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never change

ANNUAL REPORT 2016

ISETAN
SINGAPORE

CONTENTS

02 Our Corporate Vision
03 Milestones
04 Chairman's Statement
06 Management Discussion of Results of Operations and Financial Position
10 Board of Directors
15 Key Executives' Profiles
16 Group Financial Profile
18 Corporate Information
19 Corporate Governance Report
29 Risk Management Policies & Processes
31 Directors' Statement
34 Independent Auditor's Report
38 Consolidated Income Statement
39 Consolidated Statement of Comprehensive Income
40 Balance Sheets
41 Consolidated Statement of Changes in Equity
42 Consolidated Statement of Cash Flows
43 Notes to the Financial Statements
91 Additional Disclosure Requirements
94 Statistics of Shareholdings
95 Notice of Annual General Meeting
97 Notice of Books Closure
98 Corporate Directory
Proxy Form

OUR CORPORATE VISION

To become the indispensable department store for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in the many different aspects of their lives.

By doing so, we aim to become the world's foremost retail services group with high profitability and sustained growth.

MILESTONES

STORES & SPECIALTY SHOP DEVELOPMENT

1972 Isetan Havelock made history by being the first Japanese department store in Singapore.

1979 Isetan Orchard opened at Liat Towers. This store established Isetan's presence along Singapore's tourist shopping belt.

1983 Isetan Katong opened at Parkway Parade marking the Company's penetration into suburban Singapore.

1986 Isetan Orchard was relocated to Wisma Atria at a cost of $100 million amidst the economic downturn and recession.

1993 Flagship store at Havelock was relocated to Isetan Scotts which opened at Shaw House.

1995 Isetan Tampines opened at Tampines Mall. This store is situated in Singapore's first regional centre.

1999 Isetan opened its first stand-alone Mango shop at Shaw Centre. Another successful designer label introduced into Singapore by Isetan.

1999 Isetan began operation of its full scale supermarket at its flagship store, Isetan Scotts.

2006 Isetan invested in Chengdu Isetan, Sichuan Province, People's Republic of China.

2009 Isetan commenced its online business with the launch of its revamped website.

2010 Isetan Serangoon Central opened at nex Mall, our first foray into the north-east part of Singapore.

2013 Isetan Jurong East opened at Westgate Mall, our first department store with a supermarket in the western part of Singapore.

2015 The Company's own retailing activities at Isetan Orchard ceased in end March and the space was converted for rental purposes.

CORPORATE & FINANCIAL DEVELOPMENT

1970 Isetan Emporium (Singapore) Private Limited was incorporated.

1981 Isetan became the first Japanese department store to offer its share to the public. Name was changed to Isetan (Singapore) Limited.

1988 Isetan offered a 1 for 2 Rights issue of 10 million shares.

1989 Isetan made a private placement of 3 million shares..

2002 Isetan made a 1 for 4 bonus issue of 8.25 million shares.

CHAIRMAN'S STATEMENT

JUN YOKOYAMA
Chairman

Dear Shareholders,

BUSINESS PERFORMANCE

Group revenue for the financial year ended 31 December 2016 ("FY 2016") was $294.638 million as compared to $302.178 million for the financial year ended 31 December 2015 ("FY 2015"). Against a backdrop of slower economic growth, the retail industry in Singapore went through yet another difficult year. The group was not spared and the retail segment registered a lower sales revenue of $286.494 million in FY 2016 as compared to $300.661 million in FY 2015. However, rental income from our investment property at Wisma Atria helped to mitigate the situation as more tenants were signed up and commenced their businesses. I am happy to report that the property has almost reached full occupancy as at the end of FY 2016 and expect it to be fully tenanted by this year.

For FY 2016, the Group has managed to turn in a profit after tax of $2.569 million as compared to a loss of $25.824 million in FY 2015. This was a result of a multi-pronged approach adopted by the Group to bring in better results. Firstly, to mitigate the effects of lower retail sales, the Group quickly put in place various cost-control measures. These included initiatives such as reviewing and re-negotiating various contracts with our vendors and landlords, close monitoring and control of operating expenses and implementing measures to reduce certain aspects of human resource costs. For FY 2016, there was no further impairment of Property, Plant and Equipment ("PPE") as compared to an impairment loss of $9.153 million in FY 2015. The impairment of PPE recorded in FY 2015 resulted in lower depreciation expenses in FY 2016 as compared to FY 2015. The subsidiary also disposed of its property during FY 2016 and registered a gain of $7.319 million. The healthy take-up rate at our investment property at Wisma Atria helped the property segment to turn in a profit of $10.306 million in FY 2016 as compared to a loss of $1.989 million in FY 2015. Lastly, the Group also benefited from better interest income and sundry income earned in FY 2016 as compared to FY 2015.

BUSINESS OUTLOOK

The group expects the financial year ending 31 December 2017 ("FY 2017) to be yet another tough year for retailers. With Singapore's economic growth expected to be between 1% to 3% in 2017, slightly better than the 2.0% in 2016, and the many uncertainties arising from global events, consumers will continue to be cautious with their spending.

The retail sector has been affected by many online operators that compete directly with brick and mortar stores and offer goods ranging from food and produce to fashion items. The competition in this segment is set to intensify as the big online retailers like Amazon have set up operations and are competing in our market. Fast-fashion brands and cheap travel offered by budget airlines have also intensified the competition faced by local retailers. Despite these challenges, we are still confident that if we can offer our customers unique experiences at our stores as well as goods and services that serve their needs and wants, we will be able to build a successful and sustainable business. One recent example is our newly renovated supermarket in the flagship Isetan Scotts store. Since the completion of renovation in the 2nd quarter of FY 2016, customers' response has been very positive and its performance very encouraging. At this store, we plan to build upon the success of our supermarket by reviewing and making improvements in the other departments. This will in turn help to improve our branding and the Group's overall performance.

Our store at Jurong East continues to register sales growth with more human traffic from the surrounding office tenants and the Ng Teng Fong Hospital. Besides becoming a Regional Centre in the future, the government has also announced plans that the nearby area will be a depot for the high speed railway between Singapore and Malaysia. This will further increase customer traffic in the future and will be an impetus for sales growth of our store there.

For Isetan Tampines, Isetan Katong and Isetan Serangoon stores, we plan to do more for these stores in order to strengthen our position.

INVESTMENT PROPERTY AT WISMA ATRIA

Since the first tenant moved into basement one of the property in September 2015, we have managed to secure other tenants, many of whom have since commenced business. The top floor is devoted to authentic Japanese cuisine while the other floors have tenants dealing in merchandise and services such as luxury watches, jewellery, pens, visual and audio items, and medical aesthetics.

ASSOCIATED COMPANY

FY 2016 sales at our associated company, Isetan Chengdu in People's Republic of China, came in at 98.65% (in Renminbi) of FY 2015. This is reflective of the slowdown in the Chinese economy and its effect on consumer spending. However, net profit was at 101.66% (in Renminbi) of the previous year mainly due to efforts put in to increase operating income such as advertising revenue. In addition, the associated company also benefited from certain government subsidies received.

The share of gain in FY 2016 was $79,000 as compared to $20,000 in FY 2015. The higher share of gain, despite the slight increase in net profit, was because there were previously unrecognized share of losses in FY 2015 that had to be fully recovered before a share of gain could be recognized.

DIVIDEND

For the financial year ended 31 December 2016, the Board of Directors has proposed a final dividend of 5.0 cents per ordinary share. The proposed dividend will be subject to shareholders' approval at the forthcoming Annual General Meeting.

APPRECIATION

Our group has managed to turn in a profit in FY 2016 as compared to FY 2015. Firstly, I would like to thank our customers, suppliers and shareholders for their unwavering support during the past year. Also, we should not forget our management and staff for supporting the tough measures that were implemented to achieve this. The Group continues to look forward to the support from all stakeholders to face the challenges in FY 2017.

Thank you.

JUN YOKOYAMA
Chairman
11 March 2017

MANAGEMENT DISCUSSION OF
RESULTS OF OPERATIONS AND FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

Isetan Scotts (Flagship Store)


Isetan Katong

Isetan Tampines

The Isetan Group started trading in Singapore on 31 January 1972 catering to a wide spectrum of customers. Our stores are strategically located across the island.

ORCHARD SHOPPING BELT

Our Flagship Store (Isetan Scotts)
Our flagship Scotts store is located at Shaw House. The store boasts a wide collection of international fashion designer lines, cosmetics and family-oriented merchandise catering to the local and tourist markets. The supermarket at the basement level with its emphasis on high quality Japanese products is especially popular with our customers, offering Japanese lifestyle concepts to the Singapore market through various food festivals and promotional activities.

Isetan Wisma Atria (Investment Property)
Isetan Wisma Atria is located at Wisma Atria, next to the busy Orchard MRT station. A change in our strategic direction led to the ceasing of our own retailing activities at this store at the end of March 2015 and we have converted it into an investment property for earning rental income. With this change, our presence in the Orchard Road shopping belt as a Department store will be maintained via our Isetan Scotts store.

Isetan Serangoon Central

Isetan Jurong East

Isetan Wisma Atria (Investment Property)

SUBURBAN REACH

(Isetan Tampines, Isetan Katong, Isetan Serangoon Central and Isetan Jurong East)

Our venture into the suburban area started with our Katong Store in Parkway Parade in 1983. The store, which has enjoyed the patronage of our customers for many years, led us to open another store in Tampines Mall in 1995. Situated in a regional centre, the Tampines store is a popular shopping destination, especially for the residents living in and around Tampines.

Our retail footprint in the suburban areas increased further with the opening of our Isetan Serangoon Central store on 25 November 2010. Spanning three floors in "nex" shopping mall, it offers a wide variety of merchandise ranging from cosmetics, fashion wear to other family-oriented items.

The opening of our store at Westgate next to Jurong East MRT station on 2 December 2013 marked the beginning of our presence in the western part of Singapore. This store is situated in a designated regional centre and future depot for the high speed railway between Singapore and Malaysia. It incorporates our first ever Isetan supermarket in a suburban area.

MANAGEMENT DISCUSSION OF
RESULTS OF OPERATIONS AND FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

OUR SERVICE

Today's customers in Singapore have many choices with the different retail categories – such as department stores, hypermarkets, convenience stores and e-commerce. Within the department store category, existing players have become more homogeneous with one another and many have relied on bargain-themed promotions to attract customers. We believe that to survive in this competitive market, we have to offer our customers value propositions that are unique and not easily replicated. One way is to deliver a good level of customer service that goes beyond the basic "Welcome" and "Thank You" greetings that customers already expect. Therefore, we have learnt ideas from Isetan Mitsukoshi stores in Japan that help to differentiate our service, ranging from Japanese wrapping techniques to having baby department advisors on our shop floor. We also emphasize our "Company Promise" initiative, where we incorporate our customers' feedback and make continuous improvements to aspects of our store operations and service. As the service culture in Japan is also well known worldwide, we have started sending selected staff for short stints to Isetan Mitsukoshi Stores in Japan to gain exposure to their sales techniques and ideas.

OUR MERCHANDISE

Merchandise differentiation is another strategy that can help ensure the viability of our stores. If we can offer customers merchandise, events and promotions that not only cater to their needs and wants but also give them unique shopping experiences, customers will have a reason to keep coming back to our stores. In this respect, our newly renovated Japanese themed supermarket in Isetan Scotts gives us confidence that this is the correct direction to move. Customer feedback on the new supermarket has been very encouraging and sales growth is within our expectation.

In the past years, many tourists have also travelled to Japan for their holidays and shopping trips. With this trend towards things Japanese, we believe we can leverage on it to create the merchandise differentiation that we desire. With the support of our headquarters in Japan, we hope to bring in more unique Japanese merchandise, food and beverage concepts and services.

OUR EMPLOYEES

Our workforce is our key asset and we invest in them by sending them for in-house and external training programmes so as to update or upgrade their skill sets. To better link our staff remuneration to the Company's performance, we also reward our staff with discretionary bonuses, tied to the Company's performance as well as individual performance.

ANALYSIS OF GROUP OPERATIONS

	2016 $'000	2015 $'000
Revenue*	**294,638**	302,178
Other income	**7,356**	5,594
Other gains and (losses)	**7,621**	(9,234)
Profit/(Loss) before income tax	**2,931**	(26,647)
Income tax (expense)/credit	**(362)**	823
Profit/(Loss) after tax	**2,569**	(25,824)
Earnings/(Loss) per share (cents)	**6.23**	(62.60)
Return on Equity	**1.49%**	(15.0%)
Dividend paid per share	**$0.05**	$0.075

*Revenue consists of:	**2016 $'000**	2015 $'000
Sale of goods	**286,494**	300,661
Rental income – investment properties	**8,144**	1,517

The local retail industry went through yet another challenging year in 2016 and this was reflected in the sales of the Group's retail segment. Similar to 2015, our Isetan Jurong East store continued to register sales growth but sales at the other stores were below the previous year. Other than the tough external environment which dampened sales, Isetan Wisma Atria did not register any retail sales in FY 2016 as it was converted into an investment property since the end of March 2015. Also, a fire that broke out at a unit in Parkway Parade Mall affected our Isetan Katong store and it was unable to open for business for a couple of days. Overall, retail sales suffered a decline of 4.71% in FY 2016 as compared to FY 2015. The retail segment continued to register losses but they were reduced by 54.12% in FY 2016 as compared to FY 2015 due to efforts put in to reduce operating expenses as well as lower depreciation as a result of the impairment of property, plant and equipment done in 2015.

The property segment, driven mainly by rental income at our investment property at Wisma Atria, helped to turn in a profit in FY 2016 as compared to a loss in FY 2015. Besides the reason of our investment property being almost fully tenanted by the end of FY 2016, a gain of $7.319 million was also recognized as a result of the disposal of the subsidiary's property.

INVESTMENT ACTIVITIES

	2016 $'000	2015 $'000
Dividend and Interest Income	**2,765**	2,481

Management adopts a 'risk-based' approach in its investment activities. Dividend and interest income increased from $2.481 million to $2.765 million due to better returns from investments in financial assets, held-to-maturity.

POSSIBLE CHALLENGES

The 2017 economic growth forecast by the government is between 1% to 3%. There are also many uncertainties and consumers will likely take a cautious approach in their spending. The trading environment is, therefore, likely to be similar to 2016 where keen competition and tight labour conditions exist. Against this backdrop, the Group will continue to put a tight rein on its operating expenses.

With the retail segment expected to experience yet another tough year in 2017, the rental income from our Isetan Wisma Atria investment property will help to provide a steady stream of revenue to buffer any difficulties faced by the retail segment.

FINANCIAL POSITION

During the year, the Group's cash and cash equivalents decreased from $63.328 million to $54.688 million mainly due to the losses incurred by the retail segment, settlement of amounts relating to trade and other payables, purchases of new financial assets, held-to-maturity as well as payment for property, plant and equipment and investment property, and dividend.

DIVIDEND

The Board of Directors has proposed a final dividend of 5.0 cents per ordinary share for the financial year ended 31 December 2016, subject to shareholders' approval at the forthcoming Annual General Meeting.

BOARD OF DIRECTORS

JUN YOKOYAMA
(Chairman)

Academic and Professional qualifications		Directorship
Bachelor of Economics, Seikei University (Japan).		**Date first appointed:** *1 April 2013* **Date last re-elected:** *21 April 2015*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments (as at 31 December 2016)	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
Nil	• Executive Officer-International Operations, Isetan Mitsukoshi Holdings Limited.	Nil

Mr. Yokoyama joined Isetan Company Limited (Japan) in 1981 and has held appointments in Sales and Merchandising in Isetan Company Limited. He has also held senior appointments in Isetan of Japan Sdn Bhd (Malaysia) and Isetan New York (U.S.A.). He was promoted to Executive Officer in 2010 where he was the General Manager for Isetan Urawa Store (Japan) until his present appointment as Executive Officer in charge of International Operations (Isetan Mitsukoshi Holdings Limited).

TOSHIFUMI HASHIZUME
(Managing Director)

Academic and Professional qualifications		Directorship
Bachelor of Economics, Chuo University (Japan).		**Date first appointed:** *29 April 2016* **Date of appointment as Managing Director:** *29 April 2016*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments (as at 31 December 2016)	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
Nil	Nil	Nil

Mr. Hashizume joined Isetan Company Limited (Japan) in 1983 where he has held senior positions in Sales and Merchandising. He was also seconded to Tokyu Department Store (Japan) as a Director in charge of Merchandising from 2011 to 2014. Prior to his present appointment, he was the General Manager, Speciality Stores Division in Isetan Mitsukoshi Limited.

BOARD OF DIRECTORS

KOAY BEE FONG

Academic and Professional qualifications		Directorship
Bachelor of Science in Mathematics , University of Strathclyde (Scotland) **Graduate Diploma in Personnel Management,** Singapore Institute of Management		**Date first appointed:** *29 April 2016*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments (as at 31 December 2016)	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
Nil	Nil	Nil

Ms. Koay joined Isetan of Japan Sdn. Bhd. (Malaysia) in 1989 and she has held senior positions in Human Resource and Corporate Planning. Her last position there was as Executive Director cum General Manager (General Administration Department). She then joined Isetan (China) Co. Ltd where she assumed the position of Managing Director until her present appointment as Executive Director, General Manager (Administration) cum Human Resource Director.

