



SK Jewellery Group Limited

(Company Registration No.: 201214694Z)

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

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

PART I - 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 Unaudited					
	Q2-2018 S\$'000	Q2-2017 S\$'000	Change %	1H-2018 S\$'000	1H-2017 S\$'000	Change %
Revenue	38,630	38,281	0.9%	87,215	79,095	10.3%
Other gains	805	455	76.9%	1,307	689	89.7%
Material costs	(23,729)	(24,261)	(2.2%)	(55,429)	(49,326)	12.4%
Employee benefits expense	(5,059)	(4,742)	6.7%	(10,203)	(9,573)	6.6%
Depreciation and amortisation expense	(1,101)	(992)	11.0%	(2,216)	(1,956)	13.3%
Other losses	(114)	(11)	936.4%	(354)	(40)	785.0%
Finance costs	(354)	(397)	(10.8%)	(688)	(751)	(8.4%)
Other expenses	(7,824)	(7,264)	7.7%	(15,910)	(15,206)	4.6%
Profit before tax	1,254	1,069	17.3%	3,722	2,932	26.9%
Income tax expense	(319)	(295)	8.1%	(1,018)	(769)	32.4%
Profit, net of tax	935	774	20.8%	2,704	2,163	25.0%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations, net of tax	(49)	107	N.M.	230	(18)	N.M.
Other comprehensive income for the period, net of tax	(49)	107	N.M.	230	(18)	N.M.
Total comprehensive income	886	881	0.6%	2,934	2,145	36.8%
Attributable to:						
Equity holders of the Company	794	825	(3.8%)	2,568	2,229	15.2%
Non-controlling interest	141	(51)	N.M.	136	(66)	N.M.
Profit, net of tax	935	774	20.8%	2,704	2,163	25.0%
Attributable to:						
Equity holders of the Company	745	932	(20.1%)	2,798	2,211	26.5%
Non-controlling interest	141	(51)	N.M.	136	(66)	N.M.
Total comprehensive income	886	881	0.6%	2,934	2,145	36.8%

N.M.: 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 crediting/(charging) the following:

	Group Unaudited					
	Q2-2018 S\$'000	Q2-2017 S\$'000	Change %	1H-2018 S\$'000	1H-2017 S\$'000	Change %
Central support service income	49	50	(2.0%)	99	99	-
Depreciation and amortisation expenses	(1,101)	(992)	11.0%	(2,216)	(1,956)	13.3%
Finance costs	(354)	(397)	(10.8%)	(688)	(751)	(8.4%)
Foreign exchange adjustment gains/(losses)	(99)	265	N.M.	82	269	(69.5%)
Government grants	71	50	42.0%	207	159	30.2%
Goodwill write off	-	-	-	(339)	-	N.M.
Interest income	11	12	(8.3%)	23	35	(34.3%)
Fair value gain on derivative financial instruments	447	-	N.M.	447	-	N.M.
Loss on disposal of property, plant and equipment	(15)	(11)	36.4%	(15)	(40)	(62.5%)
Miscellaneous income	13	9	44.4%	22	17	29.4%
Rental income	225	81	177.8%	450	145	210.3%

