



## Soo Kee Group Ltd.

(Company Registration No.: 201214694Z)

(Incorporated in the Republic of Singapore on 13 June 2012)

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### UNAUDITED SECOND QUARTER AND HALF-YEAR FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

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*Soo Kee Group Ltd. (the “Company”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 20 August 2015. The initial public offering (the “IPO”) of the Company was sponsored by United Overseas Bank Limited (the “Sponsor”).*

*This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor, for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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#### **Background**

The Company was incorporated in the Republic of Singapore on 13 June 2012 under the Companies Act (Chapter 50) of Singapore as a private limited company under the name of “Soo Kee Group Pte. Ltd.”. On 3 August 2015, the Company changed its name to “Soo Kee Group Ltd.” in conjunction with its conversion to a public company limited by shares.

The group comprising the Company and its subsidiaries (the “**Group**”) was formed pursuant to a restructuring exercise (the “**Restructuring Exercise**”) undertaken as part of its corporate re-organisation, which involved the rationalisation of its corporate and shareholding structure for the purposes of the Company’s listing on Catalist. Please refer to the Company’s offer document dated 11 August 2015 (the “**Offer Document**”) for further details on the Restructuring Exercise.

For the purpose of this announcement, the results of the Group for the second quarter ended 30 June 2015 (“**Q2-2015**”) with the comparative results of the Group for the second quarter ended 30 June 2014 (“**Q2-2014**”) and the results of the Group for the six-month period ended 30 June 2015 (“**1H-2015**”) with the comparative results of the Group for the six-month period ended 30 June 2014 (“**1H-2014**”) have been prepared on the assumption that the group structure following the completion of the Restructuring Exercise has been in place since 1 January 2014.

**PART 1 - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS**

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

**CONSOLIDATED / COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Group					
	Q2-2015 S\$'000	Q2-2014 S\$'000	Change %	1H-2015 S\$'000	1H-2014 S\$'000	Change %
<b>Revenue</b>	30,426	30,605	(0.6)	65,329	66,001	(1.0)
<b>Other items of income</b>						
Other gains	61	90	(32.2)	425	303	40.3
<b>Other items of expense</b>						
Material costs	(15,612)	(14,876)	4.9	(33,518)	(35,149)	(4.6)
Employee benefits expense	(4,402)	(4,514)	(2.5)	(9,003)	(8,447)	6.6
Depreciation expense	(554)	(650)	(14.8)	(1,082)	(1,389)	(22.1)
Other losses	(21)	(190)	(88.9)	(562)	(371)	51.5
Finance costs	(121)	(173)	(30.1)	(255)	(342)	(25.4)
Other expenses	(7,362)	(7,299)	0.9	(14,771)	(15,098)	(2.2)
<b>Profit before tax</b>	<b>2,415</b>	<b>2,993</b>	<b>(19.3)</b>	<b>6,563</b>	<b>5,508</b>	<b>19.2</b>
Income tax expense	(441)	(651)	(32.3)	(1,201)	(1,182)	1.6
<b>Profit, net of tax</b>	<b>1,974</b>	<b>2,342</b>	<b>(15.7)</b>	<b>5,362</b>	<b>4,326</b>	<b>23.9</b>
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Exchange differences on translating foreign operations, net of tax	(142)	35	NM	(344)	(27)	1,174.1
<b>Other comprehensive income for the period, net of tax</b>	<b>(142)</b>	<b>35</b>	<b>NM</b>	<b>(344)</b>	<b>(27)</b>	<b>1,174.1</b>
<b>Total comprehensive income</b>	<b>1,832</b>	<b>2,377</b>	<b>(22.9)</b>	<b>5,018</b>	<b>4,299</b>	<b>16.7</b>
<b>Attributable to:</b>						
Equity holders of the Company	1,832	2,377	(22.9)	5,018	4,299	16.7

NM: Not meaningful

**1(a)(ii) Notes to consolidated / combined statements of profit or loss and other comprehensive income**

The Group's profit before tax was arrived at after charging/(crediting) the following:

