ISETAN

SINGAPORE

ANNUAL REPORT 2017

CONTENTS

OUR
CORPORATE VISION

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

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

MILESTONES

STORES & SPECIALTY SHOP DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

CORPORATE & FINANCIAL DEVELOPMENT

1970 Isetan Emporium (Singapore) Private Limited was incorporated.

1981 Isetan became the first Japanese department store to offer its shares 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

Group revenue for the financial year ended 31 December 2017 ("FY 2017") was $276.571 million as compared to $294.638 million for the financial year ended 31 December 2016 ("FY 2016"). The retail segment registered lower sales of $ 265.111 million in FY 2017, a 7.46% decrease as compared to FY 2016. The decrease reflected the highly competitive market with many retailers resorting to discounting to draw customers. The Group also reviewed and streamlined its sales events to do away with the underperforming ones. Although the local economy grew by 3.6%, growth among the various sectors was uneven and consumers remained cautious with their spending. However, as the Isetan Wisma Atria investment property was almost fully tenanted as at the end of FY 2017, rental revenue from investment properties increased by 40.72% to $11.460 million as compared to $8.144 million in FY 2016. This helped to mitigate the decrease in retail sales.

Other income also increased from $7.356 million in FY 2016 to $8.261 million in FY 2017 mainly on the back of higher sundry income and rental income derived from the retail segment.

Faced with the effects of declining sale of goods, the Group continued to keep a tight rein on its operating expenses. Besides reducing certain aspects of human resource costs, other measures included bringing in vendors that could offer more cost-effective service contracts.

The measures taken to reduce operating expenses together with better rental revenue and other income helped the Group to turn in a profit after tax of $2.127 million despite the lower sale of goods and the absence of the one-off gain of $7.319 million on the disposal of the subsidiary's property recorded in FY 2016.

BUSINESS OUTLOOK

The government has forecast economic growth to be between 1.5% to 3.5% in 2018 with growth likely to come in slightly above the middle of the range. Top risks for the local economy include a slowdown in China, geopolitical concerns and trade protectionism. Against this backdrop, the Group does not expect consumer sentiment to improve significantly and expects the retail scene to remain highly competitive.

TOSHIHIKO NAKAGOME
Chairman

Structural changes will continue to affect retailers. With the growing use of mobile devices and computers, on-line shopping has become commonplace among consumers. Cheap regional travel will encourage leakage of sales to external markets. The establishment of new malls will mean a further dilution of sales in the market. The aging population and emergence of the millennial generation will shift consumer purchasing patterns and habits.

Our response to these changes will be multifaceted. We recognize that e-commerce is here to stay and likely to grow even bigger in the coming years. As such, during 2017, we have made further investments to enhance our e-commerce site and strengthen our omni-channel strategy. Besides engaging our customers digitally, we also appeal to our customers experientially through the five senses within our store environment, merchandise selection and service. For example, the Italian Fair, Hokkaido and Kyushu Food Fairs are popular events that we have organized and which our customers look forward to.

In an environment where retailers are outdoing each other with steeper discounts to entice customers, our staff are being trained to provide service that embraces the *omotenashi* spirit (the Japanese way of warm hospitality and detailed customer service). In our efforts to better engage a younger base of customers, we are working with strategic partners to appeal to this segment. For example, at our Isetan Jurong East store, Sephora, which is a beauty retail concept shop housing skincare, makeup, fragrance, body and hair care merchandise, has leased some space and commenced business on level 1 of the store. For our retail stores, we will continue to monitor their performance and seek ways to increase customer traffic. This can be in the form of store renovations to fine tune our merchandise mix to the changing needs and wants of customers. Another possible way is to revamp our loyalty card programme to better serve and increase the number of return customers.

INVESTMENT PROPERTY AT WISMA ATRIA

The property is in its third year of operations and is almost fully tenanted. It houses tenants dealing in merchandise and services such as luxury watches, pens, visual and audio items, medical aesthetics and Food and Beverages.

We expect the property to generate a steady stream of rental income that will add to our Group revenue.

SUBSIDIARY COMPANY

The business activities of the subsidiary, Lexim (Singapore) Pte. Ltd., were scaled down with effect from 16 February 2001 and remained inactive, earning mainly rental income from its investment property. It then disposed of its property on 15 September 2016. In view of the circumstances, the process of striking off the company commenced in 2017 and is expected to be completed by the first half of 2018.

ASSOCIATED COMPANY

FY 2017 sales at our associated company, Isetan Chengdu in People's Republic of China registered an improvement of 2.0% over FY 2016. With efforts put in to reducing operating expenses, net profit increased by 189.8% in FY 2017 as compared to FY 2016.

In view of the better performance of the associated company, the share of profit in FY 2017 was $225,000 as compared to $79,000 in FY 2016.

DIVIDEND

For the financial year ended 31 December 2017, the Board of Directors has proposed a final dividend of 5.0 cents per ordinary share. The proposed dividend will be subject to shareholders' approval at the forthcoming Annual General Meeting.

APPRECIATION

FY 2017 was yet another tough year for the business. I would, therefore, like to thank our customers, suppliers, business associates and shareholders for their continued support during the past year. In addition, I would like to thank the management and staff for their loyalty and resilience in facing the adverse conditions. The Group looks forward to the continued support of all stakeholders in the new financial year.

Thank you.

TOSHIHIKO NAKAGOME
Chairman
10 March 2018

MANAGEMENT DISCUSSION OF

RESULTS OF OPERATIONS AND FINANCIAL POSITION

For the year ended 31 December 2017

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

ORCHARD SHOPPING BELT

Our Flagship Store (Isetan Scotts)

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

Isetan Wisma Atria (Investment Property)

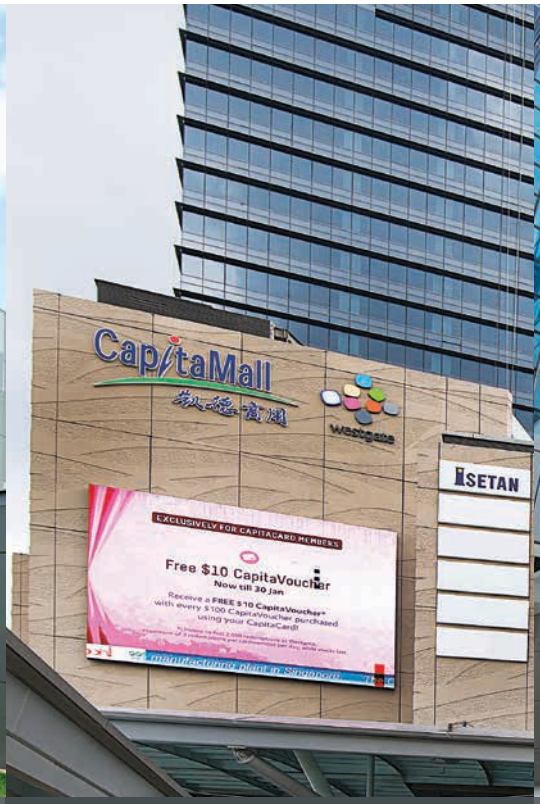
Isetan Wisma Atria is located at Wisma Atria, next to the busy Orchard MRT station. A change in our strategic direction led to the ceasing of our own retailing activities at this store at the end of March 2015 and we have converted it into an investment property for earning rental income. With this change,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

Isetan Scotts (Flagship Store)

Isetan Katong

Isetan Tampines

Isetan Serangoon Central



Isetan Jurong East

Isetan Wisma Atria (Investment Property)

SUBURBAN REACH

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

Our venture into the suburban area started with our Katong Store in Parkway Parade in 1983. The store enjoyed the patronage of our customers for many years and performed well. 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 floors in "nex" shopping mall, it offers a wide variety of merchandise ranging from cosmetics and fashion wear to other family-oriented items.

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

MANAGEMENT DISCUSSION OF

RESULTS OF OPERATIONS AND FINANCIAL POSITION

For the year ended 31 December 2017

OUR SERVICE

In the current competitive retail environment, where malls are becoming increasingly homogenous and discounting is prevalent in the marketplace to attract customers, we believe offering good customer service is pivotal in retaining and attracting customers. One new initiative that we have embarked on is to send selected staff to Japan to learn the finer points of *omotenashi* spirit (the Japanese way of warm hospitality and detailed customer service). This will then be ingrained as part of our staff training to inculcate the ways of *omotenashi*. To encourage service excellence among our staff, we have also adopted the Evergreen System developed by our holding company in Japan. The Evergreen System recognizes and rewards excellent staff (or "stylists" as they call them in Japan). The criteria used to judge potential candidates include a wealth of merchandise knowledge, outstanding sales skills, engagement in self-improvement and outstanding innovation. Besides incorporating *omotenashi* and the Evergreen System in our human resource practices, we are also continuing with our "Company Promise" initiative, where we incorporate our customers' feedback and make continuous improvements to aspects of our store operations and service.

OUR MERCHANDISE

To cater to the changing profile of our customers as well as to create new value for them, the merchandise content in each of our stores is of utmost importance. Following the successful revamp of our Isetan Scotts supermarket, we have renovated the first floor of Isetan Tampines store where new cosmetics brands have been introduced to give new excitement to our existing customers as well as to attract new ones. Sephora, a beauty retail concept shop that is popular with the millennials, has also leased some space and commenced business within our Isetan Jurong East store. We continue to pay close attention to the tastes and needs of our customers and fine tune our merchandise mix to cater to them at each store.

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.

ANALYSIS OF GROUP PERFORMANCE

	2017 $'000	2016 $'000
Revenue*	**276,571**	294,638
Other income	**8,261**	7,356
Other gains	**29**	7,621
Total expenses	**(282,974)**	(306,763)
Share of profit of an associated company	**225**	79
Profit before income tax	**2,112**	2,931
Income tax credit/(expense)	**15**	(362)
Profit after tax	**2,127**	2,569
Earnings per share (cents)	**5.16**	6.23
Return on Equity	**1.23%**	1.49%
Dividend paid per share	**$0.05**	$0.05

*Revenue consists of:	**2017 $'000**	2016 $'000
Sale of goods	**265,111**	286,494
Rental income – investment properties	**11,460**	8,144

RETAIL

Although the local economy grew by 3.6% in 2017, it was largely driven by the manufacturing sector. Sectors that depend on domestic demand such as the retail industry faced tough competition in 2017. Sales at all of our stores dipped below the previous year. Besides the tough external environment which dampened sales, the rationalization of underperforming events and the emergence of new players that compete directly with some of our merchandise categories also contributed to the lower retail sales. Overall, retail sales suffered a decline of 7.46% in FY 2017 as compared to FY 2016. Against this backdrop, much effort was put in to review and reduce different types of operating expenses. The areas of reduction include employee compensation, supplies, advertising and promotion, and delivery costs. This helped to reduce losses incurred in our retail segment by 25.16% in FY 2017 as compared to FY 2016.

PROPERTY

Our investment property in Wisma Atria benefitted from the effects of its units being almost fully tenanted and this helped to raise the results of the property segment from $2.987 million in FY 2016 (excluding the one-off gain of $7.319 million from the disposal of the subsidiary's investment property) to $5.938 million in FY 2017.

INVESTMENT ACTIVITIES

	2017 $'000	2016 $'000
Dividend and interest income	**2,695**	2,765

Management adopts a 'risk-based' approach in its investment activities. Dividend and interest income decreased from $2.765 million to $2.695 million. This was mainly due to lower dividend received.

POSSIBLE CHALLENGES

Although the government has forecast economic growth to be between 1.5% to 3.5% in 2018 with growth likely to come in slightly above the middle of the range, other external threats like a possible slowdown in China's economy, geopolitical concerns and trade protectionism may impact consumers' willingness and ability to spend.

Against this backdrop, the Group will continue to put a tight rein on its operating expenses.

FINANCIAL POSITION

The Group's cash and cash equivalents increased from $54.688 million at the beginning of 2017 to $57.727 million at the end of 2017 due to the net increase in cash provided by operating activities.

DIVIDEND

The Board of Directors has proposed a final dividend of 5.0 cents per ordinary share for the financial year ended 31 December 2017, subject to shareholders' approval at the forthcoming Annual General Meeting.

BOARD OF DIRECTORS

TOSHIHIKO NAKAGOME
(Chairman)

Academic and Professional qualifications		Directorship
Bachelor of Commerce, KEIO University (Japan).		**Date first appointed:** *1 April 2017* **Date last re-elected:** *28 April 2017*
Present Directorships in other listed companies (as at 31 December 2017)	Other Principal Commitments (as at 31 December 2017)	Past Directorships in listed companies over the preceding three years (31 December 2014 to 31 December 2017)
Nil	• Director, Senior Managing Executive Officer for Overseas Business Planning and Operations Headquarters of Isetan Mitsukoshi Ltd	Nil

Mr. Nakagome joined Isetan Company Limited (Japan) in 1976 and his past appointments include being the Director and Executive Vice President of Isetan Company Limited, the Executive Vice President of Isetan Mitsukoshi Holdings Ltd and President of Iwataya Mitsukoshi Ltd. He is presently the Director, Senior Managing Executive Officer for Overseas Business Planning and Operations Headquarters of Isetan Mitsukoshi Ltd.

