



Company Registration No. 197001177H
(Incorporated in the Republic of Singapore)

50TH ANNUAL GENERAL MEETING

Responses to substantial and relevant questions received from: (1) the Securities Investors Association (Singapore); and (2) Isetan Singapore Limited shareholders

The Board of Directors (the “**Board**”) of Isetan (Singapore) Limited (the “**Company**”) wishes to thank the Securities Investors Association (Singapore) and the Company’s shareholders who submitted their questions in advance of the Annual General Meeting (“**AGM**”) to be convened and held by way of electronic means on 28 April 2021 at 10.00 am.

Responses to questions raised by the Securities Investors Association (Singapore)(“SIAS”)

Please refer to **Appendix (1)** for the Company’s responses to the questions raised by SIAS in relation to our Investment Property at Wisma Atria, retail operations, capital structure and Return on Equity.

Responses to questions submitted by shareholders which are relevant to the Resolutions of the AGM

We received questions from shareholders relating to the Company’s 2020 financials, business operations, strategy, and Isetan Wisma Atria. As there were overlaps in the questions received, we will not be providing responses to every question. We have, therefore, grouped related and similar questions together, and provided our corresponding responses to them. Please refer to our responses as set out in **Appendix (2)**.

We have also received some questions from shareholders which were similar to those posed by SIAS. As such, please refer to our responses in Appendix (1).

By Order of the Board

Lun Chee Leong
Company Secretary
27 April 2021

Appendix 1

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Questions	Responses
<p>1) As noted in the chairman’s statement, on 22 January 2021, the company announced that it was exploring options for the group’s investment property at Wisma Atria. No definitive decision or agreement has been made or entered into by the company to date.</p> <p>The group ceased its own retailing activities at Wisma Atria at the end of March 2015 and converted it into an investment property for rental income. As disclosed in Note 20 (page 90 – Investment properties), the fair value of the investment property is estimated to be \$292.5 million (estimation based on \$300.6 million less \$8.1 million for the portion of the Kallang Pudding warehouse that is recognised as investment property).</p> <p>(i) Can the board help shareholders understand how it is carrying out the strategic review of Wisma Atria? What is included in the scope of the review?</p> <p>(ii) What is the progress made so far? Has the company commenced exploratory discussions on the matter with third parties?</p> <p>(iii) In addition, what impact does management think the Thomson-East Coast MRT line would have on Wisma Atria given that Orchard Road already enjoys good connectivity?</p>	<p>The Company’s investment property at Wisma Atria (“the Property”) is currently used to generate rental income for the Company in line with the Company’s strategy of diversifying its income stream having regard to the challenges being faced in its retail business. The Board recognises that the Isetan Wisma Atria Investment Property is a strategic asset and carefully and regularly reviews how the use of this strategic asset can contribute towards the Company’s long-term strategy while paying close attention to evolving circumstance relating to the Investment Property.</p> <p>One of the key factors that the Board closely monitors is the remaining leasehold interest of the property. The Board periodically reviews whether or not it would be in the best interest of the Company to continue using the property for generation of rental income or to dispose of the property. In so doing, the Company will have to take into account many different other factors such as the future potential of the property to generate rental income, the costs of any necessary upgrading to obtain better yields, the prospect of the retail rental market, the effect of surrounding developments on rental yields and resale price (including the potential positive impact of the completion of the Thomson-East Coast MRT line on this), opportunity costs and the price at which the Property may fetch in the immediate future. The situation is dynamic with the uncertainties presented by the Covid-19 pandemic making it even more challenging to make accurate assumptions and predictions regarding some of these factors.</p>