	Group					
	Q2-2015 S\$'000	Q2-2014 S\$'000	Change %	1H-2015 S\$'000	1H-2014 S\$'000	Change %
Central support service income	(49)	(45)	8.9	(95)	(90)	5.6
Foreign exchange adjustment losses	21	155	(86.5)	562	78	620.5
Insurance compensation	(1)	(4)	(75.0)	(2)	(4)	(50.0)
Inventories written down	-	4	NM	-	4	NM
Loss on derivative instruments	-	-	-	-	248	NM
Loss/(gain) on disposal of property, plant and equipment	-	31	NM	(38)	41	NM
Miscellaneous income	(11)	(19)	(42.1)	(290)	(157)	84.7
Rental income	-	(22)	NM	-	(52)	NM

NM: Not meaningful

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.

**STATEMENTS OF FINANCIAL POSITION**

	Group		Company	
	As at 30 June 2015 S\$'000	As at 31 December 2014 S\$'000	As at 30 June 2015 S\$'000	As at 31 December 2014 S\$'000
<b>Assets</b>				
<b><u>Non-current assets</u></b>				
Property, plant and equipment	23,161	11,130	-	-
Investment in subsidiaries	-	-	9,749	-
Investment in associates	2	2	-	-
Other financial asset	30	-	-	-
Deferred tax assets	158	168	-	-
Other assets, non-current	6,015	6,015	-	-
<b>Total non-current assets</b>	<b>29,366</b>	<b>17,315</b>	<b>9,749</b>	<b>-</b>
<b><u>Current assets</u></b>				
Inventories	52,825	51,821	-	-
Trade and other receivables, current	1,932	2,425	-	-
Other assets, current	6,500	5,811	-	-
Cash and cash equivalents	6,848	8,535	-	++
<b>Total current assets</b>	<b>68,105</b>	<b>68,592</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>97,471</b>	<b>85,907</b>	<b>9,749</b>	<b>-</b>
<b>Equity and liabilities</b>				
<b><u>Equity</u></b>				
Share capital	9,749	1,572	9,749	++
Retained earnings/(accumulated losses)	5,353	28,691	(6)	(6)
Foreign currency translation reserve	(344)	(523)	-	-
<b>Total equity</b>	<b>14,758</b>	<b>29,740</b>	<b>9,743</b>	<b>(6)</b>
<b><u>Non-current liabilities</u></b>				
Deferred tax liabilities	160	160	-	-
Other financial liabilities, non-current	26,013	699	-	-
Other liabilities, non-current	1,012	1,076	-	-
<b>Total non-current liabilities</b>	<b>27,185</b>	<b>1,935</b>	<b>-</b>	<b>-</b>
<b><u>Current liabilities</u></b>				
Income tax payables	2,410	2,299	-	-
Trade and other payables, current	15,729	24,222	6	6
Other financial liabilities, current	35,639	26,546	-	-
Other liabilities, current	1,750	1,165	-	-
<b>Total current liabilities</b>	<b>55,528</b>	<b>54,232</b>	<b>6</b>	<b>6</b>
<b>Total liabilities</b>	<b>82,713</b>	<b>56,167</b>	<b>6</b>	<b>6</b>
<b>Total equity and liabilities</b>	<b>97,471</b>	<b>85,907</b>	<b>9,749</b>	<b>-</b>

++ Amount less than S\$1,000

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

Amount repayable by the Group in one year or less, or on demand

As at 30 June 2015		As at 31 December 2014	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
32,063	3,576	26,546	-

Amount repayable by the Group after one year

As at 30 June 2015		As at 31 December 2014	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
11,520	14,493	699	-

Details of collaterals

The Group's credit facilities are secured by one or several of, *inter alia*,

- (a) Personal guarantees from Mr. Lim Yong Guan, Mr. Lim Yong Sheng and Mdm. Lim Liang Eng;
- (b) Corporate guarantees from SKJ Group Pte. Ltd. and/or SK Jewellery Pte. Ltd.;
- (c) Legal mortgages over properties owned by SK Properties Pte. Ltd.;
- (d) Assignment of, *inter alia*, all rights, title, interests and benefits arising out of the building agreement in respect of the Changi Business Park Land (as defined in the Offer Document); and
- (e) Assignment of, *inter alia*, all rights, title, interests and benefits arising out of, *inter alia*, all present and future leases of the Changi Business Park Headquarters (as defined in the Offer Document) of any units or part thereof.

