

ISETAN (SINGAPORE) LIMITED

Co. Reg. No. 197001177H

Third Quarter Financial Statement and Dividend Announcement for the period ended 30 September 2018
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS
1(a)(i) An income statement and statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.
Consolidated Income Statement for the financial period ended 30 September 2018

	<u>Group</u>		+ / (-) %
	30.09.2018 S'000	30.09.2017 S'000 (Restated*)	
Revenue	29,141	30,635	(4.88)
Other income	1,867	1,381	35.19
Other gains	29	27	7.41
Expenses			
- Changes in inventories of finished goods	74	(545)	N.M.
- Purchases of inventories and related costs	(11,345)	(11,421)	(0.67)
- Employee compensation	(4,257)	(4,574)	(6.93)
- Depreciation expense	(1,701)	(1,811)	(6.07)
- Rental expense	(9,434)	(9,873)	(4.45)
- Other expenses	(4,939)	(4,807)	2.75
Total expenses	<u>(31,602)</u>	<u>(33,031)</u>	(4.33)
Share of profit of an associated company	<u>90</u>	<u>97</u>	(7.22)
Loss before income tax	(475)	(891)	(46.69)
Income tax expense	<u>-</u>	<u>-</u>	N.M.
Net loss after tax for the financial period	<u>(475)</u>	<u>(891)</u>	(46.69)
Attributable to :			
Equity holders of the Company	<u>(475)</u>	<u>(891)</u>	(46.69)

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

N.M. Not meaningful

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

	<u>Group</u>		+ / (-) %
	30.09.2018 S'000	30.09.2017 S'000 (Restated)	
Loss for the financial period	(475)	(891)	(46.69)
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale			
- Fair value gain	-	10	N.M.
Currency translation differences arising from consolidation			
- (Loss)/gain	(6)	1	N.M.
Item that will not be reclassified subsequently to profit or loss:			
Financial assets, fair value through other comprehensive income			
- Fair value gain	2	-	N.M.
Other comprehensive (loss) / income, net of tax	<u>(4)</u>	<u>11</u>	N.M.
Total comprehensive loss for the financial period	<u>(479)</u>	<u>(880)</u>	(45.57)
Total comprehensive loss attributable to :			
Equity holders of the Company	<u>(479)</u>	<u>(880)</u>	(45.57)

N.M. Not meaningful

Additional Disclosure

(i)	Group		+ / (-) %
	30.09.2018 \$'000	30.09.2017 \$'000 (Restated)	
Revenue			
- Sale of goods	15,742	16,735	(5.93)
- Consignment income	10,860	11,192	(2.97)
- Rental income	2,539	2,708	(6.24)
	29,141	30,635	(4.88)
Other income			
- Dividend income	2	1	100.00
- Other rental income	961	703	36.70
- Interest income	782	619	26.33
- Sundry income	122	58	110.34

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

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

Balance Sheets as at 30 September 2018

	Group		Company	
	30.09.2018 \$'000	31.12.2017 \$'000 (Restated)	30.09.2018 \$'000	31.12.2017 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	37,621	57,727	37,621	57,596
Trade and other receivables	8,670	10,663	8,670	10,663
Financial assets, held-to-maturity	-	4,508	-	4,508
Other investments at amortised cost	5,525	-	5,525	-
Inventories	10,367	10,020	10,367	10,020
Other current assets	3,271	2,878	3,271	2,878
	65,454	85,796	65,454	85,665
Non-current assets				
Other receivables	417	447	417	447
Financial assets, available-for-sale	-	3,864	-	3,864
Financial assets, fair value through other comprehensive income	3,806	-	3,806	-
Financial assets, held-to-maturity	-	53,181	-	53,181
Other investments at amortised cost	65,218	-	65,218	-
Club memberships	217	236	217	236
Investment in an associated company	1,512	340	3,517	2,598
Investment in a subsidiary	-	-	-	*
Rental deposits	6,313	6,356	6,313	6,356
Investment property	28,578	29,689	28,578	29,689
Property, plant and equipment	40,575	43,926	40,575	43,926
	146,636	138,039	148,641	140,297
Total assets	212,090	223,835	214,095	225,962
LIABILITIES				
Current liabilities				
Trade and other payables	35,497	44,480	35,497	44,480
	35,497	44,480	35,497	44,480
Non-current liabilities				
Trade and other payables	4,239	4,240	4,239	4,240
Provisions for other liabilities and charges	1,985	1,930	1,985	1,930
	6,224	6,170	6,224	6,170
Total liabilities	41,721	50,650	41,721	50,650
NET ASSETS	170,369	173,185	172,374	175,312
EQUITY				
Share capital	91,710	91,710	91,710	91,710
General reserve	17,000	17,000	17,000	17,000
Fair value reserve	1,545	1,608	1,545	1,608
Currency translation reserve	(15)	(9)	-	-
Other reserves	280	280	280	280
Retained earnings	59,849	62,596	61,839	64,714
Total equity	170,369	173,185	172,374	175,312

