ISETAN

SINGAPORE

ANNUAL REPORT 2020

CONTENTS

OUR PHILOSOPHY

CONNECTING PEOPLE AND BRIDGING TIMES.

STRIVE TO CHANGE.

1. Observe and study your surrounding facts for constant growth.
2. Innovate and stay ahead of times.
3. Respect others.

   Be inspired by diverse views and ideas.

BE A NEW ONE.

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-eastern 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.

2015 Isetan Wisma Atria Investment Property opened in phases with its first tenant starting its operations in September.

2019 Phase One of the major renovation in Isetan Scotts completed.

2020 Phase Two of the major renovation in Isetan Scotts completed.

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

DEAR SHAREHOLDERS,

BUSINESS PERFORMANCE

The Covid-19 pandemic has been the defining event of 2020, with its devasting impact felt all around the world. In response to the pandemic, our Government imposed the "circuit breaker" measures from 7 April 2020 to 1 June 2020 to stem the spread of the virus. All non-essential businesses had to suspend operations, with remote working being the norm for many workers. During this period, only our supermarket at Isetan Scotts remained open for business. In a phased re-opening of the economy, all our retail outlets were allowed to reopen for business on 19 June 2020. However, factors like social distancing measures, poorer consumer sentiments and lower customer traffic have been taking a toll on the Company's business. Sale of goods revenue, consignment income and rental income were all affected, giving rise to a decrease in the Company's revenue from $111.885 million in the financial year ended 31st December 2019 ("FY2019") to $77.160 million in the financial year ended 31st December 2020 ("FY2020"). Against this backdrop of declining sale of goods revenue, consignment income and rental income, the Company implemented mitigating actions for its retail segment such as scaling up of its E-commerce business through its own website and Lazmall, resuming key instore sales events in the stores and costs control. For the property segment, the Company worked with its existing tenants and sourced for new ones to fill up vacant units to secure as much future rental stream as possible.

Other income, however, increased from $10.449 million in FY2019 to $16.770 million in FY2020 mainly due to government grants and rental rebates from Landlords. These items helped to mitigate the negative impact of the pandemic on the Company's revenue.

The Company recorded a total impairment loss of $22.609 million on Property, Plant and Equipment ("PPE"), and Right-of-use ("ROU") assets in FY2020 as compared to a total impairment loss of $29.116 million on PPE and ROU in FY2019. This led the Company to incur a loss after tax of $20.225 million in FY2020 as compared to a loss after tax of $26.532 million in FY2019. The losses incurred has caused our retained earnings to turn negative. As such, we regret that dividends will not be declared for FY2020.

TOYOHIKO TANAKA
Chairman

We will continue to do our utmost to turn the Company's fortune around and revert to our policy of providing stable dividends to our shareholders.

ASSOCIATED COMPANY

Our associated company, Chengdu Isetan Department Store Company Limited, in the People's Republic of China, was also not spared the impact of the pandemic. Sales Revenue declined from $94.922 million in FY2019 to $76.658 million in FY2020, and net profit declined from $1.685 million in FY2019 to $357,000 in FY2020. As a result, the share of profit from the associate decreased from $389,000 in FY 2019 to $82,000 in FY2020.

BUSINESS OUTLOOK

Singapore is an open economy and is largely dependent on global trade. On the one hand, positive factors include the progress in Covid-19 vaccine development and deployment, the projected rebound of the US economy, strengthening of the China economy, and an expected recovery of the key ASEAN economies. On the other hand, uncertainties lie ahead with regard to the course of the Covid-19 pandemic, possible financial system stresses caused by the prolonged economic recovery of many countries, and geopolitical developments of major economies that could weigh on global trade and economic recovery. Within Singapore, the Covid-19 pandemic is under control at this juncture, with the vaccination programme underway. However, the slow re-opening of borders and emergences of more contagious strains of the virus pose challenges to the economy. Against this external and domestic backdrop, the Singapore government expects the economy to see a gradual recovery over the course of the year, although this may be uneven across different sectors. The Government's forecast for the economic growth for 2021 is 4% to 6%. However, the Government has cautioned that although consumer-facing sectors like the retail trade and food services can expect to benefit from an improvement in consumer sentiments amidst a gradual turnaround in the labour market, the slower recovery in visitor arrivals and capacity limitations posed by the safe distancing measures will have a negative impact on their performance. Hence, the economic activity in these sectors is not likely to return to pre-Covid-19 levels by end 2021.

MOVING FORWARD

During the "circuit-breaker" period with only essential services being opened for business, we experienced a surge in our online business as more customers switched to E-commerce. Post circuit-breaker, the year-on-year increase in our online sales during FY2020 persisted and this led to a four-fold increase in online sales for the year. Besides our own online platform, we have expanded our presence by partnering with Lazada's LazMall to reach out to a larger pool of online customers. With the help of our head office, we are also collaborating with Japanese farmers to offer online direct premium and seasonal fruits to our customers, which in turn helps to differentiate our online store from others.

The completion of the renovation at our Flagship Isetan Scotts store has also brought about a fresh perspective in its physical store operations. It has now been transformed from a traditional department store format to a Food, Beauty and Fashion Specialty store. With our new selection of exclusive brands and food outlets, we are now enjoying the patronage of new customers.

While much effort has been spent on steering the Company through this pandemic, the health and safety of our customers, staff, and business partners remain our top priority. We will continue to uphold our "Care Promise" to instil a sense of confidence that we are keeping our stores and workplaces clean and safe.

INVESTMENT PROPERTY AT ISETAN WISMA ATRIA

As per our announcement on 22 January 2021, we are currently exploring options with regard to our investment property at Wisma Atria, and no definitive decision or agreement has been made or entered into by the Company to date. We will release the necessary announcements should there be any developments that will materially affect the price of the Company's shares.

APPRECIATION

2020 has been an exceptionally challenging year. On behalf of the Board, I would like to extend my sincere thanks and appreciation to our stakeholders including our customers, suppliers, business associates and shareholders for their unstinting support during the past year. I would like to thank my fellow directors for their invaluable counsel, and to all employees for their dedication and resilience during these trying times. The Company looks forward to the continued support of all stakeholders in the new financial year.

Thank you.

TOYOHIKO TANAKA
CHAIRMAN
30 March 2021

MANAGEMENT DISCUSSION OF
RESULTS OF OPERATIONS AND FINANCIAL POSITION
For the year ended 31 December 2020

Isetan started trading in Singapore on 31 January 1972 catering to a wide spectrum of customers. Currently, our Flagship Store and an Investment Property are in the heart of the Orchard Road shopping belt, while our three other stores are in the suburbs.

Isetan Scotts (Flagship Store)

Isetan Katong

Isetan Tampines

RETAIL BUSINESS

OUR FLAGSHIP STORE (ISETAN SCOTTS)

Our flagship Scotts store is located at Shaw House and it has just completed its major renovation in the 4th Quarter of 2020. In addition to revamps to the Ladies Sundries, Ladies Wear and Men's Departments, new Food and Beverage concepts have been introduced to give added excitement and variety to the store. 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.

SUBURBAN REACH

(ISETAN TAMPINES, ISETAN KATONG, AND ISETAN SERANGOON CENTRAL)

Our venture into the suburban area started with our Katong Store in Parkway Parade in 1983. The store has since enjoyed the patronage of our customers for many years and this 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

Isetan Serangoon Central

Isetan Wisma Atria (Investment Property)

floors in "nex" shopping mall, it offers a wide variety of merchandise ranging from cosmetics and fashion wear to other family-oriented items.

(Note: our Isetan Jurong East store ceased operations in March 2020)

PROPERTY LEASING BUSINESS

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 is maintained via our Isetan Scotts store.

ISETAN WAREHOUSE

Our Kallang Pudding warehouse was purchased to support our retail operations. We have gradually consolidated the space needed for our retail operations and leased out partially the warehouse to generate rental income. From 2019, 50% of the property has been reclassified from property, plant, and equipment to investment property.

MANAGEMENT
DISCUSSION OF
RESULTS OF OPERATIONS AND FINANCIAL POSITION
For the year ended 31 December 2020

INITIATIVES IN RESPONSE TO COVID-19 PANDEMIC

With the emergence of the Covid-19 pandemic, our priority has been the safety of our staff, customers, tenants, and business partners. We have implemented safety management measures to ensure our stores and workplaces are safe. When the Government put in place regulations commonly known here as the "circuit breaker measures" from 7 April 2020 to 1 June 2020 where only essential services were allowed to open for business, we had to make adjustments to our manpower, logistics and other operational processes to enable our Supermarket to continue operating. With remote working being the norm for many workers during this period, we scaled up our E-commerce business to meet changing customers' preferences. In a phased re-opening of the economy, our stores re-opened for business on 19 June 2020. We continued to enhance our E-commerce sales and resumed key instore sales events to draw back our customers. With the gradual improvement in the Covid-19 situation and the availability of workmen, our renovations at Isetan Scotts resumed and it was completed in time for the Christmas festive season.

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. Due to the Covid-19 situation, these programmes have been scaled down but the Company is committed to resume them at a suitable time in the future.

ANALYSIS OF COMPANY PERFORMANCE

	2020 $'000	2019 $'000
Revenue*	**77,160**	111,885
Other income	**16,770**	10,449
Total other losses	**(1,746)**	(612)
Net Loss before tax	**(20,225)**	(26,532)
Income tax expense	**-**	-
Net Loss after tax	**(20,225)**	(26,532)
Net Loss per share (cents)	**(49.03)**	(64.32)
Return on Equity	**(18.93)%**	(20.57)%
Dividend paid per share	**$0.05**	$0.05

*Revenue consists of:	2020 $'000	2019 $'000
Sale of goods	**44,173**	58,733
Consignment income	**26,052**	41,967
Rental income – investment properties	**8,066**	11,185
Less: Government grant expense – rent concessions	**(1,131)**	-

RETAIL

The implementation of the circuit breaker measures from 7 April 2020 to 1 June 2020 adversely affected our retail business as only our Supermarket was allowed to operate during this period. Post circuit-breaker, the Company's business has not returned to pre-Covid-19 levels due to negative factors like stoppage of external sales events, social distancing measures and poorer consumer sentiments. As a result, sales of goods revenue decreased from $58.733 million for the financial year ended 31 December 2019

("FY2019") to $44.173 million for the Financial Year ended 31 December 2020 ("FY2020"). Consignment income also decreased from $41.967 million in FY2019 to $26.052 million in FY2020. Under the retail segment, other rental income decreased from $3.019 million in FY2019 to $0.988 million in FY2020 mainly due to rental rebate assistance being given to tenants in view of the impact of the pandemic, and other income from the net investment in new subleases recognised under SFRS (I) 16 Leases. Together with the impairment losses on property, plant and equipment, and right-of-use assets totaling $22.609 million, the retail segment recorded a loss of $24.695 million in FY2020, a 31.42% reduction as compared to FY2019.

PROPERTY

The Covid-19 pandemic similarly impacted our property segment. Coupled with the impact of the vacant space at level 4 of Isetan Wisma Atria formerly occupied by Japan Food Town, rental income decreased from $11.185 million in FY2019 to $6.935 million as rental rebates were given to our tenants to help them tie over the difficult period. Consequently, the results of the property segment decreased from $5.030 million in FY2019 to $2.451 million in FY2020.

INVESTMENT ACTIVITIES

	2020 $'000	2019 $'000
Dividend and Interest Income	**2,742**	3,493

Due to the negative impact of the pandemic on many businesses, the Company adopted a more prudent approach by reducing its exposure to bonds in its investment portfolio. Steps taken include a diversion of the proceeds from the maturity of bonds to fixed deposits. Although dividend income registered an increase of 19.33 % in FY2020 as compared to FY2019, its impact was small, and the deliberate move by the company together with the lower interest rate environment resulted in the Company's dividend and interest income reducing from $3.493 million in FY2019 to $2.742 million in FY2020.

POSSIBLE CHALLENGES

According to the Government, the economy is forecast to grow by 4.0 to 6.0 per cent in 2021. Although consumer-facing sectors are expected to benefit from an improvement in consumer sentiments amidst a turnaround in labour market in 2021, the slower recovery in visitor arrivals and capacity limits arising from safe distancing measures will have a dampening effect. Hence, economic activity in these sectors is not likely to return to pre-Covid levels by end 2021. Therefore, the pressure on revenue is expected to continue into 2021 and mitigating measures will have to be implemented. With shifting consumer habits towards more online shopping, the Company will scale up its online business and explore new ways to increase its revenue.

For the Isetan Wisma Atria investment property, while the Company is exploring options for this property, we will continue to source for prospects to fill up the vacant space to secure as much rental stream as possible. However, headwinds are expected for the segment due to weaker demand for space and the negative impact of the pandemic on retail businesses in general.

CASH POSITION

The Company's cash and cash equivalents increased from $39.319 million at the beginning of 2020 to $49.162 million at the end of 2020 mainly due to the proceeds from maturity of bonds/early redemption of bonds by the issuers.

BOARD OF DIRECTORS

TOYOHIKO TANAKA
(Chairman)

Academic and Professional qualifications		Directorship
Bachelor of Education, Saitama University (Japan).		**Date first appointed:** *13 May 2019* **Date last re-elected:** *19 June 2020*
Present Directorships in other listed companies (as at 31 December 2020)	Other Principal Commitments (as at 31 December 2020)	Past Directorships in listed companies over the preceding three years (31 December 2017 to 31 December 2020)
Nil	• Executive Officer and General Manager of Overseas Operations Department	Nil

Mr. Tanaka joined Isetan Company Limited (Japan) in 1985 and his past appointments include being the General Manager of Isetan Matsudo Store, Store Manager of Isetan Matsudo Store and President of Chengdu Isetan. He was the Executive Officer and General Manager of Overseas Operations Department until his recent transfer to a new assignment in Japan. He currently remains as the Chairman of Isetan (Singapore) Limited.

KOJI OYAMA
(Managing Director)

Academic and Professional qualifications		Directorship
Bachelor of Economics, Keio University (Japan)		**Date first appointed:** *1 May 2020 (as a Non-Executive Director and Managing Director (Designate)* **Date of appointment as Managing Director:** *1 August 2020* **Date last re-elected:** *19 June 2020*
Present Directorships in other listed companies (as at 31 December 2020)	Other Principal Commitments (as at 31 December 2020)	Past Directorships in listed companies over the preceding three years (31 December 2017 to 31 December 2020)
Nil	Nil	Nil

Mr. Oyama joined Isetan Company Limited (Japan) in 1989 and has served in the Sales, Accounting, Human Resources and Overseas Business departments during the earlier years of his career. His senior appointments include being the Director and General Affairs Department Manager of Club 21 Japan Limited, Director and General Affairs Department Manager of Mammina Co., Ltd, Managing Director of Isetan of Japan Sdn. Bhd, and Managing Director of ICJ Department Store (Malaysia) Sdn. Bhd. Prior to his present appointment as Managing Director of Isetan (Singapore) Limited, he was the Operating Officer, Assistant to the General Manager of Overseas Operations Department.

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:** *19 June 2020*
Present Directorships in other listed companies (as at 31 December 2020)	Other Principal Commitments (as at 31 December 2020)	Past Directorships in listed companies over the preceding three years (31 December 2017 to 31 December 2020)
Nil	• Associate Professor in the Nanyang Business School, Nanyang Technological University (Associate Provost, (Student Life)) • Associate Director, Aptus Law Corporation	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), Head, Division of Business Law and Associate Dean at the Nanyang Business School. He is currently Associate Provost (Student Life), 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 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:** *19 June 2020*
Present Directorships in other listed companies (as at 31 December 2020)	Other Principal Commitments (as at 31 December 2020)	Past Directorships in listed companies over the preceding three years (31 December 2017 to 31 December 2020)
• Nil	• Asian Infrastructure Investment Bank – Director General, Human Resources.	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 include PayPal, Hewlett Packard, Sara Lee Corporation and Standard Chartered Bank. She is currently the Director General, Human Resources at Asian Infrastructure Investment Bank.

BOARD OF
DIRECTORS

RICHARD TAN CHUAN-LYE

Academic and Professional qualifications			Directorship
Master of Business Administration, Henley Business School, University of Reading, United Kingdom **Fellow Member, Institute of Singapore Chartered Accountants** **Fellow Member, The Association of Chartered Certified Accountants (United Kingdom)** **Associate Member, The Chartered Institute of Management Accountants (United Kingdom)** **Certified Internal Auditor, awarded by The Institute of Internal Auditors, Inc.**			**Date first appointed:** *1 February 2019* **Date last re-elected:** *26 April 2019*
Present Directorships in other listed companies (as at 31 December 2020)	Other Principal Commitments (as at 31 December 2020)		Past Directorships in listed companies over the preceding three years (31 December 2017 to 31 December 2020)
• First Real Estate Investment Trust • Heeton Holdings Limited	• Adjunct Associate Professor, NUS Business School • Chairman of the Audit and Risk Committee, Asia Pacific Advisory Board, EFG Bank AG • Chairman of the Audit Committee, Sompo Insurance (Singapore) Pte Ltd • Member of the Audit Committee, Agency for Science, Technology & Research (A*Star) • Member of the Audit and Risk Committee, Integrated Health Information System Pte Ltd • Board member of All Saints Home and Singapore Repertory Theatre		Nil

Mr Tan is an Adjunct Associate Professor with the NUS Business School, National University of Singapore. He is also an Independent Director at First REIT and Heeton Holdings Limited, Chairman of the Audit & Risk Committee of the Asia Pacific Advisory Board of EFG Bank AG, Chairman of the Audit Committee at Sompo Insurance (Singapore) Pte Ltd, a member of the Audit Committee of Agency for Science, Technology & Research, and a member of the Audit and Risk Committee of Integrated Health Information System Pte Ltd.

He retired as a Risk Consulting Partner with KPMG in 2015 where he spent a total of 17 years over different periods and was involved in a combination of external audit and risk advisory services. Prior to re-joining KPMG, Mr. Tan spent 20 years in various international banks where he held senior positions in the areas of internal audit and operational risk management.

Mr Tan is a member of the Singapore Institute of Directors.

DIRECTOR WHO STEPPED DOWN DURING THE FINANCIAL YEAR 2020:

TOSHIFUMI HASHIZUME

Academic and Professional qualifications		Directorship
Bachelor of Commerce, Chuo University (Japan		**Date first appointed:** *29 April 2016* **Date of appointment as Managing Director:** *29 April 2016* **Date last re-elected:** *26 April 2019* **Date resigned:** *1 August 2020*
Present Directorships in other listed companies (as at 31 December 2020)	Other Principal Commitments (as at 31 December 2020)	Past Directorships in listed companies over the preceding three years (31 December 2017 to 31 December 2020)
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 as a Director in charge of Merchandising from 2011 to 2014. Prior to his appointment as Managing Director of Isetan (Singapore) Limited, he was the General Manager, Speciality Stores Division in Isetan Mitsukoshi Limited. Mr. Hashizume stepped down as the Managing Director of Isetan (Singapore) Limited on 1 August 2020 and has since returned to Japan.

KEY EXECUTIVES' PROFILES

As at 31 December 2020

EI KANEFUJI
General Manager (Sales and Merchandising)

Mr. Kanefuji joined Isetan Company Limited (Japan) in 1993 where he held various appointments in Sales and Merchandising in Isetan Company Limited and Isetan Mitsukoshi Ltd. Mr. Kanefuji joined Isetan (Singapore) Limited in March 2018 where he was appointed as the General Manager (Sales and Merchandising). He received his Bachelor of Laws from Keio University (Japan).

GERARD GOH KIM WAN
Assistant General Manager (Finance and Information Systems)

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

LOH KAH LEONG
Assistant General Manager (Operations)

Mr. Loh joined the Company in 1989. He has served in Store Operations and Merchandising Department. He received his Bachelor of Business Administration from the National University of Singapore.

GERALD LIM WEE LEE
General Merchandising Senior Manager

Mr. Lim joined the company in 1990. He has served in Store Operations, Administration and Merchandising Department. Mr. Lim received his Bachelor of Science (Estate Management) from the National University of Singapore.

TONG SHU LEE
Sales & Merchandising Planning Senior Manager

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

PETER TENG SHEEN YAN
Isetan Scotts Store Manager

Mr. Teng joined the Company in 1989. He has served in Store Operations, Merchandising and Sales Promotion Department. He received his Bachelor of Arts from McMaster University (Canada).

ANG SIEW KHIM
Isetan Sub-Urban Stores, Head

Ms. Ang joined the Company in 1974. She has risen through the ranks and served the Company in Store Operations and Human Resource.

SIMON CHIN SAI WAN
Marketing Department, Head

Mr. Chin joined the Company in 2017 as a Division Manager in the Ladies Wear Department and is presently heading the Marketing Department. Prior to this, he has more than 10 years of experience in the retail industry in Malaysia. He received his Bachelor of Science (Honours), Bioinformatics from the University of Malaya.

KEY EXECUTIVES' PROFILES

As at 31 December 2020

GERARD CHENG POH CHUAN

Human Resource Department, Head

Mr. Cheng joined the Company in 1980 and has held appointments in Merchandising, Advertising and Promotion, Sales, Human Resource, Corporate Affairs, Planning & Budget Control, Risk Management, Leasing and Legal Department. 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.