The Group's hire purchase facilities are secured against the respective motor vehicles.

The Group's unsecured credit facilities comprise the Directors' Loans (as defined in the Offer Document).

- 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 / COMBINED STATEMENTS OF CASH FLOWS**

	<b>Q2-2015 S\$'000</b>	<b>Q2-2014 S\$'000</b>	<b>1H-2015 S\$'000</b>	<b>1H-2014 S\$'000</b>
<b><u>Cash flows from operating activities</u></b>				
Profit before tax	2,415	2,993	6,563	5,508
Adjustments for:				
Depreciation of property, plant and equipment	554	650	1,082	1,389
Interest expense	121	173	255	591
Loss/(gain) on disposal of property, plant and equipment	-	31	(38)	41
Net effect of foreign exchange rate changes in consolidating foreign subsidiaries	(171)	30	(288)	(17)
Operating cash flows before changes in working capital	2,919	3,877	7,574	7,512
Inventories	1,835	196	(1,004)	(1,463)
Trade and other receivables, current	487	2,156	493	(15)
Other assets, current	(136)	25	(689)	(447)
Trade and other payables, current	5,439	(2,465)	(93)	(9,455)
Other liabilities	861	(250)	521	5,342
Net cash flows from operations	11,405	3,539	6,802	1,474
Income taxes paid	(1,026)	(1,415)	(1,078)	(571)
Net cash flows from operating activities	10,379	2,124	5,724	903
<b><u>Cash flows from investing activities</u></b>				
Purchase of other financial asset	(30)	-	(30)	-
Purchase of property, plant and equipment	(7,985)	(1,496)	(12,943)	(2,590)
Disposal of property, plant and equipment	(10)	(49)	39	23
Net cash flows used in investing activities	(8,025)	(1,545)	(12,934)	(2,567)
<b><u>Cash flows from financing activities</u></b>				
Increase from new borrowings	15,359	-	27,882	2,713
Increase/(decrease) in other financial liabilities	1,340	(4,746)	(2,043)	(3,918)
Finance lease repayments	(15)	(11)	(23)	(25)
Net movement in amounts due to directors	(12)	2,185	(38)	2,186
Interest paid	(121)	(173)	(255)	(591)
Dividends paid	(20,000)	(1,035)	(20,000)	(2,638)
Net cash flows (used in)/from financing activities	(3,449)	(3,780)	5,523	(2,273)

<b>Net decrease in cash and cash equivalents</b>	(1,095)	(3,201)	(1,687)	(3,937)
Cash and cash equivalents, statement of cash flows, beginning balance	7,943	7,483	8,535	8,219
<b>Cash and cash equivalents, statement of cash flows, ending balance</b>	<b>6,848</b>	<b>4,282</b>	<b>6,848</b>	<b>4,282</b>

- 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.

#### STATEMENTS OF CHANGES IN EQUITY

Group	Total Equity S\$'000	Share Capital S\$'000	Retained Earnings S\$'000	Foreign Currency Translation Reserve S\$'000
<b>Balance as at 1 January 2015</b>	<b>29,740</b>	<b>1,572</b>	<b>28,691</b>	<b>(523)</b>
Dividends paid	(20,000)	-	(20,000)	-
Share swap pursuant to the Restructuring Exercise	(9,749)	(1,572)	(8,700)	523
	(9)	-	(9)	-
Issuance of shares pursuant to the acquisition of subsidiaries as part of the Restructuring Exercise	9,749	9,749	-	-
Total comprehensive income/(loss) for the period	5,018	-	5,362	(344)
<b>Balance as at 30 June 2015</b>	<b>14,758</b>	<b>9,749</b>	<b>5,353</b>	<b>(344)</b>
<b>Balance as at 1 January 2014</b>	<b>21,761</b>	<b>1,572</b>	<b>20,523</b>	<b>(334)</b>
Total comprehensive income/(loss) for the period	4,299	-	4,326	(27)
Dividends paid	(2,638)	-	(2,638)	-
<b>Balance as at 30 June 2014</b>	<b>23,422</b>	<b>1,572</b>	<b>22,211</b>	<b>(361)</b>