Questions	Responses
<p>In September 2019, it was reported in the media that the manager of Starhill Global REIT had submitted a non-binding expression of interest to acquire the group's stake in the Wisma Atria mall. Citing an unnamed source, it said that the REIT was seeking to buy the stake for more than \$290.7 million which was the then-fair value as reported by the group.</p> <p>(iv) Can the board help shareholders understand its efforts in 2019 to crystallise the value of the asset for the benefit of all shareholders?</p> <p>(v) What was the involvement by the independent directors then? What is the role played by the independent directors in the current strategic review?</p> <p>(vi) Has the board approached Starhill Global REIT who would be the most logical strategic buyer/partner for the group's strata area in Wisma Atria?</p>	<p>The Independent Directors, as part of the Board participate actively in such reviews and provide their own views, opinions and judgments, as well as challenge management's proposals and strategies. In all such matters, the Board focuses on what would be in the best interests of the company while also taking into account the interests of the Company's various stakeholders, including whether or not any action that requires shareholder approval will likely have the support of the Company's shareholders.</p> <p>As mentioned in our announcement dated 22nd January 2021, the Company is currently exploring its options regarding the Property and in this connection, may be appointing property agents and valuers to assist the Company and/or commencing exploratory discussions on the matter with third parties (including Starhill Global REIT). We have since shortlisted a few marketing agents to assist us with the matter and are currently evaluating which one to be appointed.</p> <p>The Company will make the necessary announcements on the SGXNET if there are any developments that will materially affect the price of the shares.</p>
<p>2) Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:</p> <p>(i) Flagship Isetan Scotts: Has the rejuvenation of the store been completed? Are the spaces earmarked for rental fully occupied by third party tenants? Has the performance (prior to COVID) met management's expectations?</p> <p>(ii) Recovery: What is the recovery in footfall and in sales since the circuit breaker was lifted and the nation entered phase 2 of the re-opening?</p>	<p>Since the completion of the renovations in November 2020, we are pleased that the store's new offerings such as the Food and Beverage outlets operated by third-party tenants have helped to draw in customers as well as diversify the store's revenue. The store is also enjoying the synergy from the opening of all the different departments. However, the full potential of the rejuvenation of Isetan Scotts is likely to have been impacted by the ongoing Covid-19 situation as sales have yet to recover to pre-Covid 19 levels. We are still monitoring its performance as the economy re-opens further.</p>

Questions	Responses
<p>(iii) Can management elaborate further on its digital strategy? How many downloads and active users are there on the Isetan app? How does the group intend to stay relevant to the younger consumers?</p>	<p>The Covid-19 pandemic has shifted consumers towards more online shopping. Our revenue from online shopping which experienced a four-fold increase in 2020, continues to show positive signs. This is a positive development for the Company, which has been moving towards an omnichannel approach, with more touchpoints and a more seamless experience for its customers. To reach out to a younger group of customers, we have our own website and a presence in Lazmall, as well as leverage on social media platforms to market our merchandise and promotions. Our present app users have exceeded 100,000.</p>
<p>3) Revenue for the group decreased to \$77.2 million from \$111.9 million a year ago due to various reasons such as the circuit breaker, weak consumer sentiment and challenge from online shopping. The group reported a loss of \$(20.2) million although cash provided by operating activities was \$11.4 million (page 62).</p> <p>The losses incurred in the year resulted in retained earnings turning negative. This was given as the reason that the company had not declared dividends for FY2020. In FY2019, the \$0.05 dividend paid per share amounted to \$2.063 million in total cash paid out.</p> <p>As at 31 December 2020, the group has cash and cash equivalent of \$49.16 million (Note 11 – Cash and cash equivalents; page 84) and bond holdings worth \$44.4 million (Note 14 - Other investments, at amortised cost; page 86).</p> <p>(i) Has the board evaluated the group's optimal capital structure?</p> <p>(ii) Is the board satisfied with the group's ROE over the past 3-year, 5-year or 10-year period?</p> <p>As net losses in the past three years exceeded \$(60.3) million, the group's</p>	<p>The Board periodically reviews the Company's capital structure to make sure that it is aligned with the Company's needs. The cash and cash equivalents and other investments, at amortized cost presently contribute towards a healthy balance sheet that is able to meet the Company's mid-term and future needs, and obligations.</p> <p>The Board constantly evaluates the performance of the Company, which has been very poor over the past 6 years. The main reasons for the recent deterioration in the ROE are the growing competition in the retail market, high rental expenses, tight labour conditions, slower economic growth, and more recently, (i) the disruption caused by the remodelling of Isetan Scotts which commenced in June 2019 and (ii) the COVID-19 pandemic being an unexpected event with its negative impact on operations as well as causing a delay in completion of the renovation of Isetan Scotts.</p> <p>In light of the poor performance, the Board has taken the following actions:</p> <ul style="list-style-type: none"> a) converted Wisma Atria into an investment property to diversify the Company's income stream; b) ceased the operations of Isetan Jurong East due to its substantial losses;