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	
	Unaudited As at 30 June 2018 S\$'000	Audited As at 31 December 2017 S\$'000	Unaudited As at 30 June 2018 S\$'000	Audited As at 31 December 2017 S\$'000
Assets				
<u>Non-current assets</u>				
Property, plant and equipment	32,349	33,136	-	-
Investment in subsidiaries	-	-	11,502	11,502
Investment in associates	506	2	-	-
Deferred tax assets	278	272	-	-
Other financial assets	30	30	-	-
Intangible assets	276	276	-	-
Other assets (land use rights)	5,212	5,321	-	-
Total non-current assets	38,651	39,037	11,502	11,502
<u>Current assets</u>				
Inventories	57,503	57,762	-	-
Trade and other receivables	1,504	2,095	32,024	30,145
Other assets (land use rights)	219	219	-	-
Other assets	10,475	10,100	27	92
Income tax receivables	104	208	-	-
Derivatives financial assets	338	-	-	-
Cash and cash equivalents	26,032	31,263	2,424	7,048
Total current assets	96,175	101,647	34,475	37,285
Total assets	134,826	140,684	45,977	48,787
Equity and liabilities				
<u>Equity</u>				
Share capital	42,399	42,399	42,399	42,399
Retained earnings	16,335	16,580	3,170	5,627
Other reserves	(540)	(770)	-	-
Equity attributable to owners of the Company	58,194	58,209	45,569	48,026
Non-controlling interest	351	215	-	-
Total equity	58,545	58,424	45,569	48,026
<u>Non-current liabilities</u>				
Deferred tax liabilities	126	126	-	-
Other financial liabilities	24,696	29,419	-	-
Other liabilities	986	984	-	-
Total non-current liabilities	25,808	30,529	-	-
<u>Current liabilities</u>				
Income tax payable	1,334	1,399	116	121
Trade and other payables	13,061	13,859	292	640
Other financial liabilities	20,714	22,072	-	-
Derivatives financial liabilities	-	109	-	-
Other liabilities	15,364	14,292	-	-
Total current liabilities	50,473	51,731	408	761
Total liabilities	76,281	82,260	408	761
Total equity and liabilities	134,826	140,684	45,977	48,787

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 2018		As at 31 December 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
16,491	4,223	17,117	4,955

Amount repayable by the Group after one year

As at 30 June 2018		As at 31 December 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
21,696	3,000	22,247	7,172

Details of collaterals

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

- (a) Corporate guarantees from the Company;
- (b) Assignment of, *inter alia*, all rights, title, interests and benefits arising out of the building agreement in respect of the Group's land located at Changi Business Park (the "**Changi Business Park Land**"); and
- (c) Assignment of, *inter alia*, all rights, title, interests and benefits arising out of all present and future leases of any units or part thereof of the Group's building located on the Changi Business Park Land (the "**Changi Business Park Headquarters**").

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

The Group's unsecured credit facilities comprise (a) the loans extended by the Company's Non-Executive Chairman, Dato' Sri Dr. Lim Yong Guan, and the Company's Executive Directors, Mr. Lim Yong Sheng and Mdm. Lim Liang Eng, pursuant to the loan agreements dated 1 June 2015 (the "**Directors' Loans**") and (b) a loan of S\$1.20 million to the Company's 70%-owned subsidiary, SK Bullion Pte Ltd, from its minority shareholders.

- 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

	Unaudited			
	Q2-2018 S\$'000	Q2-2017 S\$'000	1H-2018 S\$'000	1H-2017 S\$'000
<u>Cash flows from operating activities</u>				
Profit before tax	1,254	1,069	3,722	2,932
Adjustments for:				
Depreciation of property, plant and equipment	1,047	938	2,107	1,847
Amortisation of land use rights	54	54	109	109
Interest expense	354	397	688	751
Interest income	(11)	(12)	(23)	(35)
Fair value gain on derivatives financial instruments	(447)	-	(447)	-
Loss on disposal of property, plant and equipment	15	11	15	40
Net effect of foreign exchange rate changes in consolidating foreign subsidiaries	(181)	5	38	(114)
Operating cash flows before changes in working capital	2,085	2,462	6,209	5,530
Inventories	(1,286)	5,298	259	4,414
Trade and other receivables	521	120	590	1,223
Other assets	176	(228)	(104)	(601)
Trade and other payables	(369)	(318)	(795)	(6,135)
Other liabilities	4,759	(966)	1,074	(763)
Net cash flows from operations	5,886	6,368	7,233	3,668
Income taxes paid	(1,083)	(883)	(1,083)	(1,114)
Net cash flows from operating activities	4,803	5,485	6,150	2,554
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment	(808)	(755)	(1,307)	(2,329)
Acquisition of associates	(504)	-	(504)	-
Interest received	11	12	23	35
Net cash flows used in investing activities	(1,301)	(743)	(1,788)	(2,294)
<u>Cash flows from financing activities</u>				
Decrease in borrowings	(822)	(821)	(1,145)	(1,781)
(Decrease)/Increase in other financial liabilities	(38)	19	(37)	-
Finance lease repayments	(1)	(25)	(6)	(31)
Net movement in amounts due to directors	(3,991)	(909)	(4,904)	(1,823)
Interest paid	(354)	(397)	(688)	(751)
Dividend paid	(2,813)	(2,813)	(2,813)	(2,813)
Net cash flows used in financing activities	(8,019)	(4,946)	(9,593)	(7,199)
<u>Net decrease in cash and cash equivalents</u>	(4,517)	(204)	(5,231)	(6,939)
Cash and cash equivalents, statement of cash flows, beginning balance	30,549	20,753	31,263	27,488
Cash and cash equivalents, statement of cash flows, ending balance	26,032	20,549	26,032	20,549