FOO RUI YANG

Finance Department, Head

Mr. Foo joined the Company in 2019. He has more than 10 years of experience in External and Internal Auditing. Prior to joining the Company, he was an Assurance Manager with a public accounting firm. He received his Bachelor of Accounting (Hons) from Multimedia University and is a member of CPA Australia.

YEW KAI PING

Corporate Affairs and Governance Senior Manager

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

JAMES CHE WENG FOO

Information Systems Senior Manager

Mr. Che joined the Company in 1983. He has served in Store Operations, Merchandising, Sales & Merchandising Planning and Web Business Department. He received his Bachelor of Science 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 Department. 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).

SANDRA NG HWEE CHOO

Leasing Manager

Ms. Ng joined the Company in 2018. She has more than 10 years of experience in leasing. Prior to joining the Company, she held positions in leasing in HongkongLand Limited, City Development Limited and Far East Organization. She received her Bachelor of Business Administration from the University of Western Sydney.

FINANCIAL **PROFILE**

	Year ended 31.12.2020 ** $'000	Year ended 31.12.2019 $'000	Year ended 31.12.2018** $'000	Year ended 31.12.2017* $'000	Year ended 31.12.2016 $'000
	(Extracted from FY2020 Financial Statements)	(Extracted from FY2019 Financial Statements)		(Extracted from FY2018 Financial Statements)	(Extracted from Financial Statements in previous years)
	Company level figures	Company level figures	Company level figures	Consolidated figures	Consolidated figures
Operating results					
Revenue	**77,160**	111,885	122,171	128,875	294,638
(Loss)/profit before income tax	**(20,225)**	(26,532)	(13,584)	2,112	2,931
Income tax credit/(expense)	**-**	-	-	15	(362)
Net (Loss)/profit	**(20,225)**	(26,532)	(13,584)	2,127	2,569
Total Assets					
Investment properties	**32,851**	35,290	28,820	29,689	31,486
Property, plant and equipment	**24,683**	26,432	27,984	43,926	48,045
Right-of-use assets	**29,139**	60,616	-	-	-
Financial assets, available-for-sale	**-**	-	-	3,864	3,455
Financial assets, fair value through other comprehensive income	**4,518**	4,417	3,744	-	-
Financial assets, held-to-maturity	**-**	-	-	53,181	44,534
Other investments at amortised cost	**29,996**	49,429	64,468	-	-
Club memberships	**170**	205	235	236	235
Investment in an associate***	**2,033**	1,852	1,512	340	124
Rental deposits	**5,232**	5,525	6,357	6,356	7,692
Trade and other receivables	**5,978**	4,357	119	447	246
Current assets	**79,293**	78,038	75,341	85,796	90,932
	213,893	266,161	208,580	223,835	226,749

FINANCIAL PROFILE

	Year ended 31.12.2020 ** $'000	Year ended 31.12.2019 $'000	Year ended 31.12.2018** $'000	Year ended 31.12.2017* $'000	Year ended 31.12.2016 $'000
Shareholders' Equity and Total Liabilities					
Shareholders' equity	**106,817**	129,001	157,287	173,185	172,380
Current liabilities	**48,047**	62,044	45,061	44,480	47,186
Non-current liabilities	**59,029**	75,116	6,232	6,170	7,183
	213,893	266,161	208,580	223,835	226,749
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	**1,846**	1,841	1,483	1,608	1,278
Currency translation reserve	**35**	(64)	(15)	(9)	(203)
Other reserves	**291**	291	291	280	(140)
(Accumulated Loss)/ Retained earnings	**(4,065)**	18,223	46,818	62,596	62,735
	106,817	129,001	157,287	173,185	172,380

*The results for the financial year ended 31 December 2017 has been restated following the retrospective adoption of the Singapore Financial Reporting Standards (International) 15 Revenue from Contracts with Customers.

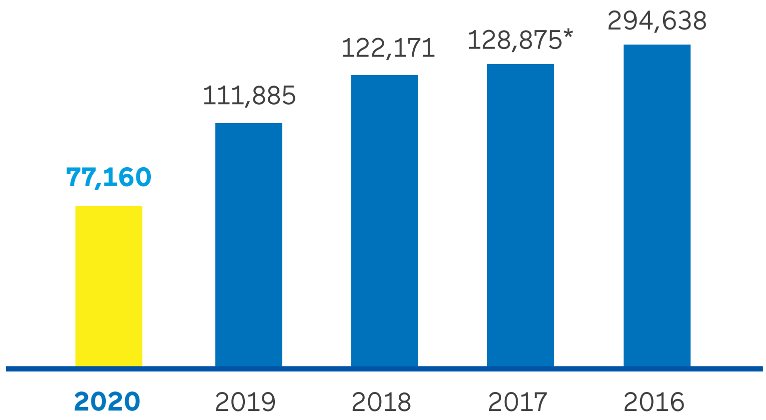
** Company level financial statements are prepared for the financial years ended 31 December 2020 and 31 December 2019. Accordingly, the results of the financial year ended 31 December 2018 have been restated to equity account for the Company's investment in an associate.

*** The Company/Group accounted for its investment in an associate in the financial statements using the equity method of accounting less impairment losses, if any.

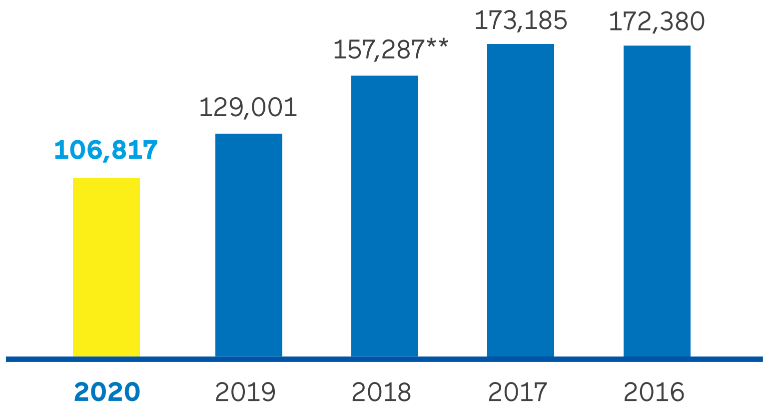
(Loss)/earnings per share (cents)	**(49.03)**	(64.32)	(32.93)	5.16	6.23
Dividend paid : Final Gross dividend per share (cents)					
- Ordinary	**5.0**	5.0	5.0	5.0	5.0
Net ($'000)	**2,063**	2,063	2,063	2,063	2,063
Net assets per share	**$2.59**	$3.13	$3.81	$4.20	$4.18

FINANCIAL **PROFILE**

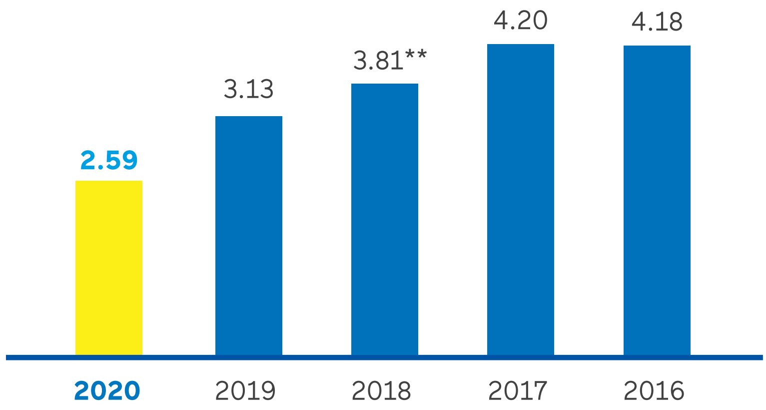
Revenue
($'000)



Shareholders' Equity
($'000)



Net assets per share
($)



*The results for the financial year ended 31 December 2017 has been restated following the retrospective adoption of the Singapore Financial Reporting Standards (International) 15 Revenue from Contracts with Customers.

** Company level financial statements are prepared for the financial years ended 31 December 2020 and 31 December 2019. Accordingly, the results of the financial year ended 31 December 2018 have been restated to equity account for the Company's investment in an associate.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Toyohiko Tanaka
(Chairman)

Koji Oyama
(Managing Director)

Victor Yeo Chuan Seng
(Lead Independent Director)

Lim Bee Choo
(Independent Director)

Richard Tan Chuan-Lye
(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
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936
Audit Partner: **Chua Lay See**
(Appointed in 2018)

SUSTAINABILITY
REPORT

BOARD STATEMENT

We are pleased to publish our fourth sustainability report prepared in line with the Singapore Exchange (SGX) "comply or explain" sustainability reporting guidelines. Isetan considers sustainability as a key consideration in its strategy formulation. Through this report, we aim to share a balanced perspective of our ongoing efforts and progress in this area.

The Board, with the support of the Audit and Risk Committee, has been actively involved in the preparation of this report including prioritisation of material factors for the company. During our review of the material factors, energy consumption, workplace health and safety, human capital development, product quality, customer satisfaction and corporate social responsibility continue to remain the most significant economic, environmental, social and governance impacts and priorities of our business as well as our stakeholders. In addition, we have identified marketing and labelling as a new topic in this year's report.

The Board will continue to monitor sustainability which remains a core part of the business along with progress on the commitments in the material areas.

ISETAN SINGAPORE'S RESPONSE TO COVID-19

The Covid-19 pandemic has had a profound impact on everybody's lives all over the world since its sudden emergence at the beginning of the year. It brought about initial fear amongst people as not much was known about the virus then. It resulted in panic behaviour as the virus started to spread around the world. However, we also learnt that community effort, co-operation and resilience are key factors to win the fight against the pandemic.

At Isetan Singapore, we are guided by two principles in our response to the pandemic:

a) Health and safety of our customers, staff and Isetan community
b) Care for the community's needs

<u>Health and safety of our customers, staff and Isetan community</u>

We have embarked on our "Care Promise" where we put in place precautionary measures to ensure the health and well-being of our customers, staff and partners of the Isetan Community. These include the enhanced and increased cleaning and sanitising procedures, monitored entrances and exits for contact tracing, temperature taking for all staff and customers, wearing of face masks, vinyl sheets at cashier counters to minimise transmission of airborne particles, and the provision of hand sanitizers throughout the stores and back offices.

<u>Care for the community's needs</u>

During the period when the Government put in place regulations (commonly known as the "circuit breaker measures") to control the spread of the COVID-19 virus, only essential services were permitted to open for business. We responded by ensuring our Supermarket at Isetan Scotts was adequately stocked to cater to the needs of customers, many of whom were working remotely from home. We had to adjust our manpower, logistics and supply chain to ensure our shelves continue to be well stocked during the circuit-breaker period. For customers who prefer to shop online, we proactively engaged them and fine-tuned our merchandise and promotions to cater to their needs. For example, with more families dining at home and to celebrate special occasions, we made available more kitchenware, Mother's Day gift recommendations and bakery items online.

The Covid-19 pandemic is still evolving, and we have to adapt our lifestyle to live in the "new normal".

ABOUT THE REPORT

We operate department stores and a supermarket in Singapore. In addition, we own properties which are leased out to tenants. Isetan (Singapore) Limited is headquartered in Singapore and listed on the Singapore Exchange (SGX) mainboard. We are a subsidiary of Isetan Mitsukoshi Holdings Ltd, and our ultimate holding company is based in Tokyo, Japan.

Reporting Scope and Period

This report covers the sustainability performance of our operations for the financial year ended 31 December 2020 ("FY2020") and includes data and information relating to our five stores* and one investment property at Wisma Atria in Singapore.
(*Our Isetan Jurong East Store ceased operations in March 2020).

Reporting standard and assurance

This report has been prepared with reference to the Global Reporting Initiative ("GRI") Standards and in line with the SGX Sustainability Reporting Guide. The report covers the company's policies, practices, initiatives, performance and goals in relation to material Environmental, Social and Governance ("ESG") factors and will be updated on an annual basis.

We have not sought external assurance for this reporting period but may consider doing so in future.

Feedback

Stakeholder inputs are key to defining our sustainability approach and value and we welcome any feedback with regards to this report or any aspect of our sustainability performance. Please feel to reach out to us at sustainability@isetan.com.sg

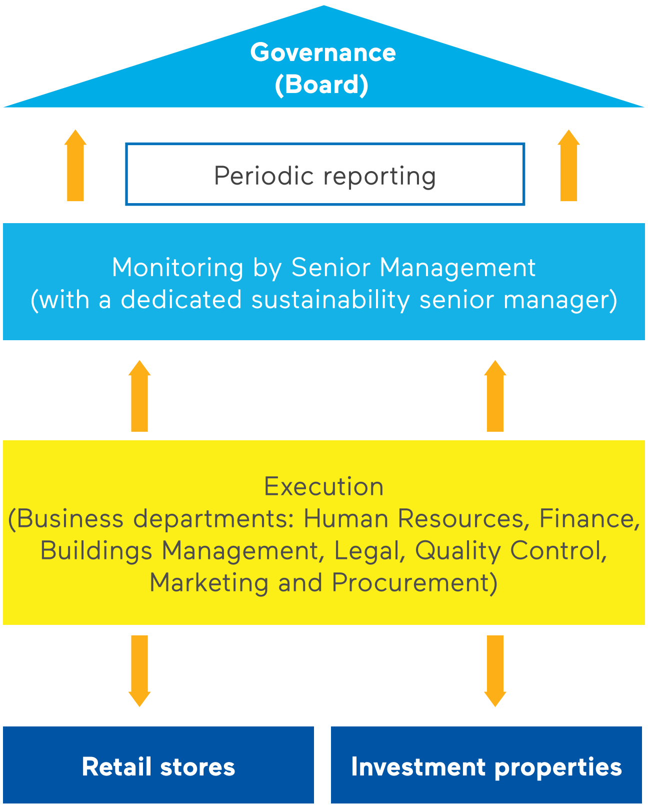
SUSTAINABILITY AT ISETAN

Integrity and responsible business practices are a core part of Isetan's DNA. Our approach to sustainability embodies the Japanese culture of "Omotenashi", whereby we strive to treat our customers to the best of our ability. We are also guided by our core values such as integrity, trust and accountability, and our code of conduct, which governs the way we interact on a day-to-day basis with our employees, customers, business partners, environment and the community at large.

Governing Sustainability at Isetan

Following the announcement of the SGX sustainability reporting guidelines, we have formalised the execution, monitoring and governance of our sustainability risks and opportunities.

Our material risks and opportunities are managed at the store by different business functions which then report to the senior management. The senior management assesses the performance and updates the Board which takes on the overall responsibility for providing governance and guidance.



Stakeholder engagement

Stakeholder needs and concerns are what help us determine our sustainability priorities and hence we engage with our stakeholders on a regular basis. Our stakeholders are identified and prioritised based on their dependence and influence on our business.

Stakeholders	Frequency of engagement	Method	Topics of Concern	Our Response
Employees	*Daily*	• Daily Morning Meetings/ virtual meetings during COVID-19 • Staff Feedback	• Work conditions • Pay and Benefits	• Improve productivity via digitalisation • Reward performance with Incentives
Suppliers	*Weekly to Monthly*	• Memos • Meetings	• Brand/Product Performance • Cost of business	• Gain insights on current trends in the industry
Customers	*Daily to Monthly*	• Social media • Weekly Electronic Direct Mail • Fortnightly newsletter • Monthly press media • Corporate email • Corporate website • Face-to-face feedback with service personnel serving on the sales floor.	• Request for Japanese Products • Price Promotion • Stock Availability • Knowledgeable Sales Staff • Convenience and Experience	• Update latest fashion/lifestyle • Ensure first venue launch for new products • Improve customer interactions with support from Japan HQ (merchandising and training)
Shareholders	Quarterly to Annually	• Half-Yearly Announcements • Annual Report • Face-to-Face Meetings/ virtual general meeting during COVID-19	• Business Performance • Dividends • Shareholder value	• Improve returns • Reduce Costs • New Strategies & Initiatives
Community	*Quarterly to Annually*	• Isetan Foundation[1] Activities	• Financial Support • Joint activities with community	• Ensure distribution of annual funds according to objectives of the Foundation
Tenants	*Daily to Monthly*	• E-mail • Mail • SMS	• Rent • Customer Traffic • Promotions	• Apply market rent plus GTO • Provide A&P support for tenants • Ensure High Occupancy

1 The Isetan Foundation was formally launched in 1981 with an initial endowment from Isetan (Singapore) Ltd. Today, it continues to serve as a charitable organization in the areas of education and culture.

Materiality Assessment

The SGX guidelines on sustainability reporting have allowed us to realign our existing sustainability practices from the view point of materiality. We conducted our Materiality Assessment in accordance with the "GRI Standards' *Principles for defining report content"*. We review our selected material sustainability factors regularly where we engaged with our employees and management to seek their feedback and validated the results with the Board to arrive at the final list of material factors to be looked at based on importance to stakeholders and significance of impacts. For FY2020, the material sustainability factors identified in the previous sustainability report remain relevant. In addition, within the material Social factor, we have identified marketing and labelling as a new topic to emphasize.

A summary of these factors is shown in the matrix below.

	Environmental	Social		Governance
Material Factors	1. Energy Consumption and Emissions	2. Human Capital Development 3. Workplace Health and Safety 4. Product Quality 5. Customer Satisfaction and Privacy	6. Cybersecurity 7. Customer Health and Safety 8. Corporate Social Responsibility 9. Marketing and Labelling	10. Anti-corruption and Compliance

ENVIRONMENT

ENERGY CONSUMPTION AND EMISSIONS

Energy consumption is a significant impact arising from our buildings. Electricity is crucial to our daily operations; from the operation of refrigerators in our supermarkets to the lights and air conditioning in our department stores. Higher energy consumption generates Greenhouse Gas (GHG) emissions which contribute to climate change and rising sea levels. We recognize that lighting, air-conditioning, ventilation, and refrigeration at our stores are the main drivers for direct energy consumption, and therefore carbon emissions. In view of the urgency of climate issues, we have proactively reviewed our materiality to include emissions as a material factor from 2019. At Isetan, we believe that we have a responsibility to help protect the environment and will continue to do our part as a corporate citizen.

MANAGEMENT APPROACH

We have implemented a series of practices and initiatives to minimise our energy consumption by improving energy efficiency at our stores and investment property.

Switching to light emitting diode ("LED") Lighting

Over the years, we have embarked on a phased journey to replace conventional lighting with energy efficient LED lights as the latter are more energy efficient and longer lasting. We are achieving this primarily through installing new LED lightings during our new store renovations. At our Isetan Scotts store which has undergone a major renovation, approximately 61% of our store's lighting has been converted to LED.

Implementing energy conservation system

We have been implementing energy conservation systems (Z-CEP) that lower fluctuations and reduce consumption at our older stores.

Replacing new Mechanical & Engineering ("M&E") equipment with energy efficient models

We replaced our M&E equipment with new ones when they are approaching or have reached their end-of-life stage. This helps to reduce our energy consumption as the new equipment are more energy efficient.

Energy saving practices at the shop floor

We implemented energy saving measures at our stores and encourage our staff to be more mindful of their energy consumption. For example, we reduce lighting usage just before closure of stores and only start our escalators five minutes before opening.

UPDATE ON PERFORMANCE AND TARGET SCOREBOARD FOR FY2020

PERFORMANCE:

Energy intensity[2]
2020:0.87 GJ per m^2
2019 :1.07GJ per m^2

Emissions intensity
2020: 98.54 kgCO_2 per m^2
2019: 121.42 kgCO_2 per m^2

Due to the Covid-19 pandemic, the Government put in place the "circuit breaker" measures from 7 April to 1 June 2020, whereby all non-essential services were not allowed to operate. The measures were lifted with a three-phase re-opening plan, and retail outlets were allowed to resume operations from 19 June 2020. As a result, our energy and emissions intensity results for 2020 decreased by 18.7% and 18.8% respectively. Furthermore, our Jurong East store closed permanently in March 2020 which resulted in lesser energy consumed.

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGET FOR FY2020

Target	Performance Update
We seek to achieve an energy intensity of 1.08 GJ per m^2 and emissions intensity of 125.6 kgCO_2 per m^2, taking into consideration the increased power supply to meet the new F&B tenants' requirements.	See above performance data.

TARGET AND FUTURE INITIATIVES FOR FY 2021

To switch to LED lights as far as possible at the stores when the existing lights reach their end of life.

CARE FOR THE ENVIRONMENT

The Company is also mindful of the impact of its business activities on the generation of waste. Though not identified as a material factor in this year's report, we are committed to practices to reduce wastages as part of our business operations. Examples include the reduction of prices of certain perishable food items (e.g. sushi) at our Supermarket near the end of each business day to clear the items, the reuse and recycling of fixtures, fittings and equipment from our Isetan Jurong East store which closed in March 2020 at our other stores, and the use of recycled paper in our back offices.

The Company is also preparing for the Mandatory Packaging Reporting Framework which has the aim of raising greater awareness among companies on the benefits of packaging waste reduction. We must start collecting packaging data from 2021 for annual reporting to the National Environment Agency in 2022.