TOSHIFUMI HASHIZUME
(Managing Director)

Academic and Professional qualifications		Directorship
Bachelor of Economics, Chuo University (Japan).		**Date first appointed:** *29 April 2016* **Date of appointment as Managing Director:** *29 April 2016*
Present Directorships in other listed companies (as at 31 December 2017)	Other Principal Commitments (as at 31 December 2017)	Past Directorships in listed companies over the preceding three years (31 December 2014 to 31 December 2017)
Nil	Nil	Nil

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

KOAY BEE FONG

Academic and Professional qualifications		Directorship
Bachelor of Science in Mathematics, University of Strathclyde (Scotland) **Graduate Diploma in Personnel Management,** Singapore Institute of Management		**Date first appointed:** *29 April 2016*
Present Directorships in other listed companies (as at 31 December 2017)	Other Principal Commitments (as at 31 December 2017)	Past Directorships in listed companies over the preceding three years (31 December 2014 to 31 December 2017)
Nil	Nil	Nil

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

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

CHEY CHOR WAI

Academic and Professional qualifications		Directorship
Bachelor of Accountancy, University of Singapore. **Fellow Member of the Institute of Singapore Chartered Accountants, CPA Australia and The Association of Chartered Certified Accountants (United Kingdom).**		**Date first appointed:** *1 July 2010* **Date last re-elected:** *28 April 2017*
Present Directorships in other listed companies (as at 31 December 2017)	Other Principal Commitments (as at 31 December 2017)	Past Directorships in listed companies over the preceding three years (31 December 2014 to 31 December 2017)
• Courts Asia Limited	• Info-communications Media Development Authority (Board member)	Nil

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

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

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

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

BOARD OF DIRECTORS

LIM BEE CHOO

Academic and Professional qualifications		Directorship
Bachelor of Business Administration, National University of Singapore.		**Date first appointed:** *1 July 2012* **Date last re-elected:** *29 April 2016*
Present Directorships in other listed companies (as at 31 December 2017)	Other Principal Commitments (as at 31 December 2017)	Past Directorships in listed companies over the preceding three years (31 December 2014 to 31 December 2017)
Nil	• Head of Human Resources, Asia Pacific, PayPal	Nil

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

ASSOCIATE PROFESSOR
VICTOR YEO CHUAN SENG

Academic and Professional qualifications		Directorship
Bachelor of Laws, National University of Singapore. **Master of Laws,** University of Melbourne.		**Date first appointed:** *1 July 2015* **Date last re-elected:** *29 April 2016*
Present Directorships in other listed companies (as at 31 December 2017)	Other Principal Commitments (as at 31 December 2017)	Past Directorships in listed companies over the preceding three years (31 December 2014 to 31 December 2017)
Nil	• Associate Professor in the Nanyang Business School, Nanyang Technological University (Deputy - Associate Provost, (Student Life)) • Associate Director, Aptus Law Corporation • Director, Akaraka Ltd	Nil

Associate Professor Yeo joined Nanyang Technological University (NTU) in 1992 after spending several years in private legal practice doing general commercial and corporate litigation at a leading law firm. He is an Associate Professor of Business Law and teaches in the University's undergraduate and post-graduate programmes. He has held several administrative positions, including that of Programme Director of the Nanyang MBA (Business Law), Head, Division of Business Law and Associate Dean at the Nanyang Business School. He is currently Deputy- 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 an 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.

JUN YOKOYAMA

Academic and Professional qualifications		Directorship
Bachelor of Economics, Seikei University (Japan).		**Date first appointed:** *1 April 2013* **Date last re-elected:** *21 April 2015* **Date resigned:** *28 April 2017*
Present Directorships in other listed companies (as at 31 December 2017)	Other Principal Commitments (as at 31 December 2017)	Past Directorships in listed companies over the preceding three years (31 December 2014 to 31 December 2017)
Nil	• Executive Officer, Isetan Mitsukoshi Holdings Ltd	Nil

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

KEY
EXECUTIVES' PROFILES

As at 31 December 2017

GERARD CHENG POH CHUAN
Chief Risk Officer and Senior Manager (Legal and Contracts)

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

DAI KAMIYAMA
General Manager (Sales and Merchandising)

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

LOH KAH LEONG
Merchandising Senior Manager

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

JAMES CHE WENG FOO
Sales Promotion Senior Manager

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

MASAKO SHIONOYA
Isetan Scotts Store Manager

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

GERARD GOH KIM WAN
Corporate Planning, Budgeting and Business Development Senior Manager

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

TONG SHU LEE
Sales & Merchandising Planning and Investment Property Senior Manager

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

TEO JUN ZI
Finance Senior Manager

Ms. Teo joined the Company in 2017. She was previously an Assurance Manager with a public accounting firm. She received her Bachelor of Accountancy (Hons) from the Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants.

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. 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).

CHUA BOON AIK
Administration Manager

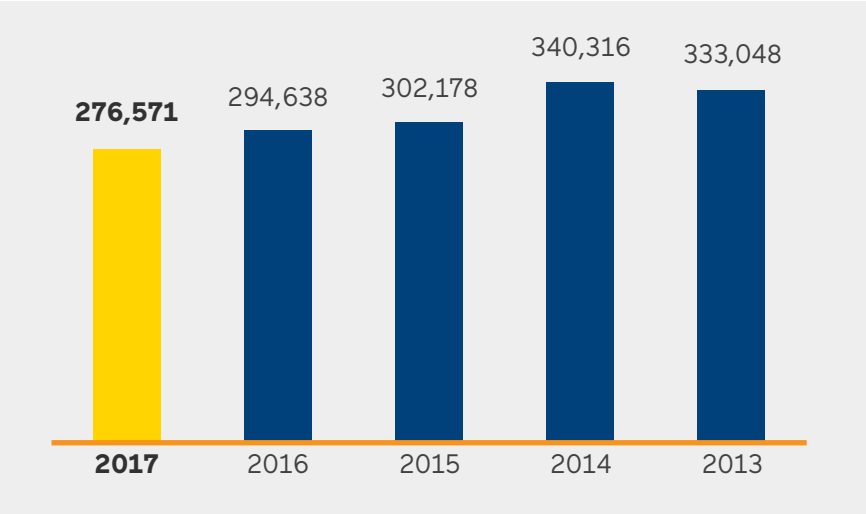
Mr. Chua joined the Company in 1990. He has served in Store Operations, Merchandising, Legal and Contracts, and Information Systems. He received his Bachelor of Business from the Curtin University of Technology (Australia) and Master of Business Administration from the State University of New York at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

GROUP
FINANCIAL PROFILE

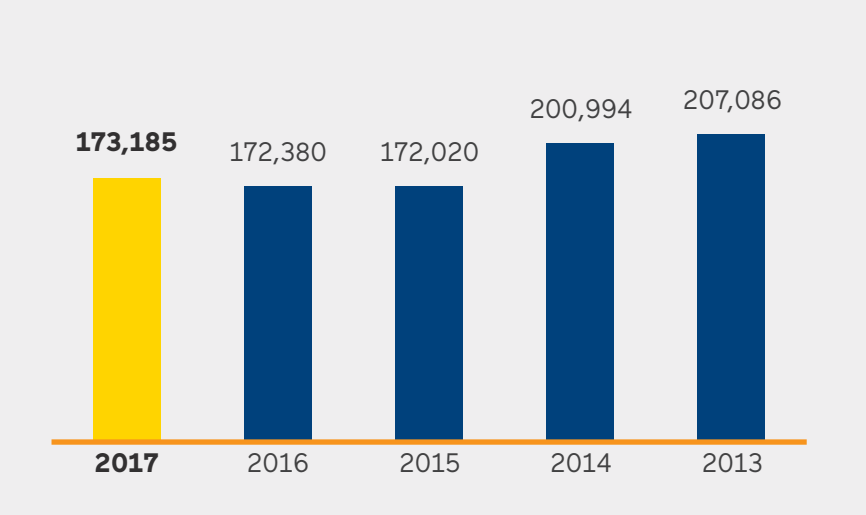
	Year ended 31.12.2017 $'000	Year ended 31.12.2016 $'000	Year ended 31.12.2015 $'000	Year ended 31.12.2014 $'000	Year ended 31.12.2013 $'000
Operating results					
Revenue	**276,571**	294,638	302,178	340,316	333,048
Profit/(Loss) before income tax	**2,112**	2,931	(26,647)	(3,023)	7,340
Income tax credit/(expense)	**15**	(362)	823	(113)	(797)
Net Profit/(Loss)	**2,127**	2,569	(25,824)	(3,136)	6,543
Total Assets					
Investment properties	**29,689**	31,486	32,325	2,672	2,731
Property, plant & equipment	**43,926**	48,045	50,263	84,603	88,940
Financial assets, available-for-sale	**3,864**	3,455	3,395	3,482	3,344
Financial assets, held-to-maturity	**53,181**	44,534	51,625	31,996	42,500
Club memberships	**236**	235	94	616	656
Investment in an associated company	**340**	124	51	-	-
Rental deposits	**6,356**	7,692	7,711	6,973	6,706
Other receivables	**447**	246	252	330	393
Deferred income tax asset	**-**	-	294	-	-
Current assets	**85,796**	90,932	87,834	130,916	133,742
	223,835	226,749	233,844	261,588	279,012
Shareholders' Equity and Total Liabilities					
Shareholders' equity	**173,185**	172,380	172,020	200,994	207,086
Current liabilities	**44,480**	47,186	56,227	56,276	68,301
Non-current liabilities	**6,170**	7,183	5,597	4,318	3,625
	223,835	226,749	233,844	261,588	279,012
Shareholders' Equity					
Share capital	**91,710**	91,710	91,710	91,710	91,710
General reserve	**17,000**	17,000	17,000	17,000	17,000
Fair value reserve	**1,608**	1,278	1,278	1,365	1,227
Currency translation reserve	**(212)**	(203)	(197)	(228)	(228)
Other reserves	**280**	(140)	-	-	-
Retained earnings	**62,799**	62,735	62,229	91,147	97,377
	173,185	172,380	172,020	200,994	207,086
Earnings/(Loss) per share (cents)	**5.16**	6.23	(62.60)	(7.60)	15.86
Dividend paid : Final Gross dividend per share (cents)					
- Ordinary	**5.0**	5.0	7.5	7.5	7.5
Net ($'000)	**2,063**	2,063	3,094	3,094	3,094
Net assets per share	**$4.20**	$4.18	$4.17	$4.87	$5.02

GROUP
FINANCIAL PROFILE

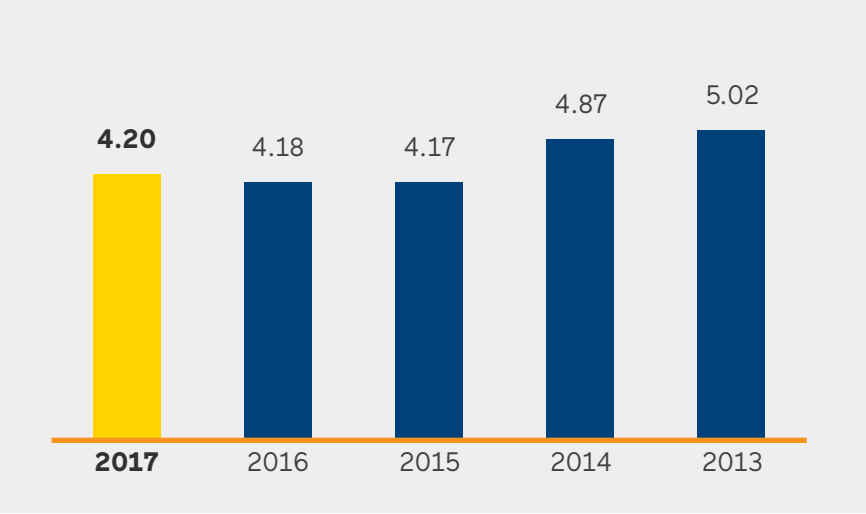
Revenue
($'000)



Shareholders' Equity
($'000)



Net assets per share
($)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Toshihiko Nakagome
(Chairman)

Toshifumi Hashizume
(Managing Director)

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

Chey Chor Wai
(Lead Independent Director)

Lim Bee Choo
(Independent Director)

Victor Yeo Chuan Seng
(Independent Director)

REGISTERED OFFICE

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

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

COMPANY SECRETARY

Lun Chee Leong

REGISTRAR

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936
Audit Partner: Peter Low Eng Huat
(Appointed in 2013)

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

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

BOARD MATTERS

BOARD OF DIRECTORS

	Name of Directors	Executive/ Non-executive	Independent/ Non-independent
1	Toshihiko Nakagome (Chairman) (appointed on 1 April 2017)	Non-executive	Non-independent
2	Toshifumi Hashizume (Managing Director)*	Executive	Non-independent
3	Koay Bee Fong*	Executive	Non-independent
4	Chey Chor Wai**	Non-executive	Independent
5	Lim Bee Choo	Non-executive	Independent
6	Victor Yeo Chuan Seng	Non-executive	Independent
7	Jun Yokoyama (resigned on 28 April 2017)	Non-executive	Non-independent

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

** Lead Independent Director

COMMITTEES

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

Principle 1: The Board's Conduct of its affairs

The main role and responsibility of the Board of Isetan is to oversee the business affairs of the Company. The key matters for Board's overview and supervision include approving broad policies, strategies and objectives of the Company, monitoring management performance, approving annual budgets and major funding, investment and divestment proposals. The Board also assumes responsibility for corporate governance and risk management. 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 Sustainability Report to be issued by the Company. The Company had engaged a professional firm to assist in the preparation of the Sustainability Report.

