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

RESPONSES TO SGX QUERIES IN RELATION TO THE QUARTERLY ANNOUNCEMENT DATED 13 AUGUST 2021

The Board of Directors (“Board”) of Parkson Retail Asia Limited (“Company”, and together with its subsidiaries, the “Group”) refers to the announcement dated 13 August 2021 titled "Unaudited Financial Statements for the Fourth Quarter and Twelve Months ended 30 June 2021”. The Board has received the following queries from the Singapore Exchange Securities Trading Limited, and sets out its responses below.

SGX’s Query (i):

*In its unaudited FY2021 Financial Statements, the Group recognised a reversal of impairment amounting to S$2,008,000 in relation to its property, plant and equipment (“**PPE**”) for the quarter ended 30 June 2021. In this regard, please disclose the following information:*

(a) How the Group’s reversal of impairment in its PPE of S$2,008,000 was determined;

Company’s Response:

The Group's reversal of impairment in its PPE related to the ongoing legal proceedings against PT Tozy Sentosa ("PT Tozy"), as previously announced by the Company on 1 February 2021, 4 February 2021, 26 March 2021, 31 March 2021, 11 May 2021 and 18 May 2021. In light of PT Tozy’s suspension of debt payment obligation status, which was announced by the Company on 31 March 2021, PT Tozy had made an impairment on its PPE of S$7.2 million and the Group had reflected the said impairment in its third quarter financial results dated 11 May 2021. The reversal of the impairment of PPE in the Group's fourth quarter financial results arose upon PT Tozy's adjustment to the valuation (which is estimated recoverable amount by the management) of the PPE, based on the updated assessment, after obtaining further information and confirmation. In the case of PT Tozy, the valuation contained in the Group’s third quarter financial results was lower than the valuation in the Group’s fourth quarter financial results, resulting in a reversal of impairment of PPE by PT Tozy of S$2.6 million in the Group’s fourth quarter financial results. There was an additional impairment in PPE from the other company within the Group of S$0.6 million in the fourth quarter financial results, resulting in a net reversal of impairment of S$2.0 million in the same quarter. The Group does not expect any further material adjustment to the impairment made previously on PT Tozy’s PPE for the remaining quarters of the financial year ending 31 December 2021.

(b) *Whether any valuation was conducted, the value placed on these assets, as well as the basis and the date of such valuation;*

Company's Response:

The valuation was conducted by the management of PT Tozy based on the available best estimates, and in consultations with PT Tozy's external financial consultant and legal counsel in Indonesia, as well as the Company's external auditor.

	Non-current assets	Valuation (Estimated recoverable amount) S$'000	Date of valuation	Basis of valuation
1	Land	3,100	16 May 2021	Based on management's available best estimate, offers on hand and market data.
2	Building	10,234		
3	Furniture, fittings and equipment	486		
4	Motor vehicles	23		
Total		**13,843**		

(c) *The Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the reversal of impairment of S$2,008,000; and*

Company's Response:

The impairment and reversal of impairment relating to the PPE were in accordance with the applicable accounting standards and generally accepted accounting principles. The Board is accordingly of the view that the methodologies adopted are fair, reasonable and prudent.

(d) *The reasons for the reversal of impairment of S$2,008,000.*

Company's Response:

As explained in (a) above.

SGX's Query (ii):

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$8,670,000 as at 30 June 2021. The Group also reported a decrease in the "Trade and other receivables" financial statement line item under its current assets from S$11,930,000 as at 30 June 2020 to S$9,101,000 as at 30 June 2021.

At pg 15, it was further disclosed that "Trade and other receivables declined to $9.1 million due mainly to the deconsolidation of a subsidiary in Indonesia."