She was also appointed by the Minister of Human Resources, Malaysia, as an employer member of the SOCSO Appealate Board (from 2007 to 2015), as well as an employer panel member of the Industrial Court (from 1995 to 2015).

CHEY CHOR WAI

Academic and Professional qualifications		Directorship
Bachelor of Accountancy, University of Singapore. **Fellow Member of the Institute of Singapore Chartered Accountants, CPA Australia and The Association of Chartered Certified Accountants (United Kingdom).**		**Date first appointed:** *1 July 2010* **Date last re-elected:** *29 April 2016*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments (as at 31 December 2016)	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
• Courts Asia Limited	• Dover Park Hospice (Council member and member of Exco) • Info-communications Media Development Authority (Board member)	Nil

Mr. Chey has more than 32 years' experience in the accounting and auditing industry. He joined the legacy Coopers & Lybrand firm in Singapore in 1976 after graduating from the University of Singapore with a Bachelor of Accountancy. He assumed various positions at the offices of Coopers & Lybrand in London, Singapore and New York and was admitted to the Partnership of Coopers & Lybrand Singapore in 1989.

He was the Managing Partner of Coopers & Lybrand CIEC Beijing office for 3 years from 1 January 1995. He rejoined Coopers & Lybrand Singapore office on 1 January 1998 as an assurance partner. Coopers & Lybrand later merged with Price Waterhouse to form PricewaterhouseCoopers (PwC). He was also concurrently the Admin Partner in PwC from 2001 to 2003. He retired at the end of June 2008, after 32 years with the firm.

He is a full member of the Singapore Institute of Directors.

Mr. Chey was conferred the Public Service Medal (PBM) by the President of Singapore in 2014.

BOARD OF DIRECTORS

LIM BEE CHOO

Academic and Professional qualifications		Directorship
Bachelor of Business Administration, National University of Singapore.		**Date first appointed:** *1 July 2012* **Date last re-elected:** *29 April 2016*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments (as at 31 December 2016)	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
Nil	• Head of Human Resources, Asia Pacific, PayPal	Nil

Ms. Lim has more than 30 years' experience in the area of Human Resource Management. She has held senior positions in various companies which included Hewlett Packard, Sara Lee Corporation and Standard Chartered Bank. She is currently the Head of Human Resources, Asia Pacific, PayPal. She sits on the executive committee which runs the Asia Pacific business across 10 countries. As of March 2015, she has also been appointed to the PayPal Private Limited board that governs international operations for PayPal.

ASSOCIATE PROFESSOR
VICTOR YEO CHUAN SENG

Academic and Professional qualifications		Directorship
Bachelor of Laws, National University of Singapore. **Master of Laws,** University of Melbourne.		**Date first appointed:** *1 July 2015* **Date last re-elected:** *29 April 2016*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments (as at 31 December 2016)	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
Nil	• Associate Professor in the Nanyang Business School, Nanyang Technological University (Associate Dean, Student Life) • Associate Director, Aptus Law Corporation • Director, Akaraka Ltd	Nil

Associate Professor Yeo joined Nanyang Technological University (NTU) in 1992 after spending several years in private legal practice doing general commercial and corporate litigation at a leading law firm. He is an Associate Professor of Business Law and teaches in the University's undergraduate and post-graduate programmes. He has held several administrative positions, including that of Programme Director of the Nanyang MBA (Business Law) and Head, Division of Business Law, and is currently an Associate Dean at the Nanyang Business School, NTU. He has also served in various other administrative capacities at the University and was awarded the Public Administration Medal (Bronze) in 2013. Throughout his academic career, Professor Yeo has also served as trainer, advisor and consultant to numerous organizations on corporate law and governance issues.

Professor Yeo is also an Advocate and Solicitor of the Supreme Court of Singapore and is concurrently Associate Director with Aptus Law Corporation where he engages in corporate advisory work in the areas of corporate law, governance and securities regulation.

He is a Fellow of the Singapore Institute of Directors.

LIM TIEN CHUN

Academic and Professional qualifications		Directorship
Bachelor of Business Administration, University of Singapore.		**Date first appointed:** *7 February 1990* **Date of cessation as Director:** *15 February 2005* **Date of re-appointment as Director:** *3 December 2007* **Date of appointment as Managing Director:** *17 March 2008* **Date last re-elected:** *24 April 2008* **Date of retirement:** *30 April 2016*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments(as at 31 December 2016)	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
Nil	Nil	Nil

Mr. Lim joined Isetan (Singapore) Limited in 1977 and has held appointments in Advertising and Promotion, Planning and Budget Control, Sales and Merchandising. He was the General Manager (Sales and Merchandising) of the Company before he was posted to Jinan Isetan Company Ltd in the People's Republic of China as the General Manager in 2005. After his return from China in 2007, he assumed the post of Senior Director, Corporate Affairs until his appointment as Managing Director in 2008.

He is a member of the Singapore Institute of Directors (SID).

Mr. Lim retired from the Board on 30 April 2016.

PHUA PUEY JOY

Academic and Professional qualifications		Directorship
Bachelor of Business Administration, University of Singapore.		**Date first appointed:** *17 February 1992* **Date of appointment as Deputy Managing Director:** *16 March 2010* **Date last re-elected:** *22 April 2009* **Date retired:** *30 April 2016*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments (as at 31 December 2016)	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
Nil	Nil	Nil

Mr. Phua joined Isetan (Singapore) Limited in 1977 and has held appointments in Advertising and Promotion, Sales and Merchandising, Operations Support and Corporate Planning, Finance and Management Accounting, Information Systems and Human Resource Management.

Besides his appointment as the Deputy Managing Director, he was also the General Manager (Administration) where he oversaw the Human Resource, Operations Support, Information Systems, Finance and Accounting and Corporate Affairs Departments.

He is a member of the Singapore Institute of Directors (SID).

Mr. Phua retired from the Board on 30 April 2016.

BOARD OF DIRECTORS

GERARD CHENG POH CHUAN

Academic and Professional qualifications		Directorship
Bachelor of Arts (Economics and Statistics), University of Singapore. **Master in Communications Management,** University of South Australia.		**Date first appointed:** *17 March 2008* **Date last re-elected:** *21 April 2015* **Date retired:** *30 April 2016*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments (as at 31 December 2016)	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
Nil	Nil	Nil

Mr. Cheng joined Isetan (Singapore) Limited in 1980 and has held appointments in Merchandising, Advertising and Promotion, Sales, Human Resource, Corporate Affairs and Planning & Budget Control. He was also the Director of Human Resource and Sales & Merchandising Support.

He is a member of the Singapore Institute of Directors (SID).

Mr. Cheng retired from the Board on 30 April 2016.

JUN INOUE

Academic and Professional qualifications		Directorship
Bachelor of Economics, Aoyama Gakuin University (Japan).		**Date first appointed:** *1 May 2013* **Date last re-elected:** *25 April 2014* **Date resigned:** *1 April 2016*
Present Directorships in other listed companies (as at 31 December 2016)	Other Principal Commitments (as at 31 December 2016	Past Directorships in listed companies over the preceding three years (31 December 2013 to 31 December 2016)
Nil	Nil	Nil

Mr. Inoue joined Isetan (Company) Limited in 1984 and has held appointments in Sales and Merchandising in Isetan Company Limited (Japan) as well as a Manager in Isetan of Japan Sdn Bhd (Malaysia). Mr. Inoue joined Isetan (Singapore) Limited in March 2013 where he was appointed as the General Manager (Sales and Merchandising).

Mr. Inoue resigned from Isetan (Singapore) Limited and stepped down from the Board on 1 April 2016.

GERARD CHENG POH CHUAN

General Manager (Sales and Merchandising Support), Chief Risk Officer and Senior Manager (Legal and Contracts)

Mr. Cheng joined the Company in 1980 and has held appointments in Merchandising, Advertising and Promotion, Sales, Human Resource, Corporate Affairs and Planning & Budget Control. He received his Bachelor of Arts (Economics and Statistics) from University of Singapore as well as Master of Communications Management from the University of South Australia.

DAI KAMIYAMA

General Manager (Sales and Merchandising)

Mr. Kamiyama joined Isetan Company Limited (Japan) in 1991 where he has served in the Isetan New York Representative Office as well as various positions in Sales and Merchandising in Isetan and Mitsukoshi. He received his Bachelor of Laws from Keio University (Japan).

LOH KAH LEONG

Merchandising Senior Manager

Mr. Loh joined the Company in 1989. He has served in Store Operations and also held various appointments in the Merchandising Department as a Buyer and as a Divisional Manager. He received his Bachelor of Business Administration from the National University of Singapore.

JAMES CHE WENG FOO

Sales Promotion, Isetan Cards and Web Business Senior Manager

Mr. Che joined the Company in 1983. He has served in Store Operations, Merchandising and Sales & Merchandising Planning. He received his Bachelor of Science from the National University of Singapore.

MASAKO SHIONOYA

Isetan Scotts Store Manager

Ms. Shionoya joined Isetan Company Limited (Japan) in 1992 where she has held various Sales positions as well as served in the Isetan Austria Representative Office. Since joining Isetan Singapore in 2014, she has served in Store operations and Customer Service. She received her Bachelor of Arts from Chuo University (Japan).

PETER TENG SHEEN YAN

Isetan Wisma Investment Property Manager

Mr. Teng joined the Company in 1988. He has served in Merchandising, Sales Promotion and Store Operations. He received his Bachelor of Arts from McMaster University (Canada).

GERARD GOH KIM WAN

Information Systems, Corporate Planning, Budgeting and Business Development Senior Manager

Mr. Goh joined the Company in 1989. He has served in Finance and Accounting, Sales Promotions, Merchandise Planning, Web Business and Store Operations. He received his Bachelor of Arts from the National University of Singapore and is also a member of the Institute of Singapore Chartered Accountants.

YEW KAI PING

Finance & Accounting, Corporate Affairs, Planning and Budget Control Senior Manager

Mr. Yew joined Isetan Singapore Limited in 1988. He has served in Store Operations, Merchandising and Administration. He received his Bachelor of Business Administration from the National University of Singapore, Master in Business Administration from the Macquarie Graduate School of Management (Australia) and Master of Accounting from the Curtin University of Technology (Australia).

TONG SHU LEE

Suburban Stores Senior Manager

Mr. Tong joined the Company in 1989. He has served in Store Operations, Merchandising, Sales Promotion, Administration and the Associated Company in China. He received his Bachelor of Business Administration from the National University of Singapore.

CHUA BOON AIK

Administration Manager

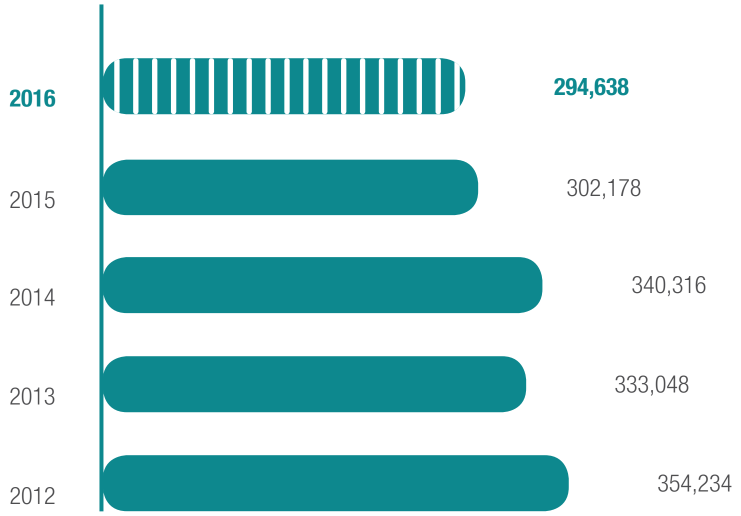
Mr. Chua joined the Company in 1990. He has served in Store Operations, Merchandising, Legal and Contracts, and Information Systems. He received his Bachelor of Business from the Curtin University of Technology (Australia) and Master of Business Administration from the State University of New York at Buffalo (USA).

GROUP FINANCIAL PROFILE

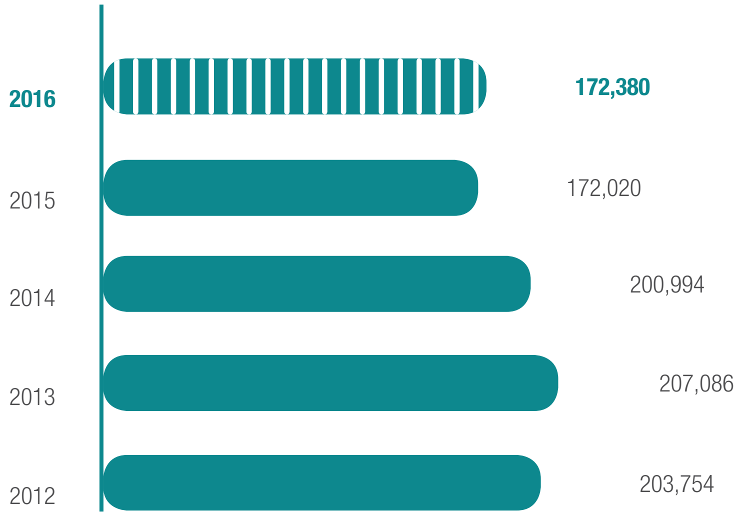
	Year ended 31.12.2016 $'000	Year ended 31.12.2015 $'000	Year ended 31.12.2014 $'000	Year ended 31.12.2013 $'000	Year ended 31.12.2012 $'000
Operating results					
Revenue	**294,638**	302,178	340,316	333,048	354,234
Profit/(Loss) before income tax	**2,931**	(26,647)	(3,023)	7,340	10,091
Income tax (expense)/credit	**(362)**	823	(113)	(797)	(419)
Net Profit/(Loss)	**2,569**	(25,824)	(3,136)	6,543	9,672
Total Assets					
Investment properties	**31,486**	32,325	2,672	2,731	2,790
Property, plant & equipment	**48,045**	50,263	84,603	88,940	78,152
Financial assets, available-for-sale	**3,455**	3,395	3,482	3,344	3,460
Financial assets, held-to-maturity	**44,534**	51,625	31,996	42,500	49,500
Club memberships	**235**	94	616	656	639
Investment in associated company	**124**	51	-	-	-
Rental deposits	**7,692**	7,711	6,973	6,706	6,887
Other receivables	**246**	252	330	393	254
Deferred income tax asset	**-**	294	-	-	-
Current assets	**90,932**	87,834	130,916	133,742	128,619
	226,749	233,844	261,588	279,012	270,301
Shareholders' Equity and Total Liabilities					
Shareholders' equity	**172,380**	172,020	200,994	207,086	203,754
Current liabilities	**47,186**	56,227	56,276	68,301	62,936
Non-current liabilities	**7,183**	5,597	4,318	3,625	3,611
	226,749	233,844	261,588	279,012	270,301
Shareholders' Equity					
Share capital	**91,710**	91,710	91,710	91,710	91,710
General reserve	**17,000**	17,000	17,000	17,000	17,000
Fair value reserve	**1,278**	1,278	1,365	1,227	1,344
Currency translation reserve	**(203)**	(197)	(228)	(228)	(228)
Other reserves	**(140)**	-	-	-	-
Retained earnings	**62,735**	62,229	91,147	97,377	93,928
	172,380	172,020	200,994	207,086	203,754
Earnings /(Loss) per share (cents)	**6.2**	(62.6)	(7.6)	15.9	23.5
Dividend paid :					
Final Gross dividend per share (cents)					
- Ordinary	**5.0**	7.5	7.5	7.5	7.5
- Special	**-**	-	-	-	2.5
Net ($'000)	**2,063**	3,094	3,094	3,094	4,125
Net assets per share	**$4.18**	$4.17	$4.87	$5.02	$4.94

GROUP FINANCIAL PROFILE

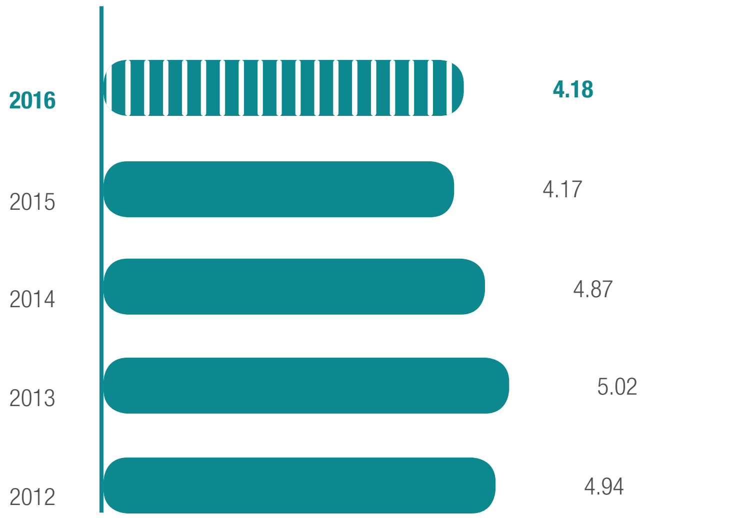
REVENUE
($'000)



SHAREHOLDERS' EQUITY
($'000)



NET ASSETS PER SHARE
($)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Jun Yokoyama
(Chairman)

Toshifumi Hashizume
(Managing Director)

Koay Bee Fong
(Executive Director cum General Manager-Administration and HR Director)

Chey Chor Wai
(Lead Independent Director)

Lim Bee Choo
(Independent Director)

Associate Professor Victor Yeo Chuan Seng
(Independent Director)

REGISTERED OFFICE

Company Registration no. 197001177H
593 Havelock Road, #04-01
Isetan Office Building
Singapore 169641
Tel: (65) 6732 8866
Fax: (65) 6736 0913

Website: www.isetan.com.sg
E-mail: isetansin@isetan.com.sg

COMPANY SECRETARY

Lun Chee Leong

REGISTRAR

M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: (65) 6227 6660
Fax: (65) 6225 1452

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424
Audit Partner: Peter Low
(Appointed in 2013)

Isetan is committed to achieving high standards of corporate governance. Key corporate governance practices and processes are set out in this report. This report is in compliance with the continuing obligations stipulated under Chapter 7 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

Isetan endeavors to adhere to all the principles and guidelines of the Code of Corporate Governance (the "Code"). Where the Company's practices deviate from any guideline of the Code, this has been disclosed below together with an appropriate explanation for such deviation.