The Company's management has been authorised 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; and

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

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

To assist in the execution of its responsibilities, the Board has established three Board committees, namely, the NC, the ARC and the RC. In addition, there is an Executive Committee (Exco) comprising our two executive directors and two other members of senior management. The Exco aims to facilitate and expedite corporate processes, particularly where Board resolutions are required to be passed with urgency. The Exco also oversees the operational aspects of the Company, including the review and approval of the strategic process for the Company. The terms of reference and composition of the other Board committees have been detailed in the respective sections of this report.

The Board met 5 times during the year. In addition, the Exco meets regularly and have met 52 times in 2017. The record of the directors' attendance at Board and the respective committee meetings during the financial year ended 31 December 2017 is set out on the next page.

Directors' Attendance at Board and other committee meetings

		No. of meetings (for the period from 01/01/17 to 31/12/17)									
		Board		Exco		NC		RC		ARC	
	Name of Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
1	Toshihiko Nakagome (Chairman) (appointed on 1 April 2017)	5	4	-	-	-	-	-	-	-	-
2	Toshifumi Hashizume (Managing Director)	5	5	52	49	-	-	-	-	-	-
3	Koay Bee Fong	5	5	52	50	-	-	-	-	-	-
4	Chey Chor Wai	5	5	-	-	1	1	1	1	4	4
5	Lim Bee Choo	5	5	-	-	1	1	1	1	4	4
6	Victor Yeo Chuan Seng	5	5	-	-	1	1	1	1	4	4
7	Jun Yokoyama (resigned on 28 April 2017)	5	1	-	-	-	-	-	-	-	-

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

In addition, the Company has orientation programmes to ensure that incoming directors are familiar with the Company's business, structure and governance practices. In 2017, management conducted an induction and orientation programme for its new director to familiarize him with the Company's strategy, policies and state of affairs as at his joining. In recognition that directors require appropriate on-going training, the NC reviews the training and development program for the board at the beginning of each financial year. The Company has encouraged all directors to sign up as members of the Singapore Institute of Directors ("SID") and to participate in its courses at the Company's expense. Briefings are organized from time to time to update directors and, in particular, the ARC on developments of the laws and regulations relevant to the Company and its business. During the year, PwC presented the requirement for SGX-ST listed companies to adopt the Singapore Financial Reporting Standards (International) by 1 January 2018. Various members of the Board also attended professional development courses conducted by the SID, accounting firms or other professional bodies.

Principle 3: Chairman and Managing Director

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

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

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

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

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

As at 31 December 2017, the Board had six directors, of whom four are non-executive. Three of the directors (half of the board) are independent.

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

The Board 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 six directors. Our Chairman and executive directors each has over twenty-five 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 non-executive directors meet without the presence of the management at least once a year. 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. Subject to Article 95 of the Company's Constitution, all directors (other than the MD) are required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.

Board Independence (as at 31 December 2017)

Executive Directors	2
Independent Non-executive Directors	3
Non-independent Non-executive Director	1

Gender Diversity (as at 31 December 2017)

Female Directors	2
Male Directors	4

As Isetan (Singapore) Limited is a subsidiary of the immediate holding company, Isetan Mitsukoshi Ltd, our Chairman and Executive Directors 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; and

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

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. Secondments and / or transfers of personnel from related companies are also part of this process.

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

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

The NC comprises three directors, all of whom, including the chairman are independent. The NC requires all the independent directors to confirm their independence and their relationships with other directors, management and substantial shareholders of the Company by a declaration in writing annually. These declarations are subsequently reviewed and discussed by the NC before the NC confirms their independence. The Board is of the opinion that there are no directors who have multiple board representations or other appointments which will affect his/her ability to carry out his/her duty as a director of the Company. As there are directors who have more than one board representation 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 organisation 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 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 18. Members of the ARC, NC and RC are also shown on the same page. All the directorships and chairmanships in listed companies held by the directors, both current and those held over the preceding three years, are shown on pages 10 to 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, with the assessment of individual directors being done on a voluntary basis. Some of the performance criteria for the Board assessment process includes the appropriate size and composition of the Board, the effectiveness of the decision-making process, access to information by directors, the accountability of the Board members, oversight over and management of the MD and Management and directors' standard of conduct. Some of the performance criteria for the 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 it has met its performance objectives.

Principle 6: Access to Information

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

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

REMUNERATION MATTERS

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

The RC comprises entirely of independent non-executive directors.

The RC is chaired by an independent non-executive director. The RC has access to advice from the internal human resource department, and if required, the RC will have access to external advice. In 2017, no external advice was obtained. The RC regularly reviews the remuneration framework for the executive directors and key management personnel in conjunction with market studies and benchmarking exercises with industry peers, where appropriate, and after such reviews makes recommendations to the Board.

The RC has established major key performance indicators for evaluating the performance of the executive directors and key management personnel. The remuneration packages paid to the executive directors who are seconded to the Company are paid remuneration packages based on their home country's scheme while those relating to the key executives are linked to the performance of both the Company and each individual. The variable components of remuneration for management staff (including Executive Directors) take the form of an annual variable bonus, where applicable. After the pool of the variable bonus is decided, it is distributed based on each employee's performance grading. The Company currently does not have a long-term incentive scheme for the purpose of rewarding and retaining key appointment holders. As such, the Board is of the opinion that a claw-back mechanism in the incentive scheme is not appropriate. The RC has reviewed the service contracts or employment letters relating to the relevant executive directors 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. However, the Company operates a retirement benefit scheme for its employees, including executive directors and key management personnel who are eligible for it. Further information is disclosed in the Notes to the Financial Statements under item Note 25.

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

Annual fees	**Chey Chor Wai**	**Victor Yeo Chuan Seng**	**Lim Bee Choo**
	$	$	$
Chairmanship (ARC/NC/RC)	18,000	10,000	10,000
ARC member	–	9,000	9,000
NC member	5,000	–	5,000
RC member	5,000	5,000	–
Basic Fee	34,000	34,000	34,000
Total	62,000	58,000	58,000

No employee share scheme has been offered to any director or employee.

The breakdown of directors' remuneration (in percentage terms) for the period from 1/1/17 to 31/12/17 and the remuneration bands of directors and key executives for the period from 1/1/17 to 31/12/17 are set out in the Note (b) under "Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual". Although the Code recommends that companies fully disclose the remuneration of each individual director and their CEOs, and that they should name and disclose the remuneration of their top five key management personnel (who are not directors or the CEO) including the aggregate remuneration paid to these top five key management personnel, the Company has chosen to omit this information (with the exception of the Independent Directors' remuneration which is shown above) in light of the industry's competition for talent, the confidentiality of staff remuneration matters and so as not to hamper the Company's efforts to retain and nurture its talent pool. The RC has examined the executive compensation paid to its executives and key management and has come to the view that the sums paid do not exceed market norms.

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

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability
Principle 11: Risk Management and Internal Controls
Principle 12: Audit Committee
Principle 13: Internal Audit

The ARC was reconstituted on 1 September 2013 when the risk oversight function was incorporated into the Audit Committee's responsibilities. To assist the ARC, the Chief Risk Officer 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 should not act as a member of the company's ARC: (a) within a period of 12 months commencing on the date of his/her ceasing to be a partner or director of the auditing firm; and in any case (b) for as long as he has any financial interest in the auditing firm.

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

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

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

- reviewing with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and any matters which the external auditors wish to discuss in the absence of management;
- assessing the independence and objectivity of the external auditors;
- reviewing with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the overall internal control systems;
- reviewing the adequacy and effectiveness of the Group's internal controls and risk management systems at least annually, including financial, operating, compliance and information technology controls, and risk management policies and systems established by the management;
- reviewing arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- reviewing any significant findings of internal investigations and management response;
- reviewing the effectiveness of the Company's external and internal auditors and approving the appointment, reappointment and removal of the Company's external and internal auditors and approving their remuneration and terms of engagement;
- reviewing interested person transactions to ensure that internal control procedures are adhered to;
- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance e.g. quarterly and annual financial statements, including announcement to the SGX-ST prior to the submission to the Board; and
- reporting actions and minutes of the ARC meetings to the Board of Directors with such recommendations as the ARC considers appropriate.

The ARC met 4 times during the year in review. The Company Secretary, the Company's external and internal auditors and the management team responsible for finance attend the meetings. Wherever necessary, other members of the management team are invited to attend the ARC meetings.

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

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

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

The ARC met up with the internal auditors in the absence of management, at least once annually. The ARC has received confirmation from the internal auditors that they have received full assistance from the management of the Company in the course of their work. The internal audit function is carried out by KPMG LLP, whose primary line of reporting is to the Chairman of the ARC. The 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.

As part of their statutory audit, the Company's external auditors reviews the Company's material internal controls relevant to financial reporting in order to design audit procedures that are appropriate in the circumstances. Any material non-compliance and internal control weaknesses identified by both the external and internal auditors are reported to the ARC, together with the recommendations to address them. The Company's management follows up on these recommendations as part of their role in reviewing the Company's internal control systems. The ARC also reviews the effectiveness of the actions taken by management on the recommendations made in this respect. To ensure an effective system of internal controls, the internal auditors have been engaged to carry out periodic assessments of enterprise-wide risks with management and the ARC. Subsequently, a risk-based internal audit plan is formulated by the internal auditors where the current controls for the key risks are identified and action plans developed to address any gaps and weaknesses in the controls. Based on the work carried out by the internal auditors, the review undertaken by the external auditors as part of their statutory audit, the written assurances from the MD and senior management and the existing management controls in place, the ARC and the Board are of the opinion that the internal controls including financial, operational, compliance and information technology controls, and the risk management systems are adequate and effective as at 31 December 2017. The Board has also received written assurances from the MD and Senior Management (who assumes the role of the CFO) that (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and (b) the Group's risk management and internal control systems are adequate and effective. The Board, together with the ARC and management, will continue to enhance and improve the existing internal control and risk management frameworks to identify and mitigate these risks.

The system of internal controls and risk management policies established by the Company (as further elaborated on pages 30 to 31, Risk Management Policies and Processes) is designed to manage, rather than eliminate, the risk of failure in achieving the Company's strategic objectives. It should be recognized that such systems are designed to provide reasonable assurance, but not an absolute guarantee, against material misstatement or loss.

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

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

In regard to compliance with legislative and regulatory requirements, the Board ensures that management has established written policies where appropriate.

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.

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

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. The annual and quarterly announcements of financial statements and other price sensitive 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.

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

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

The Company 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. Special dividends may be proposed, when deemed appropriate, to share the Company's successes with our shareholders.

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

RISK MANAGEMENT
POLICIES AND PROCESSES

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

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

Risk management covers four areas of risks as follows:

Financial Risks

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

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

Operational Risks

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

Compliance Risks

The Group 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 Group also takes proactive steps by sending its employees to attend relevant courses for updates. This will ensure that the Group has adequate time to prepare the resources and changes in its policies and procedures and avoid any defaults.

Information Technology Risks

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

Responding to Crisis Situations

All the internal controls in place cannot prevent a crisis from happening, As such, the Group 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. The Group also periodically carries out tests on these frameworks to ensure they are adequate and effective.

DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 41 to 100 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

Directors

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

Mr Toshihiko Nakagome*	(Chairman)
Mr Toshifumi Hashizume	(Managing Director)
Ms Koay Bee Fong	
Mr Chey Chor Wai	
Ms Lim Bee Choo	
Mr Yeo Chuan Seng Victor	

* Appointed on 1 April 2017

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 31.12.2017	At 1.1.2017 or date of appointment if later	**At 31.12.2017**	At 1.1.2017 or date of appointment if later
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 Toshihiko Nakagome	**24,800**	24,800	**–**	–
(Options to subscribe for ordinary shares of ¥50 each)				
Mr Toshihiko Nakagome	**92,300**	81,800	**–**	–

(b) The directors' interests in the share capital of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

Share options

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

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

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

Audit and Risk Committee

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

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

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

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor;
- the results announcement for the quarters and full year; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

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

Independent Auditor

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

On behalf of the directors

TOSHIFUMI HASHIZUME
Director

KOAY BEE FONG
Director

9 March 2018

INDEPENDENT AUDITOR'S **REPORT**

To the members of Isetan (Singapore) Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Isetan (Singapore) Limited (the "Company") and its subsidiary (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2017;
- the balance sheets of the Group and the Company as at 31 December 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

INDEPENDENT AUDITOR'S **REPORT**

To the members of Isetan (Singapore) Limited

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 2017. 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
Assessment for impairment of property, plant and equipment ("PPE") and presence of onerous rental contracts Continued losses in the Retail segment in the current financial year is an indicator of impairment of PPE and triggered the need for assessment for the presence of onerous rental contracts. (a) Assessment for impairment of PPE As at 31 December 2017, the carrying value of the Group's PPE under the retail cash generating unit ("CGU") was S$42,500,000. The disclosures relating to PPE are included in Note 23 of the financial statements. These assets are required to be assessed for impairment at the balance sheet date if there is objective evidence or indication that these assets may be impaired. For the purpose of impairment testing, the recoverable amount of the assets is compared to its carrying value. In the current financial year, no impairment charge was recorded for the Group's assets under the retail CGU. The recoverable amount of the assets under the retail CGU is based on the higher of value-in-use ("VIU") and fair value less costs to sell ("FVLCTS"). The Group had determined VIU using the same valuation model used in prior year, with updates being made to inputs used in the model. Independent valuation exercises were carried out by professional property valuers to determine the fair value of land and buildings within the retail CGU for the FVLCTS computation.	(a) We have critically assessed the key assumptions used in the assessment. Our audit procedures included the following: ● assessed the appropriateness of the valuation model used in estimating the VIU computation; ● assessed reasonableness of key assumptions, which include the discount rate and growth rate, used in VIU computation; ● assessed the competency and independence of management's experts engaged to support management in the FVLCTS computation; ● discussed with management and the professional property valuer used by management on the key assumptions and critical judgemental areas in the FVLCTS computation; and ● assessed the reasonableness of capitalisation rate used in income method and comparable properties used in direct comparison method.

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 presence of onerous rental contracts (continued) (a) Assessment for impairment of PPE (continued) The assessment of impairment of PPE was significant to our audit due to the high level of judgement and assumptions applied in arriving at the estimates used in computing the values. Key assumptions include the discount rate and growth rates used in VIU computation, while key assumptions used in FVLCTS computation are capitalisation rates and market comparables. 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 amount of PPE to the valuations have been disclosed under Note 3(i) of the financial statements.	We have obtained satisfactory explanations from management and management's experts regarding the basis, methods and key assumptions used in determining the recoverable value of the assets within the retail CGU. We also considered the extent of disclosures set out in 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 the impairment of PPE.
(b) Assessment for presence of onerous rental contracts In the current financial year, no charge relating to onerous contracts was recorded. The Group had performed the assessment for onerous rental contracts by comparing the expected benefits from operating the rented retail space against the unavoidable costs. The gross profit projection used is consistent with that used under the VIU assessment, for impairment testing of PPE. The assessment for the presence of onerous rental contracts was significant to our audit due to the significant judgement and assumptions applied in the computation of expected benefits and unavoidable costs. As certain existing rental contracts are under negotiation as at the date of these financial statements, significant judgement has been applied in determining the likely outcome of the revised effective rental rates used in the assessment for the presence of onerous contracts.	(b) We have critically assessed the judgement and key assumptions used in the assessment. Our audit procedures included the following: ● discussed with management, the key assumptions and critical judgemental areas in the computation of the expected benefits and the unavoidable costs used in the onerous contracts computation; ● critically examined management's assessment of the likely outcome of rental negotiation with landlords; and ● assessed the reasonableness of the key assumptions, which include the discount rate and the growth rates.

To the members of Isetan (Singapore) Limited

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 presence of onerous rental contracts (continued) (b) Assessment for presence of onerous rental contracts (continued) Key assumptions used in the onerous contracts computation include the discount rate and the growth rates. 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 impact of the effective rental rate on the assessment of onerous contracts have been disclosed under Note 3(ii) of the financial statements.	We have obtained satisfactory explanations from management regarding their judgement over the basis, methods and key assumptions used in the computation for the presence of onerous rental contracts. We also considered the extent of disclosures set out in Note 3(ii) 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 the presence of onerous rental contracts.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional 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 Group's internal control.

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

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

INDEPENDENT AUDITOR'S **REPORT**

To the members of Isetan (Singapore) Limited

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 9 March 2018

CONSOLIDATED INCOME **STATEMENT**

For the financial year ended 31 December 2017

	Note	The Group	
		2017	2016
		$'000	$'000
Revenue	4	**276,571**	294,638
Other income	5	**8,261**	7,356
Other gains	6	**29**	7,621
Expenses			
- Changes in inventories of finished goods		**(1,469)**	(1,037)
- Purchases of inventories and related costs		**(195,711)**	(211,857)
- Employee compensation	7	**(18,571)**	(20,680)
- Depreciation expense		**(7,270)**	(7,494)
- Rental expense	8(a)	**(40,635)**	(44,819)
- Other expenses	8(b)	**(19,318)**	(20,876)
Total expenses		**(282,974)**	(306,763)
Share of profit of an associated company	19	**225**	79
Profit before income tax		**2,112**	2,931
Income tax credit/(expense)	9	**15**	(362)
Net profit for the financial year		**2,127**	2,569
Net profit attributable to:			
Equity holders of the Company		**2,127**	2,569
Earnings per share for net profit attributable to the equity holders of the Company (cents per share)	10		
- Basic		**5.16 cents**	6.23 cents
- Diluted		**5.16 cents**	6.23 cents

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2017

	Note	The Group	
		2017	2016
		$'000	$'000
Net profit for the financial year		**2,127**	2,569
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value gain	13	**358**	–
- Reclassification		**(28)**	–
Currency translation differences arising from consolidation			
- Loss	19	**(9)**	(6)
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on retirement benefit obligation	25	**420**	(140)
Other comprehensive income/(loss), net of tax		**741**	(146)
Total comprehensive income for the financial year		**2,868**	2,423
Total comprehensive income attributable to:			
Equity holders of the Company		**2,868**	2,423

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

BALANCE SHEETS

As at 31 December 2017

	Note	The Group 2017 $'000	The Group 2016 $'000	The Company 2017 $'000	The Company 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**57,727**	54,688	**57,596**	42,660
Trade and other receivables	12	**10,663**	12,293	**10,663**	12,292
Financial assets, held-to-maturity	14	**4,508**	11,753	**4,508**	11,753
Inventories	15	**10,020**	11,489	**10,020**	11,489
Other current assets	17	**2,878**	709	**2,878**	709
		85,796	90,932	**85,665**	78,903
Non-current assets					
Other receivables	12	**447**	246	**447**	246
Financial assets, available-for-sale	13	**3,864**	3,455	**3,864**	3,429
Financial assets, held-to-maturity	14	**53,181**	44,534	**53,181**	44,534
Club memberships	18	**236**	235	**236**	235
Investment in an associated company	19	**340**	124	**2,598**	2,598
Investment in a subsidiary	20	**-**	-	*****	5,000
Rental deposits	21	**6,356**	7,692	**6,356**	7,692
Investment property	22	**29,689**	31,486	**29,689**	31,486
Property, plant and equipment	23	**43,926**	48,045	**43,926**	48,045
		138,039	135,817	**140,297**	143,265
Total assets		**223,835**	226,749	**225,962**	222,168
LIABILITIES					
Current liabilities					
Trade and other payables	24	**44,480**	47,186	**44,480**	47,177
		44,480	47,186	**44,480**	47,177
Non-current liabilities					
Trade and other payables	24	**4,240**	5,245	**4,240**	5,245
Provisions for other liabilities and charges	26	**1,930**	1,938	**1,930**	1,938
		6,170	7,183	**6,170**	7,183
Total liabilities		**50,650**	54,369	**50,650**	54,360
NET ASSETS		**173,185**	172,380	**175,312**	167,808
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	28	**91,710**	91,710	**91,710**	91,710
General reserve	29	**17,000**	17,000	**17,000**	17,000
Fair value reserve	30	**1,608**	1,278	**1,608**	1,255
Currency translation reserve		**(212)**	(203)	**-**	-
Other reserves		**280**	(140)	**280**	(140)
Retained earnings	31	**62,799**	62,735	**64,714**	57,983
Total equity		**173,185**	172,380	**175,312**	167,808

* Amount is less than $1,000

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2017

	Note	Share capital $'000	General reserve $'000	Fair value reserve $'000	Currency translation reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000
2017								
Beginning of financial year		**91,710**	**17,000**	**1,278**	**(203)**	**(140)**	**62,735**	**172,380**
Total comprehensive income/(loss) for the year		–	–	330	(9)	420	2,127	2,868
Dividend relating to 2016 paid	32	–	–	–	–	–	(2,063)	(2,063)
End of financial year		**91,710**	**17,000**	**1,608**	**(212)**	**280**	**62,799**	**173,185**
2016								
Beginning of financial year		**91,710**	**17,000**	**1,278**	**(197)**	**–**	**62,229**	**172,020**
Total comprehensive (loss)/income for the year		–	–	–	(6)	(140)	2,569	2,423
Dividend relating to 2015 paid	32	–	–	–	–	–	(2,063)	(2,063)
End of financial year		**91,710**	**17,000**	**1,278**	**(203)**	**(140)**	**62,735**	**172,380**

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2017

	2017	2016
	$'000	$'000
Cash flows from operating activities		
Profit before income tax	**2,112**	2,931
Adjustments for:		
- Depreciation expense	**7,270**	7,494
- Amortisation of capitalised letting fees	**78**	70
- Property, plant and equipment and investment property written off	**402**	68
- Impairment loss on club memberships	**-**	22
- Net gain on disposal of club memberships	**-**	(186)
- Loss on termination of club membership	**-**	11
- Gain on disposal of property, plant and equipment	**-**	(81)
- Gain on disposal of property – net	**-**	(7,319)
- Gain on disposal of financial assets, available-for-sale	**(28)**	-
- Net gain on early redemption by issuers of financial assets, held-to-maturity	**(1)**	(46)
- Write-back of impairment of receivable	**(50)**	(15)
- Allowance for impairment of receivable	**-**	15
- Interest income	**(2,585)**	(2,590)
- Increase in provisions for other liabilities and charges	**90**	72
- Dividend income	**(110)**	(175)
- Share of profit of an associated company	**(225)**	(79)
	6,953	192
Changes in working capital:		
- Trade and other receivables	**1,376**	(1,423)
- Inventories	**1,469**	1,037
- Other assets and rental deposits	**(833)**	288
- Trade and other payables	**(3,711)**	(5,805)
- Provisions for other liabilities and charges	**(98)**	-
Cash generated from/(used in) operations	**5,156**	(5,711)
Income taxes refunded/(paid)	**15**	(46)
Net cash provided by/(used in) operating activities	**5,171**	(5,757)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2017

	2017	2016
	$'000	$'000
Cash flows from investing activities		
Proceeds from disposal of club memberships	**-**	249
Payments for club memberships	**(1)**	(127)
Proceeds from disposal of property, plant and equipment	**-**	81
Proceeds from disposal of property - net	**-**	9,918
Proceeds from disposal of financial assets, available-for-sale	**31**	-
Payments for letting fees	**(37)**	(213)
Payments for property, plant and equipment and investment property	**(1,397)**	(8,823)
Proceeds from maturity/early redemption by issuers of financial assets, held-to-maturity	**14,592**	3,265
Purchases of financial assets, held-to-maturity	**(16,024)**	(7,893)
Purchases of financial assets, available-for-sale	**(82)**	(60)
Interest received	**2,613**	2,613
Dividend received	**110**	175
Net repayments from/(loan to) employee	**126**	(5)
Net cash used in investing activities	**(69)**	(820)
Cash flows from financing activities		
Dividend paid	**(2,063)**	(2,063)
Net cash used in financing activities	**(2,063)**	(2,063)
Net increase/(decrease) in cash and cash equivalents	**3,039**	(8,640)
Cash and cash equivalents at beginning of financial year	**54,688**	63,328
Cash and cash equivalents at end of financial year	**57,727**	54,688

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

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

1. General information

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

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

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

On 5 October 2017, the subsidiary completed a capital reduction exercise and the proceeds from this reduction were returned to the Company. As at 31 December 2017, the subsidiary was in the process of preparing for strike off. Subsequently on 17 January 2018, the subsidiary's application for striking off was approved by the Accounting and Corporate Regulatory Authority.

2. Significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

2. Significant accounting policies (continued)

2.2 Revenue recognition

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

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

(a) Sale of goods

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

(b) Rental income

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

(c) Interest income

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

(d) Dividend income

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

(e) Technical fee

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

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

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

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

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

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals

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

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

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

(b) Transactions with non-controlling interests

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

(c) Associated companies

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

(i) Acquisitions

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

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

2.3 Group accounting (continued)

(c) Associated companies (continued)

(ii) Equity method of accounting

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

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

(iii) Disposals

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

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

2.4 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.

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

2.4 Property, plant and equipment (continued)

(a) Measurement (continued)

(ii) Component of costs

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

(b) Depreciation

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

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

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

(c) Subsequent expenditure

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

(d) Disposal

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

2. Significant accounting policies (continued)

2.5 Investment properties

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

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

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

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

2.6 Investments in a subsidiary and an associated company

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

2.7 Club memberships

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

2.8 Impairment of non-financial assets

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

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

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

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

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

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

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

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

2.9 Financial assets

(a) Classification

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

(i) Loans and receivables

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

(ii) Financial assets, held-to-maturity

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

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification (continued)

(iii) Financial assets, available-for-sale

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

(b) Recognition and derecognition

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

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

(c) Initial measurement

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

(d) Subsequent measurement

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

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

(e) Impairment

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

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

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

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(e) Impairment (continued)

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

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

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

(ii) Financial assets, available-for-sale

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

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

2.10 Trade and other payables

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

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

2.11 Fair value estimation of financial assets and liabilities

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

2. Significant accounting policies (continued)

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

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

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

2.12 Operating leases

(a) When the Group is the lessee:

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

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

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

(b) When the Group is the lessor:

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

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

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

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

2.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. 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. Significant accounting policies (continued)

2.14 Government grants

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

2.15 Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

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

2.16 Provisions for other liabilities and charges

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

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

2. Significant accounting policies (continued)

2.16 Provisions for other liabilities and charges (continued)

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

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

2.17 Employee compensation

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

(c) Retirement benefits

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

2.18 Segment reporting

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

2. Significant accounting policies (continued)

2.19 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

(c) *Consolidation adjustments*

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

2.20 Cash and cash equivalents

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

2.21 Share capital

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

2.22 Dividend to Company's shareholders

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

2. Significant accounting policies (continued)

2.23 Non-current assets held-for-sale

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

3. Critical accounting estimates, assumptions and judgements

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

Assessment for impairment of property, plant and equipment ("PPE") and presence of onerous rental contracts

Continued losses in the Retail segment in the current financial year is an indicator of impairment of PPE (Note 2.8) and triggered the need for assessment for the presence of onerous rental contracts.

(i) Assessment for impairment of PPE

The recoverable amounts of property, plant and equipment 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.

In the current financial year, no additional impairment charge (2016: no additional impairment charge) was recorded for the Group's assets under the Retail CGU. The recoverable amount is based on the FVLCTS method.

The recoverable amounts of the property, plant and equipment within the Retail CGU are largely based on 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 23(b)]. If the valuations were 5% lower, no additional impairment charge would have been recognised on the Group's PPE under the Retail CGU.

(ii) Assessment for presence of onerous rental contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. The present obligation under an onerous contract is recognised and measured as a provision.

As certain existing rental contracts are under negotiation as at the date of these financial statements, significant judgement has been applied in determining the likely outcome of the revised effective rental rates used in the assessment for the presence of onerous contracts. On the basis that there will be a downward revision in the effective rental rates, no provision for onerous contracts is required.

If the revised effective rental rate is 5% higher than that assumed in the onerous contracts computation, the Group would recognise a provision for onerous rental contracts amounting to approximately $2.0 million.

4. Revenue

	The Group	
	2017	2016
	$'000	$'000
Sale of goods	**265,111**	286,494
Rental income from investment properties	**11,460**	8,144
	276,571	294,638

5. Other income

	The Group	
	2017	2016
	$'000	$'000
Rental income	**2,966**	2,586
Sundry income	**2,501**	1,929
Dividend income on financial assets, available-for-sale		
- Unquoted investment in a fellow subsidiary	**–**	66
- Quoted equity securities	**110**	109
Technical fee from an associated company	**99**	76
Interest income		
- Fixed deposits	**410**	368
- Financial assets, held-to-maturity	**2,017**	2,110
- Others	**158**	112
	8,261	7,356

6. Other gains

Included in other gains are the following items:

	The Group	
	2017	2016
	$'000	$'000
Financial assets, available-for-sale		
- Reclassification from other comprehensive income on disposal (Note 30)	**28**	–
Gain from disposal of a property	**–**	7,319

7. Employee compensation

	The Group	
	2017	2016
	$'000	$'000
Wages and salaries	**17,265**	19,551
Employer's contribution to defined contribution plans including Central Provident Fund	**1,679**	1,954
Retirement benefit scheme expense (Note 25)	**129**	84
	19,073	21,589
Less: Government Grants	**(502)**	(909)
	18,571	20,680

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 was enhanced in 2012 and subsequently extended in Budget 2016 for three years, from 1 January 2017 to 31 December 2019, to provide a wage-offset to employers hiring Singaporean workers aged above 55 and earning up to $4,000 a month.

The WCS is part of the 3-Year Transition Support Package introduced in Budget 2013 for support to businesses affected by economic restructuring to manage rising labour costs. The payouts allow businesses to free up resources to make investments in productivity and to share the productivity gains with their employees. It was subsequently extended in Budget 2015 for two years, from 1 January 2016 to 31 December 2017. In Budget 2018, it was announced that the WCS would be extended for three more years, i.e. 2018, 2019 and 2020, to support 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 $443,000 (2016: $469,000) provided on a percentage of sales derived from the relevant stores in the current year.

8. Rental expense and other expenses (continued)

(b) Other expenses

Included in other expenses are the following items:

	The Group	
	2017	2016
	$'000	$'000
Property, plant and equipment and investment properties written off	**402**	68
Write-back of impairment of receivables	**(50)**	(15)
Allowance for impairment of receivables	**–**	15
Impairment loss on club memberships	**–**	22
Amortisation of capitalised letting fees	**78**	70
Royalty	**1,348**	1,454
Utilities	**2,170**	2,100
Advertising and promotion	**3,287**	4,044
Supplies, repair and maintenance	**3,635**	4,435
Credit card commissions	**2,847**	2,656
License fees, property and miscellaneous taxes	**1,446**	1,178
Delivery	**1,000**	1,282

9. Income tax

Income tax (credit)/expense

	The Group	
	2017	2016
	$'000	$'000
Tax (credit)/expense attributable to the results for the financial year is made up of:		
- Deferred income tax	**–**	294
(Over)/under provision in preceding financial years:		
- Current income tax	**(15)**	68
	(15)	362

9. Income tax (continued)

Income tax (credit)/expense (continued)

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

	The Group	
	2017	2016
	$'000	$'000
Profit before tax	**2,112**	2,931
Share of profit of an associated company	**(225)**	(79)
Profit before tax and share of profit of an associated company	**1,887**	2,852
Tax calculated at a tax rate of 17% (2016: 17%)	**321**	485
Tax incentives and rebates	**(24)**	(28)
Expenses not deductible for tax purposes	**912**	934
Income not subject to tax	**(7)**	(1,270)
Deferred tax assets not recognised	**249**	520
Utilisation of previously unrecognised tax losses	**(1,303)**	(204)
Income taxed at concessionary rate	**(148)**	(143)
(Over)/under provision in preceding financial years	**(15)**	68
Tax (credit)/charge	**(15)**	362

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

The Group has unrecognised tax losses of $593,000 (2016: $8,381,000) and capital allowances of $17,937,000 (2016: $14,577,000) at the balance sheet date which 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. The tax losses and deferred capital allowances have no expiry date.

10. Earnings per share

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

	The Group	
	2017	2016
Net profit attributable to equity holders of the Company ($'000)	**2,127**	2,569
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**41,250**	41,250
Basic earnings per share	**5.16 cents**	6.23 cents

There are no dilutive shares, hence fully diluted earnings per share equal to the basic earnings per share of 5.16 cents (2016: earnings per share of 6.23 cents).

11. Cash and cash equivalents

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**8,675**	12,813	**8,544**	12,657
Fixed deposits with financial institutions	**49,052**	41,875	**49,052**	30,003
	57,727	54,688	**57,596**	42,660

The fixed deposits with financial institutions mature on varying dates within 3 months (2016: 3 months) from the financial year end.

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

	The Group		The Company	
	2017	2016	**2017**	2016
	%	%	**%**	%
Interest rates on fixed deposits	**1.20**	1.01	**1.20**	0.97

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

12. Trade and other receivables

(a) Current

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Immediate holding corporation (Note 33)	**150**	125	**150**	125
- Non-related parties	**7,307**	10,489	**7,307**	10,489
- Associated company	**108**	71	**108**	71
	7,565	10,685	**7,565**	10,685
Less: Allowance for impairment of receivables - non-related parties	**(30)**	(80)	**(30)**	(80)
	7,535	10,605	**7,535**	10,605
Staff loans [Note 12(b)]	**75**	113	**75**	113
Interest receivable	**562**	559	**562**	558
Accrued receivables	**1,434**	1,016	**1,434**	1,016
Other recoverables – non-related party	**1,057**	–	**1,057**	–
	10,663	12,293	**10,663**	12,292

12. Trade and other receivables (continued)

(b) Non-current

	The Group and The Company	
	2017	2016
	$'000	$'000
Other receivables:		
- Other recoverables - non-related party	**288**	–
- Staff loans	**77**	165
- Deposit paid - others	**82**	81
	447	246
Staff loans:		
- Not later than one year [Note 12(a)]	**75**	113
- Later than one year but not later than five years	**77**	165
	152	278

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

13. Financial assets, available-for-sale

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**3,455**	3,395	**3,429**	3,372
Additions	**82**	60	**82**	60
Fair value gain/(loss) recognised in other comprehensive income	**358**	–	**353**	(3)
Disposals	**(31)**	–	**–**	–
End of financial year	**3,864**	3,455	**3,864**	3,429

13. Financial assets, available-for-sale (continued)

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

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Quoted securities:				
Equity securities				
- Singapore	**2,167**	1,758	**2,167**	1,732
Unquoted securities:				
Equity securities				
- Fellow subsidiary	**1,697**	1,697	**1,697**	1,697
	3,864	3,455	**3,864**	3,429

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

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Singapore Dollar	**2,167**	1,758	**2,167**	1,732
Malaysia Ringgit	**1,697**	1,697	**1,697**	1,697
	3,864	3,455	**3,864**	3,429

14. Financial assets, held-to-maturity

	The Group and The Company	
	2017	2016
	$'000	$'000
(i) Current		
In 2017, bonds with fixed interest rates ranging from 3.88% to 4.75% (2016: 2.95% to 6.50%) and the maturity dates ranging from 24 January 2018 to 23 October 2018 (2016: 1 February 2017 to 28 November 2017)	**4,508**	11,753
(ii) Non-current		
Bonds with fixed interest rates ranging from 2.22% to 7.00% (2016: 2.625% to 7.20%) and the maturity dates ranging from 11 March 2019 to 19 October 2027 (2016: 24 January 2018 to 23 March 2027)	**53,181**	44,534
	57,689	56,287

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

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

	The Group and The Company	
	2017	2016
	%	%
(i) Current		
In 2017, bonds with fixed interest rates ranging from 3.88% to 4.75% (2016: 2.95% to 6.50%) and the maturity dates ranging from 24 January 2018 to 23 October 2018 (2016: 1 February 2017 to 28 November 2017)	**3.91**	4.37
(ii) Non-current		
Bonds with fixed interest rates ranging from 2.22% to 7.00% (2016: 2.625% to 7.20%) and the maturity dates ranging from 11 March 2019 to 19 October 2027 (2016: 24 January 2018 to 23 March 2027)	**3.65**	3.74

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

	The Group and The Company	
	2017	2016
	$'000	$'000
(i) Current		
In 2017, bonds with fixed interest rates ranging from 3.88% to 4.75% (2016: 2.95% to 6.50%) and the maturity dates ranging from 24 January 2018 to 23 October 2018 (2016: 1 February 2017 to 28 November 2017)	**4,447**	11,710
(ii) Non-current		
Bonds with fixed interest rates ranging from 2.22% to 7.00% (2016: 2.625% to 7.20%) and the maturity dates ranging from 11 March 2019 to 19 October 2027 (2016: 24 January 2018 to 23 March 2027)	**54,537**	44,761
	58,984	56,471

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

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

15. Inventories

	The Group and The Company	
	2017	2016
	$'000	$'000
Merchandise	**10,020**	11,489

The cost of inventories recognised as expense amounts to $197,180,000 (2016: $212,894,000).

