

ISETAN (SINGAPORE) LIMITED

Co. Reg. No. 197001177H

First Quarter Financial Statement and Dividend Announcement for the period ended 31 March 2018
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

Consolidated Income Statement for the financial period ended 31 March 2018

	Group		+ / (-) %
	31.03.2018 S'000	31.03.2017 S'000 (Restated*)	
Revenue	31,346	32,642	(3.97)
Other income	1,858	2,561	(27.45)
Other losses	-	(10)	(100.00)
Expenses			
- Changes in inventories of finished goods	32	282	(88.65)
- Purchases of inventories and related costs	(11,974)	(12,282)	(2.51)
- Employee compensation	(4,390)	(4,621)	(5.00)
- Depreciation expense	(1,642)	(1,885)	(12.89)
- Rental expense	(9,780)	(10,680)	(8.43)
- Other expenses	(4,401)	(4,274)	2.97
Total expenses	(32,155)	(33,460)	(3.90)
Share of profit of an associated company	135	61	121.31
Profit before income tax	1,184	1,794	(34.00)
Income tax credit	-	15	(100.00)
Net profit after tax for the financial period	1,184	1,809	(34.55)
Attributable to :			
Equity holders of the Company	1,184	1,809	(34.55)

* The results for first quarter ended 31 March 2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s"). Please refer to Note 5 for the details on the financial impact from the adoption of SFRS(I)s.

Consolidated Statement of Comprehensive Income for the financial period ended 31 March 2018

	Group		+ / (-) %
	31.03.2018 S'000	31.03.2017 S'000 (Restated)	
Profit for the financial period	1,184	1,809	(34.55)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale			
- Fair value gain	-	193	(100.00)
Currency translation differences arising from consolidation			
- Gain/(loss)	17	(12)	241.67
Item that will not be reclassified subsequently to profit or loss:			
Financial assets, fair value through other comprehensive income			
- Fair value loss	(68)	-	N.M.
Other comprehensive (loss)/income, net of tax	(51)	181	(128.18)
Total comprehensive income for the financial period	1,133	1,990	(43.07)
Total comprehensive income attributable to :			
Equity holders of the Company	1,133	1,990	(43.07)

N.M. Not meaningful

Additional Disclosure

(i)	Group		+ / (-) %
	31.03.2018 \$'000	31.03.2017 \$'000 (Restated)	
Revenue			
- Sale of goods	16,642	17,030	(2.28)
- Consignment income	12,356	12,538	(1.45)
- Rental income	2,348	3,074	(23.62)
	31,346	32,642	(3.97)
Other income			
- Dividend income	-	43	(100.00)
- Other rental income	884	727	21.60
- Interest income	686	675	1.63
- Sundry income	248	1,094	(77.33)

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

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

Balance Sheets as at 31 March 2018

	Group		Company	
	31.03.2018 \$'000	31.12.2017 \$'000 (Restated)	31.03.2018 \$'000	31.12.2017 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	44,752	57,727	44,752	57,596
Trade and other receivables	9,285	10,663	9,285	10,663
Financial assets, held-to-maturity	-	4,508	-	4,508
Other investments at amortised cost	4,010	-	4,010	-
Inventories	10,052	10,020	10,052	10,020
Other current assets	4,066	2,878	4,066	2,878
	72,165	85,796	72,165	85,665
Non-current assets				
Other receivables	434	447	434	447
Financial assets, available-for-sale	-	3,864	-	3,864
Financial assets, fair value through other comprehensive income	3,796	-	3,796	-
Financial assets, held-to-maturity	-	53,181	-	53,181
Other investments at amortised cost	58,953	-	58,953	-
Club memberships	235	236	235	236
Investment in an associated company	1,411	340	3,517	2,598
Investment in a subsidiary	-	-	*	*
Rental deposits	6,351	6,356	6,351	6,356
Investment property	29,539	29,689	29,539	29,689
Property, plant and equipment	42,760	43,926	42,760	43,926
	143,479	138,039	145,585	140,297
Total assets	215,644	223,835	217,750	225,962
LIABILITIES				
Current liabilities				
Trade and other payables	35,375	44,480	35,375	44,480
	35,375	44,480	35,375	44,480
Non-current liabilities				
Trade and other payables	4,003	4,240	4,003	4,240
Provisions for other liabilities and charges	1,948	1,930	1,948	1,930
	5,951	6,170	5,951	6,170
Total liabilities	41,326	50,650	41,326	50,650
NET ASSETS	174,318	173,185	176,424	175,312
EQUITY				
Share capital	91,710	91,710	91,710	91,710
General reserve	17,000	17,000	17,000	17,000
Fair value reserve	1,540	1,608	1,540	1,608
Currency translation reserve	8	(9)	-	-
Other reserves	280	280	280	280
Retained earnings	63,780	62,596	65,894	64,714
Total equity	174,318	173,185	176,424	175,312

* Amount is less than \$1,000

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

Amount repayable in one year or less, or on demand

As at 31.03.18		As at 31.12.17	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31.03.18		As at 31.12.17	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable.