The details of the Board and the various committees are disclosed in the section on the Board of Directors. In addition, the particulars of the directors are also disclosed in the same section.

BOARD MATTERS

BOARD OF DIRECTORS

	Name of Directors	Executive / Non-executive	Independent/ Non-independent
1	Jun Yokoyama (Chairman)	Non-executive	Non-independent
2	Toshifumi Hashizume (Managing Director)* (Appointed on 29 April 2016)	Executive	Non-independent
3	Koay Bee Fong* (Appointed on 29 April 2016)	Executive	Non-independent
4	Chey Chor Wai**	Non-executive	Independent
5	Lim Bee Choo	Non-executive	Independent
6	Assoc. Professor Victor Yeo Chuan Seng	Non-executive	Independent
7	Lim Tien Chun (retired on 30 April 2016)	Executive	Non-independent
8	Phua Puey Joy (retired on 30 April 2016)	Executive	Non-independent
9	Gerard Cheng Poh Chuan (retired on 30 April 2016)	Executive	Non-independent
10	Jun Inoue (stepped down on 1 April 2016)	Executive	Non-independent

* Indicates the Board members who are on the Executive Committee ("Exco")

** Lead Independent Director

COMMITTEES

	Audit & Risk Committee ("ARC")	Nominating Committee ("NC")	Remuneration Committee ("RC")
Chairman	Chey Chor Wai	Assoc. Professor Victor Yeo Chuan Seng	Lim Bee Choo
Members	Lim Bee Choo Assoc. Professor Victor Yeo Chuan Seng	Chey Chor Wai Lim Bee Choo	Chey Chor Wai Assoc. Professor Victor Yeo Chuan Seng

Principle 1: The Board's Conduct of its affairs

The main role and responsibility of the Board of Isetan is to oversee the business affairs of the Company. The key matters for Board's overview and supervision include approving broad policies, strategies and objectives of the Company, monitoring management performance, approving annual budgets and major funding, investment and divestment proposals. The Board also assumes responsibility for corporate governance and risk management and approves all transactions involving the Company other than those in the ordinary course of business of the Company.

Matters which are specifically reserved to the Board for approval include:

(a) remuneration framework of all Board members;

(b) remuneration framework and packages of all key executives;

(c) matters involving a conflict of interest for a substantial shareholder or a director;

(d) share issuances, dividends and other returns to shareholders; and

(e) matters which require Board's approval as specified under the Company's interested person transaction policy.

The Board has required internal directives to be issued with regard to shares trading. These directives, including prohibitions on insider trading, have been made known to all directors and employees. The guidelines specifically prohibit trading in the Company's shares on short term considerations as well as during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the financial statements for the full year.

To assist in the execution of its responsibilities, the Board has established four Board committees, namely, the Exco, the NC, the ARC and the RC. The Exco aims to facilitate and expedite corporate processes, particularly where Board resolutions are required to be passed with urgency. The Exco also oversees the operational aspects of the Company, including the review and approval of the strategic process for the Company. The terms of reference and composition of the other Board committees have been detailed in the respective sections of this report.

The Board met 6 times during the year. In addition, the Exco meets regularly and have met 32 times in 2016.The record of the directors' attendance at Board and the respective committee meetings during the financial year ended 31 December 2016 is set out below.

Directors' Attendance at Board and other committee meetings

		No. of meetings (for the period from 01/01/16 to 31/12/16)									
		Board		Exco		NC		RC		ARC	
	Name of Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
1	Jun Yokoyama (Chairman)	6	5	–	–	–	–	–	–	–	–
2	Toshifumi Hashizume (Managing Director) (appointed on 29 April 2016)	6	4	32	27	–	–	–	–	–	–
3	Koay Bee Fong (appointed on 29 April 2016)	6	4	32	29	–	–	–	–	–	–
4	Chey Chor Wai	6	6	–	–	1	1	1	1	5	5
5	Lim Bee Choo	6	6	–	–	1	1	1	1	5	5
6	Assoc. Professor Victor Yeo Chuan Seng	6	6	–	–	1	1	1	1	5	5
7	Lim Tien Chun (retired on 30 April 2016)	6	2	32	4	–	–	–	–	–	–
8	Phua Puey Joy (retired on 30 April 2016)	6	2	32	4	–	–	–	–	–	–
9	Gerard Cheng Poh Chuan (retired on 30 April 2016)	6	2	32	4	–	–	–	–	–	–
10	Jun Inoue (stepped down on 1 April 2016)	6	1	32	4	–	–	–	–	–	–

All directors have been provided with a copy of the Company's Corporate Governance Policies Manual which serves as a guide to the Company's governance practices and policies. A formal letter is also issued to each director, with reference made to the Company's Corporate Governance Policies Manual and on the directors' duties and obligations. All directors are to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

In addition, the Company has orientation programmes to ensure that incoming directors are familiar with the Company's business, structure and governance practices. In 2016, management conducted an induction and orientation programme for its new directors to familiarize them with the Company's strategy, policies and state of affairs as at their joining. Arrangements were also made for them to meet with the Company's internal auditors and key management personnel. In recognition that directors require appropriate on-going training, the Company has encouraged all directors to sign up as members of the Singapore Institute of Directors ("SID") and to participate in its courses at the Company's expense. Briefings are organized from time to time to update directors and, in particular, the ARC on developments of the laws and regulations relevant to the Company and its business. During the year, PwC and KPMG made presentations to the directors on the new Sustainability Report that would come into effect in 2018. PwC also presented updates on the new Financial Reporting standards relating to revenue, financial instruments and lease accounting that would come into effect from 2018 onwards. KPMG presented key changes to the Employment Act as well as the overall state of the Code of Corporate Governance disclosures among SGX listed firms. Various members of the Board also attended professional development courses conducted by the SID, accounting firms or professional accounting bodies.

Principle 3: Chairman and Managing Director

The Chairman and Managing Director ("MD") are different persons with different roles and the Board will endeavor to maintain this division of responsibilities, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and MD are clearly established, set out in writing and approved by the Board. The Chairman and the MD are not related.

The MD is the most senior executive in the Company and bears executive responsibility for the Company's business, while the Chairman is non-executive and bears responsibility for Board proceedings.

The key roles and responsibilities of the Chairman with regard to Board proceedings include the scheduling of meetings and preparation of meeting agenda with assistance from the Company Secretary, in consultation with the MD prior to the meeting. He assumes responsibility for ensuring that the directors are provided with accurate, adequate and timely information so that they may fulfil their responsibilities.

The Chairman is responsible for ensuring effective communication with shareholders, encourage constructive relations between Board and management, between executive and non-executive directors. The Chairman also has an oversight role in ensuring compliance with the Company's guidelines on corporate governance and risk management.

As the Chairman is non-independent and in accordance with the Code, Mr. Chey Chor Wai has assumed the role of lead independent director since 22 April 2015. Led by the lead independent director, the independent directors meet periodically without the presence of the other directors. Relevant matters discussed at this meeting are reported to the Chairman. The lead independent director, is available to shareholders at e-mail address : isetan.lead.id@gmail.com should they have concerns and for which contact through the normal channels of the Chairman, Managing Director or Senior Management (who assumes the role of the CFO) has failed to resolve or is inappropriate.

Principle 2: Board Composition and Guidance
Principle 4: Board Membership

As at 31 December 2016, the Board had six directors, of whom four are non-executive. Three of the directors are independent. The Board has changed to its present composition in respect of the proportion of independent directors in order to meet the requirement of Guideline 2.2 of the Code.

Under Article 87(2) of the Company's Constitution, if the MD is appointed for a fixed term, such term shall not exceed 5 years. Pursuant to Article 95 of the Company's Constitution, one-third of the Directors (other than the MD) retires from office at the Company's Annual General Meeting held in each year. Such retiring directors are eligible for re-nomination and re-election.

The Board comprises persons who as a group provide the necessary core competencies to meet the Company's objectives. While the Chairman and Executive Directors individually possess many years of experience in the retail industry, the independent directors add diversity and balance to the Board as they have diverse backgrounds and qualifications in the fields of legal, accounting and human resource management. Both genders are represented on the Board. The NC is of the view that the current size of the Board is appropriate and provides effective decision making in relation to the scope and nature of the Company's operations. The Board will continue to review the size of the Board and its composition on an ongoing basis. To provide a more effective check on management, the non-executive directors meet without the presence of the management. The NC is established by the Board to recommend the appointment/nomination and re-appointment of all directors to the Board. Subject to Article 95 of the Company's Constitution, all directors (other than the MD) are required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.

Prior to making recommendations to the Board, the NC adopts a formal and transparent process of reviewing nominations of directors for appointment to the Board and Board committees. The NC will first identify suitable candidates for Board membership using appropriate means, which may include recommendations from current Board members, external searches by search firms or the SID and other referrals. The criteria for evaluating the potential candidates include:

(a) skills, background, qualifications and work experience sought;

(b) the type of capabilities or qualities that are needed to complement the core competencies of the existing Board members; and

(c) the level of commitment in terms of time and effort in order to fulfill the director's obligations.

The evaluation may also include an interview with the intended candidate(s) to ascertain their suitability. The NC then recommends the suitable candidate(s) to the Board for appointment as a Director.

The Company has in place a process to groom future potential candidates within the Company to assume key management positions. The process includes promoting and rotating the candidates across various departments and may also include short-term training to gain exposure. Secondments and / or transfers of personnel from related companies are also part of this process.

The NC also reviews and makes recommendations to the Board on whether or not retiring directors should be nominated for re-election. In making its recommendations, the NC reviews and takes into account the past performance and commitment of the retiring director, the directors' contributions towards the efficacy of the Board as well as the type of capabilities or qualities that are needed for the Board as a whole at the time of the directors' retirement and re-election.

The NC has been tasked to assess the independence of the directors and has adopted a more stringent definition of independence than that set out in the Code of Corporate Governance as the independent directors are independent from substantial shareholders (namely, 5% shareholders) of the Company (and not merely 10% shareholders, as required by the Code). The NC is of the opinion that the directors who have been classified as independent are indeed independent. None of the independent directors have served on the Board for more than 9 years from the date of their first appointment.

The NC comprises three directors, all of whom, including the chairman are independent. The NC requires all the independent directors to confirm their independence and their relationships with other directors, management and substantial shareholders of the Company by a declaration in writing annually. These declarations are subsequently reviewed and discussed by the NC before the NC confirms their independence. The Board is of the opinion that there are no directors who have multiple board representations or other appointments which will affect his/her ability to carry out his/her duty as a director of the Company. As there are directors who have more than one board representation, guidelines have been drawn up to address the competing time commitments of these directors. The guidelines have taken into account all relevant factors that may have an impact on the directors' contributions and performance which includes the individual director's attendance record at Board and Committee meetings, travelling commitments and the size, scope and complexity of the business activities and operations of the companies in which he or she is a board member. In the course of the annual review, all independent directors have declared to the Company in writing all of their current principal commitments as well as signed an undertaking that they will continue to devote sufficient time, effort and attention to the business and affairs of the Company for the upcoming financial year. The individual director also explains and justifies to the NC how he/she intends to set aside the time and resources to discharge his/her duties to the Company, especially if he/she is in full time employment elsewhere. In addition to this process, the Board has also determined that the maximum number of listed company board representations that any director may hold is to be five.

The Company does not have any alternate directors.

A summary table showing the directors who are executive or non-executive as well as independent or non-independent is shown on page 19. Members of the ARC, NC and RC are also shown on the same page. All the directorships and chairmanships in listed companies held by the directors, both current and those held over the preceding three years, are shown on pages 10 to 14.

Principle 5: Board Performance

Under the terms of reference for the NC as approved by the Board, the NC has adopted a system for assessing the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board. The NC has implemented a process to allow for peer assessment of each director on the Board, to assess the director's contributions to the effectiveness of the Board. This evaluation process includes sending each director a questionnaire for completion. The responses are collated, analyzed and summarized by the independent, external Company Secretary, so as to encourage frank and open feedback and discourse. The responses are then discussed by the NC for recommendations to be made to the Board. The NC assesses and recommends objective performance criteria to the Board for its approval and these performance criteria are unlikely to be altered unless the circumstances render it necessary, in which event the Board will furnish its reasons for doing so. The assessments are done on an annual basis, with the assessment of individual directors being done on a voluntary basis. Some of the performance criteria for the Board assessment process includes the appropriate size and composition of the Board, the effectiveness of the decision-making process, access, to information by directors, the accountability of the Board members, oversight over and management of the MD and Management and directors' standard of conduct. Some of the performance criteria for the individual director assessment process include attendance at Board and Committee meetings, adequacy of preparation and contributions in various areas of expertise.

Principle 6: Access to Information

Management supplies the Board with complete and adequate information in a timely manner to allow the directors to fulfill their duties properly. The Board has a procedure for directors, after consultation with the Chairman of the Board or the MD, to take independent professional advice at the Company's expense in the furtherance of their duties. The Board also has separate and independent access to the Company's senior management and the Company Secretary. The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Board decides on the appointment and the removal of the Company Secretary.

REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies
Principle 8: Level & mix of remuneration
Principle 9: Disclosure on remuneration

The RC comprises entirely of independent non-executive directors.

The RC is chaired by an independent non-executive director. The RC has access to advice from the internal human resource department, and if required, the RC will have access to external advice. The RC regularly reviews the remuneration framework for the executive directors and key management personnel in conjunction with market studies and benchmarking exercises with industry peers, where appropriate, and after such reviews makes recommendations to the Board and the Chairman of the Company.

The RC has established major key performance indicators for evaluating the performance of the executive directors and key management personnel. The remuneration packages paid to the executive directors who are seconded to the Company are paid remuneration packages based on their home country's scheme while those relating to the key executives are linked to the performance of both the Company and each individual. The variable components of remuneration for management staff (including Executive Directors) take the form of an annual variable bonus, where applicable. After the pool of the variable bonus is decided, it is distributed based on each employee's performance grading. The Company currently does not have a long-term incentive scheme for the purpose of rewarding and retaining key appointment holders. As such, the Board is of the opinion that a claw-back mechanism in the incentive scheme is not appropriate. The Company also does not have an employee share scheme. As such, no employees have been granted shares or options pursuant to an employee share scheme. However, the Company operates a retirement benefit scheme for its employees, including executive directors and key management personnel who are eligible for it. Further information is disclosed in the Notes to the accounts under item 25.

For the current financial year, independent directors will, subject to shareholders' approval, receive only directors' fees. The RC will continue to assess and recommend independent directors' fees that are appropriate to the level of their contributions, and submit its recommendations to the Board for its endorsement. The Board will then recommend the proposal for the remuneration of the independent directors for approval at a shareholders' meeting. Details of fees for the Company's independent directors are in the table below.

Annual fees	ARC	NC	RC	Total
	$	$	$	$
Chairmanship	18,000	10,000	10,000	38,000
ARC member	–	9,000	9,000	18,000
NC member	5,000	–	5,000	10,000
RC member	5,000	5,000	–	10,000
Basic Fee	34,000	34,000	34,000	102,000
Total	62,000	58,000	58,000	178,000

Pursuant to article 95 of the Company's Constitution, one third of the Directors (other than the MD) retires from office at the Company's Annual General Meeting held in each year. Such retiring directors are eligible for re-nomination and re-election. No employee share scheme has been offered to any director or employee.

The breakdown of directors' remuneration (in percentage terms) for the period from 1/1/16 to 31/12/16 and the remuneration bands of directors and key executives for the period from 1/1/16 to 31/12/16 are set out in the Note (b) under "Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual". Although the Code recommends that companies fully disclose the remuneration of each individual director and their CEOs, and that they should name and disclose the remuneration of their top five key management personnel (who are not directors or the CEO) including the aggregate remuneration paid to these top five key management personnel, the Company has chosen to omit this information (with the exception of the Independent Directors' remuneration which is shown above) in light of the industry's competition for talent, the confidentiality of staff remuneration matters and so as not to hamper the Company's efforts to retain and nurture its talent pool. The RC has examined the executive compensation paid to its executives and key management and has come to the view that the sums paid do not exceed market norms.

There are no employees who are immediate family members of a director or the Managing Director.