- 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	Share Capital	Retained Earnings	Other reserves	Attributable to Owners	Non-Controlling Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	42,399	16,580	(770)	58,209	215	58,424
Dividends paid	-	(2,813)	-	(2,813)	-	(2,813)
Total comprehensive income for the period	-	2,568	230	2,798	136	2,934
Balance as at 30 June 2018	42,399	16,335	(540)	58,194	351	58,545
Balance as at 1 January 2017	42,399	11,986	(954)	53,431	320	53,751
Dividends paid	-	(2,813)	-	(2,813)	-	(2,813)
Total comprehensive income for the period	-	2,229	(18)	2,211	(66)	2,145
Balance as at 30 June 2017	42,399	11,402	(972)	52,829	254	53,083

Company	Share Capital	Retained Earnings	Total Equity
	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	42,399	5,627	48,026
Dividends paid	-	(2,813)	(2,813)
Total comprehensive income for the period	-	356	356
Balance as at 30 June 2018	42,399	3,170	45,569
Balance as at 1 January 2017	42,399	4,748	47,147
Dividends paid	-	(2,813)	(2,813)
Total comprehensive income for the period	-	394	394
Balance as at 30 June 2017	42,399	2,329	44,728

1(d)(ii) Details of any changes in the company’s share capital arising from rights issues, bonus issues, share buy-backs, exercises of share options or warrants, conversion of other issues of equity securities, issues of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 Balance as at 30 June 2018	562,500,000	42,398,917

During Q2-2018 and 1H-2018, there were no changes in the Company's issued and paid-up share capital.

There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 June 2018 and 30 June 2017.

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 30 June 2018	As at 31 December 2017
Total number of issued shares (excluding treasury shares)	562,500,000	562,500,000

The Company has no treasury shares or securities convertible into shares that were outstanding as at 30 June 2018 and 31 December 2017.

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. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

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

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

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.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for Q2-2018 and 1H-2018 as its most recently audited consolidated financial statements for the financial year ended 31 December 2017 ("FY2017").

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.**

The Group has adopted the new or revised Financial Reporting Standards ("FRS") which are relevant to the Group with effect from 1 January 2018. Other than the adoption of new standards that are effective 1 January 2018, the Group has adopted the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018. The adoption of the new standards and SFRS(I) have no significant impact on the Group's financial statements.

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 Unaudited			
	Q2-2018	Q2-2017	1H-2018	1H-2017
Profit, net of tax attributable to equity holders of the Company (S\$'000)	794	825	2,568	2,229
Weighted average number of ordinary shares ⁽¹⁾				
(a) Basic	562,500,000	562,500,000	562,500,000	562,500,000
(b) Diluted	562,500,000	562,500,000	562,500,000	562,500,000
EPS (cents)				
(a) Basic	0.14	0.15	0.46	0.39
(b) Diluted	0.14	0.15	0.46	0.39

Note:

(1) The weighted average number of ordinary shares on a basic and fully diluted basis were the same as there were no potentially dilutive instruments as at 30 June 2018 and 30 June 2017.