In this regard, please disclose:

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

Company's Response:

Non-current assets – Other receivables

	Nature	**As at 30 June 2021 S$'000**
1	Rental deposits	6,912
2	Deferred lease expenses	1,457
3	Other deposits	301
Total		**8,670**

Current assets – Trade and other receivables

	Nature	**As at 30 June 2021 S$'000**
1	Trade receivables	1,597
2	Sales tax receivables	1,700
3	Other receivables	3,041
4	Rental deposits	778
5	Other deposits	1,009
6	Amount due from related companies	976
Total		**9,101**

(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 trade and other receivables;*

Company's Response:

		Past due (days)				**As at 30 June 2021 Total S$'000**
	Current S$'000	**<30 S$'000**	**30 to 60 S$'000**	**60 to 90 S$'000**	**>90 S$'000**	
Trade receivables	158	210	419	254	556	1,597
Other receivables	3,172	-	-	-	4,332	7,504
Total	**3,330**	**210**	**419**	**254**	**4,888**	**9,101**

Note: Other receivables for >90 days mainly related to rental and other deposits (S$1,787,000), and an amount recoverable from a contractor (S$1,386,000). 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$1,869,000.

(d) *The Group's plans to recover these trade and 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 trade and 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.

Trade and other receivables balances are audited and assessed for impairment purposes annually by the Company's external auditor.

SGX's Query (iii):

We also note that the Group recognised a "Write-back of allowance" for its trade and other receivables amounting to S$1,456,000 for the quarter ended 30 June 2021, as compared to providing an allowance for its trade and other receivables of S$323,000 for the quarter ended 30 June 2020.

In this regard, please disclose the Board's opinion on the reasonableness of the methodologies used to determine the write-back of allowance for its trade and other receivables of S$1,456,000 for the quarter ended 30 June 2021.

Company's Response:

The write-back of allowance for the trade and other receivables in the Group's fourth quarter financial results mainly related to PT's Tozy's allowance for trade and other receivables in the Group's third quarter financial results, which was in light of PT Tozy's suspension of debt payment obligation status, as announced on 31 March 2021. Subsequent to the Group's third quarter financial results, there was reassessment of recoverable amounts by the management of PT Tozy based on the offsetting of receivables against payables for the same parties in which certain impairment made in the Group's third quarter financial results was no longer required and applicable, resulting in a write-back of allowance for the trade and other receivables in the Group's fourth quarter financial results. 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 are fair, reasonable and prudent.

The Group does not expect any further material adjustment to the impairment made previously on PT Tozy's trade and other receivables for the remaining quarters of the financial year ending 31 December 2021.

SGX's Query (iv):

As at 30 June 2021, the Group reported an aggregate of S$11,857,000 of borrowings (comprising secured bank overdraft and banker's acceptance of S$2,530,000 and unsecured loans of S$9,327,000) which are repayable in one-year or less, or on demand, as well as an aggregate of S$10,315,000 in unsecured loans 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$4.5 million (12MFY2020: S$2.4 million) and a corporate guarantee from a subsidiary".

The Group reported cash and cash equivalents of S$25,780,000 as at 30 June 2021. In this regard:

(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; and
(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.

(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;
(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;
(iii) the Group had made announcements on 27 July 2020, 15 October 2020, 30 October 2020, 8 February 2021 and 16 June 2021 on the disposal of a property in Vietnam

for a consideration of USD10.0 million, inclusive of value added tax. The Group expects the conditions stipulated in the Asset Transfer Agreement(s) to be fulfilled, the disposal of the property to be completed and the net proceeds on the disposal of S$11.5 million to be received in the financial year ending 31 December 2021; and

(iv) subsequent to 30 June 2020, the Group received additional advances/loans of approximately S$13.3 million from the ultimate holding company of the Company, Parkson Holdings Berhad ("PHB") and its subsidiary. These advances/loans are unsecured. The Company will continue to discuss with PHB of its funding requirement, subject to PHB's availability of financial resources and the necessary approval.

(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. Most of the Group's stores in Malaysia have recently resumed business operations (with certain restrictions where applicable and stringent SOP to be complied with) and 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 strive to meet its short-term obligations as and when they fall due.

BY ORDER OF THE BOARD

Tan Sri William Cheng Heng Jem
Executive Chairman

06 September 2021