Questions	Responses
<p>retained earnings have slipped into accumulated losses of \$(4.07) million.</p> <p>(iii) Given the group's financial position, has the board considered a capital reduction to right-size the balance sheet to return excess capital to shareholders? This would also bypass the accounting issue of not having sufficient retained earnings to fund the dividends. Paying out half the cash and half of the bond holdings in the form of a capital reduction would give shareholders more than \$1 per share. This would still leave the group in a strong financial position to pursue its strategic objectives.</p>	<p>c) streamlined operations to make the Company more efficient in the use of its resources;</p> <p>d) revamp of Isetan Scotts store;</p> <p>e) strengthen Isetan's online business.</p> <p>The Board periodically evaluates what to do with its cash and cash equivalents having regard to the needs of the Company and the Company's plans and strategies. In so doing, the Board focuses on what would be in the best interests of the company while also taking into account the interests of the Company's various stakeholders, including whether or not any action that requires shareholder approval will likely have the support of the Company's shareholders.</p>

Appendix (2)

Responses to substantial and relevant questions received from shareholders

Questions	Responses
<p>1) What is the plan for the Investment Property at Wisma Atria after the Company's announcement on 22 Jan 21? Is it planning to sell the Property and returning money back to the shareholders? Would the Company be looking at offers only above independent valuation, and how long is the process expected to take?</p> <p>Can the Board provide the shareholders with more information on the options that are being considered for the Investment Property?</p>	<p>Please refer to our response to Question 1 in Appendix (1) above.</p>
<p>2) Can the board elaborate on the defaults by tenants at Isetan Wisma Atria, and the steps taken to recover & reduce such losses?</p>	<p>As disclosed in the Annual Report 2020 on page 107, other than the one tenant who was in significant financial difficulty and where the amount of \$1.141 million due from the tenant was fully written off after legal means to recover the sum was futile, the Company's exposure to bad debts in relation to tenants (including those in Isetan Wisma Atria) is not significant. That said, we continue to monitor closely the debts owed by our tenants, send reminders or demand</p>

Questions	Responses
	<p>letters and charge interest to those who are in arrears, while bearing in mind any applicable government support schemes for eligible tenants in view of the Covid-19 pandemic.</p>
<p>3) The retail segment continues to make losses for many years. In the Chairman's statement, it was stated that there was a four-fold increase in online sales for the year. How significant is the online sales' contribution in helping to 'turnaround' the retail segment's performance?</p>	<p>Presently, our physical stores still form the core of our retail operations, and our primary focus is to turn around the retail segment. However, with more consumers shifting towards online shopping, it becomes imperative to adopt an omnichannel approach by providing our customers with a seamless experience across more touchpoints. Although we have had a four- fold increase in online sales last year, our digital stores still play only a complementary role with its present scale, and we plan to scale up our online sales in the coming years. If the trend of online sales continues, we expect a positive contribution to our sales revenue.</p>
<p>4) Is the Company looking to expand its retail footprint in suburban Singapore?</p>	<p>The Company is constantly on the lookout for opportunities but presently, we do not have any such plans.</p>
<p>5) With continued losses in FY2020, the retained earnings have turned negative, and the declaration of dividend was not possible. What actions are the Company taking to address this issue?</p>	<p>The actions that we are taking are primarily to improve the performance of the Company. They include the ones that have been elaborated in our response to question 3 in Appendix (1) above. We will continue to do our utmost to turn around the Company so that we can revert to our policy of paying stable dividends to our shareholders.</p>