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	
	Unaudited As at 30 June 2018	Audited As at 31 December 2017	Unaudited As at 30 June 2018	Audited As at 31 December 2017
NAV per ordinary share (cents)	10.34	10.35	8.10	8.54

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

Revenue increased by S\$8.12 million or 10.3% from S\$79.10 million in 1H-2017 to S\$87.22 million in 1H-2018 and increased by S\$0.35 million or 0.9% from S\$38.28 million in Q2-2017 to S\$38.63 million in Q2-2018. The increase in revenue was mainly from the increase in sales by our subsidiary, SK Bullion Pte Ltd, of S\$7.63 million and S\$1.73 million in 1H-2018 and Q2-2018 respectively.

Other gains

Other gains increased by S\$0.62 million or 89.7% from S\$0.69 million in 1H-2017 to S\$1.31 million in 1H-2018. This was mainly attributable to (i) a fair value gain on derivative financial instruments of S\$0.45 million, (ii) increase in rental income of S\$0.31 million and (iii) increase in government grants of S\$0.05 million, offset by decrease in foreign exchange adjustment gains of S\$0.19 million.

In Q2-2018, other gains were S\$0.81 million, as compared to S\$0.46 million in Q2-2017. The increase of S\$0.35 million or 76.9% was mainly due to (i) a fair value gain on derivative financial instruments of S\$0.45 million, (ii) increase in rental income of S\$0.14 million and (iii) increase in government grants of S\$0.02 million, offset by the absence of foreign exchange adjustment gains of S\$0.27 million which was recognised in Q2-2017.

The derivative financial instruments refer to the Group’s precious metals trading contracts and any fair value gains/losses is computed based on the current value of the difference between the contractual exchange rate and the market rate as at the end of the reporting period. The fair value gains/losses on these derivatives are recognized in profit or loss when the changes arise.

Material costs

Material costs increased by S\$6.10 million or 12.4% from S\$49.33 million in 1H-2017 to S\$55.43 million in 1H-2018 and decreased by S\$0.53 million or 2.2% from S\$24.26 million in Q2-2017 to S\$23.73 million in Q2-2018. This was mainly due to changes in product mix.

Employee benefits expense

Employee benefits expense increased by S\$0.63 million or 6.6% from S\$9.57 million in 1H-2017 to S\$10.20 million in 1H-2018 and increased by S\$0.32 million or 6.7% from S\$4.74 million in Q2-2017 to S\$5.06 million in Q2-2018. The increase was mainly due to increase in salaries, sales commission and staff allowance. The increase in salaries was mainly due to the commencement of operations and opening of retail stores in the People's Republic of China (the "PRC").

Depreciation and amortisation expense

Depreciation and amortisation expense increased by S\$0.26 million or 13.3% from S\$1.96 million in 1H-2017 to S\$2.22 million in 1H-2018 and increased by S\$0.11 million or 11.0% from S\$0.99 million in Q2-2017 to S\$1.10 million in Q2-2018. The increase was mainly due to depreciation expenses in relation to the renovations on the retail stores in Singapore, the PRC and Malaysia.

Other losses

Other losses increased by S\$0.31 million from S\$0.04 million in 1H-2017 to S\$0.35 million in 1H-2018 mainly due to write-off of goodwill arising from our acquisition of the entire issued and paid-up share capital of Diamond Avenue Investments Limited in January 2018 of S\$0.34 million, which was offset by decrease in loss on disposal of property, plant and equipment of S\$0.03 million.

The increase in other losses of S\$0.10 million in Q2-2018 as compared to Q2-2017 was mainly due to foreign exchange adjustment losses of S\$0.10 million attributable to the strengthening of the USD.

Finance costs

Finance costs decreased by S\$0.06 million or 8.4% from S\$0.75 million in 1H-2017 to S\$0.69 million in 1H-2018 and decreased by S\$0.05 million or 10.8% from S\$0.40 million in Q2-2017 to S\$0.35 million in Q2-2018. The decrease was mainly due to lower borrowings following the partial repayment of S\$3.00 million of the Directors' Loans on 1 June 2018.