ACCOUNTABILITY AND AUDIT

Principle 11: Risk Management and Internal Controls
Principle 12: Audit Committee
Principle 13: Internal Audit

The ARC was reconstituted on 1 September 2013 when the risk oversight function was incorporated into the Audit Committee's responsibilities. To assist the ARC, a Chief Risk Officer was appointed during the year to coordinate the overall risk framework of the Company as well as to ensure the key risks are managed properly by the relevant departments. The ARC comprises three independent non-executive directors. The Board is of the opinion that at least two members of the ARC (including the Chairman) have sufficient accounting or related financial management expertise or experience to discharge its responsibilities. The Company adheres to the Code's guideline where a former partner or director of its existing auditing firm should not act as a member of the company's ARC: (a) within a period of 12 months commencing on the date of his/her ceasing to be a partner or director of the auditing firm; and in any case (b) for as long as he has any financial interest in the auditing firm.

The external auditor also updates the ARC periodically on the latest and upcoming changes to accounting standards and issues. In addition, the ARC members also attended training courses organized by the SID and other training providers.

The ARC has been conferred explicit authority to investigate any matter within its terms of reference, full access to and co-operation by management, full discretion to invite any director or management staff to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

Under the terms of reference for the ARC as approved by the Board and in accordance with Section 201B(5) of the Singapore Companies Act, the key roles and responsibilities of the ARC include the following:

- reviewing with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and any matters which the external auditors wish to discuss in the absence of management;

- assessing the independence and objectivity of the external auditors;

- reviewing with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the overall internal control systems;

- reviewing the adequacy and effectiveness of the Group's internal controls and risk management systems at least annually, including financial, operating, compliance and information technology controls, and risk management policies and systems established by the management;

- reviewing arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- reviewing any significant findings of internal investigations and management response;
- reviewing the effectiveness of the Company's external and internal auditors and approving the appointment, reappointment and removal of the Company's external and internal auditors and approving their remuneration and terms of engagement;
- reviewing interested person transactions to ensure that internal control procedures are adhered to;
- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance e.g. quarterly and annual financial statements, including announcement to the SGX-ST prior to the submission to the Board; and
- reporting actions and minutes of the ARC meetings to the Board of Directors with such recommendations as the ARC considers appropriate.

The ARC met 5 times during the year in review. The Company Secretary, the Company's external and internal auditors and the management team responsible for finance attend the meetings. Wherever necessary, other members of the management team are invited to attend the ARC meetings.

The ARC reviews and recommends to the Board the release of the quarterly and full year financial statements. In the process, it also reviews the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a great impact on the financial statements. It also considers and approves the Audit Strategy Memorandum prepared by the external auditors and the Internal Audit Plan prepared by the internal auditors, and reviews the scope and results of both external and internal audits.

The ARC also met up with the external auditors in the absence of management, at least once annually. In addition, in some of other meetings with auditors, the ARC has invited the presence of management to assist in its frank deliberations. The ARC has received confirmation from the external auditors that they have received full assistance from the officers of the Company in the course of their audit.

The ARC has nominated PricewaterhouseCoopers LLP for re-appointment as auditors of the Company at the forthcoming Annual General Meeting. The ARC has reviewed the amount of non-audit fees paid to the auditors and is of the opinion that it will not affect the independence of the auditors. The aggregate amount of fees paid to the independent auditor of the Company during the financial year, the breakdown of the fees paid in total for audit and non-audit services respectively and the independence review process are disclosed under (c) and (e) of the "Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual ".

The ARC met up with the internal auditors in the absence of management, at least once annually. The ARC has received confirmation from the internal auditors that they have received full assistance from the management of the Company in the course of their work. The internal audit function is carried out by KPMG LLP, whose primary line of reporting is to the Chairman of the ARC. The internal audit plan and scope of work are prepared in consultation with, but independent of, management and submitted to and approved by the ARC. The internal auditors assist the ARC in assessing the Company's risk management, controls and governance processes and the reports of the internal auditors are distributed to the ARC and discussed at the ARC meetings. The internal auditors have confirmed to the ARC that their work have met the standards set by The Institute of Internal Auditors.

As part of their statutory audit, the Company's external auditors reviews the Company's material internal controls relevant to financial reporting in order to design audit procedures that are appropriate in the circumstances. Any material non-compliance and internal control weaknesses identified by both the external and internal auditors are reported to the ARC, together with the recommendations to address them. The Company's management follows up on these recommendations as part of their role in reviewing the Company's internal control systems. The ARC also reviews the effectiveness of the actions taken by management on the recommendations made in this respect. To ensure an effective system of internal controls, the internal auditors have been engaged to carry out periodic assessments of enterprise-wide risks with management and the ARC. Subsequently, a risk-based internal audit plan is formulated by the internal auditors where the current controls for the key risks are identified and action plans developed to address any gaps and weaknesses in the controls. Based on the work carried out by the internal auditors, the review undertaken by the external auditors as part of their statutory audit, the written assurances from the MD and senior management and the existing management controls in place, the ARC and the Board are of the opinion that the internal controls including financial, operational, compliance and information technology controls, and the risk management systems are adequate and effective as at 31 December 2016. The Board has also received written assurances from the MD and Senior Management (who assumes the role of the CFO) that (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and (b) the Group's risk management and internal control systems are adequate and effective. The Board, together with the ARC and management, will continue to enhance and improve the existing internal control and risk management frameworks to identify and mitigate these risks.

The system of internal controls and risk management policies established by the Company (as further elaborated on pages 29 to 30, Risk Management Policies and Processes) is designed to manage, rather than eliminate, the risk of failure in achieving the Company's strategic objectives. It should be recognized that such systems are designed to provide reasonable assurance, but not an absolute guarantee, against material misstatement or loss.

The Company has put in place a "whistle-blowing" process whereby staff of the Company can raise concerns about possible improprieties in matters of financial reporting or other matters through a well-defined and accessible channel within the Company. The objective of the policy is to encourage the reporting of such matters in good faith, while providing the assurance that staff making such reports will be fairly treated. The "whistle-blowing" policy is communicated to all staff during the orientation for new staff and also via the Staff Handbook. Procedures have been established to ensure that such matters are promptly investigated, appropriate follow-up actions taken by management and results reported to the ARC and Board of Directors. In addition, all staff have been informed of the contact details of the ARC members so that they may report their concerns directly to the ARC. The Company and/or the ARC will also investigate anonymous complaints but may result in the matter not being satisfactorily resolved until the complainant is able to come forward and offer his/her assistance.

Where a whistle blowing case warrants immediate attention, it will be investigated promptly and reported to senior management as well as the ARC. If there are no whistle blowing cases, a negative confirmation is conveyed by the management to the ARC on a quarterly basis.

Principle 10: Accountability
Principle 14 and 15: Shareholder Rights and Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Board is accountable to the shareholders while management is accountable to the Board and provides the necessary information needed by the Board on a timely basis so that it can effectively discharge its duties. In addition, the management provides management accounts to the directors on a monthly basis as well as the performance against the Company's annual budget.

The Company avoids selective disclosure of information. The annual and quarterly announcements of financial statements and other price sensitive public reports and reports to regulators (where relevant) are published through SGXNET.

CORPORATE GOVERNANCE **REPORT**

Shareholders have been given the opportunity to participate and vote in shareholders' meetings. If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. Relevant intermediaries may appoint more than two proxies. The Chairman, the Board of Directors, and members of the senior management team attend the shareholders' meetings to address questions and obtain feedback from shareholders. The external auditors are also present to address queries about the conduct of the external audit and the preparation and content of the auditors' report. All resolutions at general meetings will be voted on by poll and shareholders will be briefed on the voting procedures and rules prior to the commencement of the meeting. The detailed results for each resolution are announced and screened at the meeting as well as announced on SGXNET on the same day. Minutes of general meetings are prepared to include the salient and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management. These minutes are made available to shareholders upon their request.

Besides the timely disclosure of pertinent information on SGXNET and at shareholders' meetings, the Company also adopts an "open door" policy of communications with shareholders where their queries that are from time to time received are brought to the attention of the Board.

The Company's dividend policy is to provide our shareholders a stable annual dividend that takes into account the Company's performance as well as the resources needed to secure its future success and well-being. Special dividends may be proposed, when deemed appropriate, to share the Company's successes with our shareholders.

The Company's website is at www.isetan.com.sg. The Company's latest annual reports, financial results and code of conduct are available on the Company's website. If shareholders have any queries on investor relations, they may contact isetansin@isetan.com.sg.

RISK MANAGEMENT
POLICIES AND PROCESSES

Isetan Singapore recognizes the need to have an effective and adequate risk management system in order to safeguard shareholders' interests and the Company's assets. It has, therefore, established a framework of prudent and effective controls in four areas, namely financial, operational, compliance and information technology.

The Audit and Risk Committee (ARC) oversees the risk management framework and policies. A Chief Risk Officer has been appointed to coordinate the overall risk framework of the Company as well as to ensure the key risks are managed properly by the relevant departments. With the advice of KPMG, an annual Enterprise Risk Assessment (ERA) is carried out where the tier one and two enterprise risks are identified and ranked. A risk heat map is developed based on the tier one risks (covering financial, operational, compliance and information technology areas). Based on the ERA results and other factors, the internal audit plan for the new financial year is established. After each internal audit, a report is submitted to the ARC where the gaps and lapses are identified. The report also records management's action plans to rectify these gaps and lapses. Management is also asked to report on whether and when such rectification measures have been undertaken. The internal audit plan is discussed and approved by the ARC and the board is kept informed to ensure top level awareness.

Risk management covers four areas of risks as follows:

Financial Risks

Due to its business activities, the Group is exposed to various kinds of financial risks such as market risks, credit risks and liquidity risks. The guidelines undertaken to manage such risks are further elaborated in the notes to the financial statements, under the heading of "Financial risk management".

In addition to the above, the Group also manages risks associated with accurate financial reporting. Besides the monthly review of management financial reports, regular internal reviews are also carried out to keep abreast of the latest Financial Reporting Standards and other regulatory requirements. If necessary, management consults with the external auditors and legal counsel, and adopts their advice on the reporting requirements.

Operational Risks

The operational risks of the business include process risks, risk from loss of assets, risks from uncontrollable events and risks from legal liability. As far as possible, procedures and policies have been set out to guide staff on how to execute the relevant risk controls. Where necessary, dry runs and practical drills are carried out periodically to reinforce the understanding of some of these procedures and policies. Insurance policies have also been taken up to cover the risks arising from loss of assets and legal liability.

Compliance Risks

The Company constantly monitors developments that may have an impact on its business such as changes in applicable laws and regulations, financial reporting standards, Singapore Exchange Listing rules and the Code of Corporate Governance. Beside the professional advice from our auditors and legal counsel, the Company also takes proactive steps by sending its employees to attend relevant courses for updates. This will ensure that the Company has adequate time to prepare the resources and changes in its policies and procedures and avoid any defaults.

Information Technology Risks

The risks associated with the information system include system failure due to external factors (like power and telecommunication failure), loss of data due to hardware failure, threats from external sources (like computer viruses) and cyber security. To enable the usage of information necessary for the planning, executing, controlling and reviewing of the daily business operations, such risks are regularly assessed and appropriate procedures and contingency plans are put in place to manage these risks. The internal and external auditors also carry out regular IT audits as part of their audit reviews.

RISK MANAGEMENT
POLICIES AND PROCESSES

Responding to Crisis Situations

All the internal controls in place cannot prevent a crisis from happening, As such, the Company has drawn up a Business Continuity Management (BCM) framework to manage the risk of business interruption and IT system failure, deliver continuity of service to customers, staff and to ensure the safety of everybody in our premises. The framework consists of:

(1) Crisis Management Plan (CMP);
(2) Business Continuity Plan (BCP); and
(3) IT disaster recovery plan (IT DRP)

The CMP, BCP and IT DRP are made available to the relevant store managers and heads of department. The Company also periodically carry out tests on these frameworks to ensure they are adequate and effective.

DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 38 to 90 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr Jun Yokoyama	(Chairman)
Mr Toshifumi Hashizume*	(Managing Director)
Ms Koay Bee Fong*	
Mr Chey Chor Wai	
Ms Lim Bee Choo	
Assoc Prof. Yeo Chuan Seng Victor	

* Appointed on 29 April 2016

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		**Holdings in which a director is deemed to have an interest**	
	At 31.12.2016	At 1.1.2016 or date of appointment if later	**At 31.12.2016**	At 1.1.2016 or date of appointment if later
The Company				
(Number of ordinary shares)				
Assoc Prof. Yeo Chuan Seng Victor	**1,000**	1,000	**–**	–
Isetan Mitsukoshi Holdings Ltd				
(Number of ordinary shares of ¥50 each)				
Mr Jun Yokoyama	**8,099**	7,483	**–**	–
(Options to subscribe for ordinary shares of ¥50 each)				
Mr Jun Yokoyama	**29,000**	24,800	**–**	–

(b) The directors' interests in the share capital of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

Share options

There were no options granted, including any to controlling shareholders or their associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited), directors and employees of the parent company and its subsidiary, during the financial year to subscribe for unissued shares of the Company or its subsidiary.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary.

There were no unissued shares under option in the Company or its subsidiary at the end of the financial year.

Audit and Risk Committee

The members of the Audit and Risk Committee at the end of the financial year were as follows:

Mr Chey Chor Wai (Chairman)
Ms Lim Bee Choo
Assoc Prof. Yeo Chuan Seng Victor

All members of the Audit and Risk Committee were independent non-executive directors.

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor;
- the results announcement for the quarters and full year; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit and Risk Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit and Risk Committee has conducted an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice their independence and objectivity before confirming their re-nomination.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

TOSHIFUMI HASHIZUME
Director

KOAY BEE FONG
Director

10 March 2017

INDEPENDENT AUDITOR'S
REPORT

To the members of Isetan (Singapore) Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Isetan (Singapore) Limited (the "Company") and its subsidiary (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment - property, plant and equipment As at 31 December 2016, the carrying value of the Group's property, plant and equipment under the retail cash generating unit ("CGU") was S$46,609,000. The disclosures relating to property, plant and equipment are included in Note 23 of the financial statements. These assets are required to be assessed for impairment at the balance sheet date, should there be any objective evidence or indication that these assets may be impaired. For the purpose of impairment testing, the recoverable amount of the assets is compared to its carrying value. In the current financial year, no additional impairment charge was recorded for the Group's assets under the retail CGU. The recoverable amount of the assets under the retail CGU is based on the higher of value-in-use ("VIU") and fair value less costs to sell ("FVLCTS"). The Group had determined VIU using the same valuation model used in prior year, with updates being made to inputs used in the model. Independent valuation exercises were carried out by professional property valuers to determine the fair value of land and buildings within the retail CGU for the FVLCTS computation. The assessment of impairment of property, plant and equipment was significant to our audit due to the number of estimates involved in the valuation computations. The valuations are highly judgemental and are based on key assumptions used. Key assumptions include discount rate and growth rate for VIU computation, while key assumptions used in FVLCTS computation are capitalisation rate and market comparables. Uncertainty arises as a result of having to consider long-term trends and market conditions and their impact on the key assumptions used. The nature of the judgement and sensitivity of the carrying amount of property, plant and equipment to the valuations have been disclosed under Note 3 of the financial statements.	We have critically assessed the key assumptions used in the assessment. Our audit procedures included the following: • assessed the appropriateness of the valuation model used in estimating the VIU computation; • assessed reasonableness of key assumptions, which include the discount rate and growth rate, used in VIU computation; • assessed the competency and independence of management's experts engaged to support management in the FVLCTS computation; • discussed with management and management's experts on key assumptions and critical judgemental areas in the FVLCTS computation; and • assessed the reasonableness of capitalization rate used in income capitalization method and comparable properties used in market comparison method. We have obtained satisfactory explanations from management and management's experts regarding the basis, methods and key assumptions used in determining the recoverable value of the assets within the retail CGU. Based on our testing, we concluded that the methods and assumptions used were reasonable.

