

ISETAN (SINGAPORE) LIMITED

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

PROPOSED DISPOSAL OF THE PREMISES KNOWN AS 112 KILLINEY ROAD, TAI WAH BUILDING, SINGAPORE 239551 COMPRISED IN STRATA LOT U1368M OF TOWN SUBDIVISION 21

1. Introduction

The board of directors (“**Board**” or “**Directors**”) of Isetan (Singapore) Limited (the “**Company**”) (the Company together with its subsidiaries (the “**Group**”) hereinafter referred to as the “**Group**”) wishes to announce that Lexim (Singapore) Pte. Ltd. (the “**Vendor**”), a wholly owned subsidiary of the Company has on 14 June 2016 granted an option to purchase (the “**Option to Purchase**”) the premises known as 112 Killiney Road, Tai Wah Building, Singapore 239551 comprised in Strata Lot U1368M of Town Subdivision 21 (the “**Property**”) to Soon Li Heng Civil Engineering Pte Ltd (the “**Purchaser**”), an unrelated party (“**Proposed Disposal**”), and the Purchaser has on 15 June 2016 exercised the Option to Purchase.

2. Information on the Property

Description and Location	Effective Group Interest	Strata Area (Square feet)	Tenure of Property
The premises known as 112 Killiney Road, Tai Wah Building, Singapore 239551 comprised in Strata Lot U1368M of Town Subdivision 21	100%	4,316	Freehold

The Group currently only holds the Property to earn rental income. As the Group does not conduct and does not need to conduct any operations at the Property, the Property is not material to the Group's business.

3. Consideration

The total consideration for the Proposed Disposal is S\$10,000,000, exclusive of goods and services tax (“**Consideration**”). The Consideration was arrived at on a willing-buyer, willing-seller basis after arms' length negotiations between the Purchaser and Vendor, and taking into consideration the indicative market value of the Property based on independent sources, current market conditions, and the prevailing transacted prices in the vicinity of the Property.

The Company had commissioned a valuation on the Property by DTZ Debenham Tie Leung (SEA) Pte Ltd (the “**Valuer**”). The Valuer assessed the Property's market value at S\$10,700,000 in its valuation report dated 21 August 2015 (the “**Valuation Report**”).

The Consideration will be satisfied in cash, and is to be paid in the following manner:

- a. The sum of S\$100,000 (the “**Option Money**”), which is equivalent to 1% of the Consideration, which was paid by the Purchaser to the Vendor on 14 June 2016, being the date the Vendor granted the Purchaser the Option to Purchase;
- b. The sum of S\$400,000 (the “**Deposit**”), which is equivalent to 5% of the Consideration less the Option Money, which is to be paid by the Purchaser to the Vendor on the date the Purchaser exercises the option to purchase the Property; and
- c. The balance of the Consideration of S\$9,500,000 (equivalent to 95% of the Consideration) shall be paid upon completion of the Proposed Disposal.

4. Material terms of the Option to Purchase

The Property is to be sold to the Purchaser on an “as is where is” basis.

The completion of the Proposed Disposal shall take place on the date falling three (3) months after the exercise of the Option to Purchase (the “**Scheduled Completion Date**”).

The sale of the Property is subject to the Purchaser's solicitors receiving satisfactory replies to their legal requisitions to the various government departments, and in the event of any reply/plan being unsatisfactory (as set out in the Option to Purchase), the Purchaser will be at liberty to rescind the sale and purchase of the Property.

If before the Scheduled Completion Date, the Government or any Statutory Board or competent authority shall acquire the Property or give notice thereof, the sale and purchase of the Property by the Vendor and Purchaser respectively shall be deemed wholly cancelled.

Save for the aforementioned, there are no other material terms or conditions attached to the Proposed Disposal, including a put, call or other option.

5. Rationale for the Proposed Disposal

The Directors consider it an appropriate time to dispose of and unlock the value of the Property, given the current outlook of the property market in Singapore. The Proposed Disposal will also enable the Group to redirect resources which otherwise would have to be committed to managing the Property towards the Group's core retail business operations and to receive cash from the sale, which the Directors believe may be more beneficially redeployed.

6. Excess of Consideration over Book Value

The net book value of the Property as at 31 March 2016 was approximately S\$2,615,000.

Based on the latest announced unaudited consolidated accounts of the Group for the quarter ended 31 March 2016, the excess of the proceeds of the Proposed Disposal over the book value is approximately S\$7,300,000 (after deducting related expenses).

7. Net Profit Attributable to the Property

Based on the latest announced unaudited consolidated accounts of the Group for the quarter ended 31 March 2016, the net profit attributable to the Property is approximately S\$34,768 (after deducting related expenses).

8. Use of Sale Proceeds

The Company currently does not have any specific plans for the use of the Consideration. Upon receipt, the Consideration will form part of the Group's cash reserve to be deployed for the purposes of the Group's operations or managed in accordance with the Group's cash and capital management strategy.

9. Financial Effects

The financial effects of the Proposed Disposal set out below are for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the Proposed Disposal nor a projection of the future financial performance or position of the Group after the Scheduled Completion Date.