Company	Total Equity S\$'000	Share Capital S\$'000	Accumulated Losses S\$'000
<b>Balance as at 1 January 2015</b>	(6)	++	(6)
Total comprehensive loss for the period	-	-	-
Issuance of shares pursuant to the acquisition of subsidiaries as part of the Restructuring Exercise	9,749	9,749	-
<b>Balance as at 30 June 2015</b>	<b>9,743</b>	<b>9,749</b>	<b>(6)</b>
<b>Balance as at 1 January 2014</b>	(5)	++	(5)
Total comprehensive loss for the period	(1)	-	(1)
<b>Balance as at 30 June 2014</b>	<b>(6)</b>	-	<b>(6)</b>

++ Amount less than S\$1,000.

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 for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

#### CHANGES IN ISSUED AND PAID-UP SHARE CAPITAL

	Company	
	Number of shares	Issued and paid-up share capital S\$
Issued and fully paid-up share capital <b>As at 1 January 2015</b>	100	100
Shares issued pursuant to the Restructuring Exercise	9,749,117	9,749,117
<b>As at 30 June 2015</b>	<b>9,749,217</b>	<b>9,749,217</b>

There were no outstanding convertibles or shares held as treasury shares as at 30 June 2015 and 30 June 2014.



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

	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
Total number of issued shares (excluding treasury shares)	9,749,217	100

The Company has no treasury shares or securities convertible into shares that were outstanding as at 30 June 2015 and 31 December 2014.

Subsequent to 30 June 2015, the Company had sub-divided its number of shares to 450,000,000 prior to the IPO.

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury share as at the end of the current financial period reported on.**

Not applicable.

**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 of the Company.

**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.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the six-month period ended 30 June 2015 as its most recently audited combined financial statements for the financial year ended 31 December 2014.

**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.**

There are no changes in the Group's accounting policies and methods of computation including any required by an accounting standard.

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

**EARNINGS PER SHARE (“EPS”)**

	Group			
	Q2-2015	Q2-2014	1H-2015	1H-2014
Profit, net of tax attributable to equity holders of the Company (S\$'000)	1,974	2,342	5,362	4,326
EPS (cents):-				
(a) Based on the weighted average number of ordinary shares <sup>(1)</sup>	0.44	0.52	1.19	0.96
(b) On a fully diluted basis <sup>(1)(2)</sup>	0.44	0.52	1.19	0.96

Notes:

- (1) For comparative purposes, the pre-IPO issued and paid-up share capital of the Company of 450,000,000 shares after the Sub-division of Shares (as defined in the Offer Document) is assumed to have been in issue since 1 January 2014.
- (2) The EPS based on the weighted average number of ordinary shares in issue and the EPS on a fully diluted basis were the same as there were no potentially dilutive instruments as at 30 June 2015 and 30 June 2014.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the**

- (a) **Current financial period reported on; and**  
 (b) **Immediately preceding financial year.**

**NET ASSET VALUE (“NAV”)**

	Group		Company	
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
NAV per ordinary share <sup>(1)</sup> (cents)	3.28	6.61	2.17	NM

NM : Not meaningful

Note:

- (1) For comparative purposes, NAV per ordinary share as at 30 June 2015 and as at 31 December 2014 have been computed based on the pre-IPO issued and paid up share capital of 450,000,000 shares after the Sub-division of Shares (as defined in the Offer Document).

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 period 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 period reported on.**

## **REVIEW OF THE GROUP'S PERFORMANCE**

### **Revenue**

The Group's revenue in 1H-2015 was approximately S\$65.3 million, as compared to approximately S\$66.0 million in 1H-2014, and was approximately S\$30.4 million in Q2-2015, as compared to approximately S\$30.6 million in Q2-2014.

The decrease of approximately S\$672,000 or 1.0% in 1H-2015 and approximately S\$179,000 or 0.6% in Q2-2015 was mainly due to the net effect of lower gold prices and the increase in demand for gold jewellery products and mementoes, as well as lower revenue contribution from Malaysia due to weaker retail sentiments.

