	-	1,943	-
- Loan from owner of a managed store (Vietnam)	-	1,260	-	1,320
	3,257	1,260	4,542	1,320
Amount repayable after one year				
- Loan from a third party	-	1,421	-	1,395
- Loan from ultimate holding company	-	9,060	-	10,226
	-	10,481	-	11,621

Bank overdraft and banker's acceptance are secured by short-term deposit of S\$3.7 million (3MFY2021: S\$4.4 million) and a corporate guarantee from a subsidiary.

1(c) Consolidated Statement of Cash Flows

	Group		Group	
	Quarter ended		6 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Loss before taxation	(5,866)	(5,135)	(13,750)	(16,548)
Adjustments for:				
- Depreciation of property, plant and equipment ("PPE")	4,114	5,194	8,802	9,430
- Impairment of PPE	-	4,285	-	4,285
- PPE written off	206	82	207	116
- Loss on disposal of PPE	14	3	17	(10)
- Amortisation of land use right	-	32	-	65
- Amortisation of intangible assets	26	50	52	99
- Depreciation of right-of-use assets	10,568	14,593	23,511	30,226
- Allowance for trade and other receivables	397	51	401	811
- Amortisation of deferred lease expenses	-	115	-	141
- Allowance for inventory obsolescence	28	10	28	17
- (Reversal of)/Allowance for inventory shrinkages	(511)	(391)	148	446
- Net benefit expense from defined benefit plan	28	-	55	-
- Unrealised currency translation loss	16	100	23	112
- Dividend income from investment securities	-	-	-	(83)
- Interest on lease liability	6,061	8,570	12,672	15,880
- Finance costs	160	177	343	616
- Finance income	(626)	(177)	(1,253)	(410)
Operating cash flows before changes in working capital	14,615	27,559	31,256	45,193
Changes in working capital				
- Inventories	5,598	(930)	10,981	802
- Receivables and prepayments	215	(436)	(4,511)	5,212
- Payables and other liabilities	(5,081)	44,712	17,409	636
Cash flows generated from operating activities	15,347	70,905	55,135	51,843
Interest received	(437)	247	133	451
Interest paid	80	61	(1)	(2)
Income tax paid	(894)	(1,199)	(1,601)	(1,221)
Net cash generated from operating activities	14,096	70,014	53,666	51,071

1(c) Consolidated Statement of Cash Flows (Cont'd)

	Group		Group	
	Quarter ended		6 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	\$'000	\$'000	\$'000	\$'000
Investing activities				
Proceeds from disposal of PPE	-	65	-	97
Purchase of PPE	(1,510)	(6,251)	(4,255)	(8,422)
Addition to intangible assets	-	(8)	-	(30)
Dividend income from investment securities	-	-	-	83
Net cash used in investing activities	(1,510)	(6,194)	(4,255)	(8,272)
Financing activities				
Interest paid	(5,862)	(5,938)	(11,769)	(10,241)
Proceeds from bank borrowings	5,741	2,714	12,993	3,942
Repayment of obligations under finance lease	-	(217)	-	(340)
Repayment of bank borrowings	(6,598)	(1,174)	(11,943)	(3,181)
Loans from ultimate holding company	-	(3)	-	1,104
Loan from a third party	-	1,374	-	1,374
Payment of principal portion of lease liabilities	(12,334)	(13,855)	(27,462)	(23,896)
Decrease/(increase) in pledged deposits	328	(246)	328	(494)
Net cash used in financing activities	(18,725)	(17,345)	(37,853)	(31,732)
Net (decrease)/increase in cash and cash equivalents	(6,139)	46,475	11,558	11,067
Cash and cash equivalents at beginning of financial quarter/period	20,945	18,257	5,209	52,953
Effects of currency translation on cash and cash equivalents	213	(166)	(1,748)	546
Cash and cash equivalents at end of financial quarter/period	15,019	64,566	15,019	64,566

	31.12.2020	31.12.2019
	\$'000	\$'000
Cash and cash equivalents comprise the following: -		
Cash at banks	5,474	14,012
Short-term bank deposits	13,532	52,695
Cash and short-term bank deposits	19,006	66,707
Less: pledged deposits	(3,691)	(2,141)
Less: bank overdraft	(296)	-
	15,019	64,566