SOCIAL

HUMAN CAPITAL DEVELOPMENT

As at 31 December 2020
Isetan Employee Profile

	Male	Female	Total
Full Time	121	235	356
Part-Time	21	115	136
Total	142	350	492

The ratio of male-to-female employees is approximately the same despite the drop in number of employees from 516 in 2019 to 492 in 2020. The net decrease in staff numbers has been due to natural attrition, a hiring freeze in view of the pandemic, and the closure of our Isetan Jurong East store. Despite the tough situation, we have managed to avoid carrying out any retrenchment exercise in 2020.

Operating in the service industry, Isetan considers its people as the greatest asset that serve as a vital point of contact between our customers and the company. Therefore, it is our top priority to equip them with the necessary skills they need to be at their best. With a team of 492 people, we hope to continue improving their skills required to meet the ever-changing demands of the industry.

2 This data excludes our investment properties where we do not have operational control over the tenant. However, we continue to work with our tenants to improve their energy performance for our investment properties.

MANAGEMENT APPROACH

We invest in our human resources by identifying the right talent, providing the best training opportunities and taking care of their welfare.

Talent attraction

We employ fair and equal opportunity practices in selecting a diverse workforce. Our collective bargaining agreement covers all locally engaged employees except staff holding managerial, executive or confidential positions. 71% of our employees are covered by collective bargaining agreements.

Creating a strong talent pipeline in our industry is crucial and we believe we can make an impact.

We offer internship opportunities to local polytechnics and ITE students which provide them exposure to the retail industry and work opportunities post completion. However, due to the Covid-19 pandemic, new attachments have been suspended until further notice.

Training and development

Our training programmes that focus on basic sales and service were severely disrupted by the Covid-19 pandemic. As the main mode of training has been through face-to-face classes, these were mostly cancelled to limit contact among staff. The challenges posed by split-team arrangements and access to computers further hampered our efforts to carry out the normal training programmes. To mitigate the reduced formal training hours, we relied on our daily pre-shift commencement meetings to disseminate key learning points to our staff.

UPDATE ON PERFORMANCE AND TARGET SCOREBOARD FOR FY2020

PERFORMANCE:

Average training hours per person in 2020

	2020	2019
Management	1.80	5.65
Non-management	1.10	3.40

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2020

Target	Performance Update
The Company will work towards equipping 90% of frontline employees with the ability to deliver Omotenashi service the revised Sales Skill Up Programme Level 3	The target was met.
Besides the Trainer of trainers programme, we plan to train selected Sales Operations employees in the basics of Hospitality, method of okaiba (the Japanese term for Sales Floor) and leadership.	Due to the non-overlapping adjustments to our front-line staff's roster, staff training has been scaled down to cope with the manpower constraints.
We aim to have 4 hours of training for management staff and 5 hours for non-management staff.	Except for training the new hires and in preparation for our new ERP project, other forms of staff training have been scaled down temporarily.

TARGET AND FUTURE INITIATIVES FOR FY2021

The staff training for 2021 would focus on getting ready for our new ERP system, E-commerce, and Mobile App platforms.

WORKPLACE HEALTH AND SAFETY

The well-being and safety of our employees is paramount to us. Despite the nature of our operations, the health and safety of our staff, especially those on site, can still be at risk. In view of ensuring that our staff is in their best condition, we have put in place various safety regulations and controls to prevent safety lapses. During this pandemic, in addition to the response measures mentioned in other parts of this report, the Company took additional steps to support its staff's general well-being and lessen their worries by assuring them that their remuneration would remain unchanged (even for no work periods), and sick leave would be waived in case of any two episodes of 5-day Covid-19 related medical leave.

MANAGEMENT APPROACH

An appointed fire and safety manager looks after the safety of our stores. The fire and safety manager and his team are tasked with conducting monthly workplace and fire safety checks and provide training on Health and Safety to our staff.

The risk of terrorism is taken very seriously, particularly in a business like ours. We have in place standard operating procedures in the event of a possible terrorist attack.

UPDATE ON PERFORMANCE AND TARGET SCOREBOARD FOR FY2020

PERFORMANCE:

	2020	2019
Lost days	0	Nil for male and 7 for female
Work injuries	0	1
Fatalities	0	0

Last year, we set the following target and reported that we planned for the following initiative:

TARGET FOR FY2020

Target	Performance Update
Inculcate a strong safety culture by incorporating safety and health topics into the training programme of our staff	Due to the temporary scaling down of our training programme, we have incorporated safety and health matters in our daily staff briefings before they start their shifts.

TARGET AND FUTURE INITIATIVES FOR FY2021

To strive for zero incidents of work-related injuries.

PRODUCT QUALITY

Product quality particularly that of our food products at our supermarket, is a key risk which can lead to significant reputational damage and legal consequences. This risk arises around the safety of food items that we sell and the hygiene of our stores. Therefore, numerous controls and policies have been implemented to ensure that all our stores are safe and the products we deliver are of the best quality and up to the highest food hygiene standards.

MANAGEMENT APPROACH

Maintaining high food safety standards

Food safety in Singapore is governed by the Singapore Food Agency (SFA) and we ensure that we are fully in compliance with their regulations. Isetan has ensured that our food suppliers have obtained SFA approval for their products, and their supplies are correctly labelled and have undergone the SFA tests. We only procure from suppliers and importers that meet these standards.

At the store, we have implemented several safety precautions. We follow a first-in, first-out approach to minimise expired products and food inspections are carried out on a regular basis. Food that has once been opened is not sold and extra care is taken in handling cold storage and fresh food items.

Ensuring hygiene at our premises

Our employees are trained to maintain the highest standard of hygiene to avoid any issues of non-compliance with the SFA regulations. Our staff go through courses on hygiene that are conducted by SFA authorised schools to attain compulsory certification required to become food handlers. In addition, we have prepared a manual on hygiene which guides our employees with best practices such as wearing masks and hair caps during food preparation, segregating cooked and raw food, and ensuring nothing is kept on the ground. Above all, our "Company Philosophy" campaign instils amongst our employees the culture of maintaining high hygiene standards and freshness of our merchandise.

UPDATE ON PERFORMANCE AND TARGET SCOREBOARD FOR FY2020

PERFORMANCE:

In FY2020, there were no incidents (2019: nil) that resulted in non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products. Last year, we set the following target and reported that we planned for the following initiative:

TARGET FOR FY2020

Target	Performance Update
We will strive towards zero incidents of food safety and food hygiene lapses	There were no substantiated incidents of food safety and food hygiene lapses.

TARGET AND FUTURE INITIATIVES FOR FY2021

We will continue to strive towards zero incidents of food safety and food hygiene lapses.

MARKETING AND PRODUCT LABELLING

(Newly identified material topic in 2020)

As we operate both department stores and a supermarket, providing accurate product labelling and marketing information becomes an important aspect of our operations. Furthermore, our emphasis on Japanese products at the supermarket would require us to ensure that proper labelling is provided for our customers to understand the contents of the product before they make their purchases.

MANAGEMENT APPROACH

We strive to provide adequate and accurate product and marketing information so that our customers can make informed choices. Our suppliers must adhere to the legislation pertaining to product information and labelling.

PERFORMANCE

There were no incidents of non-compliance of legislations pertaining to product information and labelling in 2020.

TARGET AND FUTURE INITIATIVES FOR FY2021

To strive for zero incidents of non-compliance of product information and labelling.

CUSTOMER SATISFACTION AND PRIVACY

Customer satisfaction is crucial, particularly for a Business-to-Consumer business like ours. With the rapidly growing e-commerce market, the retail industry is constantly being challenged to improve customer experience and retain traffic at the stores. Furthermore, with today's social media, any negative publicity can lead to immense reputational damage and a loss of customers in a short span of time. Hence, ensuring that our customers have an enjoyable experience while shopping at Isetan is imperative to us and we will take all steps in enhancing their shopping journey.

As we transform more of our business processes digitally, protecting our customers' personal data and confidential information becomes more important. We have in place policies and procedures on the handling of personal data that has been entrusted to us by our customers.

MANAGEMENT APPROACH

We strive to differentiate ourselves with exceptional merchandise, service and environment. We place great importance in ensuring our customers that their data and personal information are well protected.

Our "Company Philosophy"
We have in place our annual "Company Philosophy" campaign to continually improve our customer experience, as well as the "Sales Skill Up Programme" which equips our staff in Omotenashi Service. The campaign has been temporarily scaled down due to the pandemic but will be resumed after the situation returns to normal.

Managing our customers' feedback
Dedicated staff are assigned to monitor our customers' feedback through channels like our corporate email, website, social media platforms, in-store feedback forms and service personnel serving on the sales floor. We value our customers' feedback and strive to respond in a timely manner.

Customer Privacy
As a retail business, we handle a significant amount of personal data of our customers and recognise the importance of keeping this information secure. We conduct our business in compliance with the Personal Data Protection Act (PDPA), which guides us with the collection, use and disclosure of personal data.

The Company takes extra precautions to better protect its customers' data and maintain their trust in protecting their personal data. In this, we work with our vendors and auditors to monitor and rectify any weaknesses in our IT control measures in a timely manner. We have in place Disaster Recovery and Business Continuity Plans to facilitate the recovery of critical IT facilities and platforms within an acceptable time frame.

UPDATE ON PERFORMANCE AND TARGET SCOREBOARD FOR FY2020

PERFORMANCE:

	2020	2019
Customer Satisfaction Index of Singapore rating	No year-on-year results were available on Isetan	72.7
Placing in Department Store Ranking in the CSISG	No year-on-year results were available on Isetan	7th
Breaches of customer data	The Company did not discover any evidence of a breach of customer data during the year.	Nil

There were no comparative results available on Isetan for 2020. Nevertheless, Isetan will continue in its effort to provide good customer service and quality goods at reasonable prices to our customers.

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2020

Target	Performance Update
Strive to achieve Top 3 Highest CSISG rank among department stores and achieve a higher CSISG score than that achieved in FY2019	No year-on-year results were available on Isetan
Continue to maintain zero breaches of customer data	See above performance data.

TARGET AND FUTURE INITIATIVES FOR FY2021

To strive for a top 3 CSISG ranking among department stores and achieve a higher CSISG score than the one last published for FY2019.

CYBERSECURITY

As we move more of our work processes online, and our computer systems and networks become more interconnected, our vulnerability to cyber-attacks will increase. As such, the need to manage these risks becomes more urgent and important.

MANAGEMENT APPROACH

Facing and responding to digital risks will be part and parcel of operating in the new digital age. Our strategy must evolve around critical elements like knowing the risks, monitoring them and our preparedness to respond. Adequate resources must also be devoted to carrying out the strategy. We are working with our vendors, consultants and auditors in our drive towards an adequate and effective digital risk management program.

PERFORMANCE

During the ongoing transition to its new ERP system, the Company uncovered certain cybersecurity risks, and quickly worked with its vendors and consultants to address them. These incidents/events did not result in any significant operational or financial impact to the Company during the year.

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2020

Target	Performance Update
Enhance policies on cybersecurity and disseminate them to relevant staff for awareness and compliance.	The target was met.
To strive for zero cybersecurity incidents.	Please see performance result above.

TARGET AND FUTURE INITIATIVES FOR FY2021

To enhance awareness of cybersecurity among staff through cybersecurity awareness training. To further strengthen the Company's cybersecurity controls to prevent any significant adverse financial impact or disruptions to its operations.

CUSTOMER HEALTH AND SAFETY

Our customers are the lifeblood of our business and we spare no effort to maintain a high standard of health and safety standards for them.

MANAGEMENT APPROACH

We have in place written policies and procedures relating to store safety and handling of emergency situations like fire breakouts, bomb and terrorist threats, power blackouts and pandemics. Besides adhering to the regulatory requirements of the authorities with respect to our stores and properties, we have a maintenance regime and replacement programme of our critical operational and fire safety equipment to ensure that they are in good working condition.

In view of the Covid-19 situation, we have put in place safe management practices which are in line with the authorities' regulations for its physical stores. These measures include temperature screening of all customers, staff and business partners entering our stores and offices, safe distancing, and heightened cleaning and disinfection of our premises.

As part of our annual Enterprise Risk Assessment exercise, we have identified Health and Safety as a Tier One risk. As such, we place heavy emphasis on fire prevention measures like having monthly internal fire safety audits at the stores where we identify potential fire hazards. Any lapses or gaps identified by the Safety Manager have to be rectified in a timely manner. To strengthen these measures, we have in place fire evacuation plans and our staff also participate in fire drills organized internally at our own properties or by the respective mall owners so that our staff and tenants are familiar with the emergency routes and actions to take. Due to the Covid-19 situation, the authority has allowed desk-top fire drills to be carried out this year. The Company participated in a fire-drill that was initiated by our Landlord at Isetan Tampines, and conducted its own desk-top fire drill for its warehouse property.

PERFORMANCE

All critical operational and fire equipment that were due for maintenance in 2020 were carried out as planned. Management will constantly review the maintenance and replacement programme to ensure it is still relevant and effective.

The monthly internal fire safety audits and fire drills were carried out as planned or required by the authorities.

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2020

Target	Performance Update
Continue with the necessary facility maintenance and replacement programme of the operational and fire-fighting equipment at our premises and to achieve zero major breakdowns.	The necessary facility maintenance and replacement programme of the operational and fire-fighting equipment at our premises were carried out.
Continue with monthly internal fire safety audits at our stores and periodic fire drills for each store and property.	Internal fire safety audits were carried out at our stores, except for April and May 2020 when the circuit breaker measures were in place.

TARGET AND FUTURE INITIATIVES FOR FY2021

Continue with monthly internal fire safety audits at our stores and periodic fire drills for each store and property.

Strive for zero incidents of regulatory violations raised by authorities.

CORPORATE SOCIAL RESPONSIBILITY

There is growing evidence of positive correlation between community investments and value creation for companies; particularly companies like ours which are closely associated with the communities in which we operate. We also notice that socially responsible companies are at an advantage of attracting millennial talent to their workforce. As a household brand name in Singapore, Isetan is committed to being a responsible corporate citizen and to making a positive impact on the community.

MANAGEMENT APPROACH

Isetan has been supporting the community through the Isetan Foundation since 1981. The Foundation's commitment is to disburse its funds to selected institutions and charitable institutions whose objectives are similar to those of the Foundation.

Fostering Education

The Foundation has provided grants to the major universities in Singapore to establish endowment funds which in turn generate income to fund scholarships annually for undergraduates with the core priority to those in financial difficulties. Over the past years, the total grants from the Foundation to the three Universities-National University of Singapore, Nanyang Technological University and the Singapore Management University have amounted to almost $1.4m.

Since 2012, the Foundation has also funded bond-free scholarships at Temasek Polytechnic-School of Retail Management and the ITE valued at $18,000 per annum and $8,000 per annum, respectively.

UPDATE ON TARGET SCOREBOARD FOR FY2020

Last year, we set the following target and reported that we planned for the following initiative:

TARGET FOR FY2020

Target	Performance Update
To continue supporting the needs of the community through donations from Isetan Foundation to recipients related to Education and Culture.	The Foundation has continued to contribute to the Temasek Polytechnic and ITE.

TARGET AND FUTURE INITIATIVES FOR FY2021

To uphold its commitment to support the needs of the community through donations from Isetan Foundation to recipients related to Education.

GOVERNANCE

ANTI-CORRUPTION AND COMPLIANCE

Isetan is committed to upholding a high standard of ethics and corporate governance. It adopts a zero tolerance on corruption and expects its employees to act responsibly, honestly and ethically when carrying out their duties and responsibilities.

MANAGEMENT APPROACH

We have in place a Code of Conduct applicable to all employees which sets out the guiding principles when they conduct business activities. Where the Code of Conduct does not provide adequate guidance, employees are expected to act in good faith, use their own good judgement to arrive at a right decision. Any alleged violation of the Code of Conduct will be investigated by the management. If an employee is found to have breached the Code, he/she will be disciplined accordingly.

PERFORMANCE

There were no cases of corruption in FY2020.

UPDATE ON TARGET SCOREBOARD FOR FY2020

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2020

Target	Performance Update
To raise the awareness of zero tolerance on corruption through the in-house training programme when a new employee joins the Company.	Done.
To maintain zero cases of corruption.	There were no cases of corruption.

TARGET AND FUTURE INITIATIVES FOR FY2021

To maintain zero cases of unethical behaviour amongst staff.

MEMBERSHIPS/EXTERNAL INITIATIVES/CHARTERS

Singapore Retailers Association
Orchard Road Business Association
Japanese Chamber of Commerce and Industry, Singapore
Singapore Business Federation
Isetan Foundation

GRI CONTENT INDEX

Disclosure Number	Disclosure Title	Reference page/remarks
General disclosures		
102-1	Name of the organization	1
102-2	Activities, brands, products, and services	Refer to Annual Report 2020 pages 6 & 7
102-3	Location of headquarters	Refer to Annual Report 2020 page 19
102-4	Location of operations	Refer to Annual Report 2020 Corporate Directory
102-5	Ownership and legal form	Refer to Annual Report 2020 page 100
102-6	Markets served	Refer to Annual Report 2020 page 111
102-7	Scale of the organization	Refer to Annual Report 2020 pages 58 to 63
102-8	Information on employees and other workers	24
102-9	Supply chain	Refer to Annual Report 2020 pages 6 & 7
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary Principle or approach	2
102-12	External initiatives/charters	31
102-13	Membership of associations	31
102-14	Statement from senior decision-maker	Refer to Annual Report 2020 pages 4 & 5
102-16	Values, principles, standards, and norms of behaviour	2
102-18	Governance structure	21
102-40	List of stakeholder groups	22
102-41	Collective bargaining agreements	25
102-42	Identifying and selecting stakeholders	22
102-43	Approach to stakeholder engagement	22
102-44	Key topics and concerns raised	22
102-45	Entities included in the consolidated financial statements	Refer to Annual Report 2020 page 88 to 89
102-46	Defining report content and topic boundaries	20 to 21
102-47	List of material topics	23
102-48	Restatements of information	No restatements
102-49	Changes in reporting	No changes in reporting
102-50	Reporting period	21
102-51	Date of most recent report	April 2020
102-52	Reporting cycle	21
102-53	Contact point for questions regarding the report	21
102-54	Claims of reporting in accordance with the GRI Standards	21
102-55	GRI content index	32 to 33
102-56	External assurance	21

Disclosure Number	Disclosure Title	Reference page/remarks
SPECIFIC DISCLOSURES		
GRI Standard: Anti-corruption		
103-1/2/3	Management Approach	31
205-2	Communication and training about anti-corruption policies and procedures	31
205-3	Confirmed incidents of corruption and action taken	31
GRI Standard: Energy		
103-1/2/3	Management Approach	23
302-3	Energy Intensity	24
GRI Standard: Occupational health and safety		
103-1/2/3	Management Approach	26
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	26
GRI Standard: Training and education		
103-1/2/3	Management Approach	25
404-1	Average hours of training per year per employee	25
GRI Standard: Local Communities		
103-1/2/3	Management Approach	30
413-1	Operations with local community engagement, impact assessments, and development programs.	30 to 31
GRI Standard: Customer health and safety		
103-1/2/3	Management Approach	29
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	30
GRI Standard: Marketing and Labeling		
103-1/2/3	Management Approach	27
417-2	Incidents of non-compliance concerning product and service information and labeling.	27
GRI Standard: Customer Privacy		
103-1/2/3	Management Approach	28
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	28

CORPORATE GOVERNANCE **REPORT**

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 provisions of the Singapore Code of Corporate Governance 2018 (the "Code"). Where the Company's practices deviate from any provisions of the Code, this has been disclosed below together with an appropriate explanation for such deviation. For Financial Year 2020, save as stated in this Report, Isetan has complied in all material aspects with the principles of the Code. Where there are variations from any of the provisions of the Code, an explanation has been provided within this Report, which includes the reason for the variation, as well as the practices adopted to be consistent with the intent and philosophy of the relevant principle in question.

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 (as at 31 December 2020)

No.	Name of Director	Date first appointed	Date last re-elected	Executive/ Non-executive	Independent/ Non-independent
1	Toyohiko Tanaka (Chairman)	13 May 2019	19 June 2020	Non-executive	Non-independent
2	Koji Oyama (Managing Director)*	1 May 2020	19 June 2020	Executive	Non-Independent
3	Victor Yeo Chuan Seng**	1 July 2015	19 June 2020	Non-executive	Independent
4	Lim Bee Choo	1 July 2012	19 June 2020	Non-executive	Independent
5	Richard Tan Chuan-Lye	1 February 2019	26 April 2019	Non-executive	Independent

* First appointed as a Non-Executive Non-Independent Director on 1 May 2020. He assumed the position of Managing Director on 1 August 2020. He is also a member of the Executive Committee ("Exco")

** Lead Independent Director

COMMITTEES (as at 31 December 2020)

Name	Nominating Committee ("NC")	Remuneration Committee ("RC")	Audit & Risk Committee ("ARC")	Executive Committee ("Exco")
Victor Yeo Chuan Seng (Lead ID*)	Chairman	Member	Member	
Lim Bee Choo (ID*)	Member	Chairman	Member	
Richard Tan Chuan-Lye (ID*)	Member	Member	Chairman	
Koji Oyama (Managing Director)	–	–	–	Chairman
Ei Kanefuji (General Manager – Sales and Merchandising)	–	–	–	Member
Gerard Goh Kim Wan (Assistant General Manager – Finance and IS)	–	–	–	Member
Loh Kah Leong (Assistant General Manager – Operations)	–	–	–	Member

* Independent Director (ID)

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 the 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. The Board recognizes that the Company's stakeholders include not just its shareholders but its customers, employees, business partners and the community at large. The Board takes into account and balances the interests of all of the Company's stakeholders in what it considers to be in the best interests of the Company as a whole. The Board is also instrumental in setting the Company's values to align them with the Company's long-term strategy and mission. Sustainability issues are important considerations when the Board decides business and strategic matters. The relevant sustainability concerns are covered in the separate Sustainability Report issued by the Company.