Other expenses

Other expenses increased by S\$0.70 million or 4.6% from S\$15.21 million in 1H-2017 to S\$15.91 million in 1H-2018 and increased by S\$0.56 million or 7.7% from \$7.26 million in Q2-2017 to S\$7.82 million in Q2-2018. This was mainly due to increase in rental expenses in Singapore and start-up costs incurred in the PRC.

Profit before tax

As a result of the foregoing, profit before tax increased by S\$0.79 million or 26.9% from S\$2.93 million in 1H-2017 to S\$3.72 million in 1H-2018 and increased by S\$0.18 million or 17.3% from S\$1.07 million in Q2-2017 to S\$1.25 million in Q2-2018.

Income tax expense

Income tax expense increased by S\$0.25 million or 32.4% from S\$0.77 million in 1H-2017 to S\$1.02 million in 1H-2018 and increased by S\$0.02 million or 8.1% from S\$0.30 million in Q2-2017 to S\$0.32 million in Q2-2018 due to the increase in profit before tax for the respective periods.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Non-current assets

Non-current assets decreased by S\$0.39 million or 1.0% from S\$39.04 million as at 31 December 2017 to S\$38.65 million as at 30 June 2018. This was mainly due to the increase in investment in associates of S\$0.50 million, partially offset by the (i) decrease in property, plant and equipment of S\$0.78 million and (ii) decrease in other assets (land use rights) of S\$0.11 million.

The increase in investment in associates was due to subscription of shares in LVC (Thailand) Co; Ltd. in Q2-2018.

Current assets

Current assets decreased by S\$5.47 million or 5.4% from S\$101.65 million as at 31 December 2017 to S\$96.18 million as at 30 June 2018. This was mainly due to the (i) decrease in cash and cash equivalents of S\$5.23 million mainly due to partial repayment of the Directors' Loans and dividend payment in respect of FY2017, (ii) decrease in trade and other receivables of S\$0.59 million, (iii) decrease in inventories of S\$0.26 million and (iv) decrease in income tax receivables of S\$0.10 million, partially offset by the (i) increase in derivative financial assets of S\$0.34 million and (ii) increase in other assets of S\$0.37 million.

Non-current liabilities

Non-current liabilities decreased by S\$4.72 million or 15.5% from S\$30.53 million as at 31 December 2017 to S\$25.81 million as at 30 June 2018. This was mainly due to the repayment of certain term loans facilities of S\$0.55 million and repayment of the Directors' Loans of S\$4.17 million.

Current liabilities

Current liabilities decreased by S\$1.26 million or 2.4% from S\$51.73 million as at 31 December 2017 to S\$50.47 million as at 30 June 2018. This was mainly attributable to the (i) decrease in other financial liabilities of S\$1.36 million, (ii) decrease in trade and other payables of S\$0.80 million, (iii) decrease in derivatives financial liabilities of S\$0.11 million and (iv) decrease in income tax payable of S\$0.06 million, partially offset by increase in other liabilities of S\$1.07 million.

The decrease in trade and other payables was mainly due to settlement for the jewellery products purchased on credit terms.

The decrease in other financial liabilities was mainly due to the repayment of certain term loans facilities and the Directors' Loans.

The decrease in income tax payables of S\$0.06 million or 4.6% from S\$1.39 million as at 31 December 2017 to S\$1.33 million as at 30 June 2018 was mainly due to income tax expenses provided for in 1H-2018 of S\$1.02 million which was offset by income tax payment of S\$1.08 million.

Total equity

Total equity increased by S\$0.13 million or 0.2% from S\$58.42 million as at 31 December 2017 to S\$58.55 million as at 30 June 2018. The was mainly due to the (i) increase in the total comprehensive income, net of tax attributable to owners of the Company of S\$2.57 million for 1H-2018, (ii) increase in foreign currency translation reserve (other reserves) of S\$0.23 million and (iii) increase in non-controlling interest of S\$0.14 million, offset by the dividend payment in respect of FY2017 of S\$2.81 million in Q2-2018.