1(d)(i) Statements of Changes in Equity

	Attributable to owners of the Company					Non-controlling interests	Equity, total
	Share capital	Treasury shares	Other reserves (Note A)	Accumulated losses	Equity attributable to owners of the Company, total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group							
At 01.07.2020	231,676	(549)	(168,373)	(128,604)	(65,850)	(110)	(65,960)
Loss for the period	-	-	-	(12,065)	(12,065)	(3)	(12,068)
Foreign currency translation	-	-	1,570	1	1,571	(2)	1,569
Total comprehensive loss for the period	-	-	1,570	(12,064)	(10,494)	(5)	(10,499)
At 31.12.2020	231,676	(549)	(166,803)	(140,668)	(76,344)	(115)	(76,459)
At 01.07.2019	231,676	(549)	(168,126)	(48,171)	14,830	(39)	14,791
Effect of adoption of SFRS(I) 16	-	-	-	4,495	4,495	-	4,495
At 01.07.2019 (restated)	231,676	(549)	(168,126)	(43,676)	19,325	(39)	19,286
Loss for the period	-	-	-	(17,211)	(17,211)	(3)	(17,214)
Foreign currency translation	-	-	(220)	-	(220)	(2)	(222)
Total comprehensive loss for the period	-	-	(220)	(17,211)	(17,431)	(5)	(17,436)
As at 31.12.2019	231,676	(549)	(168,346)	(60,887)	1,894	(44)	1,850

1(d)(i) Statements of Changes in Equity (Cont'd)

	Share capital	Treasury shares	Other reserves (Note A)	Accumulated losses	Equity, total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company					
At 01.07.2020	231,676	(549)	(48,356)	(73,840)	108,931
Loss for the period	-	-	-	(928)	(928)
Foreign currency translation	-	-	821	-	821
Total comprehensive income/(loss) for the period	-	-	821	(928)	(107)
At 31.12.2020	231,676	(549)	(47,535)	(74,768)	108,824
At 01.07.2019	231,676	(549)	(47,891)	(44,359)	138,877
Loss for the period	-	-	-	(574)	(574)
Foreign currency translation	-	-	822	-	822
Total comprehensive income/(loss) for the period	-	-	822	(574)	248
As at 31.12.2019	231,676	(549)	(47,069)	(44,933)	139,125

Note A: Other reserves

	Group		Company	
	6 months ended		6 months ended	
	31.12.2020	30.12.2019	31.12.2020	30.12.2019
	\$'000	\$'000	\$'000	\$'000
Foreign currency translation reserve	(50,350)	(52,629)	(47,535)	(47,069)
Fair value of financial assets at fair value through other comprehensive income	102	838	-	-
Capital redemption reserve	1	1	-	-
Acquisition reserve	(2,762)	(2,762)	-	-
Capital contribution from ultimate holding company	9,959	9,959	-	-
Merger reserve	(123,753)	(123,753)	-	-
	(166,803)	(168,346)	(47,535)	(47,069)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

No. of shares	31.12.2020	31.12.2019
Issued share capital	677,300,000	677,300,000
Treasury shares held	3,500,000	3,500,000
Shares to be issued pursuant to the exercise of all the outstanding share options	-	-

1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial year and as at the end of the immediately preceding year.

	31.12.2020	30.06.2020
Total number of issued shares excluding treasury shares	673,800,000	673,800,000

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the current quarter.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation to the financial statements for the current quarter as in the most recent audited financial statements for the financial year ended 30 June 2020, save for as disclosed in note 5.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change

The Group has considered the following standards that have been issued and effective for annual periods beginning on or after 1 January 2020, where applicable.

Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*

Amendments to SFRS(I) 3 *Definition of a Business*

Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*

Amendments to References to the Conceptual Framework in SFRS(I) Standards

Amendment to SFRS(I) 16: *Covid-19-Related Rent Concessions*

The adoption of the standards above are not expected to have any material impact on the financial statements for the current financial year.