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

Consolidated Statement of Cash Flows for the financial period ended 31 March 2018

	Group	
	31.03.2018	31.03.2017
	\$'000	\$'000
Cash flows from operating activities		
Profit before income tax	1,184	1,794
Adjustments for:		
Depreciation expense	1,642	1,885
Amortisation of capitalised letting fees	49	17
Loss on early redemption of financial assets, held-to-maturity by issuer	-	10
Interest income	(686)	(675)
Increase in provisions for other liabilities and charges	18	18
Impairment loss on club membership	33	-
Dividend income	-	(43)
Share of profit of an associated company	(135)	(61)
	<u>2,105</u>	<u>2,945</u>
Changes in working capital		
Trade and other receivables	1,623	2,324
Inventories	(32)	(281)
Other assets and rental deposits	(1,183)	(229)
Trade and other payables	(9,206)	(9,547)
Cash used in operations	<u>(6,693)</u>	<u>(4,788)</u>
Income taxes refunded	-	15
Net cash used in operating activities	<u>(6,693)</u>	<u>(4,773)</u>
Cash flows from investing activities		
Payment for investment in an associated company	(919)	-
Payments for investment property	(413)	(18)
Payments for property, plant and equipment	(61)	(96)
Payments for letting fees	(61)	-
Purchases of financial assets, available-for-sale	-	(1)
Purchases of other investments at amortised cost and financial assets, held-to-maturity	(6,025)	(1,014)
Proceeds from maturity / early redemption by issuers of other investments at amortised cost and financial assets, held-to-maturity	750	2,000
Interest received	424	502
Dividend received	-	43
Repayments from employee	23	24
Net cash (used in) / provided by investing activities	<u>(6,282)</u>	<u>1,440</u>
Net decrease in cash and cash equivalents	<u>(12,975)</u>	<u>(3,333)</u>
Cash and cash equivalents at beginning of the financial period	<u>57,727</u>	<u>54,688</u>
Cash and cash equivalents at end of the financial period	<u>44,752</u>	<u>51,355</u>

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

Statement of Changes in Equity for the financial period ended 31 March 2018

	<u>Share capital</u> \$'000	<u>General reserve</u> \$'000	<u>Fair value reserve</u> \$'000	<u>Currency translation reserve</u> \$'000	<u>Other reserves</u> \$'000	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000
Group							
Balance at 31 December 2017 (as previously reported)	91,710	17,000	1,608	(212)	280	62,799	173,185
Adoption of SFRS(I) 1	-	-	-	203	-	(203)	-
Balance at 1 January 2018 (restated)	91,710	17,000	1,608	(9)	280	62,596	173,185
Total comprehensive (loss) / income for the period	-	-	(68)	17	-	1,184	1,133
Balance at 31 March 2018	91,710	17,000	1,540	8	280	63,780	174,318
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Balance at 1 January 2017 (as previously reported)	91,710	17,000	1,278	(203)	(140)	62,735	172,380
Adoption of SFRS(I) 1	-	-	-	203	-	(203)	-
Balance at 1 January 2017 (restated)	91,710	17,000	1,278	-	(140)	62,532	172,380
Total comprehensive income / (loss) for the period	-	-	193	(12)	-	1,809	1,990
Balance at 31 March 2017 (restated)	91,710	17,000	1,471	(12)	(140)	64,341	174,370
<hr/>							
	<u>Share capital</u> \$'000	<u>General reserve</u> \$'000	<u>Fair value reserve</u> \$'000	<u>Currency translation reserve</u> \$'000	<u>Other reserves</u> \$'000	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000
Company							
Balance at 1 January 2018	91,710	17,000	1,608	-	280	64,714	175,312
Total comprehensive (loss) / income for the period	-	-	(68)	-	-	1,180	1,112
Balance at 31 March 2018	91,710	17,000	1,540	-	280	65,894	176,424
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Balance at 1 January 2017	91,710	17,000	1,255	-	(140)	57,983	167,808
Total comprehensive income for the period	-	-	188	-	-	1,721	1,909
Balance at 31 March 2017	91,710	17,000	1,443	-	(140)	59,704	169,717

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous year reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding year of the immediately preceding financial year.

Not applicable.

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

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

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

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

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

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

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

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

As required by the listing requirements of the Singapore Exchange, the Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s"), on 1 January 2018 and has prepared its first set of financial information under SFRS(I)s for the quarter ended 31 March 2018.