The Company's management has been authorized to make decisions and enter into transactions relating to 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;

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

(f) corporate restructuring, including mergers and acquisitions;

(g) major investments, divestments, acquisitions and disposal of assets; and

(h) release of the Company's financial results.

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 the first-half 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 three Board committees, namely, the NC, the ARC and the RC. In addition, there is an Executive Committee (Exco) comprising of one Executive Director and three members of senior management. The Exco aims to facilitate and expedite corporate processes, and also oversees the operational aspects of the Company, including the review and approval of the strategic process for the Company. The terms of reference of Board committees are reviewed on a regular basis and are in line with the Code. The various roles of the Board committees are set out separately in this report.

The Board met six times during the year. In addition, the Exco meets regularly and have met fifty one times in 2020. In view of the Covid-19 pandemic, all the Board and Board Committee meetings this year (except for the meetings in February 2020) were held via video conferencing. The record of the directors' attendance at the Annual General Meeting, Board and respective committee meetings during the financial year ended 31 December 2020 is set out below.

Directors' Attendance at Annual General Meeting (AGM), Board and other committee meetings

		No. of meetings (for the period from 01/01/2020 to 31/12/2020)											
		AGM		Board		Exco		NC		RC		ARC	
	Name of Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
1	Toyohiko Tanaka (Chairman)	1	1	6	6	-	-	-	-	-	-	-	-
2	Koji Oyama (Managing Director)*	1	1	6	4	51	23	-	-	-	-	-	-
3	Yeo Chuan Seng Victor	1	1	6	6	-	-	1	1	1	1	4	4
4	Lim Bee Choo	1	1	6	6	-	-	1	1	1	1	4	4
5	Richard Tan Chuan-Lye	1	1	6	6	-	-	1	1	1	1	4	4
6	Toshifumi Hashizume (stepped down on 1 August 2020)	1	1	6	4	51	33						

* First appointed as a Non-Executive Non-Independent Director on 1 May 2020. He assumed the position of Managing Director on 1 August 2020

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. All directors are to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company and hold Management accountable for performance. The Board has put in place a Code of Conduct applicable to all employees. It sets out the principles to guide employees when they interface with (i) the Community, Society and Environment, (ii) Customers and business partners, and (iii) Co-workers. Any alleged violation of this Code will be investigated by the Management and if an employee is found to have breached the Code, he/she will be disciplined accordingly. Any cases involving the violation of the Code are brought to the attention of the Board. All directors are required to declare any conflict of interests on an annual basis and they avoid participating in discussions or decision-making that involves the issues of conflict unless called upon to do so.

In addition, the Company has orientation programmes to ensure that incoming directors are familiar with the Company's business, structure and governance practices. 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, and training provided by other parties, 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. Various members of the Board also attended professional development courses conducted by the SID, accounting firms or other professional bodies. In this regard and as required by the Exchange, the Managing Director ("MD") who was newly appointed in May 2020 has attended three of the mandatory modules conducted by SID via video conferences. He will attend the remaining module in 2021.

Management provides 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.

Principle 3: Chairman and Managing Director

The Chairman and 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's responsibilities also include ensuring effective communication with shareholders, encouraging constructive relations between Board and management as well as that 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. Yeo Chuan Seng Victor has assumed the role of lead independent director since 30 June 2019. 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, MD or Senior Management (who assumes the role of the Chief Financial Officer ("CFO")*) has failed to resolve or is inappropriate.

(*The Assistant General Manager (Finance and IS) together with the Head of the Finance Department assume the role of the CFO).

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

As at 31 December 2020, the Board consists of five directors, of whom four are non-executive. As the Chairman is not independent, the independent directors (consisting of three directors) make up a majority of the Board.

Pursuant to Article 6 of the Company's Constitution one-third of the Directors for the time being, except an MD or, if their number is not three (3) or a multiple of three (3), then the number nearest one-third, shall retire from office at the Company's Annual General Meeting held each year. Such retiring directors are eligible for re-nomination and re-election. However, as Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited now requires all directors to submit themselves for re-nomination and re-appointment at least once every three years, the MD will no longer be exempt from the process of retirement and re-election of directors.

In line with the Company's Board Diversity Policy, the Board presently comprises individuals who, as a group, provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. The current board is made up of five directors. Our Chairman and executive director each have over thirty years of experience working in the retail industry. As for our independent directors, in addition to their individual professional expertise in accounting, human capital management and law, they also have experience relating to the retail industry as well as risk management, finance and governance. 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 independent directors meet without the presence of the management at least once a year. In 2020, the meetings were held via video conferences and the impact of the Covid-19 pandemic on the Company was a key topic of concern. They also provide their own views, opinions and judgments as well as challenge management with respect to business proposals, strategies and other matters brought to their attention. The NC is established by the Board to recommend the appointment/nomination and re-appointment of all directors to the Board.

Board Independence (as at 31 December 2020)

Executive Director	1
Independent Non-executive Directors	3
Non-independent Non-executive Director	1

Gender Diversity (as at 31 December 2020)

Female Director	1
Male Directors	4

The NC comprises of the three independent directors. The Lead Independent Director is also the Chairman of the NC.

Under the terms of reference for the NC as approved by the Board, the roles and responsibilities of the NC include the following:

- Review and make recommendations to the Board on the succession plans for directors and Key Management Personnel;
- Review the appointment and reappointment of directors;
- Recommend the process and criteria for evaluation of the performance of the Board, Board Committees and individual directors;
- Review of training and development programs for the Board and its directors;
- Determines the independence of directors; and
- Assesses a director's ability in carrying out his/her duties as a director of the Company.

The NC reviews and makes recommendations to the Board on the succession plans for directors and key management personnel. As Isetan (Singapore) Limited is a subsidiary of the immediate Holding Company, our Chairman and Executive Director are recommended for appointment by the Holding Company with input from the NC on the candidate's suitability having regard to the candidate's skills, background, qualifications and work experience. For the Independent Directors, 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;

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

(d) the candidate's adaptability towards the culture of the Company and the decision process of the Company and Board.

The evaluation includes 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.

The NC 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 makes recommendations to the Board on the process and criteria for the evaluation of the Board, its committees and its directors. This is further elaborated under Principle 5 (Board Performance) below.

In recognition that the directors require appropriate on-going training, the NC reviews the training and development programme for the board at the beginning of each financial year.

The NC assesses the independence of the directors to ensure the independent directors are independent from the Company, its related corporations, its substantial shareholders (namely, 5% shareholders) of the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise if the director's independent business judgement. 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 nine years from the date of their first appointment. 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 NC assesses a director's ability and his/her performance in carrying out his/her duties as a director of the Company.

The NC and the Board are 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 and/or other principal commitments, 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 or organization in which he or she is a board member or has principal commitments. 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 executive director may hold is to be three and any non-executive 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 34. Members of the ARC, NC, RC and Exco 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 13.

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 its Board committees as well as 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 and Board committees, where applicable. This evaluation process includes sending each director the relevant questionnaires 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. Having regard to the size of the Board, the Board has decided that the appointment of an external facilitator is not necessary.

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 so doing. The assessments are done on an annual basis. Some of the performance criteria for the Board assessment process include 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 Board Committees include the frequency and attendance of meetings, the appropriate size of the committees and the skills, experience and resources to undertake the duties. 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. The Board has assessed that the Board, its committees and individual directors have met their respective performance objectives.

REMUNERATION MATTERS

Principle 6: Procedures for developing remuneration policies
Principle 7: Level & mix of remuneration
Principle 8: Disclosure on remuneration

The RC comprises three independent non-executive directors.

Under the terms of reference of the RC as approved by the Board, the roles and responsibilities of the RC include reviewing and making recommendations to the Board on the following:

- a framework for remuneration for the Board and key management personnel; and
- the specific remuneration packages for each director as well as for the key management personnel.

The RC has access to advice from the internal human resource department, and if required, the RC will have access to external advice. In 2020, no external advice was obtained.

The RC regularly reviews the remuneration framework and specific remuneration packages for the directors and key management personnel in conjunction with market studies and benchmarking exercises with industry peers, where appropriate. The RC considers all aspects of remuneration to ensure they are fair. After such reviews, the RC makes recommendations to the Board.

The Company has in place remuneration packages for local Executive Directors and Key Executives which are linked to the performances of both the Company and each individual. The variable component of remuneration for the Executive Directors take the form of an annual variable bonus while the rest of management follow the annual variable bonus and a monthly sales incentive payment scheme. The annual bonus for Executive Directors and Management are dependent on pre-set targets in terms of Sales and Profit of the Company.

Having regard to the design of the Company's performance incentive schemes, the Board is of the opinion that a claw-back mechanism in the incentive scheme is not appropriate.

The Company operates a retirement benefit scheme for its employees*, including executive directors and key management personnel who are eligible for it (* the scheme has not been extended to new employees joining the company with effect from May 2018). Further information is disclosed in the Notes to the accounts under item 24. Apart from this, the Company currently does not have any other long-term incentive scheme for the purpose of rewarding and retaining key appointment holders.

The RC has reviewed the service contracts or employment letters relating to the relevant executive director and key management personnel and has not found any onerous payment clauses in the event of any termination. 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. Given the current challenging market conditions, the Board remains committed to a remuneration structure that aligns with the interests of the shareholders and other stakeholders and beneficial to the long-term success of the Company.

The RC recommends to the Board a formal and transparent process for determining the remuneration packages of individual non-executive directors.

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. The Non-independent non-executive director who is the Chairman of the Board will not be paid directors' fees for the current financial year.

Annual fees (for 2020)	**Victor Yeo Chuan Seng**	**Lim Bee Choo**	**Richard Tan Chuan-Lye**
	$	$	$
Chairmanship (ARC/NC/RC)	10,000	10,000	18,000
ARC member	9,000	9,000	–
NC member	–	5,000	5,000
RC member	5,000	–	5,000
Basic Fee	28,900	28,900	28,900
Total	52,900	52,900	56,900

The breakdown of directors' remuneration (in percentage terms) for the period from 1/1/2020 to 31/12/2020 and the remuneration bands of directors and key executives for the period from 1/1/20 to 31/12/20 are set out in the Note (b) under "Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual". The annual aggregate of the remuneration paid to the top five key management personnel (who are not directors or managing director) for FY2020 is $652,211.

Provision 8.1 of 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 at least their top five key management personnel (who are not directors or the CEO) in bands not wider than $250,000, including the aggregate remuneration paid to these top five key management personnel. Provision 8.3 of the Code also recommends that companies disclose all forms of remuneration and other payments and benefits as well as details of employee share schemes On page 41 of this annual report, the Company has disclosed the policies and mechanics of the remuneration packages for its Executive Directors and Key Executives, and their linkages to the performance of the Company and individuals. It is further described on page 41 of the annual report that the Company does not have an employee share scheme but operates a retirement benefit scheme* for its employees, including executive directors and key executives who are eligible for it (*the scheme has not been extended to new employees joining the Company with effect from May 2018). Apart from this, the Company currently does not have any other long-term incentive scheme. The information disclosed provides investors with insights as to the remuneration policies, procedure of setting remuneration and the relationships between remuneration, performance and value creation. The names, amounts and breakdowns of the fees paid to each of the independent directors of the Company is set out above, the remuneration paid to each of the executive directors and key executives of the Company are disclosed in bands of $250,000 on pages 116 and 117 of the annual report respectively, and the annual aggregate of the remuneration paid to the top five key management personnel are disclosed above. As described above, besides the sales incentive scheme which applies when certain sales/profit targets are met, the key executives' remuneration take the form of a fixed salary and annual variable bonus. It is clarified that the annual variable bonus does not exceed 15% of the total remuneration received by each of these key executives. The remuneration committee 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. These disclosures provide investors with details on the level and mix of remuneration by the executive directors and key executives of the Company. The variations from Provisions 8.1 and 8.3 of the Code is in view of the industry's competition for talent as well as the confidentiality and sensitivity of staff remuneration matters. Disclosure of such information will put the Company in an unfavourable position in its efforts to attract, retain and nurture its talent pool. Notwithstanding this, Company is of the view that the intent of Principle 8 of the Code is met as the remuneration policies, relationships between remuneration, performance and value creation and procedure for setting remuneration applicable to the executive directors are described above, and the level and mix of remuneration is disclosed on pages 116 and 117 of the Annual Report.

There are no employees who are substantial shareholders of the Company, or are immediate family members of a director, the MD or the substantial shareholders.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls
Principle 10: Audit Committee

In the pursuit of the Company's strategic objectives and value creation, the Board addresses and decides on the nature and extent of any significant risks which the Company has to take. The Board also ensures that the Management maintains a sound system of risk management and internal controls in order to safeguard the interests of the Company and its shareholders. 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, the Risk Management Senior Manager coordinates the overall risk framework of the Company and ensures 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 or auditing corporation should not act as a member of the company's ARC: (a) within a period of two years commencing on the date of their ceasing to be a partner or director of the auditing firm; and in any case (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

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 professional development events organized by the SID and other organizations.

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;
- 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, effectiveness and independence of the Company's external and internal auditors.
- approving the appointment, reappointment and removal of the Company's external and internal auditors and approving their remuneration and terms of engagement;
- reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems at least annually, including financial, operational, compliance and information technology controls, and risk management policies and systems established by the management;
- overseeing on the new or emerging risks due to the Covid-19 pandemic, and the appropriate response measures;

- reviewing the relevant assurances from the MD and Senior Management on the financial records, financial statements and the adequacy and effectiveness of the risk management and internal control systems of the Company;

- making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

- reviewing arrangements by which staff of the Company 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 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 Company and any formal announcements relating to the Company's financial performance e.g. half-yearly 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 four times during the year in review. The Company Secretary, the Company's external and internal auditors and the management team responsible for finance and risk management 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 half-year and full year financial statements. Following the amendments to Rule 705(2) of the Listing Manual of Singapore Exchange Securities Trading Limited which took effect on 7 February 2020, the Company will not be required to announce its financial statements on a quarterly basis. Accordingly, after due consideration by the board, the Company will only announce its unaudited financial statements for the half and full financial year by the respective deadlines and also release full year audited 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 the 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 (f) and (i) 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, whose primary line of reporting is to the Chairman of the ARC. The ARC has ensured that the internal audit function is adequately resourced and has staff with the relevant qualifications and experience. The ARC also reviews the adequacy of the internal audit function at least once a year. 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. The ARC has ensured that the internal audit function is independent, effective and adequately resourced, and has staff with the relevant qualifications and experience

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 adequate and effective system of risk management and internal controls, periodic assessments of enterprise-wide risks are carried out by management and reported to 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. In view of the Covid-19 pandemic, special attention has been given to identify heightened risk factors arising from it and the appropriate controls put in place to mitigate them. The new risks include cybersecurity risks due to remote working conditions, health and safety risks, financial and investment risks, and adequacy of IT infrastructure investment to enhance customer experience as more customers switch to online shopping.

The Board has also received the relevant written assurances from the MD and senior management that (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and (b) the Company's risk management and internal control systems are adequate and effective.

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 2020. 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. In particular, as the Company is scaling up its E-commerce business, we will continue to strengthen the internal controls relating to this area, especially over its cybersecurity.

The system of internal controls and risk management established by the Company (as further elaborated on pages 48 and 49, 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, but not absolute, assurance 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.

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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

Shareholders have been given the opportunity to participate and vote in shareholders' meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. Relevant intermediaries may appoint more than two proxies. As the authentication of shareholder identity and other related security and integrity of the information still remain a concern, the Company has decided not to allow voting in absentia by mail, e-mail or facsimile. In view of the Covid-19 situation and the related safe distancing measures, the holding of the Annual General Meeting ("AGM") via electronic means has become the temporary practice as companies have been encouraged to do so by the relevant authorities and Exchange. A member must also appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. 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 auditor's report. The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. Under normal circumstances where face-to-face general meetings are allowed, all resolutions at the 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. The Company publishes the minutes of general meetings of shareholders on its corporate website within a month after they have occurred.

The Company does not set quantitative parameters for dividend payout. 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. However, due to the negative earnings for the financial year ended 31 December 2020 which has in turn caused the retained earnings to be negative, dividends will not be declared. The Company will work towards turning around its business, and to resume sharing its successes with our shareholders.

Principle 12 Engagement with shareholders

The Company has an Investor Relations Policy in place in order to provide shareholders timely and accurate information in order for them to make informed investment decisions.

The Company avoids selective disclosure of information. All required regulatory announcements, public reports and reports to regulators (where relevant) are published through SGXNET.

To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET.

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 will respond and address the queries of shareholders where appropriate.

The Company's website is at www.isetan.com.sg. The Company's latest annual reports, sustainability report, 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.

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13 Engagement with shareholders

The Company has arrangements in place to engage and understand the needs and concerns of its material stakeholders such as customers, shareholders, employees, suppliers, tenants and the community at large. The methods and frequency of engagement, the relevant topics of concern and the Company's responses are elaborated in the annual Sustainability Report of the Company.

Stakeholders may write to the Company at its corporate website or its email address as stated under Principle 12 above.

RISK MANAGEMENT
POLICIES AND PROCESSES

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

The Audit and Risk Committee (ARC) oversees the risk management framework and policies. The ARC is supported by the senior management team who ensures that key risks are properly identified, assessed and managed. With the advice of KPMG, an annual Enterprise Risk Assessment (ERA) is carried out where the tier one 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). The ERA results are presented to the ARC. 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. Management upkeeps a set of Risk Registers pertaining to the Tier 1 risks and highlights to the ARC (at least on a half-yearly basis) any Key Risk Indicators that need further attention.

Risk management covers four areas of risks as follows:

Financial Risks

Due to its business activities, the Company 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 Company 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 Singapore Financial Reporting Standards (International) and other regulatory requirements. If necessary, management consults with the external auditors and legal counsel, to consider and adopt 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. In addition to 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.

Information Technology Risks

The risks associated with the information system include system failure due to external factors (such as power and telecommunication failure), loss of data due to hardware failure, threats from external sources (such as computer viruses and malware) 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. Policies on cybersecurity have been established and they are disseminated to relevant staff for their awareness and precautionary action. The internal and external auditors also carry out regular IT audits as part of their audit reviews.

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 and 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. They are also continuously updated to reflect any changes affecting the business (for example, a pandemic BCP has been established to guide management and staff during the ongoing Covid-19 pandemic).

Emerging Risks and New Mitigating Controls established during the COVID-19 Pandemic

In view of the COVID-19 pandemic, the Company has established new policies and procedures to cope with the new normal.

Operational

As part of the Country's collective effort to control the spread of the COVID-19 virus, the Company has placed top priority on the health and safety of our customers, staff, and partners of the Isetan Community. These measures include the enhanced and increased cleansing and sanitizing procedures, pre-entry scanning of contact tracing apps by customers, temperature taking for all staff and customers, wearing of face masks, vinyl sheets at cashier counters to minimize transmission of airborne particles, and the provision of hand sanitizers throughout the stores and back offices. We have also put in place staggered working hours, split teams, and remote working arrangements for our staff.

Financial

With the revenue stream being impacted by the Covid-19 pandemic, the Company is keeping a close watch on its liquidity position. Measures include deferring unnecessary expenditures to a later date, close monitoring, and recovery of receivables, and resuming our sales activities as much as possible to mitigate the decrease in revenue. The Company is also adopting a more prudent investment policy by having more liquid funds.

Information Technology

Due to remote working conditions, Company devices have been issued to access the Company's computer system. Staff have been given cybersecurity briefings, with constant reminders on cybersecurity risks on their computers. Systems scans are performed as a preventive measure.

The Company will continue to monitor the Covid-19 situation closely and adopt the appropriate measures to navigate through this difficult environment.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

The directors present their statement to the members together with the audited financial statements of the Company for the financial year ended 31 December 2020.

