

ISETAN (SINGAPORE) LIMITED

Co. Reg. No. 197001177H

Second Quarter Financial Statement and Dividend Announcement for the period ended 30 June 2018
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Income Statement for the financial period ended 30 June 2018

	Group		+ / (-) %
	30.06.2018 S'000	30.06.2017 S'000 (Restated*)	
Revenue	28,760	31,305	(8.13)
Other income	1,882	1,485	26.73
Other losses	(500)	-	N.M.
Expenses			
- Changes in inventories of finished goods	241	(80)	N.M.
- Purchases of inventories and related costs	(11,396)	(11,969)	(4.79)
- Employee compensation	(4,535)	(4,555)	(0.44)
- Depreciation expense	(1,708)	(1,838)	(7.07)
- Rental expense	(9,744)	(10,733)	(9.21)
- Other expenses	(4,427)	(5,130)	(13.70)
Total expenses	(31,569)	(34,305)	(7.98)
Share of profit of an associated company	34	41	(17.07)
Loss before income tax	(1,393)	(1,474)	(5.50)
Income tax expense	-	-	N.M.
Net loss after tax for the financial period	(1,393)	(1,474)	(5.50)
Attributable to :			
Equity holders of the Company	(1,393)	(1,474)	(5.50)

* The results for second quarter ended 30 June 2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s"). Please refer to Note 5 for the details on the financial impact from the adoption of SFRS(I)s.

N.M. Not meaningful

Consolidated Statement of Comprehensive Income for the financial period ended 30 June 2018

	Group		+ / (-) %
	30.06.2018 S'000	30.06.2017 S'000 (Restated)	
Loss for the financial period	(1,393)	(1,474)	(5.50)
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale			
- Fair value gain	-	70	N.M.
Currency translation differences arising from consolidation			
- Loss	(17)	-	N.M.
Item that will not be reclassified subsequently to profit or loss:			
Financial assets, fair value through other comprehensive income			
- Fair value gain	3	-	N.M.
Other comprehensive (loss) / income, net of tax	(14)	70	N.M.
Total comprehensive loss for the financial period	(1,407)	(1,404)	0.21
Total comprehensive loss attributable to :			
Equity holders of the Company	(1,407)	(1,404)	0.21

N.M. Not meaningful

Additional Disclosure

(i)	Group		+ / (-) %
	30.06.2018 \$'000	30.06.2017 \$'000 (Restated)	
Revenue			
- Sale of goods	15,427	16,807	(8.21)
- Consignment income	10,865	11,492	(5.46)
- Rental income	2,468	3,006	(17.90)
	28,760	31,305	(8.13)
Other income			
- Dividend income	62	15	313.33
- Other rental income	958	760	26.05
- Interest income	768	668	14.97
- Sundry income	82	42	95.24

(ii) There were no interest on borrowings and extraordinary items during the period and the preceding year.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheets as at 30 June 2018

	Group		Company	
	30.06.2018 ^ \$'000	31.12.2017 \$'000 (Restated)	30.06.2018 \$'000	31.12.2017 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	40,674	57,727	40,674	57,596
Trade and other receivables	8,880	10,663	8,880	10,663
Financial assets, held-to-maturity	-	4,508	-	4,508
Other investments at amortised cost	4,020	-	4,020	-
Inventories	10,293	10,020	10,293	10,020
Other current assets	3,747	2,878	3,747	2,878
	67,614	85,796	67,614	85,665
Non-current assets				
Other receivables	425	447	425	447
Financial assets, available-for-sale	-	3,864	-	3,864
Financial assets, fair value through other comprehensive income	3,804	-	3,804	-
Financial assets, held-to-maturity	-	53,181	-	53,181
Other investments at amortised cost	61,446	-	61,446	-
Club memberships	235	236	235	236
Investment in an associated company	1,428	340	3,517	2,598
Investment in a subsidiary	-	-	-	*
Rental deposits	6,313	6,356	6,313	6,356
Investment property	29,132	29,689	29,132	29,689
Property, plant and equipment	41,567	43,926	41,567	43,926
	144,350	138,039	146,439	140,297
Total assets	211,964	223,835	214,053	225,962
LIABILITIES				
Current liabilities				
Trade and other payables	34,928	44,480	34,928	44,480
	34,928	44,480	34,928	44,480
Non-current liabilities				
Trade and other payables	4,222	4,240	4,222	4,240
Provisions for other liabilities and charges	1,966	1,930	1,966	1,930
	6,188	6,170	6,188	6,170
Total liabilities	41,116	50,650	41,116	50,650
NET ASSETS	170,848	173,185	172,937	175,312
EQUITY				
Share capital	91,710	91,710	91,710	91,710
General reserve	17,000	17,000	17,000	17,000
Fair value reserve	1,543	1,608	1,543	1,608
Currency translation reserve	(9)	(9)	-	-
Other reserves	280	280	280	280
Retained earnings	60,324	62,596	62,404	64,714
Total equity	170,848	173,185	172,937	175,312