### **Other gains**

Other gains increased by approximately S\$122,000 or 40.3% from approximately S\$303,000 in 1H-2014 to approximately S\$425,000 in 1H-2015, which was mainly attributable to an increase in government grants receivable such as the Wage Credit Scheme.

In Q2-2015, other gains was approximately S\$61,000, as compared to approximately S\$90,000 in Q2-2014. The decrease of approximately S\$29,000 or 32.2% was mainly attributable to lower rental income due to the termination of the sub-lease of the property at 1 Jurong West Central 2 #01-29B Jurong Point Shopping Centre Singapore 648886 by the Company's subsidiary, SK Jewellery Pte. Ltd., to MoneyMax Pte. Ltd. and MoneyMax Jewellery Pte. Ltd. in May 2014.

### **Material costs**

Material costs in 1H-2015 was approximately S\$33.5 million as compared to approximately S\$35.1 million in 1H-2014. The reduction in material costs of approximately S\$1.6 million or 4.6% was mainly due to the lower cost of raw materials and finished products as a result of a general decrease in gold prices in 1H-2015.

In Q2-2015, even though revenue declined by approximately S\$179,000 or 0.6% to approximately S\$30.4 million, material costs increased by approximately S\$736,000 or 4.9% to approximately S\$15.6 million as compared to approximately S\$14.9 million in Q2-2014, mainly due to the increase in demand for gold jewellery products and mementoes.

### **Employee benefits expense**

Employee benefits expense was approximately S\$9.0 million in 1H-2015 as compared to approximately S\$8.4 million in 1H-2014. The increase in employee benefits expense by approximately S\$556,000 or 6.6% was mainly due to annual salary increments for existing employees as well as commissions payable to sales staff for the sales of selected jewellery products and mementoes.

Employee benefits expense remained relatively stable at approximately S\$4.4 million in Q2-2015 and approximately S\$4.5 million in Q2-2014.

**Depreciation expense**

Depreciation expense decreased by approximately S\$307,000 or 22.1% from approximately S\$1.4 million in 1H-2014 to approximately S\$1.1 million in 1H-2015, and decreased by approximately S\$96,000 or 14.8% from approximately S\$650,000 in Q2-2014 to approximately S\$554,000 in Q2-2015, mainly attributable to renovation works for certain of the Group's retail stores having been fully depreciated in 1H-2015 as compared to 1H-2014.

**Other losses**

Other losses increased by approximately S\$191,000 or 51.5% from approximately S\$371,000 in 1H-2014 to approximately S\$562,000 in 1H-2015 and decreased by approximately S\$169,000 or 88.9% from approximately S\$190,000 in Q2-2014 to approximately S\$21,000 in Q2-2015.

The increase in other losses in 1H-2015 compared to 1H-2014 was mainly attributable to the increase in foreign exchange losses of approximately S\$485,000 due to differences arising from currency exchange movements for the Group's purchases in US\$, RMB, and HK\$ (being the transactional currency of the purchases of raw materials and finished products) with S\$ (which is the Group's reporting currency) between the time of the Group's purchase of the raw materials and finished products and the payment for such purchases, partially offset by the absence in 1H-2015 of (i) loss on gold forward sale contracts of approximately S\$248,000; and (ii) loss on disposal of property, plant and equipment of approximately S\$41,000, recognised in 1H-2014.

The decrease in other losses from Q2-2014 to Q2-2015 was mainly attributable in Q2-2015 to (i) the decrease in loss on foreign exchange of approximately S\$134,000; and (ii) the absence of loss on disposal of property, plant and equipment of approximately S\$31,000 recognised in Q2-2014.

**Finance costs**

Finance costs decreased by approximately S\$87,000 or 25.4% from approximately S\$342,000 in 1H-2014 to approximately S\$255,000 in 1H-2015 and decreased by approximately S\$52,000 or 30.1% from approximately S\$173,000 in Q2-2014 to approximately S\$121,000 in Q2-2015, mainly attributable to lower interest payments arising from the repayment of term loans over 1H-2015.

**Other expenses**

Other expenses decreased by approximately S\$327,000 or 2.2% from approximately S\$15.1 million in 1H-2014 to approximately S\$14.8 million in 1H-2015, mainly attributable to the decrease in rental expenses of approximately S\$557,000 in connection with the relocation of certain retail stores, partially offset by an increase of approximately S\$190,000 in marketing costs incurred for certain brand building activities.