The financial effects set out below are based on the Group's audited consolidated financial statements for the financial year ended 31 December 2015, being the Group's most recently completed financial year.

(i) Net Tangible Assets ("NTA") per share

Assuming that the Proposed Disposal had been effected on 31 December 2015, being the end of the most recently completed financial year, the pro-forma financial effects on the consolidated NTA per share of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	172,020	179,310
Number of issued shares ('000)	41,250	41,250
NTA per share (Singapore dollars)	4.17	4.35

(ii) Earnings per share ("EPS")

Assuming that the Proposed Disposal had been effected on 1 January 2015, being the start of the most recently completed financial year, the effect on the consolidated EPS of the Group for the financial year ended 31 December 2015, being the most recently completed financial year, would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net loss after tax attributable to shareholders (S\$'000)	25,824	18,534
Weighted average number issued shares ('000)	41,250	41,250

Loss per Share (Singapore dollars)	0.63	0.45
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10. Relative Figures Computed Pursuant to rule 1006 of the Listing Manual

Based on the latest announced unaudited accounts of the Group for the quarter ended 31 March 2016, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are as follows:-

Rule 1006 of the Listing Manual	Bases	Proposed Disposal (S\$ million)	Group (S\$ million)	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, as compared with the Group's net asset value	10.7 ¹	168.939	6.33
(b)	Net profits attributable to the assets disposed of, as compared with the Group's net profits.	0.034768	(3.161)	-1.10
(c)	Aggregate value of the consideration to be received, compared with the Company's market capitalisation ² .	10	154.688	6.46
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable to a disposal		

(1) The "net asset value" of the Property is based on its market value as stated in the Valuation Report.

(2) The Company's market capitalisation is based upon 41,250,000 shares in issue as at 14 June 2016, excluding treasury shares, at a weighted average price of S\$3.75 per share on 14 June 2016, being the latest available full market day preceding the date of exercise of the Option to Purchase.

Based on the relative figures computed above, the Proposed Disposal constitutes a discloseable transaction under Rule 1010 of the Listing Manual of the SGX-ST. As none of the relative figures exceeds 20%, the Proposed Disposal does not constitute a major transaction under Rule 1014, and accordingly, shareholders' approval is not required for the Proposed Disposal.

Pursuant to Rule 1007 of the Listing Manual of the SGX-ST (which provides that if any of the relative figures computed pursuant to Rule 1006 is a negative figure, Chapter 10 of the Listing Manual may still be applicable at the discretion of SGX-ST, and that issuers should consult SGX-ST), the Company had consulted SGX-ST on the applicability of Rule 1014(2). Based on the Company's submissions and representations, SGX-ST has advised that Rule 1014(2) is not applicable to the Proposed Disposal.

The Company had submitted to SGX-ST that the Proposed Disposal is not a significant transaction to the Company, and that the Company should not therefore be required to obtain

shareholders' approval for the Proposed Disposal, on the following grounds:

- (i) The Proposed Disposal does not relate to the core business of the Company.

As the Company's core business is in operating department stores, operating supermarkets and to trade in general merchandise, and not in generating rental income from property holding, the Proposed Disposal does not affect the nature of the Company's main business, and should therefore not be considered as a significant transaction. Instead, by divesting an asset which does not pertain to the Company's core business, the Proposed Disposal allows the Company to apply the proceeds from the Proposed Disposal to its core business, given especially that the Company has been loss-making.

- (ii) The Property is not a significant asset of the Company.

Save for the fact that the relative figure computed under Rule 1006(b) of the Listing Manual is a negative figure, the Proposed Disposal would otherwise constitute only a discloseable transaction under the Listing Manual.

The quarterly rental income of S\$81,919 attributed to the Property is also a very small proportion of the Group's quarterly revenue (which is, based on latest announced unaudited consolidated accounts of the Group for the quarter ended 31 March 2016, S\$74,276,000).

- (iii) The Company's controlling shareholder has undertaken to vote in favour of the Proposed Disposal in the event shareholders' approval is required

The controlling shareholder of the Company, Isetan Mitsukoshi Ltd, which has a 52.73% shareholding in the Company, has irrevocably undertaken to the Company to approve the Proposed Disposal in the event that an extraordinary general meeting of shareholders of the Company is required to be convened to approve the Proposed Disposal.

Therefore, a resolution to approve the Proposed Disposal would clearly be passed. A waiver from the requirement to hold an EGM of the Company to approve the Proposed Disposal will provide cost-savings to the Company.

11. Interests of Directors and Controlling Shareholders

Save for their shareholding interests in the Company (if any), none of the Directors or, to the best of the knowledge of the Directors, controlling shareholders of the Company have any direct interests or deemed interests in the Proposed Disposal.

12. Directors' Service Contracts

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

13. Documents for Inspection

A copy of the Option to Purchase and the Valuation Report is available for inspection during normal business hours at the Company's registered office at 593 Havelock Road, #04-01, Isetan Office Building, Singapore 169641, for a period of three (3) months from the date of this

announcement.

BY ORDER OF THE BOARD

LUN CHEE LEONG
COMPANY SECRETARY

15 June 2016