INDEPENDENT AUDITOR'S **REPORT**

To the members of Isetan (Singapore) Limited

Other information

Management is responsible for the other information. The other information refers to the "Directors' Statement" section of the annual report but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Low Eng Huat Peter.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 10 March 2017

CONSOLIDATED INCOME **STATEMENT**

For the financial year ended 31 December 2016

	Note	The Group 2016 $'000	2015 $'000
Revenue	4	**294,638**	302,178
Other income	5	**7,356**	5,594
Other gains and (losses)	6	**7,621**	(9,234)
Expenses			
- Changes in inventories of finished goods		**(1,037)**	(1,423)
- Purchases of inventories and related costs		**(211,857)**	(221,902)
- Employee compensation	7	**(20,680)**	(21,771)
- Depreciation expense		**(7,494)**	(8,377)
- Rental expense	8(a)	**(44,819)**	(47,525)
- Other expenses	8(b)	**(20,876)**	(24,207)
Total expenses		**(306,763)**	(325,205)
Share of profit of an associated company	19	**79**	20
Profit/(loss) before income tax		**2,931**	(26,647)
Income tax (expense)/credit	9	**(362)**	823
Net profit/(loss) for the financial year		**2,569**	(25,824)
Net profit/(loss) attributable to:			
Equity holders of the Company		**2,569**	(25,824)
Earnings/(loss) per share for net profit/(loss) attributable to the equity holders of the Company (cents per share)	10		
- Basic		**6.23 cents**	(62.60 cents)
- Diluted		**6.23 cents**	(62.60 cents)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2016

	Note	The Group 2016 $'000	2015 $'000
Net profit/(loss) for the financial year		**2,569**	(25,824)
Other comprehensive (loss)/gain:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value loss	13	**–**	(87)
Currency translation differences arising from consolidation			
- (Loss)/gain	19	**(6)**	31
Item that will not be reclassified subsequently to profit or loss:			
Actuarial loss on retirement benefit obligation	25	**(140)**	–
Other comprehensive loss, net of tax		**(146)**	(56)
Total comprehensive income/(loss) for the financial year		**2,423**	(25,880)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**2,423**	(25,880)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2016

	Note	The Group 2016 $'000	The Group 2015 $'000	The Company 2016 $'000	The Company 2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**54,688**	63,328	**42,660**	61,308
Trade and other receivables	12	**12,293**	10,870	**12,292**	10,837
Financial assets, held-to-maturity	14	**11,753**	–	**11,753**	–
Inventories	15	**11,489**	12,526	**11,489**	12,526
Assets held-for-sale	16	**–**	110	**–**	110
Other current assets	17	**709**	1,000	**709**	1,000
		90,932	87,834	**78,903**	85,781
Non-current assets					
Other receivables	12	**246**	252	**246**	252
Financial assets, available-for-sale	13	**3,455**	3,395	**3,429**	3,372
Financial assets, held-to-maturity	14	**44,534**	51,625	**44,534**	51,625
Club memberships	18	**235**	94	**235**	94
Investment in an associated company	19	**124**	51	**2,598**	2,598
Investment in a subsidiary	20	**–**	–	**5,000**	5,000
Rental deposits	21	**7,692**	7,711	**7,692**	7,711
Investment properties	22	**31,486**	32,325	**31,486**	29,710
Property, plant and equipment	23	**48,045**	50,263	**48,045**	50,247
Deferred income tax asset	27	**–**	294	**–**	–
		135,817	146,010	**143,265**	150,609
Total assets		**226,749**	233,844	**222,168**	236,390
LIABILITIES					
Current Liabilities					
Trade and other payables	24	**47,186**	56,227	**47,177**	56,177
		47,186	56,227	**47,177**	56,177
Non-current liabilities					
Trade and other payables	24	**5,245**	3,731	**5,245**	3,643
Provisions for other liabilities and charges	26	**1,938**	1,866	**1,938**	1,866
		7,183	5,597	**7,183**	5,509
Total liabilities		**54,369**	61,824	**54,360**	61,686
NET ASSETS		**172,380**	172,020	**167,808**	174,704
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	28	**91,710**	91,710	**91,710**	91,710
General reserve	29	**17,000**	17,000	**17,000**	17,000
Fair value reserve	30	**1,278**	1,278	**1,255**	1,258
Currency translation reserve		**(203)**	(197)	**–**	–
Other reserves		**(140)**	–	**(140)**	–
Retained earnings	31	**62,735**	62,229	**57,983**	64,736
Total equity		**172,380**	172,020	**167,808**	174,704

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2016

	Note	Share capital $'000	General reserve $'000	Fair value reserve $'000	Currency translation reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000
2016								
Beginning of financial year		**91,710**	**17,000**	**1,278**	**(197)**	**–**	**62,229**	**172,020**
Total comprehensive (loss)/gain for the year		–	–	–	(6)	(140)	2,569	2,423
Dividend relating to 2015 paid	32	–	–	–	–	–	(2,063)	(2,063)
End of financial year		**91,710**	**17,000**	**1,278**	**(203)**	**(140)**	**62,735**	**172,380**
2015								
Beginning of financial year		**91,710**	**17,000**	**1,365**	**(228)**	**–**	**91,147**	**200,994**
Total comprehensive (loss)/gain for the year		–	–	(87)	31	–	(25,824)	(25,880)
Dividend relating to 2014 paid	32	–	–	–	–	–	(3,094)	(3,094)
End of financial year		**91,710**	**17,000**	**1,278**	**(197)**	**–**	**62,229**	**172,020**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit/(loss) before income tax		**2,931**	(26,647)
Adjustments for:			
- Depreciation expense		**7,494**	8,377
- Amortisation of capitalised letting fees		**70**	–
- Property, plant and equipment and investment properties written off		**68**	457
- Impairment loss on club memberships		**22**	114
- Net (gain)/loss in disposal of club memberships		**(186)**	78
- Loss on termination of club membership		**11**	–
- Gain on disposal of property, plant and equipment		**(81)**	–
- Gain on disposal of subsidiary's property - net		**(7,319)**	–
- Impairment of property, plant and equipment		**–**	9,153
- Net gain on early redemption of financial assets, held-to-maturity by issuer		**(46)**	–
- Interest income		**(2,590)**	(2,296)
- Increase in provisions for other liabilities and charges		**72**	317
- Dividend income		**(175)**	(185)
- Share of profit of an associated company		**(79)**	(20)
		192	(10,652)
Changes in working capital			
- Trade and other receivables		**(1,423)**	865
- Inventories		**1,037**	1,424
- Other assets and rental deposits		**288**	(1,003)
- Trade and other payables		**(5,805)**	(228)
Cash used in operations		**(5,711)**	(9,594)
Income taxes (paid)/refunded		**(46)**	139
Net cash used in operating activities		**(5,757)**	(9,455)
Cash flows from investing activities			
Proceeds from disposal of club memberships		**249**	162
Payments for club memberships		**(127)**	–
Proceeds from disposal of property, plant and equipment		**81**	–
Proceeds from disposal of subsidiary's property - net		**9,918**	–
Payments for letting fees		**(213)**	–
Payments for property, plant and equipment and investment property		**(8,823)**	(11,626)
Proceeds from early redemption by issuer / maturity of financial assets, held-to-maturity		**3,265**	16,500
Purchases of financial assets, held-to-maturity		**(7,893)**	(19,629)
Purchases of financial assets, available-for-sale		**(60)**	–
Interest received		**2,613**	2,212
Dividend received		**175**	185
Loan (to)/repayments from employee		**(5)**	97
Net cash used in investing activities		**(820)**	(12,099)
Cash flows from financing activities			
Dividend paid		**(2,063)**	(3,094)
Net cash used in financing activities		**(2,063)**	(3,094)
Net decrease in cash and cash equivalents		**(8,640)**	(24,648)
Cash and cash equivalents at beginning of financial year		**63,328**	87,976
Cash and cash equivalents at end of financial year	11	**54,688**	63,328

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Isetan (Singapore) Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is as follows:

593 Havelock Road
#04-01 Isetan Office Building
Singapore 169641

The principal activities of the Company are to carry on the business of operating department stores, operating supermarkets, to trade in general merchandise and to earn rental income from its investment property. The subsidiary has remained inactive since 16 February 2001 and earns mainly rental income from its investment property. The subsidiary disposed of its property on 15 September 2016.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Sale of goods*

Revenue from sale of goods is recognised when a Group entity has delivered the goods to the customer, the customer has accepted the goods and collectability of the related receivables is reasonably assured.

(b) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(c) *Interest income*

Interest income, including income arising from financial instruments, is recognised using the effective interest method.

(d) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(e) *Technical fee*

Technical fee from an associated company is recognised when services are rendered.

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in a subsidiary and an associated company" for the accounting policy on investment in a subsidiary in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in a subsidiary and an associated company" for the accounting policy on investment in associated company in the separate financial statements of the Company.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Freehold land is stated at cost less accumulated impairment losses. All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Component of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The estimated cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring or using the asset for purpose other than to produce inventories.

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land, freehold and leasehold buildings	50 years
Leasehold improvements	4 - 10 years
Shop renovations, furniture, fixtures and fittings	10 years
Office and shop equipment	8 years
Motor vehicles	6 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses".

2.5 Investment properties

Investment properties include those portions of leasehold land and buildings that are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation on the leasehold land and building is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life of 50 years. The residual value, useful life and depreciation method of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.6 Investments in a subsidiary and an associated company

Investments in a subsidiary and an associated company are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.7 Club memberships

Club memberships are carried at cost less accumulated impairment losses in the balance sheet. On disposal of club membership, the difference between disposal proceeds and the carrying amount is recognised in profit or loss.

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets

Property, plant and equipment
Investment properties
Investments in a subsidiary and an associated company
Club memberships

Property, plant and equipment, investment properties, investments in a subsidiary and an associated company and club memberships are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit (CGU) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 12), "cash and cash equivalents" (Note 11), "rental deposits" (Note 21) and deposits paid within "other current assets" (Note 17) on the balance sheet.

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification (continued)

(ii) Financial assets, held-to-maturity

Financial assets, held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. The Group's financial assets, held-to-maturity include investments in fixed rate corporate bonds. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet which are presented as current assets.

(iii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables and financial assets, held-to-maturity are subsequently carried at amortised cost using the effective interest method.

Dividend income on financial assets, available-for-sale are recognised separately in income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(e) *Impairment (continued)*

(i) *Loans and receivables/financial assets, held-to-maturity*

Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

(ii) *Financial assets, available-for-sale*

In addition to the objective evidence of impairment described in Note 2.9(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

2.10 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

2. Significant accounting policies (continued)

2.11 Fair value estimation of financial assets and liabilities (continued)

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.12 Operating leases

(a) When the Group is the lessee:

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment made (or received) by the Group is recognised as an expense (or income) when termination takes place.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor:

Assets leased out under operating leases are included in property, plant and equipment and investment properties and are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases of properties where the Group retains substantively all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Costs comprises all costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Government grants

Grants from the government are recognized as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to expenses are deducted in reporting the related expense.

2. Significant accounting policies (continued)

2.15 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in a subsidiary and an associated company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

2.16 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss for the period the changes in estimates arise except for asset dismantlement, removal and restoration costs, which are adjusted against the cost of the related property, plant and equipment unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

2. Significant accounting policies (continued)

2.17 Employee compensation

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to defined contribution plans are recognised as employee compensation expense when the contributions are due.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) Retirement benefits

The Company operates an unfunded, retirement benefit scheme for its employees. Benefits are payable based on the last drawn salary of the employees, who have completed service of at least 6 years with the Company and, have reached the requisite age as at the balance sheet date. Liability accrued under the scheme is the present value of the Company's benefit obligations at the balance sheet date and is shown as non-current other payables in the balance sheet. Present value is determined by discounting the estimated future cash outflows using the interest rates of corporate bonds that have terms to maturity approximating the average maturity period of the related liability. The Group has no further payment obligations once the benefit has been paid to the employee upon retirement.

2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. Significant accounting policies (continued)

2.19 Currency translation (continued)

(c) Consolidation adjustments

On consolidation, currency translation differences arising from the net investment in an associated company are taken to the currency translation reserve. When a foreign operation is disposed of, such currency translation differences are recognised in profit or loss as part of the gain or loss on disposal.

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.22 Dividend to Company's shareholders

Interim dividend is recorded in the financial year in which it is declared payable. Final and special dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.23 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of property, plant and equipment and, when applicable, CGU, have been determined based on the higher of fair value less costs to sell ("FVLCTS") and value-in-use ("VIU") methods.

In the current financial year, no additional impairment charge (2015: impairment charge of $9,153,000) was recorded for the Group's assets under the Retail CGU. The recoverable amount is based on the FVLCTS method.

The recoverable amounts of the property, plant and equipment within the Retail CGU are based on external valuations. If the valuations have been 1% lower, no additional impairment charge (2015: a further impairment charge of $488,000) would have been recognised on the Group's property, plant and equipment under the Retail CGU.

4. Revenue

	The Group	
	2016	2015
	$'000	$'000
Sale of goods	**286,494**	300,661
Rental income from investment properties	**8,144**	1,517
	294,638	302,178

5. Other income

	The Group	
	2016	2015
	$'000	$'000
Rental income	**2,586**	2,891
Sundry income	**1,929**	148
Dividend income on financial assets, available-for-sale		
- Unquoted investment in a fellow subsidiary	**66**	72
- Quoted equity securities	**109**	113
Technical fee from an associated company	**76**	74
Interest income		
- Fixed deposits	**368**	414
- Financial assets, held-to-maturity	**2,110**	1,768
- Others	**112**	114
	7,356	5,594

6. Other gains and (losses)

Included in other gains and (losses) are the following items:

	The Group	
	2016	2015
	$'000	$'000
Impairment of property, plant and equipment (Note 23)	**–**	(9,153)
Gain from disposal of subsidiary's property	**7,319**	–

7. Employee compensation

	The Group	
	2016	2015
	$'000	$'000
Wages and salaries	**19,551**	20,548
Employer's contribution to defined contribution plans including Central Provident Fund	**1,954**	2,041
Retirement benefit scheme expense (Note 25)	**84**	354
	21,589	22,943
Less: Government Grant - Special Employment Credit	**(909)**	(1,172)
	20,680	21,771

The Special Employment Credit (SEC) was introduced as a Budget Initiative in 2011 to support employers, and to raise the employability of older Singaporeans. This initiative was enhanced in 2012 and subsequently extended in Budget 2016 for three years, from 1 January 2017 to 31 December 2019, to provide a wage-offset to employers hiring Singaporean workers aged above 55 and earning up to $4,000 a month.

8. Rental expense and other expenses

(a) Rental expense

Lease payment recognised as rental expense includes contingent rental expense of $469,000 (2015: $487,000) provided on a percentage of sales derived from the relevant stores in the current year.

(b) Other expenses

Included in other expenses are the following items:

	The Group	
	2016	2015
	$'000	$'000
Property, plant and equipment and investment properties written off	**68**	457
Allowance for impairment of receivables	**15**	90
Impairment loss on club memberships	**22**	114
Amortisation of capitalised letting fees	**70**	–
Royalty	**1,454**	1,526
Utilities	**2,100**	2,653
Advertising and promotion	**4,044**	3,965
Supplies, repair and maintenance	**4,435**	5,430
Credit card commissions	**2,656**	2,725
License fees, property and miscellaneous taxes	**1,178**	1,200
Delivery	**1,282**	1,616

9. Income tax

(a) Income tax expense/(credit)

	The Group	
	2016	2015
	$'000	$'000
Tax expense/(credit) attributable to the results for the financial year is made up of:		
- Deferred income tax	**294**	(590)
	294	(590)
Under/(over) provision in preceding financial years:		
- Current income tax	**68**	(137)
- Deferred income tax	**–**	(96)
	362	(823)

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	The Group	
	2016	2015
	$'000	$'000
Profit/(loss) before tax	**2,931**	(26,647)
Share of profit of an associated company	**(79)**	(20)
Profit/(loss) before tax and share of profit of an associated company	**2,852**	(26,667)
Tax calculated at a tax rate of 17% (2015: 17%)	**485**	(4,533)
Tax incentives and rebates	**(28)**	(40)
Expenses not deductible for tax purposes	**934**	2,896
Income not subject to tax	**(1,270)**	(15)
Deferred tax assets not recognised	**520**	1,223
Utilisation of previously unrecognised tax losses	**(204)**	–
Income taxed at concessionary rate	**(143)**	(121)
Under/(over) provision in preceding financial years	**68**	(233)
Tax charge/(credit)	**362**	(823)

Interest income derived from financial assets that are qualified as Qualifying Debt Securities are subject to 10% concessionary tax rate.

In 2016, the Company has tax losses of $8,381,000 (2015: $7,194,000) not recognised. These tax losses can be carried forward and used to offset against future taxable income subject to the provisions of Section 37 of the Income Tax Act, Cap 134.

9. Income tax (continued)

(b) Movements in current income tax recoverable

	The Group and The Company	
	2016	2015
	$'000	$'000
Beginning of financial year		
- current income tax liabilities	**–**	141
- tax recoverable	**(47)**	(190)
	(47)	(49)
Income tax (paid)/refunded	**(46)**	139
Under/(over) provision in preceding financial years	**68**	(137)
Net tax recoverable at end of financial year	**(25)**	(47)
Net tax recoverable at end of financial year is made up of:		
- tax recoverable (Note 17)	**(25)**	(47)
	(25)	(47)

10. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2016	2015
Net profit/(loss) attributable to equity holders of the Company ($'000)	**2,569**	(25,824)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**41,250**	41,250
Basic earnings/(loss) per share	**6.23 cents**	(62.60 cents)

There are no dilutive shares, hence fully diluted earnings/(loss) per share equal to the basic earnings per share of 6.23 cents (2015: loss per share of 62.60 cents).

11. Cash and cash equivalents

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**12,813**	9,719	**12,657**	9,222
Fixed deposits with financial institutions	**41,875**	53,609	**30,003**	52,086
	54,688	63,328	**42,660**	61,308

The fixed deposits with financial institutions mature on varying dates within 3 months (2015: 6 months) from the financial year end.

The weighted average effective interest rates for the fixed deposits are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	%	%	**%**	%
Interest rates on fixed deposits	**1.01**	0.99	**0.97**	0.99

The exposure of cash and cash equivalents to interest rate risk and currency risk is disclosed in Note 35.