In the opinion of the directors,

(a) the financial statements as set out on pages 58 to 115 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Company for the financial year and covered by the 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 Toyohiko Tanaka	(Chairman)
Mr Koji Oyama*	(Managing Director)
Mr Richard Tan Chuan-Lye	
Ms Lim Bee Choo	
Mr Yeo Chuan Seng Victor	

* Appointed on 1 May 2020

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 31.12.2020	At 1.1.2020	**At 31.12.2020**	At 1.1.2020
The Company				
(Number of ordinary shares)				
Mr Yeo Chuan Seng Victor	**1,000**	1,000	**–**	–
Isetan Mitsukoshi Holdings Ltd				
(Number of ordinary shares of ¥50 each)				
Mr Toyohiko Tanaka	**11,700**	1,000	**–**	–
(Options to subscribe for ordinary shares of ¥50 each)				
Mr Toyohiko Tanaka	**5,000**	4,000	**–**	–

(b) The directors' interests in the share capital of the Company as at 21 January 2021 were the same as those as at 31 December 2020.

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.

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

There were no unissued shares under option in the Company 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 Richard Tan Chuan-Lye (Chairman)
Ms Lim Bee Choo
Mr Yeo Chuan Seng Victor

Audit and Risk Committee (continued)

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 financial statements of the Company for the financial year ended 31 December 2020 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the financial statements of the Company.

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

KOJI OYAMA Director	RICHARD TAN CHUAN-LYE Director

29 March 2021

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 financial statements of Isetan (Singapore) Limited (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the income statement for the year ended 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the balance sheet as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows 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 Company in accordance with the Accounting and Corporate Regulatory Authority 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 for the financial year ended 31 December 2020. 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**
<u>*Assessment for impairment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets*</u> Continued losses in the Retail segment in the current financial year is an indicator of impairment of PPE and ROU assets. As at 31 December 2020, the carrying values of the Company's PPE and ROU assets under the Retail segment were S$24,683,000 and S$29,139,000 respectively. The disclosures relating to PPE and ROU assets are included in Note 21 and Note 22 of the financial statements respectively. For the purpose of impairment testing, the recoverable amount of the asset is determined based on the higher of value-in-use ("VIU") and fair value less costs to sell ("FVLCTS"), for the cash-generating-unit ("CGU") (i.e. retail store) to which the assets belong. In the current financial year, impairment charge of S$5,386,000 and S$17,223,000 (pro-rated based on the carrying amounts of PPE and ROU assets within the respective stores) was recorded to reduce the carrying values of PPE and ROU assets in each loss-making retail store under the Retail segment to their respective estimated recoverable amounts. The Company had determined VIU for retail stores using cash flow projections based on financial budgets prepared by management. Key assumptions used in VIU computation include the discount rate, growth rates and rental income assumptions. Significant judgements are used to determine the discount rate, growth rates and rental income assumptions used in VIU computations. The continually evolving situation due to COVID-19 pandemic during the year resulted in inherent uncertainty in the impairment assessment. In making these estimates, management has relied on past performance, its expectations of market developments including estimates of the recovery of the retail environment in Singapore.	(a) We have assessed the appropriateness of management's identification of CGU and critically assessed the key assumptions used in the assessment for impairment of PPE and ROU assets. 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, growth rates and rental income assumptions, used in VIU computation; • assessed the competency and independence of management's experts engaged to support management in the FVLCTS computation of the corporate assets; • discussed with management and the professional property valuer used by management on the key assumptions and critical judgmental areas in the fair value computation; and • assessed the reasonableness of key assumptions, which include capitalisation rates used in income method and market comparables used in direct 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 values of the assets within the Retail segment. We also considered the extent of disclosures set out in Note 3(i) of the financial statements.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment for impairment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets (continued) The loss-making position of the Retail segment also triggered the need for impairment assessment of the corporate assets (mainly comprising of land and buildings) included within this segment. The fair values of these corporate assets were largely based on property valuations obtained from professional property valuers. No impairment charge was recorded on the corporate assets in the Retail segment. Key assumptions used in FVLCTS computation include recently transacted values and capitalisation rates. The assessment of impairment of PPE and ROU assets was significant to our audit due to the high level of judgement and assumptions applied in arriving at the estimates used in computing the recoverable values of these assets. Uncertainties arise 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 amounts of PPE and ROU assets have been disclosed under Note 3(i) of the financial statements.	Based on our testing, we concluded that the methods and assumptions used were reasonable and adequate disclosures have been made in respect of the assessment for impairment of PPE and ROU assets.

Other information

Management is responsible for the other information. The other information comprises the Directors' Statement (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 other sections of the annual report ("the Other Sections"), 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 Other Sections, 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 SFRS(I)s, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company'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 scepticism 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.

- 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 Company'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 Company'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 Company 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.

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

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 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 Chua Lay See.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 29 March 2021

INCOME STATEMENT

For the financial year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Revenue	4	**77,160**	111,885
Other income	5	**16,770**	10,449
Other (losses)/gains - net			
- Impairment loss on financial assets	6	**(1,830)**	(583)
- Others	6	**84**	(29)
Expenses			
- Changes in inventories of finished goods		**(1,275)**	(1,009)
- Purchases of inventories and related costs		**(30,348)**	(41,684)
- Employee compensation	7	**(15,343)**	(18,084)
- Depreciation expense		**(18,699)**	(24,542)
- Rental expense	8(a)	**(1,853)**	(6,310)
- Service charge expense		**(5,019)**	(6,322)
- Interest expense		**(2,510)**	(3,090)
- Impairment of right-of-use assets		**(17,223)**	(24,795)
- Impairment loss on property, plant and equipment		**(5,386)**	(4,321)
- Provision for onerous contracts		**-**	(755)
- Other expenses	8(b)	**(14,835)**	(17,731)
Total expenses		**(112,491)**	(148,643)
Share of profit of an associate	18	**82**	389
Loss before income tax		**(20,225)**	(26,532)
Income tax expense	9	**-**	-
Net loss after tax for the financial year		**(20,225)**	(26,532)
Net loss attributable to:			
Equity holders of the Company		**(20,225)**	(26,532)
Loss per share for net loss attributable to the equity holders of the Company (cents per share)	10		
- Basic		**(49.03) cents**	(64.32) cents
- Diluted		**(49.03) cents**	(64.32) cents

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

STATEMENT OF
COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Net loss for the financial year		**(20,225)**	(26,532)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	18	**99**	(49)
Item that will not be reclassified subsequently to profit or loss:			
Financial assets, fair value gain through other comprehensive income	13	**5**	358
Other comprehensive income, net of tax		**104**	309
Total comprehensive loss for the financial year		**(20,121)**	(26,223)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(20,121)**	(26,223)

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

BALANCE **SHEET**

As at 31 December 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**49,162**	39,319
Trade and other receivables	12	**6,141**	6,335
Other investments, at amortised cost	14	**14,433**	20,200
Inventories	15	**7,525**	8,800
Rental deposit	19	**-**	748
Other current assets	16	**2,032**	2,636
		79,293	78,038
Non-current assets			
Trade and other receivables	12	**5,978**	4,357
Financial assets, at FVOCI	13	**4,518**	4,417
Other investments, at amortised cost	14	**29,996**	49,429
Club memberships	17	**170**	205
Investment in an associate	18	**2,033**	1,852
Rental deposits	19	**5,232**	5,525
Investment properties	20	**32,851**	35,290
Property, plant and equipment	21	**24,683**	26,432
Right-of-use assets	22	**29,139**	60,616
		134,600	188,123
Total assets		**213,893**	266,161
LIABILITIES			
Current liabilities			
Trade and other payables	23	**31,289**	40,938
Provisions	25	**-**	1,214
Lease liabilities	26	**16,758**	19,892
		48,047	62,044
Non-current liabilities			
Trade and other payables	23	**2,892**	3,520
Provisions	25	**2,386**	1,856
Lease liabilities	26	**53,751**	69,740
		59,029	75,116
Total liabilities		**107,076**	137,160
NET ASSETS		**106,817**	129,001
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	**91,710**	91,710
General reserve	29	**17,000**	17,000
Fair value reserve	30	**1,846**	1,841
Currency translation reserve		**35**	(64)
Other reserves		**291**	291
(Accumulated loss)/Retained earnings	31	**(4,065)**	18,223
Total equity		**106,817**	129,001

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

STATEMENT OF
CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Note	Share capital $'000	General reserve $'000	Fair value reserve $'000	Currency translation reserve $'000	Other reserves $'000	(Accumulated loss)/Retained earnings $'000	Total $'000
2020								
Beginning of financial year		**91,710**	**17,000**	**1,841**	**(64)**	**291**	**18,223**	**129,001**
Total comprehensive income/(loss) for the year		–	–	5	99	–	(20,225)	(20,121)
Dividend paid	32	–	–	–	–	–	(2,063)	(2,063)
End of financial year		**91,710**	**17,000**	**1,846**	**35**	**291**	**(4,065)**	**106,817**
2019								
Beginning of financial year		91,710	17,000	1,483	(15)	291	46,818	157,287
Total comprehensive income/(loss) for the year		–	–	358	(49)	–	(26,532)	(26,223)
Dividend paid	32	–	–	–	–	–	(2,063)	(2,063)
End of financial year		91,710	17,000	1,841	(64)	291	18,223	129,001

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

STATEMENT OF
CASH FLOWS

For the financial year ended 31 December 2020

	Note	**2020** **$'000**	2019 $'000
Cash flows from operating activities			
Loss before income tax		**(20,225)**	(26,532)
Adjustments for:			
- Depreciation expense		**18,699**	24,542
- Income from recognition of net investment in subleases		**(2,282)**	(3,306)
- Amortisation of capitalised letting fees		**2**	10
- Property, plant and equipment written off		**-**	108
- Impairment loss on right-of-use assets		**17,223**	24,795
- Impairment loss on property, plant and equipment		**5,386**	4,321
- Provision for onerous contracts		**-**	755
- Impairment loss on financial assets		**1,830**	583
- Impairment loss on club membership		**-**	30
- Gain on disposal of other investments, at amortised cost		**(74)**	-
- Gain on disposal of club membership		**(13)**	-
- Interest income		**(2,600)**	(3,374)
- Interest expense		**2,510**	3,090
- Changes in provisions for other liabilities and charges		**71**	(393)
- Dividend income		**(142)**	(119)
- Rent concession income		**(4,774)**	-
- Share of profit of an associate		**(82)**	(389)
		15,529	24,121
Changes in working capital:			
- Trade and other receivables		**1,846**	1,894
- Inventories		**1,275**	1,009
- Other assets and rental deposits		**1,645**	393
- Trade and other payables		**(8,132)**	(5,539)
- Provisions		**(755)**	(1,030)
Net cash provided by operating activities		**11,408**	20,848

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

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Cash flows from investing activities			
Proceeds from disposal of club membership		**45**	–
Payments for property, plant and equipment		**(8,570)**	(8,517)
Payments for investment property		**(17)**	(889)
Payments for letting fees		**–**	–
Purchases of other investments, at amortised cost		**(502)**	(5,278)
Purchases of financial assets, fair value through other comprehensive income		**(96)**	(315)
Proceeds from maturity/early redemption by issuers of other investments, at amortised cost		**24,523**	4,000
Interest received		**2,632**	3,493
Dividends received		**142**	119
Net repayments from employees		**30**	36
Net cash provided by/(used in) investing activities		**18,187**	(7,351)
Cash flows from financing activities			
Principal payment of lease liability	26	**(15,179)**	(19,731)
Interest paid	26	**(2,510)**	(3,090)
Dividend paid		**(2,063)**	(2,063)
Net cash used in financing activities		**(19,752)**	(24,884)
Net increase/(decrease) in cash and cash equivalents		**9,843**	(11,387)
Cash and cash equivalents at beginning of financial year		**39,319**	50,706
Cash and cash equivalents at end of financial year	11	**49,162**	39,319

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 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 properties.

2. Significant accounting policies

2.1 Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Company'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 2020

On 1 January 2020, the Company has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the early adoption of the amendment to SFRS(I) 16 Leases (Covid-19-Related Rent Concessions).

Early adoption of amendment to SFRS(I) 16 Leases

The Company has elected to early adopt the amendments to SFRS(I) 16 which introduced a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification, if all the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

The Company has elected to apply this practical expedient to all property leases. As a result of applying the practical expedient, rent concessions of $4,774,000 (Note 5) was recognised as other income in the profit or loss during the year.

2.2 Revenue recognition

(a) *Sale of goods and consignment income*

The Company operates departmental stores and supermarkets, selling various goods and products. Revenue from sale of goods and consignment income is recognised at a point in time when the goods are delivered to the customer. When the Company acts in the capacity of an agent rather than a principal in the sale of goods to customers, the revenue recognised is the net amount of commission made by the Company.

Payment of the transaction price is due immediately when the customer purchases the goods. However, the customer has a right to return the goods to the Company within 7 days (2019: 3 days) of delivery to the customer. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. No refund liability nor right to the returned goods are recognised for the products expected to be returned as the return rate is assessed to be insignificant based on accumulated experience of the Company.

Proceeds from sales of gift vouchers are initially recorded as contract liabilities and revenue is recognised when the customers apply the gift vouchers on subsequent purchases of goods or when the gift vouchers expire.

The Company operates a loyalty programme where retail customers accumulate points for purchases made and such points can be converted into shopping vouchers which can be used on subsequent purchases. Revenue from the award points is recognised when the points are converted into vouchers and applied on subsequent purchases or when points or shopping vouchers expire.

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point based on the discount granted when the points are redeemed and on the likelihood of redemption. Likelihood of redemption is estimated using past experience and redemption forecasts. The stand-alone selling price of the product sold is estimated on the basis of the retail price.

A contract liability is recognised until the points are redeemed or expire.

(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.

2. **Significant accounting policies** (continued)

2.2 Revenue recognition (continued)

(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, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be reliably measured.

(e) *Technical fee*

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

2.3 Investment in an associate

Associates are entities over which the Company has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above. Investment in an associate is accounted for in the financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investment in an associate is 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 associate represents the excess of the cost of acquisition of the associate over the Company's share of the fair value of the identifiable net assets of the associate 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 the Company's share of its associate's 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 associate are recognised as a reduction of the carrying amount of the investment. When the Company's share of losses in an associate equals to or exceeds its interest in the associate, the Company does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associate. If the associate subsequently reports profits, the Company 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 Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of the associate are changed where necessary to ensure consistency with the accounting policies adopted by the Company.

2. Significant accounting policies (continued)

2.3 Investment in an associate (continued)

(iii) Disposals

Investment in an associate is derecognised when the Company loses significant influence. If the retained equity interest in the former associate is a financial asset, the retained equity interest is measured 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.

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 projected 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
Buildings	50 years
Leasehold improvements	4 – 10 years
Shop renovations, furniture, fixtures and fittings	10 years
Office and shop equipment	8 years
Motor vehicles	5 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 Company 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 (losses)/gains - net".

2.5 Investment properties

Investment properties include those portions of freehold/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 properties 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 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.

2.7 Impairment of non-financial assets

Property, plant and equipment
Investment properties
Investment in an associate
Club memberships
Right-of-use ("ROU") assets

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

2. Significant accounting policies (continued)

2.7 Impairment of non-financial assets (continued)

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 if, and 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.

2.8 Financial assets

(a) *Classification and measurement*

The Company classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through other comprehensive income (FVOCI)

The classification depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

2. Significant accounting policies (continued)

2.8 Financial assets (continued)

(a) *Classification and measurement* (continued)

At subsequent measurement

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, deposits (including rental deposits) and debt securities.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) *Equity investments*

The Company subsequently measures all its equity investments at their fair values. The Company has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Company considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/(losses)" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) *Impairment*

The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 36 details how the Company determines whether there has been a significant increase in credit risk.

(c) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Company 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 Company has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, 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.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2. Significant accounting policies (continued)

2.9 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company 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.

2.10 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.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company 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.

2.11 Leases

(a) When the Company is the lessee:

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

2. Significant accounting policies (continued)

2.11 Leases (continued)

(a) When the Company is the lessee (continued):

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Company shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

For contracts that contain both lease and non-lease components, the Company allocates the consideration to each lease and non-lease component based on a relative stand-alone price basis.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Company's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

The Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2. **Significant accounting policies** (continued)

2.11 Leases (continued)

(a) When the Company is the lessee (continued):

- Variable lease payments

  Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Company shall recognise those lease payments in profit or loss in the periods that triggered those lease payments. Details of the variable lease payments are disclosed in Note 34.

(b) When the Company is the lessor:

The Company leases investment properties under operating leases to non-related parties.

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.

- Lessor – Operating leases

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

  Initial direct costs incurred by the Company in negotiating and arranging operating leases 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.

- Lessor – subleases

  In classifying a sublease, the Company as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

  When the sublease is assessed as a finance lease, the Company derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

  When the sublease is assessed as an operating lease, the Company recognises lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

  For contracts which contain lease and non-lease components, the Company allocates the consideration based on a relative stand-alone selling price basis.

2. Significant accounting policies (continued)

2.11 Leases (continued)

(b) When the Company is the lessor: (continued)

- Lessor – lease modifications

  Any changes in the scope or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, rent concessions given which were not contemplated as part of the original terms and conditions of the lease) are accounted for as lease modifications.

  - For operating leases: The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on either a straight-line basis or another systematic basis over the remaining lease term.

  - For subleases which are finance leases: The Company applies the derecognition requirements under SFRS(I) 9 to recognise the modification or derecognition gains/losses on the net investment in the sublease which are finance leases.

2.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Cost 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.

2.13 Government grants

Grants from the government are recognised 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 receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income or deducted in reporting the related expense.

2.14 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

2. Significant accounting policies (continued)

2.14 Income taxes (continued)

A deferred income tax liability is recognised on temporary differences arising on the investment in an associate, except where the Company 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 Company 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.

The Company accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.15 Provisions

Provisions are recognised when the Company 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 Company 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 other 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)

2.15 Provisions (continued)

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract exists where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.16 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company'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 who joined the Company before a certain date. 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. 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 Company has no further payment obligations once the benefit has been paid to the employee upon retirement.

2.17 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.

2.18 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Company 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.

2. Significant accounting policies (continued)

2.18 Currency translation (continued)

(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. Monetary items include primarily financial assets (other than equity investments) and financial liabilities. However, in the financial statements, currency translation differences arising from the investment in an associate, is recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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.

2.19 Cash and cash equivalents

For the purpose of presentation in the 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.

2.20 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.

2.21 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.

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.

(i) Assessment for impairment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets

Continued losses in the Retail segment in the current financial year is an indicator of impairment of PPE and ROU assets (Note 2.7).

For the purpose of impairment testing, the recoverable amounts of PPE of $24,683,000 (2019: $26,432,000) (Note 21) and ROU assets of $29,139,000 (2019: $60,616,000) (Note 22) and, when applicable, the CGU, have been determined based on the higher of fair value less costs to sell ("FVLCTS") and value-in-use ("VIU") methods.

3. Critical accounting estimates, assumptions and judgements (continued)

(i) *Assessment for impairment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets* (continued)

Significant judgements are used to determine the discount rate, growth rates and rental income assumptions used in VIU computations. The continually evolving situation due to COVID-19 pandemic during the year resulted in inherent uncertainty in the impairment assessment. In making these estimates, management has relied on past performance, its expectations of market developments including estimates of the recovery of the retail environment in Singapore.

In the current financial year, impairment charge of $5,386,000 and $17,223,000 (2019: $4,321,000 and $24,795,000) (pro-rated based on the carrying amounts of PPE and ROU asset within the respective stores) was recorded to reduce the carrying values of PPE and ROU assets in each loss-making retail store under the Retail segment to their respective estimated recoverable amounts, obtained based on the VIU method. VIU is determined using cash flow projections based on financial budgets prepared by management.

Significant judgement is used to determine the discount rate, growth rates and rental income assumptions used in VIU computations. Had the growth rates, discount rate and rental income assumptions applied in the VIU computations been 3% lower/ 0.5% higher/ 29.2% lower respectively, additional impairment charge of approximately $1,366,000 and $4,056,000 would have been recorded on the PPE and ROU assets under the Retail segment respectively.

In the current financial year, no impairment charge was recorded on the corporate assets (mainly comprising of land and buildings) in the Retail segment. The recoverable amounts of the corporate assets were obtained based on the FVLCTS method. The fair values of these corporate assets were largely based on property valuations obtained from professional property valuers. Significant judgement is used to determine the capitalisation rate and the market comparables used in the valuation model (see Note 21(b)). If the valuations were 5% lower, no additional impairment charge would have been recognised on the corporate assets under the Retail segment.

(ii) *Critical judgement over the lease terms*

Extension option is included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option. For leases of office space and retail stores, the following factors are considered to be most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company typically includes the extension option in lease liabilities;
- If the Retail stores are located in strategic locations that will contribute to the profitability of the Retail segment, the Company typically includes the extension option in lease liabilities;
- Otherwise, the Company considers other factors including its historical lease periods for similar assets, costs required to obtain replacement assets, and business disruptions.

The assessment of reasonable certainty to exercise extension options is only revised if a significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee.

As at 31 December 2020, included within the Company's lease liabilities of $70,509,000 (2019: $89,632,000) is an amount of $5,939,000 (2019: $5,750,000), which relates to extension option which is reasonably certain to be exercised. As at 31 December 2020, potential future (undiscounted) cash outflows of approximately $47,690,000 (2019: $47,690,000) have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

4. Revenue

	2020 $'000	2019 $'000
Sale of goods [Note(a)]	**44,173**	58,733
Consignment income [Note(a)]	**26,052**	41,967
	70,225	100,700
Rental income from investment properties	**8,066**	11,185
Less: Government grant expense – rent concessions [Note (b)]	**(1,131)**	–
	6,935	11,185
	77,160	111,885

Included in the rental income above is contingent rent of $70,000 (2019: $15,000). The contingent rent was computed based on sales achieved by lessees.