**Profit before tax**

As a result of the foregoing, profit before tax increased by approximately S\$1.1 million or 19.2% from approximately S\$5.5 million in 1H-2014 to approximately S\$6.6 million in 1H-2015 and decreased by approximately S\$578,000 or 19.3% from approximately S\$3.0 million in Q2-2014 to approximately S\$2.4 million in Q2-2015.

**Income tax expense**

Income tax expense remained relatively stable in 1H-2015 and 1H-2014 at approximately S\$1.2 million in 1H-2015 and 1H-2014. Income tax expense decreased by approximately S\$210,000 or 32.3% from approximately S\$651,000 in Q2-2014 to approximately S\$441,000 in Q2-2015 as a result of the decrease in profit before tax from Q2-2014 to Q2-2015.

## REVIEW OF THE GROUP'S FINANCIAL POSITION

### Non-current assets

Non-current assets increased by approximately S\$12.1 million or 69.6% from approximately S\$17.3 million as at 31 December 2014 to approximately S\$29.4 million as at 30 June 2015. This was mainly due to the increase in property, plant and equipment of approximately S\$12.0 million in relation to the capitalisation of construction costs for the Group's Changi Business Park Headquarters (as defined in the Offer Document).

### Current assets

Current assets decreased by approximately S\$487,000 or 0.7% from approximately S\$68.6 million as at 31 December 2014 to approximately S\$68.1 million as at 30 June 2015. This was mainly due to an increase in inventories of approximately S\$1.0 million and other assets, current, of approximately S\$689,000, which was partially offset by a decrease in cash and cash equivalents of approximately S\$1.7 million and trade and other receivables of approximately S\$493,000.

The increase in inventories was in line with the Group's strategy to expand and optimise its selection of product offerings to its customers. The increase in other assets, current, was in relation to insurance prepayments and deposits paid to suppliers for bulk purchases of raw materials and finished goods. The decrease in trade and other receivables was mainly due to the lower volume of sales made on credit terms by the Group's customers, which had remained outstanding as at 30 June 2015, as compared to 31 December 2014.

### Non-current liabilities

Non-current liabilities increased by approximately S\$25.3 million or 1,304.9% from approximately S\$1.9 million as at 31 December 2014 to approximately S\$27.2 million as at 31 December 2015. This was mainly due to an increase in other financial liabilities, non-current, primarily attributable to the non-current portion of the Directors' Loans (as defined in the Offer Document) of approximately S\$14.5 million, the non-current portion of the construction loan for the Group's Changi Business Park Headquarters (as defined in the Offer Document) of S\$6.7 million and the reclassification of a portion of the Group's other financial liabilities, current, as at 31 December 2014, to other financial liabilities, non-current, as at 30 June 2015, of S\$4.0 million pursuant to waivers and/or accommodation obtained from the relevant banks for the breach of certain debt covenants. Please refer to the sections entitled "**Capitalisation And Indebtedness**" and "**Interested Person Transactions And Conflicts Of Interests – Present And On-going Interested Person Transactions – Term loans granted by Mr. Lim Yong Guan, Mr. Lim Yong Sheng and Mdm. Lim Liang Eng to SKJ Group and SK Jewellery**" of the Offer Document for further details.

### Current liabilities

Current liabilities increased by approximately S\$1.3 million or 2.4% from approximately S\$54.2 million as at 31 December 2014 to approximately S\$55.5 million as at 30 June 2015. This was primarily attributable to (i) an increase in other financial liabilities, current, of approximately S\$9.1 million; and (ii) an increase in other liabilities, current, of approximately S\$585,000, partially offset by a decrease in trade and other payables, current, of approximately S\$8.5 million.