12. Trade and other receivables

(a) Current

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Immediate holding corporation (Note 33)	**125**	4	**125**	4
- Non-related parties	**10,489**	9,765	**10,489**	9,765
- Associated company	**71**	77	**71**	77
	10,685	9,846	**10,685**	9,846
Less: Allowance for impairment of receivables - non-related parties	**(80)**	(80)	**(80)**	(80)
	10,605	9,766	**10,605**	9,766
Staff loans [Note 12(b)]	**113**	105	**113**	105
Interest receivable	**559**	571	**558**	567
Accrued receivables	**1,016**	428	**1,016**	399
	12,293	10,870	**12,292**	10,837

Concentrations of credit risk with respect to trade receivables are limited due to the large number of retail customers and the credit terms imposed on each customer. Due to these factors, management believes that there is no anticipated additional credit risk beyond the amount of allowance for impairment made in the Group's and Company's trade receivables.

12. Trade and other receivables (continued)

(b) Non-current

	The Group and The Company	
	2016	2015
	$'000	$'000
Other receivables:		
Staff loans	**165**	168
Deposit paid – others	**81**	84
	246	252
Staff loans:		
Not later than one year [Note 12(a)]	**113**	105
Later than one year but not later than five years	**165**	168
	278	273

Staff loans included loans made to directors of the Company analysed as follows:

	The Group and The Company	
	2016	2015
	$'000	$'000
Not later than one year	**–**	11
Later than one year but not later than five years	**–**	16
	–	27

Loans to directors are granted under the Company's Executive Loan Scheme which was approved at the Annual General Meeting held on 27 September 1990. As at 31 December 2015, the loans were unsecured, interest bearing from 3% to 4.5% per annum and repayable on a progressive basis. As at 31 December 2016, there were no loans extended to directors.

(c) At the balance sheet date the carrying amounts of trade and other receivables (current and non-current) approximated their fair values. Non-current receivables are discounted using the weighted average interest rates of the fixed deposits held by the Group and the Company as at balance sheet date (Note 11). The exposure to currency risk of trade and other receivables (current and non-current) is disclosed in Note 35(a).

13. Financial assets, available-for-sale

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**3,395**	3,482	**3,372**	3,458
Add: Additions	**60**	–	**60**	–
Fair value loss recognised in other comprehensive income	**–**	(87)	**(3)**	(86)
End of financial year	**3,455**	3,395	**3,429**	3,372

At the balance sheet date, financial assets, available-for-sale included the following:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Quoted securities:				
Equity securities				
- Singapore	**1,758**	1,698	**1,732**	1,675
Unquoted securities:				
Equity securities				
- Fellow subsidiary	**1,697**	1,697	**1,697**	1,697
	3,455	3,395	**3,429**	3,372

Financial assets, available-for-sale are denominated in the following currencies:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Singapore Dollar	**1,758**	1,698	**1,732**	1,675
Malaysia Ringgit	**1,697**	1,697	**1,697**	1,697
	3,455	3,395	**3,429**	3,372

14. Financial assets, held-to-maturity

	The Group and The Company	
	2016	2015
	$'000	$'000
(i) Current		
In 2016, bonds with fixed interest rates ranging from 2.95% to 6.50% and the maturity dates ranging from 1 February 2017 to 28 November 2017	**11,753**	–
(ii) Non-current		
Bonds with fixed interest rates ranging from 2.625% to 7.20% (2015: 2.95% to 7.20%) and the maturity dates ranging from 24 January 2018 to 23 March 2027 (2015: 1 February 2017 to 23 March 2027)	**44,534**	51,625
	56,287	51,625

The weighted average effective interest rates for the bonds are as follows:

	The Group and The Company	
	2016	2015
	%	%
(i) Current		
In 2016, bonds with fixed interest rates ranging from 2.95% to 6.50% and the maturity dates ranging from 1 February 2017 to 28 November 2017	**4.37**	–
(ii) Non-current		
Bonds with fixed interest rates ranging from 2.625% to 7.20% (2015: 2.95% to 7.20%) and the maturity dates ranging from 24 January 2018 to 23 March 2027 (2015: 1 February 2017 to 23 March 2027)	**3.74**	3.82

The fair values of the bonds at the balance sheet date are as follows:

	The Group and The Company	
	2016	2015
	$'000	$'000
(i) Current		
In 2016, bonds with fixed interest rates ranging from 2.95% to 6.50% and the maturity dates ranging from 1 February 2017 to 28 November 2017	**11,710**	–
(ii) Non-current		
Bonds with fixed interest rates ranging from 2.625% to 7.20% (2015: 2.95% to 7.20%) and the maturity dates ranging from 24 January 2018 to 23 March 2027 (2015: 1 February 2017 to 23 March 2027)	**44,761**	51,621
	56,471	51,621

14. Financial assets, held-to-maturity (continued)

The fair values are based on current bid prices quoted in active markets (Level 1).

The financial assets, held-to-maturity are denominated in Singapore Dollars and the exposure to interest rate risk and currency risk is disclosed in Note 35.

15. Inventories

	The Group and The Company	
	2016	2015
	$'000	$'000
Merchandise	**11,489**	12,526

The cost of inventories recognised as expense amounts to $212,894,000 (2015: 223,325,000).

Inventory write down of $136,000 (2015: $164,000) has been included in "Purchases of inventories and related costs" in profit or loss.

16. Assets held-for-sale

	The Group and The Company	
	2016	2015
	$'000	$'000
Beginning of financial year	**110**	–
Add: Topped up of membership fees	**63**	–
Transfer (to)/from club memberships (Note 18)	**(99)**	336
Less: Disposal of club membership	**(63)**	(226)
Less: Termination of club membership	**(11)**	–
End of financial year	**–**	110

17. Other current assets

	The Group and The Company	
	2016	2015
	$'000	$'000
Deposits paid	**71**	34
Prepayments	**613**	919
Tax recoverable (Note 9)	**25**	47
	709	1,000

Tax recoverable is the overpayment of tax liabilities in preceding financial years to be refunded by tax authority.

18. Club memberships

	The Group and The Company	
	2016	2015
	$'000	$'000
Cost		
Beginning of financial year	**352**	1,292
Add: Topped up of membership fees	**64**	–
Transfer from/(to) assets held-for-sale (Note 16)	**354**	(868)
Less: Disposal of club memberships	**–**	(72)
End of financial year	**770**	352
Accumulated impairment		
Beginning of financial year	**258**	676
Impairment loss	**22**	114
Transfer from/(to) assets held-for-sale (Note 16)	**255**	(532)
End of financial year	**535**	258
Net book value		
End of financial year	**235**	94

(a) Impairment loss of $22,000 (2015: $114,000) has been included in 'Other expenses'.

(b) In 2015, club memberships with carrying values of $336,000 were transferred to assets held-for-sale (Note 16). In 2016, the remaining unsold club memberships with carrying values of $99,000 were transferred back from assets held-for-sale (Note 16).

19. Investment in an associated company

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**5,305**	5,305
Less: Impairment loss			**(2,707)**	(2,707)
			2,598	2,598
Beginning of financial year	**51**	–		
Share of profit	**79**	20		
Translation (loss)/gain	**(6)**	31		
End of financial year	**124**	51		

19. Investment in an associated company (continued)

The summarised financial information of the associated company, not adjusted for the proportion ownership interest held by the Group, is as follows:

	The Group	
	2016	2015
	$'000	$'000
- Assets	**15,340**	13,865
- Liabilities	**14,801**	13,643
- Revenue	**76,056**	79,914
- Net profit	**325**	332

Name of company	Principal activity	Country of business/incorporation	Equity holding	
			2016	2015
			%	%
Chengdu Isetan Company Limited*	Retailing of general merchandise	People's Republic of China	**23**	23

* Audited by Ernst & Young Hua Ming - Chengdu Branch.

20. Investment in a subsidiary

	The Company	
	2016	2015
	$'000	$'000
Unquoted equity investment, at cost	**5,000**	5,000

The wholly-owned subsidiary, which is incorporated in and whose business is carried on in Singapore, is:

Name of subsidiary	Principal activities
Lexim (Singapore) Pte Ltd**	Wholesaling and retailing of general merchandise*

* The activities of the subsidiary were scaled down with effect from 16 February 2001 and it has since remained inactive, earning mainly rental income from its investment property. The subsidiary disposed of its property on 15 September 2016.

** Audited by PricewaterhouseCoopers LLP, Singapore.

21. Rental deposits

Rental deposits relate to deposits for securing the due performance of the Company for the rental of premises. At the balance sheet date, their carrying amounts approximated their fair values.

22. Investment properties

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cost				
Beginning of financial year	**76,042**	4,138	**71,904**	–
Transfer from property, plant and equipment [Note 23(a)]	**–**	70,802	**–**	70,802
Additions	**3,556**	3,822	**3,556**	3,822
Letting fees	**213**	–	**213**	–
Disposal/write-off	**(4,138)**	(2,720)	**–**	(2,720)
End of financial year	**75,673**	76,042	**75,673**	71,904
Accumulated depreciation				
Beginning of financial year	**43,717**	1,466	**42,194**	–
Depreciation charge	**1,953**	1,104	**1,923**	1,047
Amortisation charge	**70**	–	**70**	–
Transfer from property, plant and equipment [Note 23(a)]	**–**	43,829	**–**	43,829
Disposal/write-off	**(1,553)**	(2,682)	**–**	(2,682)
End of financial year	**44,187**	43,717	**44,187**	42,194
Net book value				
End of financial year	**31,486**	32,325	**31,486**	29,710

(a) Investment properties are leased to non-related parties under operating leases [Note 34(b)].

(b) The investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. During the year, the subsidiary disposed of its investment property, which was valued at $10,700,000 in 2015. The fair value of the remaining investment property at 31 December 2016 is $296,380,000 (2015: $297,000,000) as determined by an independent professional valuer and after deducting any estimated cost to completion. The fair values of the investment properties are classified as Level 3 fair value measurement [definition of Level 3 is in Note 23(c)]. Valuations are made annually using the income method and/or direct comparison method, based on the properties' highest-and-best use.

(c) On 1 April 2015, following a change in use of a property, leasehold land, buildings and improvements, office and shop equipment with carrying value of $26,973,000 (Note 23) was transferred to investment property. Prior to 1 April 2015, the property was substantially used for the Group's retail business. The property was re-classified as investment property on 1 April 2015 as the Company intended to use the property from that date primarily for the purpose of earning rental income.

(d) The following amounts are recognised in profit or loss.

	The Group	
	2016	2015
	$'000	$'000
Rental income from investment properties	**8,144**	1,517
Direct operating expenses arising from investment properties that generated rental income	**5,156**	3,648

23. Property, plant and equipment

	Freehold land and buildings $'000	Leasehold land, buildings and improvements $'000	Shop renovations, furniture, fixtures and fittings $'000	Office and shop equipment $'000	Motor vehicles $'000	Total $'000
<u>The Group</u>						
2016						
<u>Cost</u>						
Beginning of financial year	27,971	4,411	46,381	42,433	727	121,923
Additions	–	89	1,218	2,091	7	3,405
Disposal/write-off	–	–	(1,552)	(263)	(309)	(2,124)
End of financial year	27,971	4,500	46,047	44,261	425	123,204
<u>Accumulated depreciation</u>						
Beginning of financial year	3,698	2,787	31,554	33,098	523	71,660
Depreciation charge	215	208	2,851	2,213	54	5,541
Disposal/write-off	–	–	(1,494)	(239)	(309)	(2,042)
End of financial year	3,913	2,995	32,911	35,072	268	75,159
Net book value						
End of financial year	**24,058**	**1,505**	**13,136**	**9,189**	**157**	**48,045**
<u>The Group</u>						
2015						
<u>Cost</u>						
Beginning of financial year	27,971	68,119	45,482	48,055	673	190,300
Additions	–	351	6,158	2,878	91	9,478
Transfer to investment property (Note 22)	–	(64,059)	–	(6,743)	–	(70,802)
Disposal/write-off	–	–	(5,259)	(1,757)	(37)	(7,053)
End of financial year	27,971	4,411	46,381	42,433	727	121,923
<u>Accumulated depreciation</u>						
Beginning of financial year	3,483	39,241	27,604	34,860	509	105,697
Depreciation charge	215	667	3,196	3,144	51	7,273
Transfer to investment property (Note 22)	–	(37,333)	–	(6,496)	–	(43,829)
Impairment charge	–	212	5,638	3,303	–	9,153
Disposal/write-off	–	–	(4,884)	(1,713)	(37)	(6,634)
End of financial year	3,698	2,787	31,554	33,098	523	71,660
Net book value						
End of financial year	**24,273**	**1,624**	**14,827**	**9,335**	**204**	**50,263**

23. Property, plant and equipment (continued)

	Freehold land and buildings $'000	Leasehold land, buildings and improvements $'000	Shop renovations, furniture, fixtures and fittings $'000	Office and shop equipment $'000	Motor vehicles $'000	Total $'000
<u>The Company</u>						
2016						
<u>Cost</u>						
Beginning of financial year	27,971	4,411	46,381	42,400	727	121,890
Additions	–	89	1,218	2,091	7	3,405
Disposal/write-off	–	–	(1,552)	(230)	(309)	(2,091)
End of financial year	27,971	4,500	46,047	44,261	425	123,204
<u>Accumulated depreciation</u>						
Beginning of financial year	3,698	2,787	31,554	33,081	523	71,643
Depreciation charge	215	208	2,851	2,211	54	5,539
Disposal/write-off	–	–	(1,494)	(220)	(309)	(2,023)
End of financial year	3,913	2,995	32,911	35,072	268	75,159
Net book value						
End of financial year	**24,058**	**1,505**	**13,136**	**9,189**	**157**	**48,045**
<u>The Company</u>						
2015						
<u>Cost</u>						
Beginning of financial year	27,971	68,119	45,482	48,022	673	190,267
Additions	–	351	6,158	2,878	91	9,478
Transfer to investment property (Note 22)	–	(64,059)	–	(6,743)	–	(70,802)
Disposal/write-off	–	–	(5,259)	(1,757)	(37)	(7,053)
End of financial year	27,971	4,411	46,381	42,400	727	121,890
<u>Accumulated depreciation</u>						
Beginning of financial year	3,483	39,241	27,604	34,847	509	105,684
Depreciation charge	215	667	3,196	3,140	51	7,269
Transfer to investment property (Note 22)	–	(37,333)	–	(6,496)	–	(43,829)
Impairment charge	–	212	5,638	3,303	–	9,153
Disposal/write-off	–	–	(4,884)	(1,713)	(37)	(6,634)
End of financial year	3,698	2,787	31,554	33,081	523	71,643
Net book value						
End of financial year	**24,273**	**1,624**	**14,827**	**9,319**	**204**	**50,247**

23. Property, plant and equipment (continued)

(a) On 1 April 2015, leasehold land, buildings and improvements, office and shop equipment with carrying value of $26,973,000 was transferred to investment property following a change in use (Note 22).

(b) In 2015, the Group recognised loss from impairment of property, plant and equipment used in the departmental store business amounting to $9,153,000, being the difference between the carrying amounts of the assets and their recoverable amounts. The recoverable amounts were based on the fair value less costs to sell ("FVLCTS") method.

The fair values of the properties classified under the Retail CGU were determined by independent professional property valuers, taking into account recently transacted values and capitalisation rates for similar properties [see Note 23(c)]. The fair values of the properties are classified as Level 3 fair value measurement.

(c) Fair value hierarchy

Fair value measurement hierarchy is defined as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Level 3 fair values of the properties have been derived using one or more of the following valuation approach:

(i) the Direct Comparison Method where properties are valued using transacted prices for comparable properties in the vicinity and elsewhere with necessary adjustments made for differences in location, tenure, size, shape, design, layout, age and condition of the buildings, availability of car parking facilities, date of transactions and the prevailing market conditions. The most significant input to the valuation approach would be the selling price per square foot.

(ii) the Income Method where the net rental income after property tax is capitalised at a rate which reflects the present and potential income growth and over the unexpired lease term. The most significant input to the valuation approach would be the capitalisation rate.

23. **Property, plant and equipment** (continued)

(c) Fair value hierarchy (continued)

The following table presents the valuation techniques and key inputs that were used to determine the fair values of properties categorised under Level 3 of the fair value hierarchy:

Description	Fair value $'000 2016	Valuation techniques	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value	Valuation determined by
Isetan Office Building	**23,400** (2015: 23,400)	Direct Comparison Method	- Adopted value per square foot ("psf")	2016: $1,411 psf (2015: $1,411 psf)	The higher the adopted value, the higher the fair value.	Independent professional valuer (2015: Independent professional valuer)
		Income Method	- Capitalisation rate	2016: 3% (2015: 3%)	The lower the capitalisation rate, the higher the fair value.	
Kallang Pudding Warehouse	**27,200** (2015: 28,300)	Direct Comparison Method	- Adopted value per square foot ("psf")	2016: $495 psf (2015: $515 psf)	The higher the adopted value, the higher the fair value.	Independent professional valuer (2015: Independent professional valuer)
		Income Method	- Capitalisation rate	2016:3.5% (2015: 3.5%)	The lower the capitalisation rate, the higher the fair value.	
Valley Park Condominium	**2,000** (2015: 2,090)	Direct Comparison Method	- Adopted value per square foot ("psf")	2016: $1,475 psf (2015: $1,541 psf)	The higher the adopted value, the higher the fair value.	Independent professional valuer (2015: Recent market transactions)

24. Trade and other payables

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Current				
Trade payables	**37,868**	41,742	**37,868**	41,736
Rental deposits received	**571**	68	**571**	68
Rental in advance	**1,229**	915	**1,229**	915
Provision for unutilised leave [Note 24(a)]	**513**	850	**513**	850
Provision for retirement benefits (Note 25)	**97**	459	**97**	459
Other creditors	**1,561**	2,995	**1,561**	2,995
Accrued royalty payable to immediate holding corporation	**1,454**	1,526	**1,454**	1,526
Accruals	**3,893**	7,672	**3,884**	7,628
	47,186	56,227	**47,177**	56,177
Non-current				
Rental deposits received	**3,312**	1,837	**3,312**	1,749
Provision for retirement benefits (Note 25)	**1,933**	1,894	**1,933**	1,894
	5,245	3,731	**5,245**	3,643

The exposure of trade and other payables to currency risk is disclosed in Note 35(a).