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

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

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

(2) Adoption of SFRS(I)s

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

- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 16 *Leases*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

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

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

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

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

(a) Classification and measurement

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

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

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

- Reclassification from HTM to amortised cost

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

(b) Impairment of financial assets

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

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

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

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

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

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

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

(a) Principal versus agent considerations

FRS 18 *Revenue* lists down principal versus agent considerations and one of the indicators in considering if the entity is a principal is that of exposure to credit risk. Clarification had since been introduced under SFRS(I) 15 that credit risk is generally not a helpful indicator when assessing whether the entity controls the specified goods or service.

Certain revenue pertaining to consignment sales which were recognised at the gross amount of the consideration received for the sale of goods prior to the adoption of SFRS(I) 15 would have to be recognised at the net amount of consideration retained by the Group after paying the relevant suppliers for the purchase of these goods when SFRS(I) 15 is applied. Accordingly, the comparative revenue and cost of sales for the quarter ended 31 March 2017 are both reduced by \$37.401 million. A consignment income of \$12.538 million is disclosed for the comparative quarter ended 31 March 2017.

Impact on the comparatives for the First Quarter 2018 Financial Information

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

	31.03.18
Group Profit and Loss Account	\$'000
Decrease in revenue	(37,401)
Decrease in purchases of inventories and related costs	37,401
Movement in net profit for the period	<u>-</u>

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

* Singapore Financial Reporting Standards

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

	<u>Group</u>	
	31.03.2018	31.03.2017
Earnings per ordinary share for the financial period based on net profit attributable to shareholders :-		
(i) Based on weighted average number of ordinary shares in issue (cents)+	2.87	4.39
(ii) On a fully diluted basis (cents)++	2.87	4.39

+ The earnings per share are calculated based on the issued ordinary shares of 41,250,000 (31 March 2017: 41,250,000)

++ The fully diluted earnings per share are calculated based on the issued ordinary shares of 41,250,000 (31 March 2017: 41,250,000)

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

(a) current financial period reported on; and

(b) immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
Net asset value per ordinary share based on issued share capital at the end of financial period / year	\$4.23	\$4.20	\$4.28	\$4.25

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

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

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

Review of Group Performance

Group revenue for the period ended 31 March 2018 ("Q1 2018") was \$31.346 million, a decrease of 3.97% over the corresponding period ("Q1 2017"). The decrease in Group revenue was due to the lower sale of goods from the retail segment and lower rental revenue from the Isetan Wisma Atria investment property ("investment property").

For Q1 2018, the Group achieved a net profit of \$1.184 million as compared to a net profit of \$1.809 million in Q1 2017. This decrease was mainly attributable to a decline in sundry income, partially offset by efforts put in to rein in operating expenses such as rental expense and employee compensation. For the associated company, the Group recorded a share of profit of \$135,000 in Q1 2018 as compared to \$61,000 in Q1 2017.

As compared to 31 December 2017, cash and cash equivalents decreased mainly due to the settlement of amounts relating to trade and other payables and purchases of other investments at amortised cost. Under current assets, trade and other receivables decreased mainly due to settlement by trade debtors. Other current assets increased due to higher prepaid expenses and investments. Under non-current assets, other investments at amortised cost (classified as HTMs at 31 December 2017) increased mainly due to purchases of \$6.025 million during the period. Investment in an associated company increased due to an additional capital contribution of \$0.919 million. Under current liabilities, trade and other payables decreased due to settlement of amounts owing to trade and other creditors.

Under cash flows from operating activities, the net cash outflow in Q1 2018 was higher than Q1 2017 mainly due to higher prepaid expenses as well as a lower amount of cash collections from trade and other receivables in Q1 2018. Under cash flows from investing activities, higher net purchases of other investments at amortised cost and an additional capital contribution in an associated company in Q1 2018 contributed to a cash outflow, as compared to a cash inflow in Q1 2017 that resulted mainly from proceeds from the maturity / early redemption by issuers of certain HTMs.

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

No forecast was made previously.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The government has forecast economic growth to be between 1.5% to 3.5% in 2018 with growth expected to come in slightly above the middle of the range. Despite the improvement in the overall business climate, the Group expects the challenges in the retail industry to persist given the intensifying competition among retailers who are resorting to discounts to attract customers.

11. Dividend

(a) Current Financial Year Reported On

Any dividend recommended for the current financial period reported on? **None**

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? **None**

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared.

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

No IPT mandate has been obtained.

14. Negative confirmation pursuant to Rule 705(5)

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

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

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

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

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

Not applicable.

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

Not applicable.

18. A breakdown of sales.

Not applicable.

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

Not applicable.

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

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

BY ORDER OF THE BOARD

Lun Chee Leong
Company Secretary
11-May-18