* Amount is less than \$1,000

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

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

Amount repayable in one year or less, or on demand

As at 30.09.18		As at 31.12.17	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 30.09.18		As at 31.12.17	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable.

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

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

	Group	
	30.09.2018	30.09.2017
	\$'000	\$'000
Cash flows from operating activities		
Loss before income tax	(475)	(891)
Adjustments for:		
Depreciation expense	1,701	1,811
Amortisation of capitalised letting fees	17	23
Property, plant and equipment written off	-	23
Loss on early redemption by issuers of financial assets, held-to-maturity	-	1
Gain in disposal of club memberships	(27)	-
Interest income	(782)	(619)
Increase in provisions for other liabilities and charges	19	19
Dividend income	(2)	(1)
Share of profit of an associated company	(90)	(97)
	361	269
Changes in working capital		
Trade and other receivables	490	339
Inventories	(74)	545
Other assets and rental deposits	476	(1,246)
Trade and other payables	600	7
Cash generated from / (used in) operations	1,853	(86)
Net cash provided by / (used in) operating activities	1,853	(86)
Cash flows from investing activities		
Proceeds from disposal of club membership	45	-
Payments for property, plant and equipment	(162)	(381)
Payments for investment property	(24)	(171)
Payments for letting fees	-	(28)
Purchases of other investments at amortised cost and financial assets, held-to-maturity	(5,526)	(3,395)
Proceeds from maturity / early redemption by issuers of other investments at amortised cost and financial assets, held-to-maturity	250	5,250
Interest received	491	465
Dividend received	2	1
Net repayments from employee	18	47
Net cash (used in) / provided by investing activities	(4,906)	1,788
Net (decrease) / increase in cash and cash equivalents	(3,053)	1,702
Cash and cash equivalents at beginning of the financial period	40,674	54,768
Cash and cash equivalents at end of the financial period	37,621	56,470

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

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

	Share capital S'000	General reserve S'000	Fair value reserve S'000	Currency translation reserve S'000	Other reserves S'000	Retained earnings S'000	Total S'000
Group							
Balance at 1 July 2018	91,710	17,000	1,543	(9)	280	60,324	170,848
Total comprehensive income / (loss) for the period	-	-	2	(6)	-	(475)	(479)
Balance at 30 September 2018	91,710	17,000	1,545	(15)	280	59,849	170,369
Balance at 1 July 2017 (as previously reported)	91,710	17,000	1,541	(215)	(140)	61,007	170,903
Adoption of SFRS(I) 1	-	-	-	203	-	(203)	-
Balance at 1 July 2017 (restated)	91,710	17,000	1,541	(12)	(140)	60,804	170,903
Total comprehensive income / (loss) for the period	-	-	10	1	-	(891)	(880)
Balance at 30 September 2017	91,710	17,000	1,551	(11)	(140)	59,913	170,023
Company							
Balance at 1 July 2018	91,710	17,000	1,543	-	280	62,404	172,937
Total comprehensive income / (loss) for the period	-	-	2	-	-	(565)	(563)
Balance at 30 September 2018	91,710	17,000	1,545	-	280	61,839	172,374
Balance at 1 July 2017	91,710	17,000	1,513	-	(140)	56,100	166,183
Total comprehensive income for the period	-	-	38	-	-	5,959	5,997
Balance at 30 September 2017	91,710	17,000	1,551	-	(140)	62,059	172,180

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

Not applicable.

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

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

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

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

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

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

Not applicable.

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

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

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

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

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

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

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

(2) Adoption of SFRS(I)s

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

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

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

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

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

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

(a) Classification and measurement

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

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

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

- Reclassification from HTM to amortised cost

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

(b) Impairment of financial assets

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

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

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

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

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

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

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

(a) Principal versus agent considerations

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

Certain revenue pertaining to consignment sales which were recognised at the gross amount of the consideration received for the sale of goods prior to the adoption of SFRS(I) 15 would have to be recognised at the net amount of consideration retained by the Group after paying the relevant suppliers for the purchase of these goods when SFRS(I) 15 is applied. Accordingly, the comparative revenue and cost of sales for the quarter ended 30 September 2017 are both reduced by \$34.301 million. A consignment income of \$11.192 million is disclosed for the comparative quarter ended 30 September 2017.