(a) Provision for unutilised leave

	The Group and The Company	
	2016	2015
	$'000	$'000
Beginning of financial year	**850**	902
Utilised during the year	**(78)**	(408)
(Write back)/provision made during the year	**(259)**	356
End of financial year	**513**	850

25. Provision for retirement benefits

	The Group and The Company	
	2016	2015
	$'000	$'000
Beginning of financial year	**2,353**	2,377
Utilised during the year	**(547)**	(378)
Charged to profit or loss as employee compensation	**84**	354
Actuarial loss on retirement benefit obligation	**140**	–
End of financial year	**2,030**	2,353
Not later than one year	**97**	459
Later than one year	**1,933**	1,894
	2,030	2,353

In 2015, the Company assessed that the key assumptions used in the calculation by an independent qualified actuary in 2014 were valid for the financial year ended 31 December 2015.

In 2016, the Company engaged an independent qualified actuary to calculate the defined benefit obligation using the Projected Unit Credit Method. The present value of obligation calculated by the qualified actuary approximate to the carrying amount of the liabilities recorded by the Company.

The key assumptions used were as follows:-

	The Group and The Company	
	2016	2015
	%	%
Discount rate	**1.45**	1.74
Salary growth rate	**3.00**	3.00 - 3.50
Turnover and early retirement rates by age groups	**0.00 - 40.00**	0.00 - 40.00

26. Provisions for other liabilities and charges

Provisions for other liabilities and charges are the estimated costs of dismantlement, removal or restoration of property, plant and equipment arising from the acquisition or use of assets, which are capitalised and included in the cost of property, plant and equipment.

Movements in these provisions were as follows:

	The Group and The Company	
	2016	2015
	$'000	$'000
Beginning of financial year	**1,866**	1,549
Increase in provisions for other liabilities and charges	**72**	317
End of financial year	**1,938**	1,866

27. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, are shown on the balance sheets as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Deferred income tax assets:				
- to be settled within one year	**–**	(38)	**–**	–
- to be settled after one year	**–**	(256)	**–**	–
	–	(294)	**–**	–

The movement in the deferred income tax account is as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(294)**	392	**–**	725
Charged/(credited) to profit or loss (Note 9)	**294**	(686)	**–**	(725)
End of financial year	**–**	(294)	**–**	–

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

The Group

Deferred income tax liabilities

	Accelerated tax depreciation	**Other**	**Total**
	$'000	**$'000**	**$'000**
At 1 January 2016	**563**	**96**	**659**
(Credited)/charged to profit or loss	(512)	196	(316)
At 31 December 2016	**51**	**292**	**343**
At 1 January 2015	811	73	884
(Credited)/charged to profit or loss	(248)	23	(225)
At 31 December 2015	**563**	**96**	**659**

27. Deferred income taxes (continued)

The Group (continued)

Deferred income tax assets

	Tax losses $'000	Provisions $'000	Total $'000
At 1 January 2016	**(625)**	**(328)**	**(953)**
Charged/(credited) to profit or loss	625	(15)	610
At 31 December 2016	**–**	**(343)**	**(343)**
At 1 January 2015	(333)	(159)	(492)
Credited to profit or loss	(292)	(169)	(461)
At 31 December 2015	**(625)**	**(328)**	**(953)**

The Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Other $'000	Total $'000
At 1 January 2016	**563**	**96**	**659**
(Credited)/charged to profit or loss	(512)	196	(316)
At 31 December 2016	**51**	**292**	**343**
At 1 January 2015	811	73	884
(Credited)/charged to profit or loss	(248)	23	(225)
At 31 December 2015	**563**	**96**	**659**

Deferred income tax assets

	Tax losses $'000	Provisions $'000	Total $'000
At 1 January 2016	**(331)**	**(328)**	**(659)**
Charged/(credited) to profit or loss	331	(15)	316
At 31 December 2016	**–**	**(343)**	**(343)**
At 1 January 2015	–	(159)	(159)
Credited to profit or loss	(331)	(169)	(500)
At 31 December 2015	**(331)**	**(328)**	**(659)**

28. Share capital

The Company's share capital comprises fully paid-up 41,250,000 (2015: 41,250,000) ordinary shares with no par value, amounting to a total of $91,710,000 (2015: $91,710,000).

29. General reserve

The general reserve of the Group and the Company is distributable. The general reserve is to meet contingencies or for such other purposes as the Directors shall determine to be conducive to the interests of the Company.

30. Fair value reserve

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**1,278**	1,365	**1,258**	1,344
Fair value loss on financial assets, available-for-sale	**–**	(87)	**(3)**	(86)
End of financial year	**1,278**	1,278	**1,255**	1,258

31. Retained earnings

(a) Retained earnings of the Group and the Company are distributable.

(b) Movements in retained earnings for the Company are as follows:

	The Company	
	2016	2015
	$'000	$'000
Beginning of financial year	**64,736**	93,801
Net loss for the financial year	**(4,690)**	(25,971)
Dividend paid (Note 32)	**(2,063)**	(3,094)
End of financial year	**57,983**	64,736

Movements in retained earnings for the Group are shown in the Consolidated Statement of Changes in Equity.

32. Dividend

	The Group and The Company	
	2016	2015
	$'000	$'000
Ordinary dividend paid		
Final dividend of 5.0 cents (2015: final dividend of 7.5 cents) per share, in respect of the financial year ended 31 December 2015 (2015: financial year ended 31 December 2014)	**2,063**	3,094

The Directors have proposed a final dividend for the financial year ended 31 December 2016 of 5.0 cents per share amounting to $2,062,500 (2015: 5.0 cents per share amounting to $2,062,500). These financial statements do not reflect this proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

33. Immediate and ultimate holding corporation

The Company's immediate holding corporation is Isetan Mitsukoshi Ltd, incorporated in Japan. The ultimate holding corporation is Isetan Mitsukoshi Holdings Ltd, incorporated in Japan.

34. Commitments

(a) Operating lease commitments - where the Group is a lessee

The Group has various operating lease agreements with non-related parties for its store outlets. Most leases contain renewal options. Certain leases contain escalation clauses and provide for contingent rentals based on percentage of sales derived from the relevant outlets. The lease agreements do not contain any restriction on the Group's activities concerning dividend, additional debt or further leasing.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group and The Company	
	2016	2015
	$'000	$'000
Not later than one year	**38,381**	43,463
Later than one year but not later than five years	**87,319**	103,894
	125,700	147,357

34. Commitments (continued)

(b) Operating lease commitments - where the Group is a lessor

The Group leases out certain shop, warehouse and office building spaces to non-related parties. The future aggregate minimum lease receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Not later than one year	**13,584**	9,252	**13,584**	8,923
Later than one year but not later than five years	**27,829**	25,395	**27,829**	24,725
More than five years	**1,699**	4,817	**1,699**	4,817
	43,112	39,464	**43,112**	38,465

(c) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:-

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Property, plant and equipment	**–**	3,039	**–**	3,039
Investment properties	**2,120**	4,168	**2,120**	4,168

35. Financial risk management

The Board of Directors provides guidelines for overall risk management as well as policies covering specific areas.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors.

35. Financial risk management (continued)

(a) Market risk

(i) Currency risk

The Group operates locally and has limited exposure to currency risk arising from sales and purchases transactions denominated in Japanese Yen ("Yen") and investment denominated in Malaysia Ringgit ("MYR"). The cash flows of the Group and its financial assets and liabilities are mainly denominated in Singapore Dollars ("SGD").

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	Yen $'000	MYR $'000	Others $'000	Total $'000
2016					
Financial assets:					
Cash and cash equivalents	54,356	328	–	4	54,688
Trade and other receivables	12,344	125	–	70	12,539
Other financial assets	65,808	–	1,697	–	67,505
	132,508	453	1,697	74	134,732
Financial liabilities:					
Trade and other payables	49,872	–	–	16	49,888
Net financial assets	**82,636**	**453**	**1,697**	**58**	**84,844**
Less: Net financial assets denominated in the respective entities' functional currencies	(82,636)	–	–	–	(82,636)
Currency exposure	**–**	**453**	**1,697**	**58**	**2,208**
2015					
Financial assets:					
Cash and cash equivalents	63,181	143	–	4	63,328
Trade and other receivables	11,040	5	–	77	11,122
Other financial assets	61,068	–	1,697	–	62,765
	135,289	148	1,697	81	137,215
Financial liabilities:					
Trade and other payables	56,718	12	–	25	56,755
Net financial assets	**78,571**	**136**	**1,697**	**56**	**80,460**
Less: Net financial assets denominated in the respective entities' functional currencies	(78,571)	–	–	–	(78,571)
Currency exposure	**–**	**136**	**1,697**	**56**	**1,889**

35. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD $'000	Yen $'000	MYR $'000	Others $'000	Total $'000
2016					
Financial assets:					
Cash and cash equivalents	42,328	328	–	4	42,660
Trade and other receivables	12,343	125	–	70	12,538
Other financial assets	65,782	–	1,697	–	67,479
	120,453	453	1,697	74	122,677
Financial liabilities:					
Trade and other payables	49,863	–	–	16	49,879
Net financial assets	**70,590**	**453**	**1,697**	**58**	**72,798**
Less: Net financial assets denominated in the entity's functional currency	(70,590)	–	–	–	(70,590)
Currency exposure	**–**	**453**	**1,697**	**58**	**2,208**
2015					
Financial assets:					
Cash and cash equivalents	61,161	143	–	4	61,308
Trade and other receivables	11,007	5	77	–	11,089
Other financial assets	61,046	–	1,697	–	62,743
	133,214	148	1,774	4	135,140
Financial liabilities:					
Trade and other payables	56,580	12	–	25	56,617
Net financial assets/(liabilities)	**76,634**	**136**	**1,774**	**(21)**	**78,523**
Less: Net financial assets denominated in the entity's functional currency	(76,634)	–	–	–	(76,634)
Currency exposure	**–**	**136**	**1,774**	**(21)**	**1,889**

The Group's and Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

35. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Price risk*

The Group is exposed to equity securities price risk because of the quoted and unquoted investments held by the Group which are classified on the consolidated balance sheet as financial assets, available-for-sale. The quoted equity securities are listed in Singapore. The Group monitors its investment in equity securities regularly to manage its price risk.

If prices for equity securities listed in Singapore change by 5% (2015: 5%) with all other variables, including the tax rate, being held constant, other comprehensive income will:

	Increase/(decrease)	
	2016	2015
	$'000	$'000
The Group		
- increase by	**88**	85
- decrease by	**(88)**	(85)
The Company		
- increase by	**87**	84
- decrease by	**(87)**	(84)

If the estimated discounted cash flows from investment in equity securities not traded in an active market were to change by 5% (2015: 5%), the impact on other comprehensive income would be $85,000 (2015: $85,000).

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has significant interest-bearing assets in the form of short-term fixed deposits with fixed interest rates ranging from 0.80% to 1.11% (2015: 0.67% to 1.38%) per annum and investments in bonds and notes issued by recognised financial institutions and local companies with fixed interest rates ranging from 2.625% to 7.20% (2015: 2.95% to 7.20%) per annum. As the interest-bearing assets are at fixed rates, the Group's income is substantially independent of changes in cash flow interest rate risk.

The Group has insignificant financial liabilities that are exposed to interest rate risks.

35. Financial risk management (continued)

(b) Credit risk

The Group's and Company's major classes of financial assets are bank deposits, financial assets, held-to-maturity and trade and other receivables.

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales are made only to customers with adequate financial standing and appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality financial institutions.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
By types of customers				
Related parties	**196**	108	**196**	108
Non-related parties	**12,343**	11,014	**12,342**	10,981
	12,539	11,122	**12,538**	11,089

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit rating agencies. Trade and other receivables that are neither past due nor impaired are substantially from companies and individuals with a good collection track record with the Group. Other financial assets that are neither past due nor impaired are mainly investment in fixed rate corporate bonds.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables that are past due but not impaired is as follows:

	The Group and The Company	
	2016	2015
	$'000	$'000
Past due 3 months	**862**	479
Past due over 3 months	**610**	126
	1,472	605

35. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

The carrying amount of trade and receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	The Group and The Company	
	2016	2015
	$'000	$'000
Gross amount	**80**	80
Less: Allowance for impairment	**(80)**	(80)
	–	–
Beginning of financial year	**80**	80
Allowance made	**15**	90
Allowance utilised/written back	**(15)**	(90)
End of financial year	**80**	80

The impaired trade receivables arise mainly from sales to individual customers who have significant financial difficulties to pay.

(c) Liquidity risk

The Group and Company manage liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments, having an adequate amount of committed credit facilities and the ability to close out market positions at short notice.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years
	$'000	**$'000**
The Group		
At 31 December 2016		
Trade and other payables	**46,576**	**3,312**
At 31 December 2015		
Trade and other payables	54,918	1,837
The Company		
At 31 December 2016		
Trade and other payables	**46,567**	**3,312**
At 31 December 2015		
Trade and other payables	54,868	1,749

35. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base to secure its future success. To achieve the Group's planned capital structure, it may take certain actions like adjusting the amount of dividend payment and issuing new shares.

As part of the Group's capital management process, the long term strategic planning and annual budgeting processes will determine if there are any new capital requirements to support the Group's business plans. If so, the Group's capital plan will be prepared for discussion and further deliberation by the Board.

Total capital is represented by "Total equity" on the balance sheet.

The Group and the Company are not subjected to any externally imposed capital requirements for the financial years ended 31 December 2015 and 2016.

(e) Fair value measurements

The following table presents financial assets measured at fair value and classified by level of the fair value measurement hierarchy, definition of which is in Note 23(c).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
The Group				
2016				
Assets				
Financial assets, available-for-sale				
- Equity securities	1,758	–	1,697	3,455
Total assets	**1,758**	**–**	**1,697**	**3,455**
2015				
Assets				
Financial assets, available-for-sale				
- Equity securities	1,698	–	1,697	3,395
Total assets	1,698	–	1,697	3,395
The Company				
2016				
Assets				
Financial assets, available-for-sale				
- Equity securities	1,732	–	1,697	3,429
Total assets	**1,732**	**–**	**1,697**	**3,429**
2015				
Assets				
Financial assets, available-for-sale				
- Equity securities	1,675	–	1,697	3,372
Total assets	1,675	–	1,697	3,372

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

35. Financial risk management (continued)

(e) Fair value measurements (continued)

The financial instrument included in Level 3 comprises of an investment that does not have quoted prices from active markets for the fair value to be based on. Instead the fair value is measured using estimated discounted cash flows that incorporates assumptions based on market conditions existing at each balance sheet date. The effect of a change in management's estimates on the discounted cash flows for the unquoted equity securities is disclosed in Note 35(a)(ii).

The following table presents, the changes in Level 3 instruments:

	The Group and The Company	
	2016	2015
	$'000	$'000
Financial assets, available-for-sale		
Beginning and end of financial year	**1,697**	1,697
Total gains included in the comprehensive income for assets held at the end of financial year	**–**	–

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Notes 13 and 14 to the financial statements, except for the following:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Loans and receivables	**74,990**	82,195	**62,961**	82,142
Financial liabilities at amortised cost	**49,888**	56,755	**49,879**	56,617

36. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related corporations during the financial year:

(a) Sales and purchases of goods and services

	The Group	
	2016	2015
	$'000	$'000
Royalty payable to immediate holding corporation	**1,454**	1,526
Purchases from immediate holding corporation	**41**	7
Technical fee receivable from an associated company	**76**	74

36. Related party transactions

(a) Sales and purchases of goods and services (continued)

Outstanding balances with the immediate holding corporation and associated company as at 31 December 2016 arising from the sale/purchase of goods and services, are unsecured, interest-free and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 24, respectively.

(b) Key management's remuneration

The key management's remuneration is analysed as follows:

	The Group	
	2016	2015
	$'000	$'000
Key management of the Group		
- directors of the Company		
Wages and salaries	**509**	685
Central Provident Fund	**10**	24
Other benefits	**344**	84
	863	793

37. Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Managing Director, an executive director and key executives in charge of the various functional areas. Operating segments that have similar economic characteristics and similar nature of products and services are aggregated into a single reportable segment.

The Exco sees the business being organized into two reportable segments:

- The retail segment is involved in the business of retailing and operating of department stores and supermarkets.

- The property segment is mainly involved in the leasing of properties owned by the Group.

