Issuer: Parkson Retail Asia Limited
Security: Parkson Retail Asia Limited

Meeting details:
Date: 31 October 2017
Time: 2.00 p.m.
Venue: Pan Pacific Singapore, Level 2, Ocean 1, 7 Raffles Boulevard, Marina Square, Singapore 039595

Company Description
Parkson Retail Asia Limited, an investment holding company, operates and manages department stores in Malaysia, Vietnam, Indonesia, Myanmar, Singapore, and Cambodia. Its stores offer products under various categories, such as fashion and apparel; cosmetics and accessories; household, electrical goods, and others; and groceries and perishables to consumers. The company is also involved in the operation of supermarkets; and merchandising activities. As of September 30, 2016, it operated 77 stores, including 45 department stores in Malaysia, 16 stores Indonesia, and 1 store in Myanmar, as well as 1 supermarket each in Malaysia and Indonesia, and 2 shoes-gallery stores in Malaysia. In addition, the company engages in retailing and operating shopping centers; upgrading and leasing retail space for the establishment of a department store; and operates theme parks, related food and beverage and merchandising centers, education centers, and nursery centers. Further, it trades in apparels and consumer products; distributes and sells fragrance and beauty care products; and provides management and consulting services on real estate, business, and marketing in relation to department stores. The company was founded in 1987 and is based in Singapore. Parkson Retail Asia Limited is a subsidiary of East Crest International Limited.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=O9E)

Q1. As noted in the Chairman's Statement (pages 2-3 of the annual report), the company turned 30 and is a leading and award-winning department store retailer in the Southeast Asia region with 70 stores spanning 809,000 sqm of gross floor area. The year also saw appointment of a new Chief Executive Officer, Mr. Larry Michael Remsen.

The operating environment is challenging, as evidenced by the loss attributable to owners of the company of $(58.2) million, the largest in the group's history. Total equity stands at $90.3 million as at 30 June 2017, down from $253.0 million in 2013.

a) **With a new Chief Executive Officer in place since 1 April 2017, can shareholders understand from Mr. Remsen his assessment of the challenges within the industry and for the group?**

b) **How has the board and the management adapted the group's strategic business plans to the disruption in the retail landscapes and to the changes in consumer preferences and behaviour?**

c) **Has management considered the need to make changes to the business model, including adapting the store format to consumption and shopping trends?**

d) **Can management help shareholders understand if the group's investment in agency lines and private labels would change the risk profile of the group significantly?**

Q2. Impairment assessment of property, plant and equipment is one of the five key audit matters in the Independent Auditor's Report (page 47). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

The impairments of property, plant and equipment for 2016 and 2017 were $5.4 million and $21.4 million respectively.

In Note 11 (page 94 – Property, plant and equipment), it was disclosed that:

> *During the financial year, the Group undertook a comprehensive review to assess the viability of underperforming stores and ventures. As a result of the review, the Group recorded impairment charges on the property, plant and equipment of its underperforming stores of SGD21,381,000, comprising SGD8,673,000 from Malaysia, SGD371,000 from Vietnam, and SGD4,619,000 from Indonesia. Additionally, the Group impaired property, plant and equipment in relation to its edutainment venture in Malaysia of SGD4,346,000, as well as its planned store in Cambodia of SGD3,372,000.*

In May 2016, Parkson opened its first edutainment centre in Maju Junction mall, which comprises of a theme park, education and nursery centres.

a) **Can the group update shareholders on the main findings of the comprehensive review?**

b) **Specifically, on the impairment recognised for the planned store in Cambodia of S$3.4 million, can management provide better visibility on the status of the planned store? Did the group make prepayment on its rental to the landlord who has not been able to complete the physical construction of the store? What are the safeguards in place to prevent such events from happening again?**

c) The group went into the edutainment centre in May 2016 and has since impaired the property, plant and equipment in relation to the edutainment venture by $4.3 million. **With a challenging core business, and a smaller equity base as well as widening net current liabilities position, how does the group balance its risk taking (new ventures such as edutainment, bakery, private labels etc) with the need to conserve cash?**

Q3. In the Independent Auditor's Report, the Independent Auditor has included an emphasis of matter in respect of the audited financial statements of the Group for the financial year ended 30 June 2017, drawing shareholders' attention to Note 2 to the

Audited Financial Statements, which indicates that the Group incurred a net loss of SGD61,234,000 for the financial year ended 30 June 2017, and as of that date, the Group's current liabilities exceeded its current assets by SGD55,456,000 and these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

In the Director's Statement (page 42), it was stated that, in the opinion of the directors:

> *"at the date of this statement, with the continued financial support from the ultimate holding company, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due"*

a) **Can the board tell shareholders the level of support from the ultimate holding company, in terms of firm commitment with respect to financial resources and for how long is the commitment from the ultimate holding company?**

b) **Can the board also help shareholders understand the financial position of the ultimate holding company?**

c) **Apart from support from the ultimate holding company, has the board evaluate its options in obtaining other sources of funding? Has the company explored other strategic partnerships?**