The increase in other financial liabilities, current, was mainly due to the drawdown of the construction loan of approximately S\$1.2 million for the Group's Changi Business Park Headquarters (as defined in the Offer Document), the drawdown of the Money Market Loan (as defined in the Offer Document) of S\$10.0 million, the drawdown of the Directors' Loans (as defined in the Offer Document) of which the current portion amounted to approximately S\$3.6 million, and a new hire purchase facility taken out of approximately S\$250,000; partially offset by the reclassification of a portion of the Group's other financial liabilities, current, as at 31 December 2014, to other financial liabilities, non-current, as at 30 June 2015, of S\$4.0 million and

the repayment of certain money market facilities of approximately S\$2.0 million. The aforementioned reclassification was pursuant to waivers and/or accommodation obtained from the relevant banks for the breach of certain debt covenants.

The increase in other liabilities, current, was mainly due to an increase in deposits collected from customers for orders of jewellery products and mementoes placed with the Group.

The decrease in trade and other payables, current, was mainly due to the repayment in full of certain advances extended to the Group by certain directors of the Company by way of the Directors' Loans (as defined in the Offer Document) of which the current portion of the Directors' Loans of approximately S\$3.6 million had been recorded under other financial liabilities, current, and of which, the non-current portion of the Director's loans of approximately S\$4.8 million had been recorded under other financial liabilities, non-current.

Please refer to the sections entitled "**Capitalisation And Indebtedness**", "**Interested Person Transactions And Conflicts Of Interests – Present and On-going Interested Person Transactions – Advances extended by Mr. Lim Yong Guan and Mr. Lim Yong Sheng to SKJ Group, SK Jewellery and SK Jewellery Malaysia**" and "**Interested Person Transactions And Conflicts Of Interests – Present And On-going Interested Person Transactions – Term loans granted by Mr. Lim Yong Guan, Mr. Lim Yong Sheng and Mdm. Lim Liang Eng to SKJ Group and SK Jewellery**" of the Offer Document for further details.

#### **Total equity**

Total equity decreased by approximately S\$15.0 million or 50.4% from approximately S\$29.7 million as at 31 December 2014 to approximately S\$14.8 million as at 30 June 2015, mainly due to a decrease in retained earnings of S\$23.3 million, partially offset by an increase in share capital of approximately S\$8.2 million. The decrease in retained earnings was primarily attributable to dividends payable of S\$20.0 million in respect of the financial year ended 31 December 2014 ("FY2014") while the increase in share capital was pursuant to the issuance of shares in the Company in conjunction with the Restructuring Exercise.

**REVIEW OF THE GROUP'S CASHFLOW STATEMENT**

In 1H-2015, net cash flows from operating activities was approximately S\$5.7 million, which consisted of operating cash flows before changes in working capital of approximately \$7.6 million, net of income tax paid of approximately S\$1.1 million and working capital outflow of approximately S\$772,000.

The net working capital outflow arose mainly from the following:

- (a) an increase in inventories of approximately S\$1.0 million, in line with the Group's strategy to expand and optimise its selection of product offerings to its customers;
- (b) an increase in other assets, current, of approximately S\$689,000 mainly due to insurance prepayments and deposits paid to suppliers in relation to bulk purchases for raw materials and finished products;
- (c) partially offset by an increase in other liabilities of approximately S\$521,000 mainly due to an increase in deposits received from customers for their purchase of jewellery products and mementoes; and
- (d) partially offset by a decrease in trade and other receivables of approximately S\$493,000, which is in line with the lower volume of sales made on credit terms by the Group's customers, which had remained outstanding as at 30 June 2015, as compared to 31 December 2014.

In 1H-2015, net cash used in investing activities amounted to approximately S\$12.9 million mainly due to the expenditure in relation to the construction of the new Changi Business Park Headquarters (as defined in the Offer Document), purchase of plant and equipment for renovation works, furniture and fittings of the Group's retail stores and Changi Business Park Headquarters (as defined in the Offer Document).

In 1H-2015, net cash from financing activities was approximately S\$5.5 million due to net proceeds from the Money Market Loan (as defined in the Offer Document) and Directors' Loans (as defined in the Offer Document) of approximately S\$27.9 million, which was partially offset by dividends payable of S\$20.0 million in respect of FY2014 and declared in Q2-2015; term loan repayment of approximately S\$2.0 million, and interest paid of approximately S\$255,000 in 1H-2015.

As a result of the above, there was a net decrease of approximately S\$1.7 million in cash and cash equivalents, from a net cash surplus of approximately S\$8.5 million as at 31 December 2014 to a net cash surplus of approximately S\$6.8 million as at 30 June 2015.