Inventory write down of $140,000 (2016: $136,000) has been included in "Purchases of inventories and related costs" in profit or loss.

16. Assets held-for-sale

	The Group and The Company	
	2017	2016
	$'000	$'000
Beginning of financial year	**–**	110
Add: Top up of membership fees	**–**	63
Transfer to club memberships (Note 18)	**–**	(99)
Less: Disposal of club membership	**–**	(63)
Less: Termination of club membership	**–**	(11)
End of financial year	**–**	–

17. Other current assets

	The Group and The Company	
	2017	2016
	$'000	$'000
Deposits paid	**41**	71
Prepayments	**2,820**	613
Others	**17**	25
	2,878	709

18. Club memberships

	The Group and The Company	
	2017	2016
	$'000	$'000
Cost		
Beginning of financial year	**770**	352
Add: Top up of membership fees	**1**	64
Transfer from assets held-for-sale (Note 16)	**–**	354
End of financial year	**771**	770
Accumulated impairment		
Beginning of financial year	**535**	258
Impairment loss	**–**	22
Transfer from assets held-for-sale (Note 16)	**–**	255
End of financial year	**535**	535
Net book value		
End of financial year	**236**	235

(a) In 2016, impairment loss of $22,000 was included in 'Other expenses'.

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

19. Investment in an associated company

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**5,305**	5,305
Less: Impairment loss			**(2,707)**	(2,707)
			2,598	2,598
Beginning of financial year	**124**	51		
Share of profit	**225**	79		
Translation loss	**(9)**	(6)		
End of financial year	**340**	124		

19. Investment in an associated company (continued)

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

	The Group	
	2017	2016
	$'000	$'000
- Assets	**16,663**	15,340
- Liabilities	**15,190**	14,801
- Revenue	**77,542**	76,056
- Net profit	**942**	325

Name of company	Principal activity	Country of business/ incorporation	Equity holding	
			2017	2016
			%	%
Chengdu Isetan Company Limited*	Retailing of general merchandise	People's Republic of China	**23**	23

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

On 26 January 2018, the Company made an additional capital contribution into the associated company amounting to 699,000 United States Dollars (approximately $920,000). Subsequent to this, the Company's equity holding in the associated company is 23.073%.

20. Investment in a subsidiary

	The Company	
	2017	2016
	$'000	$'000
Unquoted equity investment, at cost	*****	5,000

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

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

* Amount is less than $1,000

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

On 5 October 2017, the subsidiary completed a capital reduction exercise and the proceeds from this reduction were returned to the Company. As at 31 December 2017, the subsidiary was in the process of preparing for strike off. Subsequently on 17 January 2018, the subsidiary's application for striking off was approved by the Accounting and Corporate Regulatory Authority.

21. Rental deposits

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

22. Investment property

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cost				
Beginning of financial year	**75,673**	76,042	**75,673**	71,904
Additions	**421**	3,556	**421**	3,556
Letting fees	**9**	213	**9**	213
Disposal/write-off	**(16)**	(4,138)	**(16)**	-
End of financial year	**76,087**	75,673	**76,087**	75,673
Accumulated depreciation				
Beginning of financial year	**44,187**	43,717	**44,187**	42,194
Depreciation charge	**2,143**	1,953	**2,143**	1,923
Amortisation of letting fees	**70**	70	**70**	70
Disposal/write-off	**(2)**	(1,553)	**(2)**	-
End of financial year	**46,398**	44,187	**46,398**	44,187
Net book value				
End of financial year	**29,689**	31,486	**29,689**	31,486

(a) The investment property is leased to non-related parties under operating leases [Note 34(b)].

(b) The investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. In 2016, the subsidiary disposed of its investment property, which was valued at $10,700,000 in 2015. The fair value of the remaining investment property at 31 December 2017 is $290,682,000 (2016: $296,380,000) as determined by an independent professional valuer 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 23(b)]. Valuation is made annually using the income method and/or direct comparison method, based on the property's highest-and-best use.

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

	The Group	
	2017	2016
	$'000	$'000
Rental income from investment properties	**11,460**	8,144
Direct operating expenses arising from investment properties that generated rental income	**5,522**	5,157

23. Property, plant and equipment

	Freehold land and buildings $'000	Leasehold land, buildings and improvements $'000	Shop renovations, furniture, fixtures and fittings $'000	Office and shop equipment $'000	Motor vehicles $'000	Total $'000
The Group and The Company						
2017						
Cost						
Beginning of financial year	27,971	4,500	46,047	44,261	425	123,204
Additions	–	48	1,204	144	–	1,396
Disposal/write-off	–	–	(1,782)	(445)	–	(2,227)
End of financial year	27,971	4,548	45,469	43,960	425	122,373
Accumulated depreciation						
Beginning of financial year	3,913	2,995	32,911	35,072	268	75,159
Depreciation charge	215	261	2,502	2,093	56	5,127
Disposal/write-off	–	–	(1,486)	(353)	–	(1,839)
End of financial year	4,128	3,256	33,927	36,812	324	78,447
Net book value						
End of financial year	**23,843**	**1,292**	**11,542**	**7,148**	**101**	**43,926**
The Group						
2016						
Cost						
Beginning of financial year	27,971	4,411	46,381	42,433	727	121,923
Additions	–	89	1,218	2,091	7	3,405
Disposal/write-off	–	–	(1,552)	(263)	(309)	(2,124)
End of financial year	27,971	4,500	46,047	44,261	425	123,204
Accumulated depreciation						
Beginning of financial year	3,698	2,787	31,554	33,098	523	71,660
Depreciation charge	215	208	2,851	2,213	54	5,541
Disposal/write-off	–	–	(1,494)	(239)	(309)	(2,042)
End of financial year	3,913	2,995	32,911	35,072	268	75,159
Net book value						
End of financial year	**24,058**	**1,505**	**13,136**	**9,189**	**157**	**48,045**

23. Property, plant and equipment (continued)

	Freehold land and buildings	Leasehold land, buildings and improvements	Shop renovations, furniture, fixtures and fittings	Office and shop equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
The Company						
2016						
Cost						
Beginning of financial year	27,971	4,411	46,381	42,400	727	121,890
Additions	-	89	1,218	2,091	7	3,405
Disposal/write-off	-	-	(1,552)	(230)	(309)	(2,091)
End of financial year	27,971	4,500	46,047	44,261	425	123,204
Accumulated depreciation						
Beginning of financial year	3,698	2,787	31,554	33,081	523	71,643
Depreciation charge	215	208	2,851	2,211	54	5,539
Disposal/write-off	-	-	(1,494)	(220)	(309)	(2,023)
End of financial year	3,913	2,995	32,911	35,072	268	75,159
Net book value						
End of financial year	**24,058**	**1,505**	**13,136**	**9,189**	**157**	**48,045**

(a) The recoverable amount of the assets under the Retail CGU is based on the FVLCTS method [(Note 3(i))]. The fair values of the properties classified under the Retail CGU were determined by independent professional property valuers, taking into account recently transacted values and capitalisation rates for similar properties [see Note 23(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).

23. Property, plant and equipment (continued)

(b) Fair value hierarchy (continued)

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

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

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

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

Description	Fair value $'000 2017	Valuation techniques	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value	Valuation determined by
Isetan Office Building	**23,400** (2016: 23,400)	Direct Comparison Method	- Adopted value per square foot ("psf")	2017: $1,411 psf (2016: $1,411 psf)	The higher the adopted value, the higher the fair value.	Independent professional valuer
		Income Method	- Capitalisation rate	2017: 2.85% (2016: 3%)	The lower the capitalisation rate, the higher the fair value.	
Kallang Pudding Warehouse	**26,700** (2016: 27,200)	Direct Comparison Method	- Adopted value per square foot ("psf")	2017: $486 psf (2016: $495 psf)	The higher the adopted value, the higher the fair value.	Independent professional valuer
		Income Method	- Capitalisation rate	2017: 3.5% (2016: 3.5%)	The lower the capitalisation rate, the higher the fair value.	
Valley Park Condominium	**2,160** (2016: 2,000)	Direct Comparison Method	- Adopted value per square foot ("psf")	2017: $1,593 psf (2016: $1,475 psf)	The higher the adopted value, the higher the fair value.	Independent professional valuer

24. Trade and other payables

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Trade payables	**33,227**	37,868	**33,227**	37,868
Rental deposits received	**1,036**	571	**1,036**	571
Rental in advance	**1,152**	1,229	**1,152**	1,229
Provision for unutilised leave [Note 24(a)]	**163**	513	**163**	513
Provision for retirement benefits (Note 25)	**51**	97	**51**	97
Other creditors	**1,426**	1,561	**1,426**	1,561
Accrued royalty payable to immediate holding corporation	**1,348**	1,454	**1,348**	1,454
Accruals and other liabilities	**6,077**	3,893	**6,077**	3,884
	44,480	47,186	**44,480**	47,177
Non-current				
Rental deposits received	**2,655**	3,312	**2,655**	3,312
Provision for retirement benefits (Note 25)	**1,585**	1,933	**1,585**	1,933
	4,240	5,245	**4,240**	5,245

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

(a) Provision for unutilised leave

	The Group and The Company	
	2017	2016
	$'000	$'000
Beginning of financial year	**513**	850
Utilised during the year	**(56)**	(78)
Write back during the year	**(294)**	(259)
End of financial year	**163**	513

25. Provision for retirement benefits

	The Group and The Company	
	2017	2016
	$'000	$'000
Beginning of financial year	**2,030**	2,353
Utilised during the year	**(103)**	(547)
Charged to profit or loss as employee compensation	**129**	84
Actuarial (gain)/loss on retirement benefit obligation	**(420)**	140
End of financial year	**1,636**	2,030
Not later than one year	**51**	97
Later than one year	**1,585**	1,933
	1,636	2,030

The Company engaged an independent qualified actuary to calculate the defined benefit obligation using the Projected Unit Credit Method in 2016 and 2017 respectively. The present value of obligation calculated by the qualified actuary approximate to the carrying amount of the liabilities recorded by the Company.

The key assumptions used were as follows:

	The Group and The Company	
	2017	2016
	%	%
Discount rate	**1.80**	1.45
Salary growth rate	**0.50 - 3.00***	3.00
Turnover and early retirement rates by age groups	**0.00 - 40.00**	0.00 - 40.00

* 0.50% per annum for first three years and 3% thereafter

26. Provisions for other liabilities and charges

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

26. Provisions for other liabilities and charges (continued)

Movements in these provisions were as follows:

	The Group and The Company	
	2017	2016
	$'000	$'000
Beginning of financial year	**1,938**	1,866
Utilised during the year	**(98)**	–
Increase in provisions for other liabilities and charges	**90**	72
End of financial year	**1,930**	1,938

27. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**–**	(294)	**–**	–
Charged to profit or loss (Note 9)	**–**	294	**–**	–
End of financial year	**–**	–	**–**	–

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

The Group

Deferred income tax liabilities

	Accelerated tax depreciation	Other	Total
	$'000	**$'000**	**$'000**
At 1 January 2017	**51**	**292**	**343**
(Credited)/charged to profit or loss	(51)	61	10
At 31 December 2017	**–**	**353**	**353**
At 1 January 2016	**563**	**96**	**659**
(Credited)/charged to profit or loss	(512)	196	(316)
At 31 December 2016	**51**	**292**	**343**

27. Deferred income taxes (continued)

The Group (continued)

Deferred income tax assets

	Tax losses $'000	Provisions $'000	Total $'000
At 1 January 2017	**–**	**(343)**	**(343)**
Credited to profit or loss	–	(10)	(10)
At 31 December 2017	**–**	**(353)**	**(353)**
At 1 January 2016	**(625)**	**(328)**	**(953)**
Charged/(credited) to profit or loss	625	(15)	610
At 31 December 2016	**–**	**(343)**	**(343)**

The Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Other $'000	Total $'000
At 1 January 2017	**51**	**292**	**343**
(Credited)/charged to profit or loss	(51)	61	10
At 31 December 2017	**–**	**353**	**353**
At 1 January 2016	**563**	**96**	**659**
(Credited)/charged to profit or loss	(512)	196	(316)
At 31 December 2016	**51**	**292**	**343**

Deferred income tax assets

	Tax losses $'000	Provisions $'000	Total $'000
At 1 January 2017	**–**	**(343)**	**(343)**
Credited to profit or loss	–	(10)	(10)
At 31 December 2017	**–**	**(353)**	**(353)**
At 1 January 2016	**(331)**	**(328)**	**(659)**
Charged/(credited) to profit or loss	331	(15)	316
At 31 December 2016	**–**	**(343)**	**(343)**

28. Share capital

The Company's share capital comprises fully paid-up 41,250,000 (2016: 41,250,000) ordinary shares with no par value, amounting to a total of $91,710,000 (2016: $91,710,000).