(a) Revenue from contracts with customers

(i) Disaggregation of revenue from contracts with customers

The Company derives revenue from contracts with customers through the transfer of goods at a point in time and these pertain to retail revenue derived in Singapore.

(ii) Contract liabilities

	Note	31 December 2020 $'000	31 December 2019 $'000	1 January 2019 $'000
Contract liabilities				
- Deferred revenue – loyalty programme	23	**730**	886	966
- Deferred revenue – gift voucher sales	23	**1,166**	1,756	2,106
Total contract liabilities		**1,896**	2,642	3,072

Contract liabilities for deferred revenue has decreased due to lower loyalty programme sales and timing difference between the sale and redemption of gift vouchers during the current financial year.

Revenue recognised in relation to contract liabilities

	2020 $'000	2019 $'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
- Deferred revenue – loyalty programme	**886**	966
- Deferred revenue – gift voucher sales	**1,756**	2,106

As permitted under SFRS(I)15, the aggregated transaction price allocated to unsatisfied contract of periods one year or less is not disclosed.

4. Revenue (continued)

(b) Government grant expense relates to the property tax rebates received from the Singapore Government that were transferred to tenants in the form of rent rebates during the year and rental waivers provided to eligible tenants as part of the qualifying conditions of the cash grant.

(c) Trade receivables from contracts with customers

	31 December 2020	31 December 2019	1 January 2019
	$'000	$'000	$'000
Current assets			
Trade receivables from contracts with customers	**438**	445	2,412
Loss allowance	**(30)**	(30)	(30)
	408	415	2,382

5. Other income

	2020	2019
	$'000	$'000
Rental income	**988**	3,019
Less: Government grant expense – rent concessions (c)	**(261)**	–
Government grant income (a)	**6,345**	–
Rent concession income (b)	**4,774**	–
Sundry income	**172**	472
Dividend income from listed equity securities, at FVOCI	**142**	119
Technical fee from investment in an associate	**35**	159
Interest income from financial assets measured at amortised cost:		
– Fixed deposits	**252**	576
– Investments	**2,317**	2,611
– Others	**31**	187
Income from recognition of net investment in subleases	**1,975**	3,306
	16,770	10,449

Included in the rental income above is contingent rent of $97,000 (2019: $381,000). The contingent rent was computed based on sales achieved by lessees.

(a) <u>Government grant income</u>

Government grant income of $1,495,000 (2019: Nil) relates to property tax rebates and cash grant received from the Singapore Government to help businesses deal with the impact from COVID-19. For the property tax rebates, the Company is obliged to pass on the benefits to its tenants and has transferred these to the tenants in form of rent rebates during the current financial year. For the cash grant, the Company is obliged to waive up to two months of rental to eligible tenants.

5. Other income (continued)

(a) Government grant income (continued)

Grant income of $4,560,000 (2019: Nil) was recognised during the financial year under the Jobs Support Scheme (the "JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

Government grant income of $290,000 (2019: Nil) relates to Foreign Worker Levy ("FWL") waivers and FWL rebates. FWL waivers and FWL rebates were introduced in the Singapore Budget 2020 to ease the labour costs of business employers who hire foreign workers on work permits and S-passes during the circuit breaker period.

(b) Included within Rent concession income are COVID-19 related rent concessions received from lessors of $4,774,000 to which the Company applied the practical expedient as disclosed in Note 2.1.

(c) Government grant expense relates to the property tax rebates received from the Singapore Government that were transferred to tenants in the form of rent rebates during the year and rental waivers provided to eligible tenants as part of the qualifying conditions of the cash grant.

6. Other (losses)/gains – net

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

	2020	2019
	$'000	$'000
Impairment loss on financial assets [Note 36(b)]	**(1,830)**	(583)
Impairment loss on club membership	**–**	(30)
Gain on disposal of financial assets	**84**	–

7. Employee compensation

	2020	2019
	$'000	$'000
Wages and salaries	**14,167**	16,515
Employer's contribution to defined contribution plans including Central Provident Fund	**1,406**	1,631
Retirement benefit scheme expense (Note 24)	**78**	147
	15,651	18,293
Less: Government Grants	**(308)**	(209)
	15,343	18,084

7. Employee compensation (continued)

Government grants relate to the Special Employment Credit ("SEC") and Wage Credit Scheme ("WCS").

The SEC was introduced as a Budget Initiative in 2011 to support employers, and to raise the employability of older Singaporeans. This initiative provides wage offsets to employers hiring Singaporean workers aged above 55 and earning up to $4,000 a month.

The WCS was introduced in Budget 2013 for support to businesses affected by economic restructuring to manage rising labour costs. This initiative supports businesses embarking on transformation efforts and encourage sharing of productivity gains with workers.

8. Rental expense and other expenses

(a) Rental expense

Lease payment recognised as rental expense includes contingent rental expense of $191,000 (2019: $837,000) provided on a percentage of sales derived from the rented retail spaces in the current year.

(b) Other expenses

Included in other expenses are the following items:

	2020	2019
	$'000	$'000
Advertising and promotion	**2,898**	3,322
Amortisation of capitalised letting fees	**2**	10
Credit card commissions	**2,029**	2,759
Delivery	**1,084**	1,185
License fees, property and miscellaneous taxes	**1,206**	1,206
Property, plant and equipment and investment properties written off	**-**	108
Royalty	**787**	1,177
Supplies, repair and maintenance	**2,655**	2,940
Utilities	**1,591**	2,235

9. Income tax expense

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

	2020	2019
	$'000	$'000
Loss before tax	(20,225)	(26,532)
Share of profit of an associate	(82)	(389)
Loss before tax and share of profit of an associate	(20,307)	(26,921)
Tax calculated at a tax rate of 17% (2019: 17%)	(3,452)	(4,577)
Expenses not deductible for tax purposes	1,316	1,196
Income not subject to tax	(799)	(20)
Utilisation of previously unrecognised deferred tax assets	(193)	(149)
Income taxed at concessionary rate	(162)	(183)
Deferred tax assets not recognised	3,290	3,733
Tax credit	-	-

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

As at 31 December 2020, the Company has carried forward tax losses of $2,731,000 (2019: $423,000) and capital allowances of $12,801,000 (2019: $12,138,000), of which the unrecognised deductible temporary differences as at 31 December 2020 is $4,319,000 (2019: $7,532,000). In addition to the unrecognised deductible temporary differences arising from unused tax losses and capital allowance, the Company has unrecognised deductible temporary differences amounting to $37,723,000 as at 31 December 2020 (2019: $26,856,000).

The tax losses and capital allowances have no expiry date and 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.

10. Loss per share

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

	2020	2019
Net loss attributable to equity holders of the Company ($'000)	(20,225)	(26,532)
Weighted average number of ordinary shares in issue for calculation of basic loss per share ('000)	41,250	41,250
Basic loss per share	(49.03) cents	(64.32) cents

There are no dilutive shares, hence fully diluted loss per share equal to the basic loss per share of 49.03 cents (2019: loss per share of 64.32 cents).

11. Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and on hand	**7,621**	11,109
Fixed deposits with financial institutions	**41,541**	28,210
	49,162	39,319

The fixed deposits with financial institutions mature on varying dates within 3 months (2019: 2 months) from the financial year end.

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

	2020 %	2019 %
Interest rates on fixed deposits	**0.31**	1.66

The exposure of cash and cash equivalents to interest rate risk and currency risk is disclosed in Note 36.

12. Trade and other receivables

(a) Current

	2020 $'000	2019 $'000
Trade receivables		
- Immediate holding corporation (Note 33)	**72**	133
- Non-related parties	**2,222**	4,624
- Associate	**35**	168
	2,329	4,925
Less: Allowance for impairment of receivables - non-related parties	**(30)**	(577)
	2,299	4,348
Staff loans [Note 12(b)]	**6**	30
Interest receivable	**444**	685
Accrued receivables	**821**	323
Government grant receivables [Note 5(a)]	**808**	-
Finance lease receivables [Note 12(c)]	**1,763**	949
	6,141	6,335

12. Trade and other receivables (continued)

(b) Non-current

	2020 $'000	2019 $'000
Other receivables		
Finance lease receivables [Note 12(c)]	**5,890**	4,258
Staff loans	**-**	6
Deposits	**88**	93
	5,978	4,357
Staff loans:		
Not later than one year [Note 12(a)]	**6**	30
Later than one year but not later than five years	**-**	6
	6	36

(c) As at 31 December 2020, the finance lease receivables relate to subleases which were classified as finance leases as disclosed in Note 34(j).

(d) At the balance sheet date, the carrying amounts of trade and other receivables (current and non-current) approximated their fair values. The exposure to currency risk of trade and other receivables (current and non-current) is disclosed in Note 36(a).

13. Financial assets, at FVOCI

	2020 $'000	2019 $'000
Beginning of financial year	**4,417**	3,744
Fair value gain	**5**	358
Additions	**96**	315
End of financial year	**4,518**	4,417
Non-current assets		
Quoted equity securities:		
- Ascendas Reit	**2,684**	2,580
- Others	**137**	140
	2,821	2,720
Unquoted equity:		
- Isetan Japan Sdn. Bhd.	**1,697**	1,697
Total	**4,518**	4,417

14. Other investments, at amortised cost

	2020	2019
	$'000	$'000
Beginning of financial year	**69,629**	68,475
Additions	**502**	5,278
Disposal	**(24,449)**	(4,000)
Movement due to accretion of interest income using effective interest rate method	**(17)**	(88)
Impairment recognised in profit and loss during the year	**(1,236)**	(36)
End of financial year	**44,429**	69,629

	Carrying amount	**Fair value**	**Weighted average effective interest rate**
	$'000	**$'000**	**%**
As at 31 December 2020			
(i) Current			
Bonds with fixed interest rates ranging from 2.95% to 7.15% per annum and the maturity dates ranging from 20 February 2021 to 7 October 2021	16,613	15,323	4.31
Less: Loss allowances	(2,180)		
	14,433		
(ii) Non-Current			
Bonds with fixed interest rates ranging from 3.02% to 5.70% per annum and the maturity dates ranging from 31 January 2022 to 19 January 2027	30,361	31,294	3.79
Less: Loss allowances	(365)		
	29,996		
As at 31 December 2019			
(i) Current			
Bonds with fixed interest rates ranging from 3.00% to 7.00% per annum and the maturity dates ranging from 14 January 2020 to 31 August 2020	21,268	20,650	4.04
Less: Loss allowances	(1,068)		
	20,200		
(ii) Non-Current			
Bonds with fixed interest rates ranging from 2.95% to 7.15% per annum and the maturity dates ranging from 20 February 2021 to 19 October 2027	49,670	50,539	3.89
Less: Loss allowances	(241)		
	49,429		

14. Other investments, at amortised cost (continued)

The fair values of bonds are based on regular statements provided by a financial institution of high credit quality. The bonds held by the Company mainly comprise of listed bonds for which the fair values of such bonds are based on the current price listed in active markets (Level 1 of the fair value hierarchy). For unlisted bonds, the fair values are based on information provided by financial institutions of good credit standing.

The bonds are denominated in Singapore Dollars and the exposure to the interest rate risk and currency risk is disclosed in Note 36.

15. Inventories

	2020	2019
	$'000	$'000
Merchandise	**7,525**	8,800

The cost of inventories recognised as expense amounts to $31,623,000 (2019: $42,693,000).

Inventory write down of $108,000 (2019: $159,000) has been included in "Purchases of inventories and related costs" in profit or loss.

16. Other current assets

	2020	2019
	$'000	$'000
Deposits	**31**	83
Prepayments	**2,001**	2,553
	2,032	2,636

17. Club memberships

	2020	2019
	$'000	$'000
Cost		
Beginning of financial year	**739**	739
Less: Disposal of club membership	**(193)**	–
End of financial year	**546**	739
Accumulated impairment		
Beginning of financial year	**534**	504
Add: Impairment loss	**–**	30
Less: Disposal of club membership	**(158)**	–
End of financial year	**376**	534
Net book value		
End of financial year	**170**	205

18. Investment in an associate

	2020 $'000	2019 $'000
Beginning of financial year	**1,852**	1,512
Share of profit	**82**	389
Currency translation gain/(loss)	**99**	(49)
End of financial year	**2,033**	1,852

Name of company	Principal activity	Place of business/ country of incorporation	Equity holding 31 December 2020 %	Equity holding 31 December 2019 %
Chengdu Isetan Company Limited*	Retailing of general merchandise	People's Republic of China	**23**	23

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

Summarised financial information of the associate

Summarised balance sheet

	2020 $'000	2019 $'000
Current assets	**17,009**	20,169
Current liabilities	**(15,119)**	(17,865)
Non-current assets	**6,921**	6,292
Non-current liabilities	**-**	(569)

Summarised statement of comprehensive income

	2020 $'000	2019 $'000
Revenue	**76,658**	94,922
Profit from continuing operations	**357**	1,685
Total comprehensive income	**357**	1,685

18. Investment in an associate (continued)

The information above reflects the amounts presented in the financial statements of the associate (and not the Company's share of those amounts), adjusted for differences in accounting policies between the Company and the associate.

There are no contingent liabilities relating to the Company's interest in the associate.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Company's interest in the associate, is as follows:

	2020	2019
	$'000	$'000
Net assets	**8,811**	8,027
Company's equity interest	**23%**	23%
Company's share of net asset	**2,033**	1,852
Carrying value	**2,033**	1,852

19. 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.

20. Investment properties

	2020	2019
	$'000	$'000
Cost		
Beginning of financial year	**87,799**	77,534
Additions	**17**	656
Transfer from property, plant and equipment [Note (a)]	**-**	9,609
End of financial year	**87,816**	87,799
Accumulated depreciation		
Beginning of financial year	**52,509**	48,714
Depreciation charge	**2,455**	2,455
Amortisation of letting fees	**1**	10
Transfer from property, plant and equipment [Note (a)]	**-**	1,330
End of financial year	**54,965**	52,509
Net book value		
End of financial year	**32,851**	35,290

20. Investment properties (continued)

(a) Following a change in use of certain portions of the Company's Kallang Pudding Warehouse, the related carrying amount of the property was transferred from property, plant and equipment (Note 21) to investment properties in 2019.

(b) The investment properties are leased to non-related parties under operating leases.

(c) The investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The fair value of the investment properties at 31 December 2020 is $300,600,000 (2019: $306,100,000) as determined by independent professional valuers and after deducting any estimated cost to completion. The fair value of the investment property is classified as Level 3 fair value measurement (definition of Level 3 is in Note 21(b)). Valuation is made annually using the income method and/or direct comparison method, based on the property's highest-and-best use.

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

	2020	2019
	$'000	$'000
Rental income from investment properties (Note 4)	**8,066**	11,185
Less: Government grant expense – rent concessions (Note 4)	**(1,131)**	-
Direct operating expenses arising from investment properties that generated rental income	**(4,626)**	(6,155)

21. Property, plant and equipment

	Freehold land and buildings	**Buildings and improvements**	**Shop renovations, furniture, fixtures and fittings**	**Office and shop equipment**	**Motor vehicles**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2020						
Cost						
Beginning of financial year	18,362	4,836	40,597	36,917	464	101,176
Additions	-	302	3,538	2,588	-	6,428
Disposal/write-off	-	(103)	(7,156)	(6,629)	-	(13,888)
End of financial year	18,362	5,035	36,979	32,876	464	93,716
Accumulated depreciation and impairment						
Beginning of financial year	3,149	3,648	34,361	33,181	405	74,744
Depreciation charge	135	190	1,572	871	23	2,791
Impairment charge	-	170	3,410	1,806	-	5,386
Disposal/write-off	-	(103)	(7,156)	(6,629)	-	(13,888)
End of financial year	3,284	3,905	32,187	29,229	428	69,033
Net book value						
End of financial year	**15,078**	**1,130**	**4,792**	**3,647**	**36**	**24,683**

21. Property, plant and equipment (continued)

	Freehold land and buildings $'000	Buildings and improvements $'000	Shop renovations, furniture, fixtures and fittings $'000	Office and shop equipment $'000	Motor vehicles $'000	Total $'000
2019						
Cost						
Beginning of financial year	27,971	4,598	45,406	44,271	425	122,671
Additions	-	764	7,561	4,332	39	12,696
Disposal/write-off	-	(526)	(12,370)	(11,686)	-	(24,582)
Transfer to investment properties (Note 20)	(9,609)	-	-	-	-	(9,609)
End of financial year	18,362	4,836	40,597	36,917	464	101,176
Accumulated depreciation and impairment						
Beginning of financial year	4,343	3,604	43,262	43,101	377	94,687
Depreciation charge	136	424	642	310	28	1,540
Impairment charge	-	83	2,783	1,455	-	4,321
Disposal/write-off	-	(463)	(12,326)	(11,685)	-	(24,474)
Transfer to investment properties (Note 20)	(1,330)	-	-	-	-	(1,330)
End of financial year	3,149	3,648	34,361	33,181	405	74,744
Net book value						
End of financial year	15,213	1,188	6,236	3,736	59	26,432

(a) Continued losses in the Retail segment in the current financial year is an indicator of impairment of PPE and ROU assets (Note 22) and triggered the need for impairment assessment.

In 2020, impairment charge of $5,386,000 and $17,223,000 were recorded to reduce the carrying values of PPE and ROU assets respectively (2019: impairment charge of $4,321,000 and $24,795,000) in each loss-making retail store under the Retail segment to their respective estimated recoverable amounts. No impairment charge was recorded on the corporate assets (mainly comprising of land and buildings) in the Retail segment.

The recoverable amounts of the PPE and ROU assets in the loss-making retail stores are obtained based on the VIU method (Note 3(i)) and the discount rate used at 31 December 2020 was 7.80% (2019: 7.80%). The growth rates and rental income assumptions applied in the VIU computations are based on financial budgets prepared by management and the identification of CGU (retail store) is in line with the Company's strategic objective in managing the Retail segment.

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

(a) (continued)

The Company's retail stores in Singapore were required to close from 7 April 2020 to 18 June 2020 to adhere to movement restrictions imposed by the Singapore Government due to the COVID-19 pandemic. After reopening, the operations in stores are subject to capacity restrictions and safe distancing measures. It is unclear when these restrictions would be lifted. Management has included the impact arising from COVID-19 in the key assumptions applied in the VIU computation by factoring in lower growth rate assumptions.

The recoverable amount of the corporate assets under the Retail segment is based on the FVLCTS method (Note 3(i)). The fair values of these corporate assets at the balance sheet date were largely based on property valuations obtained from independent professional valuers, taking into account recently transacted values and capitalisation rates for similar properties (see Note 21(b)). The fair values of the properties are classified as Level 3 fair value measurement.

(b) 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 approaches:

(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.

21. Property, plant and equipment (continued)

(b) 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 2020 $'000	Valuation techniques	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value	Valuation determined by
Isetan Office Building	**28,700** (2019: 28,500)	Direct Comparison Method	- Adopted value per square foot ("psf")	**2020: $1,779 psf** (2019: $1,779 psf)	The higher the adopted value, the higher the fair value.	Independent professional valuer
		Income Method	- Capitalisation rate	**2020: 2.50%** (2019: 2.50%)	The lower the capitalisation rate, the higher the fair value.	
Kallang Pudding Warehouse	**14,800** (2019: 15,100)	Direct Comparison Method	- Adopted value per square foot ("psf")	**2020: $552 psf** (2019: $557 psf)	The higher the adopted value, the higher the fair value.	Independent professional valuer
		Income Method	- Capitalisation rate	**2020: 3.40%** (2019: 3.40%)	The lower the capitalisation rate, the higher the fair value.	
Valley Park Condominium	**2,450** (2019: 2,400)	Direct Comparison Method	- Adopted value per square foot ("psf")	**2020: $1,806 psf** (2019: $1,770 psf)	The higher the adopted value, the higher the fair value.	Independent professional valuer

22. Right-of-use assets

	Retail stores $'000	Office space $'000	Total $'000
2020			
Cost			
Beginning of financial year	105,445	513	105,958
Additions to ROU assets	387	–	387
Lease modifications	443	–	443
De-recognition of ROU for expired leases	(3,438)	–	(3,438)
De-recognition of ROU assets for subleases classified as finance leases	(1,631)	–	(1,631)
End of financial year	**101,206**	**513**	**101,719**
Accumulated depreciation and impairment			
Beginning of financial year	45,240	102	45,342
Depreciation charge	13,327	126	13,453
Impairment charge	17,223	–	17,223
De-recognition of expired leases	(3,438)	–	(3,438)
End of financial year	**72,352**	**228**	**72,580**
Net book value			
End of financial year	**28,854**	**285**	**29,139**

	Retail stores $'000	Office space $'000	Total $'000
2019			
Cost			
Beginning of financial year	–	–	–
Adoption of SFRS(I) 16	32,524	–	32,524
Additions to ROU assets	104,538	513	105,051
Lease modifications	(29,716)	–	(29,716)
De-recognition of ROU assets for subleases classified as finance leases	(1,901)	–	(1,901)
End of financial year	105,445	513	105,958
Accumulated depreciation and impairment			
Beginning of financial year	–	–	–
Depreciation charge	20,445	102	20,547
Impairment charge	24,795	–	24,795
End of financial year	45,240	102	45,342
Net book value			
End of financial year	60,205	411	60,616

23. Trade and other payables

	2020 $'000	2019 $'000
Current		
Trade payables	**22,013**	26,555
Rental deposits received	**1,135**	1,846
Rental in advance	**1,001**	1,271
Provision for unutilised leave [Note 23(a)]	**194**	264
Provision for retirement benefits (Note 24)	**107**	66
Other creditors	**100**	4,062
Deferred grant income [Note 5(a)]	**808**	–
Deferred revenue – loyalty programme	**730**	886
Deferred revenue – gift voucher sales	**1,166**	1,756
Accrued royalty payable to immediate holding corporation	**787**	1,177
Accruals and other liabilities	**3,248**	3,055
	31,289	40,938
Non-current		
Rental deposits received	**1,873**	2,466
Provision for retirement benefits (Note 24)	**1,019**	1,054
	2,892	3,520

As at 31 December 2019, a reclassification of $423,000 was made from "Accruals and other liabilities" to the previously reported "Deferred revenue – loyalty programme" balance.