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

The financial performance of the Group for Q2-2015 and 1H-2015 is generally in line with the information disclosed in the section entitled "Prospects, Trends, Business Strategies And Future Plans" of the Offer Document.



**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 event that may affect the group in the next reporting period and the next 12 months.**

The successful listing of the Company on the Catalist of the SGX-ST on 20 August 2015 marked a major milestone in the Group's business. It has raised the profile of the Group, widened its investor base and strengthened its financial position and ability to tap the capital markets to fund the Group's future growth.

In line with the Group's business strategies and future plans as disclosed in the Offer Document, the Group intends to strengthen its retail presence by expanding its distribution network and introduce new product lines. The Group has since established a yellow gold flagship store in the Chinatown, which aims to offer an extensive range of yellow gold jewellery products and mementoes.

The Group will continue to launch new product lines and promotional campaigns, in preparation for the upcoming peak season, which is traditionally in the last quarter of the year.

The Group plans to move into its new Changi Business Park Headquarters (as defined in the Offer Document) by Q4-2015 upon its completion. The Group plans to establish a design and development facility and customer care centre to provide customisation services for privileged and corporate customers, and support its future e-commerce business(es).

In addition, the Group may consider expanding its business through investments in property, plant, equipment and human capital or through acquisitions, joint ventures and/or strategic alliances that will complement its business.

**11. Dividend**

**(a) Any dividend declared for the current financial period reported on?**

None.

**(b) Corresponding period of the immediately preceding financial year?**

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividend has been declared or recommended for 1H-2015.



### 13. INTERESTED PERSON TRANSACTIONS

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Catalist Rules. However, pursuant to Rule 905 of the Catalist Rules, the following is disclosed:-

Name of Interested Person	Aggregate value of all Interested Person Transactions during the year under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 902 of the Catalist Rules)	
	1H-2015 S\$'000	1H-2014 S\$'000
<b>Sales of pre-owned jewellery</b>		
Moneymax Jewellery Pte. Ltd.	7	5
Moneymax Pawnshop Pte. Ltd.	2	-
Moneymax Pte. Ltd.	4	-
<b>Central support services</b>		
Moneymax Jewellery Pte. Ltd.	46	43
Moneymax Pawnshop Pte. Ltd.	20	19
Moneymax Pte. Ltd.	8	8
Moneymax Group Pte. Ltd.	14	13
Guan Sheng Capital Pte. Ltd. and its subsidiary	4	4
Cash Online Jewellery Pte. Ltd.	3	3
<b>Rental income</b>		
Moneymax Jewellery Pte. Ltd.	46	70
Moneymax Pawnshop Pte. Ltd.	70	104
Moneymax Pte. Ltd.	36	37
<b>Rental expense</b>		
SK Properties Pte. Ltd.	132	132
Lim Yong Guan	156	156
<b>Working capital advances to</b>		
Easimine Group Sdn. Bhd.	556 <sup>(1)</sup>	-
	<b>1,174</b>	<b>616</b>

Note:

- (1) This relates to advances extended by the Company's wholly-owned subsidiary, SK Jewellery Sdn. Bhd. ("SK Malaysia") as bridging advances to Easimine Group Sdn. Bhd. and its wholly-owned subsidiary for working capital purposes. The advances were interest-free and unsecured, and made over two tranches in January 2015 and February 2015. The advances had a repayment term of four months and three months, respectively. The largest amount due from Easimine Group Sdn. Bhd. and its wholly-owned subsidiary over 1H-2015 (based on month-end balances) was MYR1.5 million or approximately S\$556,000. No fees or other benefits were payable or accrued to SK Malaysia for the provision of the advances. As at 30 June 2015, the bridging advances have been fully repaid to SK Malaysia.

**14. NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)**

The board of Directors of the Company (the “**Board**”) confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial statements for 2Q-2015 and 1H-2015 to be false or misleading in any material aspect.

**ON BEHALF OF THE BOARD OF DIRECTORS**

Lim Yong Guan  
Non-Executive Chairman

Lim Yong Sheng  
Executive Director and Chief Executive Officer

10 September 2015