6. Loss per ordinary share

Loss per ordinary share attributable to owners of the Company: -

	Group		Group	
	Quarter ended		6 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Basic and diluted (cent)	(0.91)	(1.11)	(1.79)	(2.55)
Based on weighted average number of shares ('000)	673,800	673,800	673,800	673,800

There was no potential dilution effects on the ordinary shares of the Company. Accordingly, the basic and diluted loss per ordinary share for the reported quarters were the same.

7. Net asset value per ordinary share

	Group		Company	
	31.12.2020	30.06.2020	31.12.2020	30.06.2020
Net asset value per ordinary share based on total number of issued shares excluding treasury shares (S\$)	(0.113)	(0.098)	0.162	0.162

8. Review of Group performance

Update on disclosure in relation to Covid-19 pandemic

Up to 31 December 2020, all the stores across the regions where the Group operated were opened for business.

In Indonesia, most of the provinces were under partial lockdown or some forms of lockdown, and the stores in Indonesia were operating under restricted operating hours.

In Malaysia, following the implementation of conditional movement control order (CMCO) since October 2020 in certain states, the Malaysian government had on 11 January 2021 announced the implementation of movement control order 2.0 ("MCO 2.0") in certain states with effect from 13 January 2021 in view of the spiking infectious cases. With the relevant approval obtained from the authority, most of the Parkson stores remained open for business, however, with certain restrictions during the MCO 2.0 period.

The Group has at all times stay vigilant during the Covid-19 pandemic and continues to put in place the following measures, consistent with the previous quarters.

- (i) sanitary masks are provided to store staff and temperature screening at store/head office;
- (ii) hand sanitizers are provided at store/head office;
- (iii) employees are not allowed to travel or those who have travelled to overseas and are subject to quarantine are required to inform the Group's human resource department;
- (iv) employees who develop any respiratory disease symptoms are required to seek treatment, abstain from attending their workplace and inform their supervisors;
- (v) employees are reminded of the importance of maintaining good personal health and hygiene; and
- (vi) social distancing is being implemented at our stores and back offices.

The Group continues to work closely with the management of the shopping malls and complexes where the Parkson retail stores are located and implement the measures recommended by the mall management with regards to ensuring the safety of the staff and customers who shop at the stores.

The COVID-19 pandemic continues to impact negatively (in a different degree in the regions where the Group operates) on the Group's financial performance / cash flows for the quarter/period ended 31 December 2020. Nevertheless, the Group has taken proactive steps, amongst others, to reduce costs including salary reduction and negotiation with landlords for rent waiver/reduction. To weather the COVID-19 impact, the Group has continued to implement the following action plans under its Business Continuity Plan (BCP):-

- negotiating with the landlords to either waive the rent or reduce the rent substantially;
- negotiating with its creditors/suppliers and financial institutions to restructure payment plan, where appropriate;
- implementing salary reduction and prioritising on essential services to contain costs;
- launching online sales platform to maintain the Group's revenue stream as much as possible; and
- implementing stringent SOP to ensure the highest level of hygiene standard for the safety of staff and customers who shop at the stores.

As far as supply chain management is concerned, the Group is cordially discussing with its suppliers to continue trading with Parkson stores amid this difficult time, and is, as usual, negotiating on payment plan/arrangement.

In light of the degree of uncertainty of the COVID-19 pandemic, the Group is cautiously reviewing its capital expenditure plan ahead to remain prudent.

Business Environment

The Group recorded the following Same Store Sales Growth (“SSSG”) by countries: -

	Quarter ended		6 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Malaysia	-42.9%	2.3%	-30.1%	0.7%
Vietnam	-28.3%	-11.3%	-29.1%	-12.7%
Indonesia	-74.1%	-8.1%	-73.6%	-7.9%

The three countries’ operations recorded negative SSSG, largely affected by the prolonged COVID-19 pandemic.

There were closures of two (2) stores in Malaysia and one (1) store in Indonesia during the financial period ended 31 December 2020.