29. General reserve

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

30. Fair value reserve

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**1,278**	1,278	**1,255**	1,258
Fair value gain/(loss) on financial assets, available-for-sale	**358**	–	**353**	(3)
Reclassification to profit or loss (Note 6)	**(28)**	–	**–**	–
End of financial year	**1,608**	1,278	**1,608**	1,255

31. Retained earnings

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

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

	The Company	
	2017	2016
	$'000	$'000
Beginning of financial year	**57,983**	64,736
Net profit/(loss) for the financial year	**8,794**	(4,690)
Dividend paid (Note 32)	**(2,063)**	(2,063)
End of financial year	**64,714**	57,983

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

32. Dividend

	The Group and The Company	
	2017	2016
	$'000	$'000
Ordinary dividend paid		
Final dividend of 5.0 cents (2016: final dividend of 5.0 cents) per share, in respect of the financial year ended 2016 (2016: financial year ended 31 December 2015)	**2,063**	2,063

The Directors have proposed a final dividend for the financial year ended 31 December 2017 of 5.0 cents per share amounting to $2,062,500 (2016: 5.0 cents per share amounting to $2,062,500). These financial statements do not reflect this proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

33. Immediate and ultimate holding corporation

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

34. Commitments

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

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

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

	The Group and The Company	
	2017	2016
	$'000	$'000
Not later than one year	**38,581**	38,381
Later than one year but not later than five years	**54,803**	87,319
	93,384	125,700

34. Commitments (continued)

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

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

	The Group and The Company	
	2017	2016
	$'000	$'000
Not later than one year	**12,770**	13,584
Later than one year but not later than five years	**18,792**	27,829
More than five years	**–**	1,699
	31,562	43,112

(c) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	The Group and The Company	
	2017	2016
	$'000	$'000
Investment property	**1,118**	2,120

35. Financial risk management

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

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

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

35. Financial risk management (continued)

(a) Market risk

(i) Currency risk

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

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

	SGD $'000	Yen $'000	MYR $'000	Others $'000	Total $'000
2017					
Financial assets:					
Cash and cash equivalents	57,409	315	–	3	57,727
Trade and other receivables	10,998	4	–	108	11,110
Other financial assets	66,253	–	1,697	–	67,950
	134,660	319	1,697	111	136,787
Financial liabilities:					
Trade and other payables	46,900	21	–	–	46,921
Net financial assets	**87,760**	**298**	**1,697**	**111**	**89,866**
Less: Net financial assets denominated in the respective entities' functional currencies	(87,760)	–	–	–	(87,760)
Currency exposure	**–**	**298**	**1,697**	**111**	**2,106**
2016					
Financial assets:					
Cash and cash equivalents	54,356	328	–	4	54,688
Trade and other receivables	12,464	4	–	71	12,539
Other financial assets	65,808	–	1,697	–	67,505
	132,628	332	1,697	75	134,732
Financial liabilities:					
Trade and other payables	49,872	–	–	16	49,888
Net financial assets	**82,756**	**332**	**1,697**	**59**	**84,844**
Less: Net financial assets denominated in the respective entities' functional currencies	(82,756)	–	–	–	(82,756)
Currency exposure	**–**	**332**	**1,697**	**59**	**2,088**

35. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

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

	SGD $'000	Yen $'000	MYR $'000	Others $'000	Total $'000
2017					
Financial assets:					
Cash and cash equivalents	57,278	315	-	3	57,596
Trade and other receivables	10,998	4	-	108	11,110
Other financial assets	66,253	-	1,697	-	67,950
	134,529	319	1,697	111	136,656
Financial liabilities:					
Trade and other payables	46,900	21	-	-	46,921
Net financial assets	**87,629**	**298**	**1,697**	**111**	**89,735**
Less: Net financial assets denominated in the entity's functional currency	(87,629)	-	-	-	(87,629)
Currency exposure	**-**	**298**	**1,697**	**111**	**2,106**
2016					
Financial assets:					
Cash and cash equivalents	42,328	328	-	4	42,660
Trade and other receivables	12,463	4	-	71	12,538
Other financial assets	65,782	-	1,697	-	67,479
	120,573	332	1,697	75	122,677
Financial liabilities:					
Trade and other payables	49,863	-	-	16	49,879
Net financial assets	**70,710**	**332**	**1,697**	**59**	**72,798**
Less: Net financial assets denominated in the entity's functional currency	(70,710)	-	-	-	(70,710)
Currency exposure	**-**	**332**	**1,697**	**59**	**2,088**

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

35. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

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

If prices for equity securities listed in Singapore change by 5% (2016: 5%) with all other variables, including the tax rate, being held constant, other comprehensive income will:

	Increase/(decrease)	
	2017	2016
	$'000	$'000
The Group		
- increase by	**108**	88
- decrease by	**(108)**	(88)
The Company		
- increase by	**108**	87
- decrease by	**(108)**	(87)

In 2017, if the market multiples for the investment in equity securities not traded in an active market were to change by 5%, the impact on other comprehensive income would be approximately $49,000. In 2016, if the estimated discount cash flows from investment in equity securities not traded in an active market were to change by 5%, the impact on other comprehensive income would be $85,000.

(iii) Cash flow and fair value interest rate risks

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

The Group has significant interest-bearing assets in the form of short-term fixed deposits with fixed interest rates ranging from 0.80% to 1.39% (2016: 0.80% to 1.11%) per annum and investments in bonds and notes issued by recognised financial institutions and local companies with fixed interest rates ranging from 2.22% to 7.00% (2016: 2.625 % to 7.20%) per annum. As the interest-bearing assets are at fixed rates, the Group's income is substantially independent of changes in cash flow interest rate risk.

35. Financial risk management (continued)

(a) Market risk (continued)

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

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

(b) Credit risk

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

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

The maximum exposure to credit risk for each class of financial asset is the carrying amount of that class of financial asset presented on the balance sheets, except that the Group and the Company hold rental deposits received from tenants (Note 24) against the trade receivables due from tenants.

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

	The Group		**The Company**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
By types of customers				
Related parties	**258**	196	**258**	196
Non-related parties	**10,852**	12,343	**10,852**	12,342
	11,110	12,539	**11,110**	12,538

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

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

35. Financial risk management (continued)

(b) Credit risk (continued)

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

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

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

	The Group and The Company	
	2017	2016
	$'000	$'000
Past due 3 months	**702**	862
Past due over 3 months	**217**	610
	919	1,472

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

	The Group and The Company	
	2017	2016
	$'000	$'000
Gross amount	**30**	80
Less: Allowance for impairment	**(30)**	(80)
	–	–
Beginning of financial year	**80**	80
Allowance made	**–**	15
Allowance utilised/written back	**(50)**	(15)
End of financial year	**30**	80

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

35. Financial risk management (continued)

(c) Liquidity risk

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

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

	Less than 1 year $'000	Between 1 and 2 years $'000
The Group		
At 31 December 2017		
Trade and other payables	**44,266**	**2,655**
At 31 December 2016		
Trade and other payables	46,576	3,312
The Company		
At 31 December 2017		
Trade and other payables	**44,266**	**2,655**
At 31 December 2016		
Trade and other payables	46,567	3,312

(d) Capital risk

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

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

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

The Group and the Company are not subjected to any externally imposed capital requirements for the financial years ended 31 December 2016 and 2017.

35. Financial risk management (continued)

(e) Fair value measurements

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

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
The Group				
2017				
Assets				
Financial assets, available-for-sale				
- Equity securities	**2,167**	**–**	**1,697**	**3,864**
Total assets	**2,167**	**–**	**1,697**	**3,864**
2016				
Assets				
Financial assets, available-for-sale				
- Equity securities	1,758	–	1,697	3,455
Total assets	**1,758**	**–**	**1,697**	**3,455**
The Company				
2017				
Assets				
Financial assets, available-for-sale				
- Equity securities	**2,167**	**–**	**1,697**	**3,864**
Total assets	**2,167**	**–**	**1,697**	**3,864**
2016				
Assets				
Financial assets, available-for-sale				
- Equity securities	1,732	–	1,697	3,429
Total assets	**1,732**	**–**	**1,697**	**3,429**

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

35. Financial risk management (continued)

(e) Fair value measurements (continued)

The financial instrument included in Level 3 comprises of an investment that does not have quoted prices from active markets for the fair value to be based on. In 2017, 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. In 2016, the fair value is measured using estimated cash flows that incorporated assumptions based on market conditions existing at the balance sheet date. The effect of a change in management's estimate on the market multiples (2016: discounted cash flows) for the unquoted equity securities is disclosed in Note 35(a)(ii).

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

	The Group and The Company	
	2017	2016
	$'000	$'000
Financial assets, available-for-sale		
Beginning and end of financial year	**1,697**	1,697
Total gains included in the comprehensive income for assets held at the end of financial year	**-**	-

(f) Financial instruments by category

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

	The Group		**The Company**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Loans and receivables	**75,234**	74,990	**75,103**	62,961
Financial liabilities at amortised cost	**46,921**	49,888	**46,921**	49,879

36. Related party transactions

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

(a) Sales and purchases of goods and services

	The Group	
	2017	2016
	$'000	$'000
Royalty payable to immediate holding corporation	**1,348**	1,454
Purchases from immediate holding corporation	**38**	41
Purchases from a fellow subsidiary	**231**	349
Technical fee receivable from an associated company	**99**	76

Outstanding balances with the immediate holding corporation and associated company as at 31 December 2017 arising from the sale/purchase of goods and services, are unsecured, interest-free and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 24, respectively.

(b) Key management's remuneration

The key management's remuneration is analysed as follows:

	The Group	
	2017	2016
	$'000	$'000
Key management of the Group		
- directors of the Company		
Wages and salaries	**406**	509
Central Provident Fund	**-**	10
Directors' fees	**178**	178
Other benefits	**119**	344
	703	1,041

37. Segment information

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

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

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

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

37. Segment information (continued)

Segment assets consist primarily of property, plant and equipment, inventories, receivables, investment property and exclude cash and cash equivalents, investment in an associated company, financial assets, held-to-maturity, financial assets, available-for-sale and other assets. Segment liabilities comprise payables and provisions. Capital expenditure comprises additions to property, plant and equipment and investment property.

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

	Retail $'000	Property $'000	Total consolidated $'000
The Group			
2017			
Segment revenue			
Sales to external customers	265,111	-	265,111
Rental income - Investment property	-	11,460	11,460
Other rental income	2,966	-	2,966
Segment result	(9,375)	5,938	(3,437)
Other income			5,295
Other gains			29
Share of profit of an associated company			225
Profit before taxation			2,112
Income tax credit			15
Net profit			2,127
Other segment items			
Capital expenditure	1,396	421	1,817
Depreciation	5,127	2,143	7,270
Assets and liabilities			
Segment assets	70,496	33,702	104,198
Unallocated assets:			
- Investment in an associated company			340
- Cash and cash equivalents			57,727
- Financial assets, held-to-maturity			57,689
- Financial assets, available-for-sale			3,864
- Others			17
Total consolidated assets			223,835
Segment liabilities	45,386	5,264	50,650
Total consolidated liabilities			50,650

37. Segment information (continued)

	Retail $'000	Property $'000	Total consolidated $'000
The Group			
2016			
Segment revenue			
Sales to external customers	286,494	-	286,494
Rental income - Investment properties	-	8,144	8,144
Other rental income	2,586	-	2,586
Gain from disposal of property	-	7,319	7,319
Segment result	(12,526)	10,306	(2,220)
Other income			4,770
Other gains			302
Share of profit of an associated company			79
Profit before taxation			2,931
Income tax expense			(362)
Net profit			2,569
Other segment items			
Capital expenditure	3,405	3,556	6,961
Depreciation	5,541	1,953	7,494
Assets and liabilities			
Segment assets*	78,334	33,836	112,170
Unallocated assets:			
- Investment in an associated company			124
- Cash and cash equivalents			54,688
- Financial assets, held-to-maturity			56,287
- Financial assets, available-for-sale			3,455
- Others			25
Total consolidated assets			226,749
Segment liabilities**	49,991	4,378	54,369
Total consolidated liabilities			54,369

* Following a review of the classification of the segment assets, $33,836,000 pertaining to investment property, trade receivables from the tenants in the investment property and other recoverables have been classified as segment assets of the Property segment.

** Following a review of the classification of the segment liabilities, $4,378,000 pertaining to rental deposits and prepaid rental from the tenants in the investment property have been classified as segment liabilities of the Property segment.