* Amount is less than \$1,000

^ Following the completion of the strike off of a subsidiary on 7 May 2018, the company ceased to hold any investment in subsidiary. Accordingly, the investment in an associated company is accounted using the equity method of accounting less impairment losses in the Group's balance sheet as at 30 June 2018 to reflect the company's economic interests in the associated company.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30.06.18		As at 31.12.17	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 30.06.18		As at 31.12.17	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows for the quarter period ended 30 June 2018

	Group	
	30.06.2018	30.06.2017
	\$'000	\$'000
Cash flows from operating activities		
Loss before income tax	(1,393)	(1,474)
Adjustments for:		
Depreciation expense	1,708	1,838
Amortisation of capitalised letting fees	17	18
Property, plant and equipment written off	-	14
Impairment loss on other investments at amortised cost	500	-
Interest income	(768)	(668)
Increase in provisions for other liabilities and charges	18	18
Provision for doubtful debts	-	118
Dividend income	(62)	(15)
Share of profit of an associated company	(34)	(41)
	<u>(14)</u>	<u>(192)</u>
Changes in working capital		
Trade and other receivables	168	2,480
Inventories	(241)	80
Other assets and rental deposits	357	(2,162)
Trade and other payables	(207)	(531)
Cash generated from / (used in) operations	<u>63</u>	<u>(325)</u>
Net cash provided by / (used in) operating activities	<u>63</u>	<u>(325)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(18)	(110)
Payments for investment property	(128)	-
Payments for letting fees	-	(9)
Purchases of financial assets, fair value through other comprehensive income	(5)	-
Purchases of other investments at amortised cost and financial assets, held-to-maturity	(4,760)	(842)
Proceeds from maturity / early redemption by issuers of other investments at amortised cost and financial assets, held-to-maturity	1,750	5,842
Interest received	993	904
Dividend received	62	15
Net repayments from employee	28	1
Net cash (used in) / provided by investing activities	<u>(2,078)</u>	<u>5,801</u>
Cash flows from financing activities		
Dividend paid	(2,063)	(2,063)
Net cash used in financing activities	<u>(2,063)</u>	<u>(2,063)</u>
Net (decrease) / increase in cash and cash equivalents	(4,078)	3,413
Cash and cash equivalents at beginning of the financial period	<u>44,752</u>	<u>51,355</u>
Cash and cash equivalents at end of the financial period	<u>40,674</u>	<u>54,768</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity for the financial period ended 30 June 2018

	<u>Share capital</u> \$'000	<u>General reserve</u> \$'000	<u>Fair value reserve</u> \$'000	<u>Currency translation reserve</u> \$'000	<u>Other reserves</u> \$'000	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000
Group							
Balance at 1 April 2018	91,710	17,000	1,540	8	280	63,780	174,318
Total comprehensive income / (loss) for the period	-	-	3	(17)	-	(1,393)	(1,407)
Dividend for year ended 31 December 2017	-	-	-	-	-	(2,063)	(2,063)
Balance at 30 June 2018	91,710	17,000	1,543	(9)	280	60,324	170,848
Balance at 1 April 2017 (as previously reported)	91,710	17,000	1,471	(215)	(140)	64,544	174,370
Adoption of SFRS(I) 1	-	-	-	203	-	(203)	-
Balance at 1 April 2017 (restated)	91,710	17,000	1,471	(12)	(140)	64,341	174,370
Total comprehensive income / (loss) for the period	-	-	70	-	-	(1,474)	(1,404)
Dividend for year ended 31 December 2016	-	-	-	-	-	(2,063)	(2,063)
Balance at 30 June 2017	91,710	17,000	1,541	(12)	(140)	60,804	170,903
Company							
Balance at 1 April 2018	91,710	17,000	1,540	-	280	65,894	176,424
Total comprehensive income / (loss) for the period	-	-	3	-	-	(1,427)	(1,424)
Dividend for year ended 31 December 2017	-	-	-	-	-	(2,063)	(2,063)
Balance at 30 June 2018	91,710	17,000	1,543	-	280	62,404	172,937
Balance at 1 April 2017	91,710	17,000	1,443	-	(140)	59,704	169,717
Total comprehensive income / (loss) for the period	-	-	70	-	-	(1,541)	(1,471)
Dividend for year ended 31 December 2016	-	-	-	-	-	(2,063)	(2,063)
Balance at 30 June 2017	91,710	17,000	1,513	-	(140)	56,100	166,183