As at 31 December 2020, the Group’s department store network comprised 58 (30 June 2020 : 61) stores spanning approximately 644,000 sqm of Gross Floor Area; 40 (30 June 2020 : 42) in Malaysia (443,000 sqm), 4 (30 June 2020 : 4) in Vietnam (71,000 sqm) and 14 (30 June 2020 : 15) in Indonesia (130,000 sqm).

Operating Results

The components of Gross Sales Proceeds (“GSP”) are as follows: -

	Group			Group		
	Quarter ended			6 months ended		
	31.12.2020	31.12.2019	+ /(-)	31.12.2020	31.12.2019	+ /(-)
	S\$’000	S\$’000	%	S\$’000	S\$’000	%
GSP						
Sales of goods - direct sales	25,926	52,292	(50.4)	53,454	98,147	(45.5)
Sales of goods - concessionaire sales	93,495	175,611	(46.8)	196,391	301,086	(34.8)
Total merchandise sales	119,421	227,903	(47.6)	249,845	399,233	(37.4)
Consultancy / management service fees	67	147	(54.4)	141	251	(43.8)
Rental income	1,966	3,231	(39.2)	3,320	5,680	(41.5)
Food and beverage	333	761	(56.2)	807	1,537	(47.5)
Total GSP	121,787	232,042	(47.5)	254,113	406,701	(37.5)

The decline in total merchandise sales by 37.4%, largely due to lower sales attained across the regions generally as a result of the prolonged COVID-19 pandemic. Merchandise sales mix remained largely concessionaire at 78.6% (6MFY2020: 75.4%) while contribution from direct sales was 21.4% (6MFY2020: 24.6%).

Consultancy and management service fees from managing a department store in Malaysia declined by 43.8% due to lower sales attained by the departmental store. Rental income decreased by 41.5% due mainly to rent rebate granted to tenant, exit of tenant from department store and reduction in the Group’s store count during the current period. Food and beverage operations registered a decline in sales by 47.5%, mainly affected by the prolonged COVID-19 pandemic.

Merchandise gross profit margin stood at 23.8% (6MFY2020: 24.1%).

Financial Results

Revenue

The components of the Group's revenue are as follows: -

	Group			Group		
	Quarter ended			6 months ended		
	31.12.2020	31.12.2019	+/(-)	31.12.2020	31.12.2019	+/(-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue						
Sales of goods - direct sales	25,926	52,292	(50.4)	53,454	98,147	(45.5)
Commission from concessionaire sales	22,525	40,500	(44.4)	47,137	70,523	(33.2)
Consultancy / management service fees	67	147	(54.4)	141	251	(43.8)
Rental income	1,966	3,231	(39.2)	3,320	5,680	(41.5)
Food and beverage	333	761	(56.2)	807	1,537	(47.5)
Total Revenue	50,817	96,931	(47.6)	104,859	176,138	(40.5)

Other items of Income

Finance income increased yoy by >100%, due mainly to recognition of income from subleasing right-of-use assets.

Expenses

Total expenses of the Group declined yoy by 37.6% and analysis of major expenses is as follows: -

Changes in merchandise inventories and consumables

Changes in merchandise inventories and consumables decreased yoy by 44.4%, largely in line with the decline in revenue and reduction in the Group's store count during the current period.

Employee related expense (staff costs)

Staff costs declined yoy by 24.0%, in line with lesser headcount following the reduction in the Group's store count during the current period and it was part of the Group's cost cutting exercise.

Depreciation expense of right-of-use assets ("ROUA")

Depreciation expense of ROUA declined by 22.2% due to lower ROUA as a result of impairment in prior year.

Depreciation and amortisation expense

Depreciation and amortisation expense decreased yoy by 7.7%, due mainly to lower property, plant and equipment as a result of impairment and write-off in prior year.

Promotional and advertising expense

Promotional and advertising expenses declined yoy by 69.2%, largely attributed to the shifting from traditional media (newspapers) to digital media, of which the latter is more cost efficient and it was part of the Group's cost cutting exercise.

Operating lease expenses

Operating lease expense declined yoy by >100% was largely due to the Group's lesser store count during the current quarter and rent rebate obtained from the landlords pursuant to the COVID-19 pandemic, and in line with the adoption of SFRS(I) 16 Leases.