REVIEW OF THE GROUP'S CASHFLOW STATEMENT

For 1H-2018, net cash flows from operating activities was S\$6.15 million, which consisted of operating cash flows before changes in working capital of S\$6.21 million, net of income tax paid of S\$1.08 million and working capital inflows of S\$1.02 million.

The net working capital inflows arose mainly from the following:

- (a) (i) an increase in other liabilities of S\$1.07 million, (ii) a decrease in trade and other receivables of S\$0.59 million, and (iii) a decrease in inventories of S\$0.26 million.
- (b) offset by (i) a decrease in trade and other payables of S\$0.80 million and (ii) an increase in other assets of S\$0.10 million.

For 1H-2018, net cash flows used in investing activities amounted to S\$1.79 million mainly due to the purchase of property, plant and equipment of S\$1.31 million and subscription of shares in LVC (Thailand) Co; Ltd. of S\$0.50 million.

For 1H-2018, net cash flows used in financing activities amounted to S\$9.59 million mainly due to (i) dividend payment in respect of FY2017 of S\$2.81 million, (ii) loan repayment of S\$1.15 million, (iii) net movement in amounts due to directors of S\$4.90 million arising from the repayment of the Directors' Loans and (iv) interest payment of S\$0.69 million.

As a result of the above, there was a net decrease of S\$5.23 million in cash and cash equivalents for 1H-2018, from a net cash surplus of S\$31.26 million as at 31 December 2017 to a net cash surplus of S\$26.03 million as at 30 June 2018.

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

Not applicable as no forecast for 1H-2018 was provided.

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 challenges in the retail sector are expected to persist, given intensifying global macroeconomic uncertainty and rising competition among traditional key players. Nonetheless, the Group remains committed in enhancing customer engagement and delivering shareholders' value. New product launches will continue to be rolled out throughout the year while the Group seeks alternative avenues of growth.

Beyond the retail scene in Singapore and Malaysia, the Group continues its active expansion plans into the surrounding regions. In the first half of 2018, the Group opened its first jewellery stores in the People's Republic of China (the "PRC") in Shenzhen and Shanghai. In addition, the Group also made its initial forays into Thailand with the opening of its flagship store in Bangkok. Operating under the Group's bridal specialist brand, *Love & Co.*, these new stores shall serve as solid anchors for the Group to penetrate the PRC and Thailand markets while tapping into their burgeoning demand for wedding jewellery. Further to this, the Group plans to open more stores in these countries in a bid to strengthen its presence in the region.

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 (recommended), a statement to that effect.

No dividend has been declared or recommended for 1H-2018.

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.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst (“**Catalist Rules**”). However, pursuant to Rule 905 of the Catalyst Rules, the following is disclosed:

Name of Interested Person	Aggregate value of all Interested Person Transactions during the year under review (including transactions of less than S\$100,000 and transactions conducted under Shareholders’ Mandate pursuant to Rule 920 of the Catalyst Rules)	
	1H-2018 S\$’000	1H-2017 S\$’000
Purchases of products Moneymax Financial Services Ltd. and its subsidiaries (the “ MoneyMax Group ”)	25	5
Sales of products MoneyMax Group	2	347
Central support services MoneyMax Group	99	99
Rental income MoneyMax Group	156	112
Rental expense Lim Yong Guan	162	162
	444	725

14. Confirmation by the issuer pursuant to Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers as required under Rule 720(1) of the Catalist Rules.

15. 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 Q2-2018 and 1H-2018 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD OF DIRECTORS

Dato’ Sri Dr. Lim Yong Guan
Non-Executive Chairman

Lim Yong Sheng
Executive Director and Chief Executive Officer

8 August 2018

*This announcement has been prepared by SK Jewellery Group Limited (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, United Overseas Bank Limited (“**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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