The exposure of trade and other payables to currency risk is disclosed in Note 36(a).

(a) Provision for unutilised leave

	2020 $'000	2019 $'000
Beginning of financial year	**264**	264
Utilised during the year	**(105)**	(37)
Charged to profit or loss	**35**	37
End of financial year	**194**	264

24. Provision for retirement benefits

	2020	2019
	$'000	$'000
Beginning of financial year	**1,120**	1,209
Utilised during the year	**(72)**	(236)
Charged to profit or loss as employee compensation	**78**	147
End of financial year	**1,126**	1,120
Not later than one year	**107**	66
Later than one year	**1,019**	1,054
	1,126	1,120

The Company engaged an independent qualified actuary to calculate the defined benefit obligation using the Projected Unit Credit Method in 2018. The present value of obligation calculated by the qualified actuary approximates the carrying amount of the liabilities recorded by the Company.

In 2020, the Company has assessed that the key assumptions used in the calculation by the independent qualified actuary in 2018 are still valid for current year.

The key assumptions used were as follows:

	2020	2019
	%	%
Discount rate	**2.30**	2.30
Salary growth rate	**0.50 – 3.00**	0.50 – 3.00
Turnover and early retirement rates by age groups	**0.00 – 35.00**	0.00 – 35.00

25. Provisions

	2020	2019
	$'000	$'000
Current		
Provision for onerous rental contract [Note (a)]	**–**	755
Provisions for other liabilities [Note (b)]	**–**	459
	–	1,214
Non-current		
Provisions for other liabilities [Note (b)]	**2,386**	1,856
	2,386	1,856

25. Provisions (continued)

(a) Provision for onerous rental contracts

The Company leases various retail stores under non-cancellable rental contracts. As at 31 December 2019, certain rental contract are onerous as the unavoidable costs exceed the expected economic benefits arising from the contracts. Accordingly, provision for onerous contracts of $755,000 was recognised in the prior financial year.

Movements in those provisions were as follows:

	2020 $'000	2019 $'000
Beginning of financial year	755	2,380
Transfer to right-of-use assets	–	(1,350)
Utilised during the year	(755)	(1,030)
Increase in provision	–	755
	–	755

(b) Provisions for other liabilities

Provisions for other liabilities 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:

	2020 $'000	2019 $'000
Beginning of financial year	2,315	2,003
Utilised during the year	(10)	(31)
Increase in provisions for other liabilities and charges	81	343
End of financial year	2,386	2,315

26. Lease liabilities

	2020 $'000	2019 $'000
Current		
Lease liabilities	16,758	19,892
Non-current		
Lease liabilities	53,751	69,740

26. Lease liabilities (continued)

Reconciliation of liabilities arising from financing activities

	1 January 2020 $'000	Principal and interest payments $'000	Non-cash changes: Rent concession $'000	Non-cash changes: Modification of lease liabilities $'000	Non-cash changes: Addition during the year $'000	Non-cash changes: Interest expense $'000	31 December 2020 $'000
Lease liabilities	89,632	(17,689)	(4,774)	443	387	2,510	70,509

	1 January 2019 $'000	Principal and interest payments $'000	Non-cash changes: Adoption of SFRS(I) 16 $'000	Non-cash changes: Addition during the year $'000	Non-cash changes: Interest expense $'000	31 December 2019 $'000
Lease liabilities	–	(22,821)	34,028	75,335	3,090	89,632

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 taxation authority.

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

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Finance lease receivables $'000	Others $'000	Total $'000
At 1 January 2020	**–**	**407**	**116**	**523**
Charged/(credited) to profit or loss	–	894	(41)	853
At 31 December 2020	**–**	**1,301**	**75**	**1,376**
At 1 January 2019	638	–	121	759
(Credited)/charged to profit or loss	(638)	407	(5)	(236)
At 31 December 2019	–	407	116	523

27. Deferred income taxes (continued)

Deferred income tax assets

	Tax losses $'000	Provisions $'000	Others $'000	Total $'000
At 1 January 2020	**–**	**(523)**	**–**	**(523)**
Credited to profit or loss	(464)	(233)	(156)	(853)
At 31 December 2020	**(464)**	**(756)**	**(156)**	**(1,376)**
At 1 January 2019	–	(759)	–	(759)
Charged to profit or loss	–	236	–	236
At 31 December 2019	–	(523)	–	(523)

28. Share capital

The Company's share capital comprises fully paid-up 41,250,000 (2019: 41,250,000) ordinary shares with no par value, amounting to a total of $91,710,000 (2019: $91,710,000).

29. General reserve

The general reserve of 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

	2020 **$'000**	2019 $'000
Beginning of financial year	**1,841**	1,483
Financial assets, at FVOCI fair value gain (Note 13)	**5**	358
End of financial year	**1,846**	1,841

31. Retained earnings

Retained earnings of the Company are distributable.

32. Dividend

	2020 $'000	2019 $'000
Ordinary dividends		
Final dividend of Nil cents (2019: final dividend of 5.0 cents) per share, in respect of the financial year ended 2020 (2019: financial year ended 2019)	–	2,063

The Directors have proposed a final dividend for the financial year ended 31 December 2019 of 5.0 cents per share amounting to $2,062,500. These financial statements have reflected this proposed dividend, which is accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ended 31 December 2020.

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. Leases

The Company as a lessee

Nature of the Company's leasing activities

The Company leases office space and retail stores for the purpose of office operations and sale of consumer goods to retail customers respectively.

(a) Carrying amounts of right-of-use assets (Note 22)

	2020 $'000	2019 $'000
Office space	**285**	411
Retail stores	**28,854**	60,205
	29,139	60,616

(b) Depreciation charge (Note 22)

	2020 $'000	2019 $'000
Office space	**126**	102
Retail stores	**13,327**	20,445
	13,453	20,547

34. **Leases** (continued)

The Company as a lessee (continued)

Nature of the Company's leasing activities (continued)

		2020 **$'000**	2019 $'000
(c)	*Impairment charge* (Note 22)		
	Impairment charge on right-of-use assets	**17,223**	24,795
(d)	Interest expense		
	Interest expense on lease liabilities	**2,510**	3,090
(e)	Lease expense not capitalised in lease liabilities		
	Lease expense – short-term leases	**1,662**	6,036
	Variable lease payments which do not depend on an index or rate	**191**	837
	Total	**1,853**	6,873

(f) Total income from subleasing ROU assets in 2020 was $791,000 (2019: $1,818,000).

(g) Total cash outflow for all the leases in 2020 was $19,542,000 (2019: $29,694,000).

(h) Addition of ROU assets during the financial year ended 31 December 2020 was $830,000 (2019: $105,051,000).

(i) Future cash outflow which are not capitalised in lease liabilities

i. Variable lease payments

The leases for retail stores contain variable lease payments that are based on a percentage of sales generated by the stores ranging from 0.50% to 8% (2019: 0.5% to 14%), on top of fixed payments. The Company negotiates variable lease payments for a variety of reasons, including minimising the fixed costs base for retail stores. Such variable lease payments are recognised to profit or loss when incurred and amounted to $191,000 (2019: $837,000) [Note 34(e)] for the financial year ended 31 December 2020.

ii. Extension options

The leases for certain retail stores contain extension periods, for which the related lease payments had not been included in lease liabilities [Note 3(ii)] as the Company is not reasonably certain to exercise these extension options. The Company negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Company's operations. The majority of the extension options are exercisable by the Company and not by the lessor.

34. Leases (continued)

The Company as a lessor

Nature of the Company's leasing activities – Company as a lessor

The Company has leased out its owned investment properties and certain warehouse and office building space classified under property, plant and equipment to third parties for monthly lease payments. These leases are classified as operating leases because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Nature of the Company's leasing activities – Company as an intermediate lessor

(j) Subleases – classified as finance leases

The Company has classified the sub-leases of certain right-of-use retail spaces as finance leases as these sub-leases are for periods which form a significant portion of the remaining lease term of the relevant head lease.

ROU assets relating to the head lease with sub-leases classified as finance lease is derecognised. The net investment in the sub-lease is recognised under "Trade and other receivables" (Note 12).

The following table shows the maturity analysis of the undiscounted lease payments to be received under the finance leases:

	2020	2019
	$'000	$'000
Less than one year	**1,966**	1,098
One to two years	**2,003**	1,124
Two to three years	**2,040**	1,146
Three to four years	**1,981**	1,168
Four to five years	**142**	1,096
Total undiscounted lease payments	**8,132**	5,632
Less: Unearned finance income	**(479)**	(425)
Net investment in finance lease	**7,653**	5,207
Current (Note 12)	**1,763**	949
Non-current (Note 12)	**5,890**	4,258
Total	**7,653**	5,207

The net investment in finance lease has increased as the Company has entered into new sublease arrangements during the financial year ended 31 December 2020, which was offset by rent concessions of $569,000 provided to its lessees.

34. Leases (continued)

The Company as a lessor (continued)

Nature of the Company's leasing activities – Company as an intermediate lessor (continued)

(k) Subleases – classified as operating leases

The Company acts as an intermediate lessor under arrangement in which it sub-leases out certain retail stores to third parties for monthly lease payments. The Company has classified these subleases as operating leases and rental income received from these subleases are as follows:

	2020 $'000	2019 $'000
Rental income		
– Investment properties (Note 4)	**6,935**	11,185
– Property, plant and equipment/subleases* (Note 5)	**988**	3,019

* Income from subleasing the retail stores recognised during the financial year 2020 was $800,000 (2019: $2,865,000), of which $98,000 (2019: $381,000) (Note 5) relates to variable lease payments that do not depend on an index or rate.

Maturity analysis of lease payments – Company as a lessor

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	2020 $'000	2019 $'000
Less than one year	**8,193**	9,193
One to two years	**2,648**	7,129
Two to three years	**35**	2,511
Three to four years	**–**	35
Total undiscounted lease payment	**10,876**	18,868

35. Commitments

Capital commitments

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

	2020 $'000	2019 $'000
Investment properties	**491**	499
Property, plant and equipment	**3,041**	4,737

36. Financial risk management

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

The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

(a) Market risk

(i) *Currency risk*

The Company 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 Company and its financial assets and liabilities are mainly denominated in Singapore Dollars ("SGD").

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
At 31 December 2020					
Financial assets:					
Cash and cash equivalents	49,066	96	–	–	49,162
Trade and other receivables	12,080	4	–	35	12,119
Financial assets, at FVOCI	2,821	–	1,697	–	4,518
Other investment, at amortised cost	44,429	–	–	–	44,429
Other financial assets	5,263	–	–	–	5,263
	113,659	100	1,697	35	115,491
Financial liabilities:					
Trade and other payables	29,140	12	–	4	29,156
Lease liabilities	70,509	–	–	–	70,509
	99,649	12	–	4	99,665
Net financial assets	**14,010**	**88**	**1,697**	**31**	**15,826**
Less: Net financial liabilities denominated in the entity's functional currency	(14,010)	–	–	–	(14,010)
Currency exposure	**–**	**88**	**1,697**	**31**	**1,816**

36. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD $'000	Yen $'000	MYR $'000	Others $'000	Total $'000
At 31 December 2019					
Financial assets:					
Cash and cash equivalents	39,156	163	–	–	39,319
Trade and other receivables	10,522	2	–	168	10,692
Financial assets, at FVOCI	2,720	–	1,697	–	4,417
Other investment, at amortised cost	69,629	–	–	–	69,629
Other financial assets	6,356	–	–	–	6,356
	128,383	165	1,697	168	130,413
Financial liabilities:					
Trade and other payables	39,145	12	–	4	39,161
Lease liabilities	89,632	–	–	–	89,632
	128,777	12	–	4	128,793
Net financial (liabilities)/assets	(394)	153	1,697	164	1,620
Less: Net financial liabilities denominated in the entity's functional currency	394	–	–	–	394
Currency exposure	–	153	1,697	164	2,014

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

(ii) Price risk

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

If prices for equity securities listed in Singapore change by 5% (2019: 5%) with all other variables, including the tax rate, being held constant, other comprehensive income will:

	Increase/(decrease)	
	2020 $'000	2019 $'000
– increase by	**141**	136
– decrease by	**(141)**	(136)

36. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

If the market multiples for the investment in equity securities not traded in an active market were to change by 5% (2019: 5%) the impact on other comprehensive income would be approximately $59,000 (2019: $51,000).

(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 Company has significant interest-bearing assets in the form of short-term fixed deposits with fixed interest rates ranging from 0.23% to 0.38% (2019: 1.34% to 1.74%) per annum and investments in bonds and notes issued by recognised financial institutions and local companies with fixed interest rates ranging from 2.95% to 7.15% (2019: 2.95% to 7.15%) per annum. As the interest-bearing assets are at fixed rates, the Company's income is substantially independent of changes in cash flow interest rate risk.

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

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has policies in place to ensure that sales are made only to customers of appropriate credit standing and history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing only with high credit quality financial institutions.

Credit exposure to tenants is monitored on an on-going basis. Outstanding receivables will be identified with follow up actions being monitored closely by management. Rental deposits are obtained to mitigate credit risks arising from tenants and management performs credit evaluation before entering into subleases of retail spaces to tenants.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Except for the rental deposits received from tenants (Note 23), the Company does not hold collateral and the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

36. Financial risk management (continued)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows:

	Trade receivables[(a)] $'000	Other investments at amortised cost[(b)] $'000	Total $'000
Balance at 1 January 2020	577	1,309	1,886
Loss allowance recognised in profit or loss during the year on:			
- Assets acquired/originated or changes in credit risk	594	1,236	1,830
- Written-off	(1,141)	–	(1,141)
Balance at 31 December 2020	**30**	**2,545**	**2,575**
Balance at 1 January 2019	30	1,273	1,303
Loss allowance recognised in profit or loss during the year on:			
- Assets acquired/originated or changes in credit risk	547	36	583
Balance at 31 December 2019	577	1,309	1,886

(a) Loss allowance measured at lifetime ECL

(b) Loss allowance measured at 12-month ECL except for a particular investment for which lifetime expected credit losses was recognised

(i) Cash and cash equivalents

The Company held cash and cash equivalents of $49,162,000 (2019: $39,319,000) with banks which are rated AA1 and A1 based on Moody's and Fitch and are considered to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

(ii) Trade and other receivables

As at 31 December 2019, management had identified one tenant who was in significant financial difficulties and continues to be in financial difficulty as at 31 December 2020. Hence, the recoverability of the balance due from this tenant with significant financial difficulty had been assessed by management separately. For the year ended 31 December 2020, the Company recorded a loss allowance of $594,000 (2019: $547,000) and subsequently the amount due from the tenant of $1,141,000 was fully written off. Except for this one tenant which ran into significant financial difficulty, the Company's exposure to bad debts in relation to tenants is not significant.

Trade receivables relating to sale of goods and other receivables are subject to immaterial credit loss.

Finance lease receivables of $1,763,000 (2019: $949,000) are subject to immaterial credit loss as the Company entered into lease arrangements with reputable companies with high credit ratings and there is no history of default.

36. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Other investments at amortised cost

Other investments at amortised cost (Note 14) comprise listed and unlisted notes. Except for two particular investments for which lifetime expected credit losses were recognised, the remaining investments are considered "low credit risk" as they are of investment grade credit rating with at least one major rating agency and/or have low risk of default as the coupon payments have been received in accordance with the promised timeframe.

Hence, the loss allowance computed for these assets are measured at the 12-month expected credit losses.

Credit risk exposure and significant credit risk concentration

The Company uses the following categories of internal credit risk rating for its investment in unlisted notes. The internal credit ratings have been mapped to external credit ratings determined by credit rating agencies such as Standard & Poor, Moody's and Fitch, so as to determine the appropriate expected credit loss rates.

Category of internal credit rating	**Performing**						**Under-performing**	**Non-performing**	**Write-off**
Definition of category	Issuers have a low risk of default and a strong capacity to meet contractual cash flows. Coupon payments for bonds have been received in accordance with promised timeframe.						Issuers for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayment are 30 days past due	Interest and/or principal payments are 90 days past due	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery
Basis of recognition of expected credit loss	12-month expected credit losses						Lifetime expected credit losses	Lifetime expected credit losses	Asset is written off
Equivalent external credit rating	Investment grade			Non-investment grade		Unrated	–	–	–
	Aaa/Aa1/Aa2/Aa3	A1/A2/A3	Baa1/Baa2/Baa3	Ba1/Ba2/Ba3	B1/B2/B3				
2020									
Gross carrying amount ($'000)	4,265	4,282	8,584	3,255	1,752	22,837	–	1,999	–
Loss allowance	–	(1)	(7)	(12)	(18)	(508)	–	(1,999)	–
2019									
Gross carrying amount ($'000)	4,517	9,036	33,352	12,059	3,010	7,964	–	1,000	–
Loss allowance	–	(3)	(33)	(55)	(38)	(180)	–	(1,000)	–

36. Financial risk management (continued)

(c) Liquidity risk

The Company manages 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 Company's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year $'000	Between 1 and 5 years $'000	More then 5 years $'000
At 31 December 2020			
Trade and other payables	**27,283**	**1,873**	**-**
Lease liabilities	**18,732**	**54,838**	**2,025**
At 31 December 2019			
Trade and other payables	37,118	2,466	-
Lease liabilities	22,419	65,696	9,104

(d) Capital risk

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

As part of the Company'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 Company's business plans. If so, the Company'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 Company is not subjected to any externally imposed capital requirements for the financial years ended 31 December 2019 and 2020.

(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 21(b).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2020				
Assets				
Financial assets, at FVOCI	**2,821**	**-**	**1,697**	**4,518**
31 December 2019				
Assets				
Financial assets, at FVOCI	2,720	-	1,697	4,417

36. Financial risk management (continued)

(e) Fair value measurements (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

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 the estimated EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) multiplied by the EBITDA Multiple. The estimated EBITDA incorporates assumptions based on market conditions existing at the balance sheet date, and the EBITDA Multiple is derived from a set of comparable entities. The selection of the appropriate EBITDA Multiple requires judgement, considering qualitative and quantitative factors specific to the measurement at the balance sheet date. The effect of a change in management's estimate on the market multiples for the unquoted equity securities are disclosed in Note 36(a).

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

	2020	2019
	$'000	$'000
Unquoted equity securities		
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:

	$'000
31 December 2020	
Financial assets, at amortised cost	**66,544**
Financial liabilities, at amortised cost	**99,655**
31 December 2019	
Financial assets, at amortised cost	56,367
Financial liabilities, at amortised cost	128,793

37. Related party transactions

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

(a) Sales and purchases of goods and services

	2020 $'000	2019 $'000
Royalty payable to immediate holding corporation	**787**	1,177
Purchases from immediate holding corporation	**63**	26
Technical fee receivable from an associate	**35**	168
Payments made on behalf by fellow subsidiary	**110**	114

Outstanding balances with the immediate holding corporation and an associate as at 31 December 2020 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 23, respectively.

(b) Key management's remuneration

The key management's remuneration is analysed as follows:

	2020 $'000	2019 $'000
Directors of the Company		
Wages and salaries	**275**	367
Directors' fees	**163**	200
Other benefits	**62**	121
	500	688

38. 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 organised 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 Company

Segment assets consist primarily of right-of-use assets, property, plant and equipment, inventories, receivables, investment properties and exclude cash and cash equivalents, investment in an associate, other investments at amortised cost, financial assets, at FVOCI and other assets. Segment liabilities comprise payables and provisions. Capital expenditures comprises additions to property, plant and equipment and investment properties.