Other expenses

Other expenses for 6MFY2021 comprised mainly (a) selling and distribution expenses amounted to S\$2.4 million, (b) general and administrative ("G&A") expenses amounted to S\$4.9 million and (c) other operating expenses amounted to S\$5.9 million. The decline in other expenses was mainly due to lesser store count during the current period and it was part of the Group's cost cutting exercise. Included in other expenses of the corresponding period was impairment of property, plant and equipment amounted to S\$4.3 million.

Loss before tax

The Group recorded lower loss before tax of S\$13.8 million, largely due to the reduced loss of its operations in Vietnam, as disclosed in note 14 on page 18.

Tax expense

The Group recorded current tax expense of S\$1.2 million as a subsidiary was in a taxable position. Deferred tax income recognised pursuant to SFRS(I) 16 Leases was S\$2.9 million, resulting in net tax credit of S\$1.7 million.

Group Statement of Financial Position

The Group was in a net current liabilities ("NCL") position of S\$107.7 million as at 31 December 2020. NCL of the Group decreased by 8.2% from S\$117.4 million of 30 June 2020. However, the negative equity of the Group has enlarged to S\$76.5 million as at 31 December 2020 from S\$66.0 million as at 30 June 2020 in view of the net loss of S\$12.1 million incurred by the Group.

The financial information of the Group has been prepared on a going concern basis. The ability of the Group to continue as a going concern is dependent on the Group generating cash flows from its operations to meet its working capital needs and continued support from its suppliers and creditors.

Property, plant and equipment declined to S\$61.3 million mainly due to depreciation.

Right-of-use assets declined to S\$231.1 million due mainly to depreciation.

Inventories declined to S\$30.2 million due mainly to the Group's effort to manage inventories level, and was fairly in line with the Group's decline in revenue.

Prepayments (current) increased to S\$2.6 million due mainly to partial advance payments to suppliers.

Cash and short-term deposits increased to S\$19.0 million, largely due to higher collections relating to the December festive season.

Asset classified as held for sale was as announced on 27 July 2020, a wholly-owned subsidiary of the Group had entered into a conditional Asset Transfer Agreement with a purchaser for the disposal of the plot of land use right and building in Hai Phong City, Vietnam for USD10.0 million (equivalent to approximately S\$13.8 million) inclusive of value added tax. Consequently, the said land use right and building were classified as asset held for sale.

Trade and other payables (current) increased to S\$112.8 million due mainly to timing of recognition/payment and was fairly in line with the December festive season.

Lease liabilities (current and non-current) declined to S\$316.0 million due mainly to payments to landlords.

Company Statement of Financial Position

Trade and other receivables (current) increased to S\$4.5 million due mainly to additional loans to subsidiaries.

Trade and other payables (current) increased to S\$12.1 million due mainly to additional loans from the ultimate holding company.

Group Cash Flow

The Group recorded net cash inflow of S\$53.7 million in operating activities while net cash used in investing activities was S\$4.3 million and the Group recorded net cash used in financing activities of S\$37.9 million, resulting in a net increase in cash and cash equivalents of S\$11.6 million (6MFY2020 : S\$11.1 million), fairly in line with the corresponding period and partly contributed by changes in working capital and lower capital expenditure spent.

9. Material litigations

Parkson (Cambodia) Co., Ltd.

The Company refers to its announcements made on 15 November 2018, 27 August 2019, 29 October 2019, 31 October 2019, 14 February 2020, 27 April 2020, 15 May 2020, 21 May 2020, 27 August 2020, 15 September 2020, 30 October 2020 and 12 November 2020 ("Previous Announcements") and all capitalised terms used here shall have the same meanings ascribed to them in the Previous Announcements. As stated in the Previous Announcements, PCCO was appealing to the Phnom Penh Court of Appeal in respect of PPMCFI's dismissal of PCCO's motion to challenge the PPMCFI Judge ("Appeal on Motion to Challenge Judge").

Further to the previous quarterly announcement made on 30 October 2020, the Phnom Penh Court of Appeal had on 11 November 2020, dismissed the Appeal on Motion to Challenge Judge. However, PPMCFI has yet to fix a date for the pre-trial proceedings and hearing for Case No. 2577 and to set aside the default judgement against PCCO.