Segment assets consist primarily of property, plant and equipment, inventories, receivables, investment properties and exclude tax recoverable, cash and cash equivalents, investment in an associated company and financial investments. Segment liabilities comprise of payables and provisions. Capital expenditure comprise additions to property, plant and equipment and investment properties.

37. Segment information (continued)

There are no sales or other transactions between the reportable segments.

	Retail $'000	Property $'000	Total consolidated $'000
The Group			
2016			
Segment revenue			
Sales to external customers	286,494	–	286,494
Rental income – Investment properties	–	8,144	8,144
Other rental income	2,586	–	2,586
Gain from disposal of property	–	7,319	7,319
Segment result	(12,526)	10,306	(2,220)
Other income			4,770
Other gains			302
Share of profit of an associated company			79
Profit before taxation			2,931
Income tax expense			(362)
Net profit			2,569
Other segment items			
Capital expenditure	3,405	3,556	6,961
Depreciation	5,541	1,953	7,494
Assets and liabilities			
Segment assets	80,684	31,486	112,170
Unallocated assets:			
- Investment in an associated company			124
- Cash and cash equivalents			54,688
- Financial assets, held-to-maturity			56,287
- Financial assets, available-for-sale			3,455
- Tax recoverable			25
Total consolidated assets			226,749
Segment liabilities	54,360	9	54,369
Total consolidated liabilities			54,369

37. **Segment information** (continued)

	Retail $'000	Property $'000	Total consolidated $'000
The Group			
2015			
Segment revenue			
Sales to external customers	300,661	–	300,661
Rental income - Investment properties	–	1,517	1,517
Other rental income	2,577	314	2,891
Segment result	(27,303)	(1,989)	(29,292)
Other income			2,703
Other losses			(78)
Share of profit of an associated company			20
Loss before income tax			(26,647)
Income tax credit			823
Net loss			(25,824)
Other segment items			
Capital expenditure	9,478	3,822	13,300
Depreciation	7,273	1,104	8,377
Other losses - Impairment charge on property, plant and equipment	9,153	–	9,153
Assets and liabilities			
Segment assets	82,729	32,375	115,104
Unallocated assets:			
- Investment in an associated company			51
- Cash and cash equivalents			63,328
- Financial assets, held-to-maturity			51,625
- Financial assets, available-for-sale			3,395
- Tax recoverable			47
- Deferred income tax assets			294
Total consolidated assets			233,844
Segment liabilities	57,845	3,979	61,824
Total consolidated liabilities			61,824

Geographical information

The Group operates in Singapore and accordingly, no geographical information is presented.

38. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following area that is likely to be affected:

  Principal versus agent considerations – certain revenue which are currently recognised at the gross amount of consideration in exchange for goods transferred may need to be recognised at the net amount of consideration retained by the Group after paying another party the consideration received in exchange for goods provided by that party.

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

  The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

  The financial assets held by the Group include:

  - equity instruments currently classified as financial assets, available-for-sale for which fair value through OCI election is available; and

  - debt instruments classified as held-to-maturity or loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under FRS 109.

38. New or revised accounting standards and interpretations (continued)

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. There will be no impact on the Group as the Group does not have any such hedging relationships.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $125,700,000 [Note 34(a)]. However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

39. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Isetan (Singapore) Limited on 10 March 2017.

Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual

(a) Material contracts

Other than as disclosed in the financial statements and in this report, there were no material contracts of the Company and its subsidiary, involving the interests of the managing director, any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

(b) Directors' and Key Executives' Remuneration

(i) Breakdown of Directors' remuneration (in percentage terms) for the period from 1 January 2016 to 31 December 2016:

	Directors	Fees/ Salary %	Bonus %	Share options %	Other benefits %	Total %
		Remuneration band below S$250,000				
1	Jun Yokoyama (Chairman)	–	–	–	–	–
2	Toshifumi Hashizume (Managing Director) (appointed on 29 April 2016)	83.60	–	–	16.40	100
3	Koay Bee Fong (appointed on 29 April 2016)	68.82	–	–	31.18	100
4	Chey Chor Wai	100.00	–	–	–	100
5	Lim Bee Choo	100.00	–	–	–	100
6	Associate Professor Victor Yeo Chuan Seng	100.00	–	–	–	100
7	Lim Tien Chun (retired on 30 April 2016)	30.98	5.17	–	63.85	100
8	Phua Puey Joy (retired on 30 April 2016)	30.17	5.08	–	64.75	100
9	Gerard Cheng Poh Chuan (stepped down on 30 April 2016)	82.57	13.36	–	4.07	100
10	Jun Inoue (stepped down on 1 April 2016)	70.54	–	–	29.46	100

(ii) Remuneration bands of directors and key executives of the Company

Number of directors of the Company in remuneration bands:

	2016	2015
Below $250,000	**10**	9
Total	**10***	9**

* Includes 4 persons who ceased to be directors of the Company during the financial year.

** Includes 1 person who ceased to be a director of the Company during the financial year.

Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual (continued)

(b) Directors' and Key Executives' Remuneration (continued)

Key executives of the Company in remuneration band:

	2016	2015
Below $250,000	**10**	9
Total	**10**	9

The names of the key executives are set out on page 15 under "Key Executives' Profiles".

(c) Auditor's remuneration

The following information relates to remuneration of the independent auditor of the Company during the financial year.

	The Group	
	2016	2015
	$'000	$'000
Auditor's remuneration paid/payable		
- current year	**182**	163
Other fees paid/payable for non-audit services rendered	**80**	72

(d) Appointment of auditors

The Group has complied with Rules 712 and 715 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

(e) Review of the provision of non-audit services by the auditors

The Audit and Risk Committee has undertaken a review of non-audit services provided by the auditors and they would not, in the opinion of the Audit and Risk Committee, affect their independence.

(f) Internal controls

Based on the work carried out by the internal auditors, the review undertaken by the external auditors as part of their statutory audit, the existing management controls in place and the written representation by management, the Audit and Risk Committee and Board are of the opinion that there are adequate internal controls in place to address risks relating to financial, operational and compliance matters.

Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual (continued)

(g) Property, plant and equipment

Details of the Group's freehold and leasehold land and buildings are as follows:

Location - Singapore	Tenure	Use of property	
593, Havelock Road, Isetan Office Building	Freehold	Office building	Lettable Floor Area - 16,582ft^2
5, Kallang Pudding Road	Freehold	Warehouse	Lettable Floor Area - 54,917ft^2
Apartment in Valley Park	Leasehold - 999 years	Residential apartment	Strata Area 1,356ft^2

(h) Investment property

Location - Singapore	Tenure	Use of property	
435, Orchard Road, Podium Block Wisma Atria	Leasehold - 99 years from 1 April 1962	Rental	Strata Area 104,732ft^2

(i) Treasury shares

There were no treasury shares held as at 31 December 2016 and 31 December 2015.

(j) Dealing in Securities

Please refer to information disclosed in the Corporate Governance Report under Principle 1, on page 20.

(k) Interested person transactions

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 each)			
	Transactions not conducted under shareholders' mandate pursuant to Rule 920		Transactions conducted under shareholders' mandate pursuant to Rule 920	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Name of interested person				
Isetan Mitsukoshi Ltd	**1,454**	1,526	**–**	–

STATISTICS OF **SHAREHOLDINGS**

As at 16 March 2017

Class of shares : Fully paid ordinary shares
Voting rights : One vote per share

The Company does not have any treasury shares.

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 16 MARCH 2017

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 to 99	25	2.44	487	0.00
100 to 1,000	213	20.80	164,353	0.40
1,001 to 10,000	657	64.16	2,009,698	4.87
10,001 to 1,000,000	124	12.11	9,412,462	22.82
1,000,001 AND ABOVE	5	0.49	29,663,000	71.91
TOTAL	1,024	100.00	41,250,000	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2017

	NO. OF SHARES			
NAME	DIRECT INTEREST	% OF ISSUED SHARE CAPITAL	DEEMED INTEREST	% OF ISSUED SHARE CAPITAL
ISETAN MITSUKOSHI LTD	21,750,000	52.73	–	–
ISETAN FOUNDATION	3,437,500	8.33	–	–
ISETAN MITSUKOSHI HOLDINGS LTD	–	–	21,750,000	52.73

By virtue of section 7 of the Companies Act (Cap 50), Isetan Mitsukoshi Holdings Ltd, the holding corporation of Isetan Mitsukoshi Ltd, is deemed to have an interest in the 21,750,000 shares held by Isetan Mitsukoshi Ltd in the Company.

TOP 20 SHAREHOLDERS AS AT 16 MARCH 2017

NO.	NAME	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1	ISETAN MITSUKOSHI LTD	21,750,000	52.73
2	ISETAN FOUNDATION	3,437,500	8.33
3	MORPH INVESTMENTS LTD	1,705,500	4.14
4	YAP BOH SIM	1,560,000	3.78
5	CITIBANK NOMINEES SINGAPORE PTE LTD	1,210,000	2.93
6	DBS NOMINEES PTE LTD	863,280	2.09
7	THE BANK OF TOKYO-MITSUBISHI UFJ , LTD. SINGAPORE BRANCH	850,000	2.06
8	PHILLIP SECURITIES PTE LTD	826,199	2.00
9	CHEONG FOONG YIM CHRISTINA	520,000	1.26
10	LEE YUEN SHIH	362,250	0.88
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	269,670	0.65
12	LEONG CHAO SEONG	219,000	0.53
13	LEONG JULIA (MRS HOW JULIA)	210,000	0.51
14	LEONG WAH KHEONG	200,000	0.49
15	CHUA KUAN LIM CHARLES	184,900	0.45
16	CIMB SECURITIES (SINGAPORE) PTE LTD	179,540	0.44
17	THIA CHENG SONG	175,000	0.43
18	WEE AIK KOON PTE LTD	166,250	0.40
19	CHENG GOOD HIANG	157,000	0.38
20	UOB NOMINEES (2006) PTE LTD	150,000	0.36
	TOTAL	34,996,089	84.84

The percentage of shareholding held in the hands of the public is 38.94% which is more than 10% of the issued share capital of the Company. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting ("**AGM**") of the Company will be held at the Seletar Rooms, Holiday Inn Atrium Singapore, Level 3, 317 Outram Road, Singapore 169075 on Friday, 28 April 2017 at 10.00 a.m. for the following purposes:-

1. To receive and adopt the Directors' Statement and Accounts for the financial year ended 31 December 2016 together with Auditor's Report thereon. **Resolution 1**

2. To record the retirement of Mr. Jun Yokoyama as a Director under Article 95 of the Company's Constitution.

   (Note: The Board would like to express its appreciation to Mr. Jun Yokoyama for his invaluable contributions to the Board and Company. He will cease to be a Director of the Company with effect from the close of the AGM).

3. To re-elect Mr. Chey Chor Wai as a Director who will be retiring under Article 95 of the Company's Constitution, and who, being eligible, has offered himself for re-election. **Resolution 2**

   (Note: Mr. Chey Chor Wai will, upon his re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit and Risk Committee, and a member of the Nominating and Remuneration Committees. Mr. Chey Chor Wai is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Ltd.)

4. To re-elect Mr. Toshihiko Nakagome as a Director who will be retiring under Article 102 of the Company's Constitution and who, being eligible, has offered himself for re-election. **Resolution 3**

   (Note: Mr. Toshihiko Nakagome, will, upon his re-election as a Director of the Company, remain as a non-executive and non-independent Director and the Chairman of the Board. Information on Mr. Toshihiko Nakagome can be found in the separate insert to the Company's Annual Report entitled "Appointment of New Director and Chairman".)

5. To declare a final dividend of 5.0 cents per share in respect of the financial year ended 31 December 2016. **Resolution 4**

6. To approve the payment of Directors' fees of up to S$180,000/- for the financial year ending 31 December 2017 (payable quarterly in arrears) (for the financial year ended 31 December 2016: S$180,000). **Resolution 5**

7. To re-appoint PricewaterhouseCoopers LLP, the existing auditors of the Company, as Auditors to hold office until the conclusion of the next general meeting of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

8. To transact any other business that may be transacted at the Annual General Meeting.

BY ORDER OF THE BOARD

Lun Chee Leong
Company Secretary

Singapore

13 April 2017

NOTICE OF
ANNUAL GENERAL MEETING

Notes:

(1) A member of the Company who is entitled to attend and vote at the above Meeting ("**Member**"), and who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company. Where a Member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the instrument or form appointing the proxies, failing which such appointments shall be invalid. For the purpose of Notes 1 and 2, "relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 ("**Companies Act**").

(2) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the instrument or form appointing the proxies.

(3) The instrument or form appointing a proxy must be deposited at the Company's Registered Office at 593 Havelock Road #04-01, Isetan Office Building, Singapore 169641 not less than 72 hours before the time set for holding the above Meeting.

(4) By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend and vote at the Annual General Meeting and/or any adjournment thereof, a Member (i) consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty.

NOTICE OF **BOOKS CLOSURE**

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 12 May 2017 for the purpose of determining Members' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on 28 April 2017.

Duly completed registrable transfer of shares in the Company (the "**Shares**") received up to the close of business at 5.00 p.m. on 11 May 2017 by the Company's Share Registrar, M&C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, will be registered to determine Members' entitlements to such dividend. Subject to the aforesaid, members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with the Shares as at 5.00 p.m. on 11 May 2017 will be entitled to such proposed dividend.

The proposed dividends, if approved at the Annual General Meeting, will be paid on 19 May 2017.

BY ORDER OF THE BOARD

LUN CHEE LEONG
Company Secretary

Singapore

13 April 2017

CORPORATE **DIRECTORY**

OUR STORES

Isetan Scotts
Shaw House
350 Orchard Road
Singapore 238868
Tel: 6733 1111
Fax: 6734 7083

Isetan Katong
Parkway Parade
80 Marine Parade Road
Singapore 449269
Tel: 6345 5555
Fax: 6345 1864

Isetan Tampines
Tampines Mall
4 Tampines Central 5
Singapore 529510
Tel: 6788 7777
Fax: 6781 7773

Isetan Serangoon Central
nex Mall
23 Serangoon Central
Singapore 556083
Tel: 6363 7777
Fax: 6634 9959

Isetan Jurong East
Westgate
3 Gateway Drive
Singapore 608532
Tel: 6896 7777
Fax: 6465 9659

INVESTMENT PROPERTY

Isetan Wisma Atria
Wisma Atria
435 Orchard Road
Singapore 238877
Tel: 6733 7777
Fax: 6733 9438

HEADQUARTERS

Isetan (Singapore) Limited

Isetan Office Building
593 Havelock Road
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Singapore 169641
Tel: 6732 8866
Fax: 6736 0913

Warehouse
5 Kallang Pudding Road #01-03
Singapore 349309
Tel: 6746 7552
Fax: 6746 9220

SUBSIDIARY COMPANY

Lexim (S) Pte Ltd
593 Havelock Road
#03-01 Isetan Office Building
Singapore 169641
Tel: 6732 8866
Fax: 6733 7424

ASSOCIATED COMPANY

Chengdu Isetan Department Store Ltd
Isetan Chengdu Office
6 Da Ke Jia Lane
Block B, Lido Plaza, 8^{th} Floor
Chengdu, Sichuan Province
People's Republic of China

ISETAN (SINGAPORE) LIMITED

IMPORTANT :

For investors who have used their CPF monies to buy Isetan (Singapore) Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY. This Proxy Form is not valid for use by such CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

PROXY FORM

Annual General Meeting to be held on 28 April 2017 at 10.00 a.m.
(Venue: Seletar Rooms, Holiday Inn Atrium Singapore, Level 3, 317 Outram Road, Singapore 169075)
(Before completing this form please see notes overleaf)

I/We, ______________________________ (NRIC No./Passport No: ____________________)

of ____

being a member/members of the above named Company hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings	
			No. of shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings	
			No. of shares	%

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 28 April 2017 and at any adjournment thereof in the manner indicated below:

No.	Resolution	For	Against
1	Adoption of Directors' Statement and Accounts		
2	Re-election of Mr. Chey Chor Wai as Director under Article 95		
3	Re-election of Mr. Toshihiko Nakagome as Director under Article 102		
4	Declaration of Final Dividend of 5.0 cents per share		
5	Approval of Directors' Fees for the financial year ending 31 December 2017 of up to S$180,000/-		
6	Re-appointment of PricewaterhouseCoopers LLP as Auditors and authorise the Directors to fix their remuneration		

Signed this __________ day of ____________________ 2017

Total Number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)
(Please see overleaf for Notes)

Notes:

1. Please insert the total number of Isetan (Singapore) Limited shares ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289) you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company who is entitled to attend and vote at the above Meeting ("**Member**"), and who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company. Where a Member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing the proxies, failing which such appointments shall be invalid. For the purpose of Notes 2 and 3, "relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 ("**Companies Act**") as follows:-

    (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

    (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

    (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing the proxies.

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 593 Havelock Road #04-01, Isetan Office Building, Singapore 169641, not less than 72 hours before the time set for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.

6. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instruments appointing a proxy or proxies.

8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

9. Please refer to the notes set out in the Notice of Annual General Meeting dated 13 April 2017 ("Notice of AGM"). By submitting an instrument appointing a proxy or proxies, the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

Company Registration No: 197001177H

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Isetan Office Building, Singapore 169641
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Email : isetansin@isetan.com.sg