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 or cash or as consideration for acquisition or for any other purpose since the end of the previous year reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding year of the immediately preceding financial year.

Not applicable.

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

	As at the end of current financial period ended 30 June 2018	As at the end of financial year ended 31 December 2017
Total number of ordinary shares issued	41,250,000	41,250,000

There were no treasury shares held as at the end of the current financial period reported on and as at the end of the immediately preceding year.

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

The figures have not been audited or reviewed by the auditors.

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

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.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in preparing this financial statement for the current accounting period compared with the most recently audited financial statements for the year ended 31 December 2017.

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.

As required by the listing requirements of the Singapore Exchange, the Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s"), on 1 January 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group's opening balance sheet under SFRS(I)s has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I)s. The Group has also concurrently applied new major accounting standards (1) SFRS(I) 9 *Financial Instruments* and (2) SFRS(I) 15 *Revenue from Contracts with Customers*.

(1) Application of SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

The Group has elected for the optional exemption to set the cumulative translation differences for all foreign operations to be zero at the date of transition at 1 January 2017. Accordingly, cumulative translation losses of \$203,000 were reclassified from currency translation reserve to retained earnings as at 1 January 2017.

(2) Adoption of SFRS(I)s

The following SFRS(I)s, and amendments and interpretations of SFRS(I)s that are relevant to the Group and the Company are effective on or after the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of these SFRS(I)s, amendments and interpretations of SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

(i) Adoption of SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempts the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of SFRS(I) 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017.

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation.

(a) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into appropriate categories under SFRS(I) 9.

Significant adjustments to the Group's balance sheet line items are as follows:

- Equity investments previously classified as financial assets, available-for-sale ("AFS") to financial assets, fair value through other comprehensive income ("FVOCI")
- The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as AFS in other comprehensive income.

- Reclassification from HTM to amortised cost

Debt securities classified as "held-to maturity" (HTM) have been reclassified to "other investments at amortised cost" at 1 January 2018 as the Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(b) Impairment of financial assets

The following financial assets have been subjected to the expected credit loss model under SFRS(I) 9:

- trade receivables recognised under SFRS(I) 15;
- debt instruments carried at amortised cost; and
- other receivables at amortised cost.

There is no material change in the provision for impairment for the above financial assets from the application of the expected credit loss impairment model.

(ii) Adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group has adopted SFRS(I) 15 retrospectively.

SFRS(I) 15 introduces a new revenue recognition model for customer contracts that represents the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods or services.

The main adjustment resulting from the adoption of SFRS(I) 15 is as follows:

(a) Principal versus agent considerations

SFRS(I) 15 lists down principal versus agent considerations and one of the indicators in considering if the entity is a principal is that of exposure to credit risk.

Clarification had since been introduced under SFRS(I) 15 that credit risk is generally not a helpful indicator when assessing whether the entity controls the specified goods or service.

Certain revenue pertaining to consignment sales which were recognised at the gross amount of the consideration received for the sale of goods prior to the adoption of SFRS(I) 15 would have to be recognised at the net amount of consideration retained by the Group after paying the relevant suppliers for the purchase of these goods when SFRS(I) 15 is applied. Accordingly, the comparative revenue and cost of sales for the quarter ended 30 June 2017 are both reduced by \$35.234 million. A consignment income of \$11.492 million is disclosed for the comparative quarter ended 30 June 2017.