On 27 November 2020, PCCO has applied for the recognition and enforcement of the SIAC Award to the Phnom Penh Court of Appeal.

Parkson Corporation Sdn Bhd

1. Millenium Mall Sdn Bhd

There has been no further update since the previous quarterly announcement made on 30 October 2020.

2. PKNS Andaman Development Sdn Bhd

The Company refers to its announcements made on 26 December 2019, 14 February 2020, 15 May 2020, 22 May 2020, 27 August 2020, 30 October 2020 and 1 February 2021 ("Previous Announcements") and all capitalised terms used here shall have the same meanings ascribed to them in the Previous Announcements.

Further to the previous quarterly announcement made on 30 October 2020, the High Court of Malaya had on 29 January 2021, delivered its decision allowing PCSB's application to strike out the Suit with costs of RM7,000 (approximately S\$2,303 based on an illustrative exchange rate of RM3.04 : S\$1) to be paid by PKNS to PCSB.

Parkson Vietnam Co., Ltd

The Company refers to its announcements made on 11 December 2020, 16 January 2021 and 28 January 2021 ("Previous Announcements") and all capitalised terms used here shall have the same meanings ascribed to them in the Previous Announcements.

PVC received a letter dated 25 November 2020 from the VIAC which provided, amongst others, that the Landlord had submitted an Arbitration Request in respect of a claim of approximately VND26.9 billion (approximately S\$1.6 million based on an illustrative exchange rate of VND17,279 : S\$1) in alleged unpaid and outstanding rental and late payment charges for the period from 15 April 2019 to 14 August 2020 in connection with the Lease. PVC had subsequently received another letter from the Landlord, alleging, amongst others, that PVC is required under the terms of the Lease to pay to the Landlord a total amount of VND66.2 billion (approximately S\$3.8 million based on an illustrative exchange rate of VND17,279 : S\$1) for unpaid and outstanding rental and late payment charges for the period from 15 April 2019 to 14 January 2021 and compensation for early termination of the Lease ("Revised Claim Amount"), and that the Premises are to be returned to the Landlord by 14 January 2021. The increase in the Revised Claim Amount, as compared with the Claim Amount, is principally attributable to the Landlord's demands for early termination compensation and forfeiture of the security deposit currently held by the Landlord.

Subsequently on 26 January 2021, PVC received a letter from the VIAC notifying PVC the additional petition submitted by the Landlord to the VIAC to amend the Arbitration Request in accordance with the Revised Claim Amount, to seek return of the Premises to the Landlord, and to seek compensation for all arbitration fees and other relevant expenses (including legal fees) incurred by the Landlord in connection with the alleged breaches ("Amended Arbitration Claim"). PVC is currently seeking legal advice from its Vietnam counsel on the appropriate response to the Amended Arbitration Claim.

On 27 January 2021, PVC filed its statement of defence with the VIAC in response to the Arbitration Request from the Landlord in respect of the Claim Amount, as well as a counterclaim to effectively require the Landlord to allow PVC's sub-tenants to re-locate and handover their respective premises back to PVC.

PT Tozy Sentosa

The Company refers to its announcement made on 1 February 2021 ("Previous Announcement") and all capitalised terms used here shall have the same meanings ascribed to them in the Previous Announcement.

PT Tozy had on 22 January 2021, received a legal notice dated 21 January 2021 from the lawyers representing certain suppliers and/or consignors in relation to the claims made by the Claimants pursuant to alleged unpaid and outstanding invoices in connection with various consignment partnership agreements entered into between PT Tozy and the respective Claimants. PT Tozy is 99.98% owned by the Company, and 0.02% owned by the Company's direct wholly-owned subsidiary, Centro Retail Pte Ltd. PT Tozy currently operates all of the Group's 13 department stores in Indonesia.