Geographical information

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

38. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted:

(a) FRS 109 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from contracts with customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new financial reporting framework from 1 January 2018 (Note 39). The new financial reporting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 39.

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

(b) FRS 115 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 *Construction contracts*, FRS 18 *Revenue*, and related interpretations.

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

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

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

The Group is required to adopt a new financial reporting framework from 1 January 2018 (Note 39). The new financial reporting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 39.

(c) INT FRS 122 *Foreign Currency Transactions and Advance Considerations* (effective for annual periods beginning on or after 1 January 2018)

INT FRS 122 *Foreign Currency Transactions and Advance Considerations* considers how to determine the date of the transactions when applying the standard on foreign currency transactions, FRS 21 *The Effect of Changes in Foreign Exchange Rates*. The Interpretation applies where the Group either pays or receives consideration in advance for foreign currency-denominated contracts.

For single upfront payment/receipt, the Interpretation states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The Group is required to adopt a new financial reporting framework from 1 January 2018 (Note 39). The new financial reporting framework has similar requirements of INT FRS 122. The Group does not expect a material impact on the financial statements upon adoption of the Interpretation.

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

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

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

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

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new financial reporting framework from 1 January 2018 (Note 39). The new financial reporting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

39. Adoption of SFRS(I)s

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is equivalent to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore Financial Reporting Standards (International)' ("SFRS(I)s") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I)s on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I)s for the quarter ended 31 March 2018 in May 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group will also concurrently apply new major SFRS(I) 9 *Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers*. The estimated impact arising from the adoption of SFRS(I)s on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) 1

The Group is required to retrospectively apply all SFRS(I)s effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. The Group plans to elect a relevant optional exemption and the exemption resulting in adjustment to the Group's financial statements prepared under SFRS(I)s is as follows:

39. Adoption of SFRS(I)s (continued)

(a) Application of SFRS(I) 1 (continued)

(i) Cumulative translation differences

The Group plans to elect to set the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I)s on 1 January 2017. As a result, currency translation reserve and retained earnings as at 1 January 2017 and 31 December 2017 was increased/reduced by $203,000 respectively.

(b) Adoption of SFRS(I) 9

The Group plans to elect to apply the short-term exemption under SFRS(I) 1 to adopt SFRS(I) 9 on 1 January 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) 9. Expected significant adjustments to the Group's balance sheet line items as a result of management's assessment are as follows:

- *Equity investments previously classified as AFS to FVOCI*

  The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as available-for-sale in other comprehensive income.

- *Reclassification from HTM to amortised cost*

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

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss model under SFRS(I) 9:

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

The Group does not expect a material change in the provision for impairment for the above financial assets from the application of the expected credit loss impairment model.

39. Adoption of SFRS(I)s (continued)

(c) Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively. The main adjustment is as follows:

(i) Principal versus agent considerations

When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). An entity determines whether it is a principal or an agent for each specified good or service promised to the customer.

An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. An entity is an agent if it does not control the specified good or service provided by another party before that good or service is transferred to the customer.

When (or as) an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

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

Accordingly, management has assessed that certain revenue which are currently recognised at the gross amount of the consideration received for the sale of goods (under certain arrangements) will be required to be recognised at the net amount of consideration retained by the Group after paying the relevant suppliers for the purchase of these goods. As a result, the comparative revenue and cost of sales for the financial year ended 31 December 2017 will be reduced by $196,064,000 and $147,696,000 respectively. Correspondingly, a consignment income of $48,368,000 will be disclosed for the comparative financial year ended 31 December 2017.

39. Adoption of SFRS(I)s (continued)

(d) Summary of provisional financial impact

The line items on the Group's financial statements that may be adjusted with significant impact arising from the adoption of SFRS(I)s as described above changes are summarised below:

	As at 31 Dec 2017 reported under SFRS	(Provisional) As at 1 Jan 2018 reported under SFRS(I)s	As at 1 Jan 17 reported under SFRS	(Provisional) As at 1 Jan 2017 reported under SFRS(I)s
	$'000	$'000	$'000	$'000
Financial assets, available-for-sale	3,864	-	3,455	3,455
Financial assets, at FVOCI	-	3,864	-	-
Financial assets, held-to-maturity	57,689	-	56,287	56,287
Other investments at amortised cost	-	57,689	-	-
Currency translation reserve	(212)	(9)	(203)	-
Retained earnings	62,799	62,596	62,735	62,532

40. 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 9 March 2018.

Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual

(a) Material contracts

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

(b) Directors' and Key Executives' Remuneration

(i) Breakdown of Directors' remuneration (in percentage terms) for the period from 1 January 2017 to 31 December 2017:

	Directors	Fees/ Salary %	Bonus %	Share options %	Other benefits %	Total %
		Remuneration band from S$250,000 to $$499,999				
1	Toshifumi Hashizume (Managing Director)	82.90	-	-	17.10	100
		Remuneration band below S$250,000				
2	Toshihiko Nakagome (Chairman) (appointed on 1 April 2017)	-	-	-	-	-
3	Koay Bee Fong	62.98	7.74	-	29.28	100
4	Chey Chor Wai	100.00	-	-	-	100
5	Lim Bee Choo	100.00	-	-	-	100
6	Victor Yeo Chuan Seng	100.00	-	-	-	100
7	Jun Yokoyama (stepped down on 28 April 2017)	-	-	-	-	-

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

Number of directors of the Company in remuneration bands:

	2017	2016
$0 - $249,999	**6**	10
$250,000 - $499,999	**1**	-
Total	**7***	10**

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

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

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

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

Number of key executives of the Company in remuneration band:

	2017	2016
Below $250,000	**10**	10
Total	**10**	10

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

(c) Auditor's remuneration

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

	The Group	
	2017	2016
	$'000	$'000
Auditor's remuneration paid/payable		
- current year	**177**	182
Other fees paid/payable for non-audit services rendered	**94**	80

(d) Appointment of auditors

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

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

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

(f) Internal controls

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

(g) Property, plant and equipment

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

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

(h) Investment property

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

(i) Treasury shares

There were no treasury shares held as at 31 December 2017 and 31 December 2016.

(j) Dealing in Securities

Please refer to information disclosed in the Corporate Governance Report under Principle 1, on page 19.

(k) Interested person transactions

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 each)			
	Transactions not conducted under shareholders' mandate pursuant to Rule 920		Transactions conducted under shareholders' mandate pursuant to Rule 920	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Name of interested person				
Isetan Mitsukoshi Ltd	**1,348**	1,454	**–**	–
Isetan Mitsukoshi Italia SRL	**231**	349	**–**	–
Chengdu Isetan Company Limited	**107**	*	**–**	–

* Amount is less than $100,000

ADDITIONAL DISCLOSURE **REQUIREMENTS**

For the financial year ended 31 December 2017

(I) Sustainability Reporting

Isetan Singapore Limited is committed towards embedding sustainable business practices and being a responsible corporate citizen. We believe in creating shared value for our stakeholders and improving the impact of our business on society and the environment. The Company is preparing the Sustainability Reporting (SR) for the financial year ended 31 December 2017 with reference to the Global Reporting Initiative Standards and in accordance to the SGX Sustainability Reporting Guide. The report will cover the Company's policies, practices, initiatives, performance and goals in relation to Material, Environmental, Social and Governance factors. The Company expects to issue the SR by 31 December 2018.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2018

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 has no treasury shares and there are 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 16 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 to 99	29	2.93	680	0.00
100 to 1,000	205	20.71	154,085	0.37
1,001 to 10,000	629	63.54	1,914,160	4.64
10,001 to 1,000,000	123	12.42	10,723,375	26.00
1,000,001 AND ABOVE	4	0.40	28,457,700	68.99
TOTAL	990	100.00	41,250,000	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2018

	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.

STATISTICS OF **SHAREHOLDINGS**

As at 16 March 2018

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

TOP 20 SHAREHOLDERS AS AT 16 MARCH 2018

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	1,710,200	4.15
4	YAP BOH SIM	1,560,000	3.78
5	CITIBANK NOMINEES SINGAPORE PTE LTD	979,000	2.37
6	DBS NOMINEES PTE LTD	863,705	2.09
7	THE BANK OF TOKYO-MITSUBISHI UFJ , LTD. SINGAPORE BRANCH	850,000	2.06
8	PHILLIP SECURITIES PTE LTD	760,849	1.84
9	LEONG WAH KHEONG	528,000	1.28
10	CHEONG FOONG YIM CHRISTINA	520,000	1.26
11	LEE YUEN SHIH	362,250	0.88
12	WEE AIK KOON PTE LTD	316,250	0.77
13	LEONG CHAO SEONG	293,900	0.71
14	UNITED OVERSEAS BANK NOMINEES PTE LTD	258,170	0.63
15	LEONG JULIA (MRS HOW JULIA)	210,000	0.51
16	CGS- CIMB SECURITIES (SINGAPORE) PTE LTD	197,278	0.48
17	CHUA KUAN LIM CHARLES	179,900	0.44
18	THIA CHENG SONG	175,000	0.42
19	CHENG GOOD HIANG	157,000	0.38
20	KOH JUNE LEE	135,000	0.33
	TOTAL	35,244,002	85.44

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 issued by Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting ("**AGM**") of the Company will be held at the Furama RiverFront, Venus 1, Level 3, 405 Havelock Road, Singapore 169633 on Friday, 27 April 2018 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 2017 together with Auditor's Report thereon. **Resolution 1**

2. To re-elect Ms. Lim Bee Choo as a Director who will be retiring under Article 95 of the Company's Constitution, and who, being eligible, has offered herself for re-election. **Resolution 2**

   (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 Bee Choo 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 Mr. Victor Yeo Chuan Seng as a Director who will be retiring under Article 95 of the Company's Constitution, and who, being eligible, has offered himself for re-election. **Resolution 3**

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

4. To declare a final dividend of 5.0 cents per share in respect of the financial year ended 31 December 2017. **Resolution 4**

5. To approve the payment of Directors' fees of up to S$180,000/- for the financial year ending 31 December 2018 (payable quarterly in arrears) (for the financial year ended 31 December 2017: S$180,000). **Resolution 5**

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

7. 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

4 April 2018

NOTICE OF
ANNUAL GENERAL MEETING

Notes:

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

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

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

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

NOTICE OF **BOOKS CLOSURE**

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 11 May 2018 for the purpose of determining Members' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on 27 April 2018.

Duly completed registrable transfer of shares in the Company (the "**Shares**") received up to the close of business at 5.00 p.m. on 10 May 2018 by the Company's Share Registrar, M&C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, will be registered to determine Members' entitlements to such dividend. Subject to the aforesaid, members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with the Shares as at 10 May 2018 will be entitled to such proposed dividend.

The proposed dividend, if approved at the Annual General Meeting, will be paid on 18 May 2018.

BY ORDER OF THE BOARD

LUN CHEE LEONG
Company Secretary

Singapore

4 April 2018

CORPORATE DIRECTORY

OUR STORES

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

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

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

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

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

INVESTMENT PROPERTY

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

HEADQUARTERS

Isetan (Singapore) Limited

Isetan Office Building
593 Havelock Road
#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

SUBSIDIARY COMPANY

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

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

ISETAN (SINGAPORE) LIMITED

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy shares in Isetan (Singapore) Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/ SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 April 2018.

PROXY FORM

Annual General Meeting to be held on 27 April 2018 at 10.00 a.m.
(Venue: Furama Riverfront, Singapore, Venus 1, Level 3, 405 Havelock Road, Singapore 169633)
(Before completing this form please see notes overleaf)

I/We, _____ (NRIC No./Passport No: _____)

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

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 27 April 2018 and at any adjournment thereof in the manner indicated below:

No.	Resolution	For	Against
1	Adoption of Directors' Statement and Accounts		
2	Re-election of Ms. Lim Bee Choo as Director under Article 95		
3	Re-election of Mr. Victor Yeo Chuan Seng as Director under Article 95		
4	Declaration of Final Dividend of 5.0 cents per share		
5	Approval of Directors' Fees for the financial year ending 31 December 2018 of up to S$180,000/-		
6	Re-appointment of PricewaterhouseCoopers LLP as Auditors and authorise the Directors to fix their remuneration		

Signed this _____ day of _____ 2018

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

_____
Signature(s) of Shareholder(s)

(Please see overleaf for Notes)

Notes:

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

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

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

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

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

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

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

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

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

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

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

9. Please refer to the notes set out in the Notice of Annual General Meeting dated 4 April 2018 ("**Notice of AGM**"). By submitting an instrument appointing a proxy or proxies, the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

Company Registration No: 197001177H

593 Havelock Road #04-01
Isetan Office Building, Singapore 169641
Telephone : (65) 6732 8866
Website : www.isetan.com.sg
Email : isetansin@isetan.com.sg