38. Segment information (continued)

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

	Retail $'000	Property $'000	Total $'000
2020			
Segment revenue			
Sales to external customers	70,225	-	70,225
Rental income - Investment properties	-	6,935	6,935
Other rental income	988	-	988
Income from recognition of net investment in subleases	1,714	-	1,714
Rental concession income	4,774	-	4,774
Government grant income	6,063	142	6,205
Segment result	(24,695)	2,451	(22,244)
Other income			3,089
Other losses			(1,152)
Share of profit of an associate			82
Net loss			(20,225)
Other segment items			
Capital expenditure	6,428	17	6,445
Additions to right-of-use assets	830	-	830
Depreciation	16,244	2,455	18,699
Impairment charge on right-of-use asset	17,223	-	17,223
Impairment charge on property, plant and equipment	5,386	-	5,386
Assets and liabilities			
Segment assets	79,308	34,443	113,751
Unallocated assets:			
- Investment in an associate			2,033
- Cash and cash equivalents			49,162
- Other investments at amortised cost			44,429
- Financial assets, at FVOCI			4,518
Total assets			213,893
Segment liabilities	104,559	2,517	107,076
Total liabilities			107,076

38. Segment information (continued)

	Retail $'000	Property $'000	Total $'000
2019			
Segment revenue			
Sales to external customers	100,700	–	100,700
Rental income – Investment properties	–	11,185	11,185
Other rental income	3,019	–	3,019
Income from recognition of net investment in subleases	3,306	–	3,306
Segment result	(36,010)	5,030	(30,980)
Other income			4,124
Other losses			(65)
Share of profit of an associate			389
Net loss			(26,532)
Other segment items			
Capital expenditure	12,696	656	13,352
Additions to right-of-use assets	75,335	–	75,335
Depreciation	22,087	2,455	24,542
Impairment charge on right-of-use asset	24,795	–	24,795
Impairment charge on property, plant and equipment	4,321	–	4,321
Provision for onerous contracts	755	–	755
Assets and liabilities			
Segment assets	113,625	37,319	150,944
Unallocated assets:			
– Investment in an associate			1,852
– Cash and cash equivalents			39,319
– Other investments at amortised cost			69,629
– Financial assets, at FVOCI			4,417
Total assets			266,161
Segment liabilities	133,161	3,999	137,160
Total liabilities			137,160

Geographical information

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

39. Impact of COVID-19

The COVID-19 pandemic has affected almost all countries of the world and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Company's significant operations are in Singapore which has been affected by the spread of COVID-19 in 2020. To control the spread of COVID-19, the Government put in place regulations commonly known as the "circuit breaker measures" from 7 April 2020 whereby, the premises of all non-essential services were closed to entry by any individual until 19 June 2020.

Set out below is the impact of COVID-19 on the financial performance of the Company reflected in this set of financial statements for the year ended 31 December 2020:

i. The Company has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

ii. In 2020, the Company's department stores were temporarily closed from 7 April to 18 June 2020 to adhere to the governments' circuit breaker measures. In the period after the circuit breaker, the Company's business has not returned to the pre-Covid-19 levels due to factors like lower customer traffic, social distancing measures, poorer consumer sentiments, as well as the disruptive impact of the ongoing renovations at Isetan Scotts. Sale of goods revenue and consignment income have continued to be negatively impacted, resulting in a negative impact on the Company's financial performance for 2020.

iii. In 2020, the Company has received rental rebates for its leased retail stores and also provided rental concessions to tenants in its investment properties and retail stores. The effects of such rental concessions received/provided are disclosed in Notes 4 and 5 respectively.

iv. The Company has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets as at 31 December 2020. The significant estimates and judgement applied on impairment of property, plant and equipment and impairment of right-of-use assets are disclosed in Notes 21 and 22 respectively.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Company cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021. If the situation persists beyond management's current expectations, the Company's assets may be subject to further write downs in the subsequent financial periods.

40. 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 Company's accounting periods beginning on or after 1 January 2021 and which the Company has not early adopted.

Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The Company does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

The Company does not expect any significant impact arising from applying these amendments.

41. 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 29 March 2021.

ADDITIONAL DISCLOSURE REQUIREMENTS OF THE
SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL

For the financial year ended 31 December 2020

(a) Material contracts

Other than as disclosed in the financial statements and in this report, there were no material contracts of the Company, 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) Chairman and Managing Director

The Chairman and Managing Director are not related.

(c) Independence of directors

Three of the directors (more than half of the board) are independent. None of the independent directors have served on the board for more than nine years from the date of their first appointment.

(d) Re-nomination and Re-appointment of directors

All directors are required to submit themselves for re-nomination and re-appointment at least once every three years.

(e) Directors' and Key Executives' Remuneration

(i) Breakdown of Directors' remuneration (in percentage terms) for the period from 1 January 2020 to 31 December 2020:

	Directors	Fees/ Salary %	Bonus %	Share options %	Other benefits* %	Total %
		Remuneration band below S$250,000				
1	Toyohiko Tanaka (Chairman)	–	–	–	–	–
2	Koji Oyama (Managing Director)**	82.15	–	–	17.85	100
3	Victor Yeo Chuan Seng	100.00	–	–	–	100
4	Lim Bee Choo	100.00	–	–	–	100
5	Richard Tan Chuan-Lye	100.00	–	–	–	100
6	Toshifumi Hashizume (resigned on 1 August 2020).	81.27	–	–	18.73	100

* includes housing and transportation

** First appointed as a Non-Executive Non-Independent Director on 1 May 2020. He assumed the position of Managing Director on 1 August 2020

ii) Key executives of the Company in remuneration band:

	2020	2019
Below $250,000	**14**	12
Total	**14**	12

The names of the key executives are set out on page 14 to 15 under "Key Executives' Profiles".

(f) Auditor's remuneration

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

	The Company	
	2020	2019
	$'000	$'000
Auditor's remuneration paid/payable		
- current year	**265**	227
- prior year	**19**	52
Other fees paid/payable for non-audit services rendered	**100**	37

(g) Appointment of auditors

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

(h) Internal Audit Function

The Audit and Risk Committee has ensured that the internal audit function is independent, effective and adequately resourced, and has staff with the relevant qualifications and experience.

(i) 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.

(j) Risk management and 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 concur that that there are adequate and effective internal controls and risk management systems in place to address risks relating to financial, operational, compliance and information technology matters.

(k) Property, plant and equipment

Details of the Company'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 – 16,583ft²
5, Kallang Pudding Road* (*partly re-classified from property, plant and equipment to investment properties in 2019)	Freehold	Warehouse	Lettable Floor Area – 27,455.8ft²
Apartment in Valley Park	Leasehold – 999 years	Residential apartment	Strata Area 1,356ft²

(l) Investment properties

Location – Singapore	Tenure	Use of property	
435, Orchard Road, Podium Block Wisma Atria	Leasehold – 99 years from 1 April 1962	Rental	Strata Area 104,733ft²
5, Kallang Pudding Road* (*partly re-classified from property, plant and equipment to investment properties in 2019)	Freehold	Rental	Lettable Floor Area – 27,455.8ft²

(m) Treasury shares

There were no treasury shares held as at 31 December 2020 and 31 December 2019.

(n) Dealing in Securities

Please refer to information disclosed in the Corporate Governance Report under Principle 1, on page 35.

(o) 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	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Name of interested person				
Isetan Mitsukoshi Ltd	**787**	1,177	–	–
Isetan Mitsukoshi Italia SRL	**110**	114	–	–

STATISTICS OF
SHAREHOLDINGS

As at 17 March 2021

Class of shares : Fully paid ordinary shares

Voting rights : One vote per share

The Company cannot exercise any voting rights in respect of shares held by it as treasury shares.

The Company does not have any treasury shares, preference shares or convertible equity securities. The Company has no subsidiaries and there are thus no subsidiary holdings[1].

Subject to the Companies Act, subsidiaries cannot exercise any voting rights in respect of shares held by them as subsidiary holdings.

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 17 MARCH 2021

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 to 99	34	3.33	841	0.00
100 to 1,000	219	21.47	159,505	0.39
1,001 to 10,000	629	61.67	2,057,010	4.99
10,001 to 1,000,000	134	13.14	10,404,644	25.22
1,000,001 AND ABOVE	4	0.39	28,628,000	69.40
TOTAL	1,020	100.00	41,250,000	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2021

	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

[1] "subsidiary holdings" is defined in the SGX-ST Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A), and 21(6C) of the Companies Act.

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 17 MARCH 2021

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	1,720,500	4.17
4	YAP BOH SIM	1,720,000	4.17
5	DBS NOMINEES PTE LTD	916,880	2.22
6	MUFG BANK LTD, SINGAPORE BRANCH	850,000	2.06
7	PHILLIP SECURITIES PTE LTD	764,525	1.85
8	CITIBANK NOMINEES SINGAPORE PTE LTD	703,050	1.71
9	LEE YUEN SHIH	451,250	1.09
10	WEE AIK KOON PTE LTD	316,250	0.77
11	RAFFLES NOMINEES (PTE) LTD	310,550	0.75
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LTD	281,870	0.68
13	CHUA KUAN LIM CHARLES	259,900	0.63
14	LEONG CHAO SEONG	216,300	0.53
15	LEONG JULIA (MRS HOW JULIA)	210,000	0.51
16	OCBC SECURITIES PRIVATE LIMITED	186,810	0.45
17	MAYBANK KIM ENG SECURITIES PTE LTD	181,900	0.44
18	DB NOMINEES (SINGAPORE) PTE LTD	180,000	0.44
19	THIA CHENG SONG	175,000	0.43
20	CHENG GOOD HIANG	157,000	0.38
	TOTAL	34,789,285	84.34

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 50th Annual General Meeting ("**AGM**") of the Company will be held by electronic means on **Wednesday, 28 April 2021 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 2020 together with the Auditor's Report thereon. **Resolution 1**

2. To re-elect Mr. Richard Tan Chuan-Lye as a Director of the Company, who will be retiring under Regulation 96 of the Company's Constitution, and who, being eligible, has offered himself for re-election. **Resolution 2**

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

3. To re-elect Ms. Lim Bee Choo as a Director of the Company, who will be retiring under Regulation 96 of the Company's Constitution, and who, being eligible, has offered herself for re-election. **Resolution 3**

   (Note: Ms. Lim Bee Choo will, upon her re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Risk, and Nominating Committees. Ms. Lim is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.)

4. That contingent upon the passing of Ordinary Resolution 3 above, members to approve the continued appointment of Ms. Lim Bee Choo, as an Independent Director, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX LM) that will take effect on 1 January 2022. The authority of this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Ms. Lim as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution. **Resolution 4**

5. That contingent upon the passing of Ordinary Resolution 4 above, members (excluding the Directors and Managing Director ("MD") of the Company, and associates of such Directors and MD), to approve Ms. Lim Bee Choo's continued appointment as an Independent Director, pursuant to Rule 210(5)(d)(iii) of the Singapore Exchange Securities Trading Limited (SGX LM) that will take effect on 1 January 2022. The authority of this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Ms. Lim Bee Choo as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution, provided that this Resolution shall only be proposed and voted upon if Resolution 4 is passed by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM. **Resolution 5**

   (Note: Ms. Lim Bee Choo was appointed as an Independent Director of the Company since 1 July 2012 and will have served the Board beyond nine (9) years after 1 July 2021. Rule 210(5)(d)(iii) provides that the continued appointment as independent director, after an aggregated period of more than nine (9) years on the Board, must be sought and approved in separate resolutions by (a) all members and (b) members excluding Directors, the MD and their associates. Because Rule 210(5)(d)(iii) will take effect from 1 January 2022, Ms. Lim Bee Choo would have served beyond 9 years before the 51st AGM. Accordingly, Ms. Lim Bee Choo will be required to adhere to the above two-tier voting mechanism should she wish to seek for re-election as an Independent Director. Consequently, upon the passing of Ordinary Resolution 3, 4, and 5, Ms. Lim Bee Choo will continue to serve as Independent Director, until the earlier of her retirement or resignation; or the conclusion of the 53rd AGM following the passing of Ordinary Resolutions 3 to 5.)

6. To approve the payment of Directors' fees of up to S$165,000/- for the financial year ending 31 December 2021 (payable quarterly in arrears) (for the financial year ended 31 December 2020: up to S$165,000). **Resolution 6**

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 7**

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
6 April 2021

Notes:

(1) The Annual General Meeting ("**AGM**") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, and as amended by COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No. 3) Order 2020.

(2) As the AGM will be held by electronic means, members will not attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of a proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 16 April 2021, 5.00 pm. Investors who have deposited their shares into a nominee account should also approach their depository agent and relevant intermediaries by 16 April 2021, 5.00 pm. Proxy Forms appointing such person other than the Chairman of the Meeting shall be deemed to appoint the Chairman of the Meeting as proxy.

(3) The Chairman of the Meeting, as proxy, need not be a member of the Company.

(4) 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.

In view of the current COVID-19 situation and the related safe distancing measures, which may hamper the sending of completed proxy forms by post, shareholders may alternatively choose to send the completed proxy forms via email to the Company at CorporateAffairs@isetan.com.sg to reach the Company not less than 72 hours before the time set for holding the above Meeting.

(5) The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

(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 the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy.

(8) In the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged or submitted 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) Personal Data Privacy

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company 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 the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

MEASURES TO MINIMISE THE RISK OF COVID-19

In view of the current COVID-19 situation, the following steps will be taken to minimize the risks of community spread of the COVID-19.

1) Conduct of the AGM

The AGM will be conducted by electronic means. As such, no shareholders will be admitted to the AGM in person.

2) Attendance

Members will be able to watch the AGM proceedings through a live audio-visual webcast or live audio-only broadcast. To do so, members will need to pre-register at https://online.meetings.vision/isetan-agm-registration not later than 10.00 a.m. on 25 April 2021.

Upon successful pre-registration, each authenticated member or its corporate representative will receive an email by 10.00 a.m. on 27 April 2021. The email will contain the login instructions to access the audio-visual webcast or audio-only broadcast of the AGM proceedings. Members (or corporate representatives) who have pre-registered but do not receive an email by 10.00 a.m. on 27 April 2021 are advised to contact the Company at Tel: 6732 8866 extension 334 or email to CorporateAffairs@isetan.com.sg.

3) Voting

A member may not vote at the meeting otherwise than by way of appointing the Chairman of the Meeting as the member's proxy. Members would have to submit the attached proxy form by post or email to the relevant address shown below to reach the Company no later than 10.00 am on 25 April 2021. Members must specifically indicate on their proxy forms their wish for the Chairman to vote for or vote against (or abstain from voting on) each resolution. All the votes in the AGM will be taken on a poll.

Mailing Address	:	593 Havelock Road, #04-01 Isetan Office Building, Singapore 169641
Email Address	:	CorporateAffairs@isetan.com.sg
Attention	:	Corporate Affairs Department

4) Questions

Members may submit any questions that they wish for the Company to consider addressing during the Meeting by post or emailing such questions to the address as shown in paragraph 3 above, addressed to the "Chairman of the Meeting". Members or their Corporate Representative who are pre-registering for the audio-visual webcast or audio-only broadcast may also pose their questions in the link during the pre-registration process. All questions, sent by any of the above means, must reach the Company no later than 10.00 am on 25 April 2021. Members must provide their full name and identification number together with their contact numbers and email addresses when submitting questions by any of the above means.

The Company's Board of Directors shall only address substantial and relevant questions (as may be determined by the Company in its sole discretion) received from members prior to the cut-off time stated above. The answers to such questions will be announced on the SGXNet and posted on the Company's website prior to the AGM.

5) Important reminder

Due to the Covid-19 situation in Singapore, the Company may be required to change the arrangements for the AGM at short notice. Members should check for the Company's announcement on the SGXNet for any changes to the status of the AGM.

6) Key dates/deadlines: In summary, the key dates/deadlines which shareholders should take note of are set out in the table below:

Key dates	Actions
16 April 2021, 5.00 pm	Deadline for CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy to approach their respective CPF Agent Banks or SRS Operators to submit their votes.
25 April 2021, 10.00 am	Deadline for: • Pre-registration at https://online.meetings.vision/isetan-agm-registration for live audio-visual webcast/live audio broadcast of the AGM proceedings • Receipt of questions to be addressed during the AGM • Receipt of Proxy Forms
27 April 2021, 10.00 am	Authenticated shareholders should have received an email which will contain user ID and password details, as well as the link to access the live audio-visual webcast and a toll-free telephone number to access the live-audio only broadcast of the AGM proceedings. Shareholders who have pre-registered by the deadline of 10:00 am on 25 April 2021 but do not receive the confirmation email should contact the Company at Tel: 67328866 Ext 334 or email to: CorporateAffairs@isetan.com.sg.
28 April 2021, 10.00 am	Follow the link in the Confirmation Email and enter the user ID and password to access the live audio-visual webcast of the AGM proceedings; or Call the toll-free telephone number in the Confirmation Email to access the live audio-only broadcast of the AGM proceedings.

INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT **TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST**

Mr. Richard Tan Chuan-Lye and Ms. Lim Bee Choo are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 28 April 2021 ("**AGM**") under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 6 April 2021.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Directors proposed to be re-elected as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of Director	**Richard Tan Chuan-Lye**	**Lim Bee Choo**
Date of Appointment	1 February 2019	1 July 2012
Date of Last Re-appointment (if applicable)	26 April 2019	19 June 2020
Age	63	61
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors has accepted the recommendation of the Nominating Committee of the Company which has reviewed Mr. Tan's credentials and experience and approved the appointment of Mr. Tan as a Non-Executive Independent Director of the Company.	The Board of Directors has accepted the recommendation of the Nominating Committee of the Company which has reviewed Ms. Lim's credentials and experience and approved the appointment of Ms. Lim as a Non-Executive Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	No.	No.
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc)	Independent Non-Executive Director of the Company.	Independent Non-Executive Director of the Company.
Professional qualifications	Please refer to Mr. Tan's profile on page 12 of the Annual Report.	Please refer to Ms. Lim's profile on page 11 of the Annual Report.
Working experience and occupation(s) during the last 10 years	2016 to Present – Adjunct Associate Professor, NUS Business School, National University of Singapore. 2008 to 2015 – Risk Consulting Partner with KPMG. 2000 to 2008 – Senior Vice President of DBS Bank.	2019 to present: Director General, Human Resources at Asian Infrastructure Investment Bank. 2010 to 2019 – Head of Human Resources, Asia Pacific at PayPal.
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil

INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT **TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST**

Name of Director	Richard Tan Chuan-Lye	Lim Bee Choo
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries.	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments including directorships		
Past (for the last 5 years)	Nil	Nil
Present	Independent Director at First Real Estate Investment Trust, and Heeton Holdings Limited	Nil
General Statutory Disclosures (items (a) to (k) of Appendix 7.4.1)	No change in the information of Mr. Tan as previously announced on 31 January 2019. The responses were all "No".	No change in the information of Ms. Lim as previously announced on 8 June 2012. The responses were all "No".
Any Prior experience as a Director of a Listed Company on the Exchange?	Not applicable. This is a re-election of a director	Not applicable. This is a re-election of a director.
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.

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ISETAN (SINGAPORE) LIMITED

IMPORTANT:

1. The Annual General Meeting ("AGM") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, and as amended by COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No. 3) Order 2020. The Notice of Annual General Meeting will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
2. As the AGM will be held by electronic means, members will not attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its voting rights at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the AGM.
3. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 16 April 2021, 5:00 pm.
4. By submitting an instrument appointing the Chairman of the Meeting as proxy, the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2021.

PROXY FORM

Annual General Meeting to be held by electronic means on 28 April 2021 at 10.00 a.m. *(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 the Chairman of the Meeting as my/our proxy to attend/speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held by electronic means on Wednesday, 28 April 2021 at 10:00 a.m. and at any adjournment thereof in the manner indicated below:

No.	Resolution	For	Against	Abstain
1	Adoption of Directors' Statement and Accounts			
2	Re-election of Mr. Richard Tan Chuan-Lye as Director			
3	Re-election of Ms. Lim Bee Choo as Director			
4	To approve Ms. Lim Bee Choo's continued appointment as an Independent Director by Members			
5	To approve Ms. Lim Bee Choo's continued appointment as an Independent Director by Members (excluding the Directors and Managing Director ("MD") of the Company, and associates of such Directors and MD)			
6	Approval of Directors' Fees for the financial year ending 31 December 2021 of up to S$165,000/-			
7	Re-appointment of PricewaterhouseCoopers LLP as Auditors and authorise the Directors to fix their remuneration			

Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

Signed this ________ day of ______________ 2021

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) The Annual General Meeting ("**AGM**") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, and as amended by COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No. 3) Order 2020.

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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

INVESTMENT PROPERTIES

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

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

*partly classified as investment property.

HEADQUARTERS

Isetan (Singapore) Limited

Isetan Office Building
593 Havelock Road
#04-01 Isetan Office Building
Singapore 169641
Tel: 6732 8866
Fax: 6736 0913

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

ASSOCIATED COMPANY

Chengdu Isetan Company Limited
Isetan Chengdu Office
6 Da Ke Jia Lane
Block B, Lido Plaza, 8th Floor
Chengdu, Sichuan Province
People’s Republic of China

Company Registration No: 197001177H

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