Based on the Legal Notice, the Claimants have alleged that PT Tozy has received from the Claimants certain consignment merchandises for sale at PT Tozy's department stores for which payment remains outstanding from PT Tozy. The aggregate amount of the claims is approximately IDR15.0 billion (approximately S\$1.4 million based on an illustrative exchange rate of IDR10,517 : S\$1) ("Claim Amount"). The Legal Notice has demanded for payment to be made by PT Tozy to the relevant Claimants no later than 28 January 2021. PT Tozy has appointed an Indonesian legal counsel to advise on the Legal Notice and is currently in negotiations with the Claimants on a payment schedule of the Claim

Amount. PT Tozy has paid approximately IDR0.7 billion (approximately S\$0.07 million based on an illustrative exchange rate of IDR10,517 : S\$1) to the Claimants as the first instalment payment.

The Group will make further announcement as and when there are material developments to the above matters.

10. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's commentary on its core business as outlined in Note 10 in the preceding quarterly results announcement dated 30 October 2020 was generally in line with the operating environment encountered in the current quarter.

11. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group's operating environment for the financial year ending 30 June 2021 is expected to remain challenging amid the prolonged COVID-19 pandemic and weak consumers' sentiment. Nevertheless, the Group has adopted various measures to mitigate the negative impact of the COVID-19 pandemic by focusing its priorities on enhancing product offerings, optimising operational efficiency and productivity at department stores as well as cost control and cash flows management, in particular strategising the timing of payment to suppliers and ongoing negotiations with landlords for rental rebates.

12. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

13. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

Not applicable as the Group is in a loss position.

PART II - ADDITIONAL DISCLOSURE

14. Group Performance by Geographical Segment

Group	Malaysia		Vietnam		Indonesia		Others		Total	
	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020
6 months ended	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Gross Sales Proceeds	215,366	315,080	21,824	25,359	16,096	64,702	827	1,560	254,113	406,701
Revenue	92,515	145,440	5,909	7,168	5,608	21,970	827	1,560	104,859	176,138
Pre-tax Results										
Department stores	1,640	2,471	(3,078)	(9,082)	(6,432)	(4,358)	-	-	(7,870)	(10,969)
Lifestyle retail stores	(3,424)	(2,280)	-	-	-	-	-	-	(3,424)	(2,280)
Other business	(1,784)	191	(3,078)	(9,082)	(6,432)	(4,358)	-	-	(11,294)	(13,249)
- food and beverage	-	-	-	-	-	-	(395)	(937)	(395)	(937)
Corporate expenses	-	-	-	-	-	-	(2,061)	(2,362)	(2,061)	(2,362)
Reported pre-tax results	(1,784)	191	(3,078)	(9,082)	(6,432)	(4,358)	(2,456)	(3,299)	(13,750)	(16,548)

15. Interested person transactions for the financial period ended 31 December 2020

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 S\$'000
Lion Corporation Berhad ⁽¹⁾	Associate of Tan Sri William Cheng Heng Jem, a director and controlling shareholder of the Company ("Tan Sri William Cheng")	-	1,955
Parkson Holdings Berhad Group ⁽²⁾	Associate of Tan Sri William Cheng	145 ⁽ⁱ⁾	1,033 ⁽ⁱⁱ⁾
Lion Posim Berhad ⁽³⁾	Associate of Tan Sri William Cheng	-	184
Vision Well Sdn Bhd ⁽⁴⁾	Associate of Tan Sri William Cheng	-	170

Notes:

- (1) (a) Marketing fee payable for bonus points issued and amount received/receivable for point redemption made by cardholders totaling S\$1.816 million;
(b) Purchase of security equipment and procurement of security service totaling S\$0.139 million;
- (2) (i) Interest expense of S\$0.145 million in relation to loan from the ultimate holding company;
(ii) (a) Rental income and store management fee totaling S\$0.165 million;
(b) Net purchase of merchandise and concessionaire sales totaling S\$0.868 million.
- (3) Purchase of building materials and merchandise, sale of gift voucher and rental income.
- (4) Rental of office space.

16. Confirmation by Directors

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results of Parkson Retail Asia Limited for the second quarter ended 31 December 2020 to be false or misleading.

17. Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

For and on behalf of the Board
PARKSON RETAIL ASIA LIMITED

Tan Sri William Cheng Heng Jem
Executive Chairman

Singapore
4 February 2021