Impact on the comparatives for the Second Quarter 2018 Financial Information

The financial effects of adopting SFRS(I)s are as follows:

	Second Quarter 30.06.18 \$'000	Half year 30.06.18 \$'000
Group Profit and Loss Account		
Decrease in revenue	(35,234)	(72,635)
Decrease in purchases of inventories and related costs	<u>35,234</u>	<u>72,635</u>
Movement in net profit for the period	<u>-</u>	<u>-</u>

	As at 01.01.2018 reported under SFRS(I)s \$'000	As at 31.12.2017 reported under SFRS* \$'000	As at 01.01.2017 reported under SFRS(I)s \$'000	As at 01.01.2017 reported under SFRS* \$'000
Group Balance Sheets				
Financial assets, available-for-sale	-	3,864	3,455	3,455
Financial assets, at FVOCI	3,864	-	-	-
Financial assets, held-to-maturity	-	57,689	56,287	56,287
Other investments at amortised cost	57,689	-	-	-
Currency translation reserve	(9)	(212)	-	(203)
Retained earnings	62,596	62,799	62,532	62,735

* Singapore Financial Reporting Standards

The Group will adopt SFRS (I) 16 Leases with effect from 1 Jan 2019.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	<u>Group</u> 30.06.2018	30.06.2017
Loss per ordinary share for the financial period based on net loss attributable to shareholders :-		
(i) Based on weighted average number of ordinary shares in issue (cents)+	(3.38)	(3.57)
(ii) On a fully diluted basis (cents)++	(3.38)	(3.57)

+ The loss per share are calculated based on the issued ordinary shares of 41,250,000 (30 June 2017: 41,250,000)

++ The fully diluted loss per share are calculated based on the issued ordinary shares of 41,250,000 (30 June 2017: 41,250,000)

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

(a) current financial period reported on; and

(b) immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Net asset value per ordinary share based on issued share capital at the end of financial period / year	\$4.14	\$4.20	\$4.19	\$4.25

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial year reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial year reported on.

Review of Group Performance

Group revenue for the period ended 30 June 2018 ("Q2 2018") was \$28.760 million, a decrease of 8.13% over the corresponding period ("Q2 2017"). The decrease in Group revenue was due to the lower sale of goods from the retail segment, lower consignment income and lower rental revenue from the Isetan Wisma Atria investment property ("investment property").

For Q2 2018, the Group incurred a net loss of \$1.393 million as compared to a net loss of \$1.474 million in Q2 2017. This includes impairment loss of \$0.5 million for Other investments at amortised cost in Q2 2018. The decrease in net loss was mainly attributable to a decline in rental expense and other expenses such as sales promotion in Q2 2018. For the associated company, the Group recorded a share of profit of \$34,000 in Q2 2018 as compared to \$41,000 in Q2 2017.

As compared to 31 December 2017, cash and cash equivalents decreased mainly due to the purchases of other investments at amortised cost and settlement of amounts relating to trade and other payables. Under current assets, trade and other receivables decreased mainly due to settlement by trade debtors. Other current assets increased due to higher prepayment. Under non-current assets, other investments at amortised cost (classified as HTMs at 31 December 2017) increased mainly due to purchases of \$10.785 million, partially offset by maturity of \$2.5 million and impairment loss of \$0.5 million during the half year ended 30 June 2018. Under current liabilities, trade and other payables decreased due to settlement of amounts owing to trade and other creditors.

Under cash flows from operating activities, there was a cash inflow in Q2 2018 as compared to a cash outflow in Q2 2017. The net cash inflow in Q2 2018 was mainly due to lower amount of rental deposit paid, lower settlement amount of trade and other payables, partially offset by lower collection from trade and other receivables in Q2 2018. Under cash flows from investing activities, higher net purchases of other investments at amortised cost in Q2 2018 contributed to a cash outflow, as compared to a cash inflow in Q2 2017 that resulted mainly from proceeds from maturity/early redemption by issuers of certain HTMs.

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

No forecast was made previously.

10. 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.

Singapore's economy expanded 3.8 per cent year on year in the second quarter of 2018, lower than economist expectations of 4.1 per cent growth, according to Ministry of Trade and Industry (MTI) advance estimates. The Group expects the challenges in the retail industry to persist given the intensifying competition among retailers who are resorting to discounts to attract customers.

11. Dividend

(a) Current Financial Year Reported On

Any dividend recommended for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

14. Negative confirmation pursuant to Rule 705(5)

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the second quarter of 2018 financial results to be false or misleading in any material respect.

15. Confirmation of Directors and Executive Officers' undertakings pursuant to Listing Rule 720(1)

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

18. A breakdown of sales.

Not applicable.

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Nil				Not applicable

BY ORDER OF THE BOARD

Lun Chee Leong
Company Secretary
8-Aug-18