Impact on the comparatives for the Third Quarter 2018 Financial Information

The financial effects of adopting SFRS(1)s are as follows:

	Third Quarter 30.09.18 S'000	Nine Months 30.09.18 S'000
Group Profit and Loss Account		
Decrease in revenue	(34,301)	(106,936)
Decrease in purchases of inventories and related costs	34,301	106,936
Movement in net profit for the period	-	-

	As at 01.01.2018 reported under SFRS(1)s S'000	As at 31.12.2017 reported under SFRS* S'000	As at 01.01.2017 reported under SFRS(1)s S'000	As at 01.01.2017 reported under SFRS* S'000
Group Balance Sheets				
Financial assets, available-for-sale	-	3,864	3,455	3,455
Financial assets, at FVOCI	3,864	-	-	-
Financial assets, held-to-maturity	-	57,689	56,287	56,287
Other investments at amortised cost	57,689	-	-	-
Currency translation reserve	(9)	(212)	-	(203)
Retained earnings	62,596	62,799	62,532	62,735

* Singapore Financial Reporting Standards

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

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

	<u>Group</u> 30.09.2018	30.09.2017
Loss per ordinary share for the financial period based on net loss attributable to shareholders :-		
(i) Based on weighted average number of ordinary shares in issue (cents)+	(1.15)	(2.16)
(ii) On a fully diluted basis (cents)++	(1.15)	(2.16)

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

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

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

(a) current financial period reported on; and

(b) immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Net asset value per ordinary share based on issued share capital at the end of financial period / year	\$4.13	\$4.20	\$4.18	\$4.25

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

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

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

Review of Group Performance

Group revenue for the period ended 30 September 2018 ("Q3 2018") was \$29.141 million, a decrease of 4.88% over the corresponding period ("Q3 2017"). The decrease in Group revenue was due to the lower sale of goods from the retail segment, lower consignment income and lower rental revenue from the Isetan Wisma Atria investment property ("investment property").

The Group recorded a lower net loss of \$0.475 million in Q3 2018 as compared to a net loss of \$0.891 million in Q3 2017. This was mainly due to the incurring of lower rental expense and employee compensation in Q3 2018.

As compared to 31 December 2017, cash and cash equivalents decreased mainly due to the net purchases of other investments at amortised cost and financial assets, held-to-maturity and additional capital contribution in an associated company. Under current assets, trade and other receivables decreased mainly due to settlement by trade debtors. Other current assets increased due to higher prepayment. Under non-current assets, other investments at amortised cost (classified as HTMs at 31 December 2017) increased mainly due to new purchases of this class of assets. Under current liabilities, trade and other payables decreased due to settlement of amounts owing to trade and other creditors.

Under cash flows from operating activities, there was a cash inflow in Q3 2018 as compared to a cash outflow in Q3 2017. The net cash inflow in Q3 2018 was mainly due to lower amount of prepayment, lower settlement amount of trade and other payables and higher collection from trade and other receivables in Q3 2018. Under cash flows from investing activities, higher net purchases of other investments at amortised cost in Q3 2018 contributed to a cash outflow as compared to a cash inflow in Q3 2017.

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

No forecast was made previously.

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

According to the Government, the trade friction between the United States and several of its trade partners could have a negative spillover effect on the Singapore economy in the latter part of 2018 and beyond. However, the sustained improvement in the labour market should provide some uplift to the domestic-oriented industries, albeit an uneven one due to the ongoing structural changes. Thus, the Group's outlook for the next reporting period and next 12 months remains cautious and that the retail sector will remain highly competitive. The Group will, therefore, keep a tight rein on its operating expenses and focus on organic growth with initiatives like expanding its e-commerce business, recruiting and retaining its loyalty card members, and drawing in more customers through refurbishments of its stores.

11. Dividend

(a) Current Financial Year Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared.

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

No IPT mandate has been obtained.

14. Negative confirmation pursuant to Rule 705(5)

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

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

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

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

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

Not applicable.

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

Not applicable.

18. A breakdown of sales.

Not applicable.

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

Not applicable.

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

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

BY ORDER OF THE BOARD

Lun Chee Leong
Company Secretary
13-Nov-18