SK JEWELLERY GROUP

ANNUAL REPORT 2019

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This annual report has been prepared by SK Jewellery Group Limited (the "Company") and has been reviewed by the Company's sponsor, United Overseas Bank Limited (the "Sponsor") for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. This annual report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Lim Hoon Khiat, Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.

HIGHLIGHT OF 2019
A NEW STAR IS BORN
The Group introduced a new product line - Star Carat, a first in the region

AT A GLANCE

30 Years
Established Since 1991

Publicly Listed
SGX Since 2015

> 60 Stores
Wholly-Owned Retail Points in Asia

> 500 Employees
Frontline and Backend Support

Everyday Luxury
Everyday Shine

The Group rolled out SK916 Gold, a shine brighter concept to heighten the appeal with contemporary and wearable gold jewellery.

THE GROUP OF COMPANIES

SK JEWELLERY GROUP LIMITED

SINGAPORE

- SKJ GROUP PTE. LTD.
  100%
  - SOO KEE JEWELLERY (SOLE PROPRIETORSHIP)
    100%
- LOVE & CO. PTE. LTD.
  100%
- SK JEWELLERY PTE. LTD
  100%
- INSTITUTION OF ADVANCED GEMOLOGY PTE. LTD.
  100%
- LOVE & CO. INTERNATIONAL PTE. LTD.
  100%
  - DIAMOND AVENUE INVESTMENT LIMITED
    100%
    - DIAMOND ASIA PACIFIC LIMITED
      100%
      - 钻亿珠宝 (深圳) 有限公司
        100%
        - 乐纷珂珠宝 (深圳) 有限公司
          100%

CHINA

- SK JEWELLERY (HONG KONG) LIMITED
  100%
  - 新树记 (香港) 珠宝有限公司深圳代表处
    100%

THAILAND

MALAYSIA

SK JEWELLERY SDN. BHD.
100%

LOVE & CO SDN. BHD.
100%

LVC (THAILAND) CO. LTD.
40%

STATEMENT FROM THE CHAIRMAN AND CEO

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of SK Jewellery Group Limited ("SK Jewellery Group" or the "Company" and, together with its subsidiaries, the "Group"), We are pleased to present our annual report for the financial year ended 31 December 2019 ("FY2019").

PERFORMANCE REVIEW

FY2019 was, by and large, a commendable year for the Group. Amid the mounting geopolitical and economic tensions between the US and China, volatile gold prices, and weakened consumer sentiments, the Group remained resilient and focused on key strategies to weather the ever-changing macroeconomic uncertainties. By differentiating our business through unique product offerings, and exploring digital transformations and productivity enhancements, our customer touchpoints were strengthened, giving us a strong foothold to build brand equity. Prudent cost management measures were also applied, culminating in a streamlining of business operations, which was tempered by a timely upgrade of the Group's organisational capabilities.

As a result of these strategies, the Group strengthened our position and ensured an increase in year-on-year revenue and profit. The revenue increase from S$133 million in FY2018 to S$139 million in FY2019 was largely due to a rise in demand of jewellery products in Q4, and net profit increased from S$5.12 million in FY2018 to S$6.00 million in FY2019.

ENHANCED PRODUCT AND SERVICE OFFERINGS

The Group's focus remains committed to delivering and strengthening the intersection of the digital and physical retail spaces.

FY2019 saw stronger emphasis placed on the digital-first customer relationship. SK Eshop 2.0 was launched, with the goal of heightening the online customer experience, namely through a more seamless customer journey, complemented by the convenience of a 24/7 live chat customer support. The Group also increased our digital presence by launching an SK Jewellery shop-in-shop concept on the Shopee platform. This allowed us to tap onto the popularity of this dynamic online marketplace, providing us with a fresh avenue to acquire new customers and enjoying like-for-like growth in the e-commerce segment.

"We will continue to stay focused to do more than what we do today, deploy new innovations, using our competency to launch new product lines and target new consumer segments."

As part of the Group's strategy to sharpen our competitive edge in the market, we continued to develop and diversify our product offerings. The launch of the Pokémon collection allowed us to reach a new market segment – Pokémon fans who might otherwise not purchase jewellery – while remaining relevant to popular trends and consumer behaviours.

The 916 Gold collection, first introduced in 2018, was expanded in 2019 to build on the positive customer reception. The concept "Everyday Luxury, Everyday Shine" was aimed at attracting discerning millennials to choose gold jewellery with wearable designs that could be worn daily. To date, there are eight SK Gold concept shops islandwide, and we intend to offer even more design selections centred on 916 gold to attract a wider pool of customers.

2019 also marked a significant milestone for the Group, being the first jewellery chain retailer in the region to launch what was hailed as a disruption in the industry. The Star Carat lab-grown diamond – vaunted as the future of diamonds – offers millennials the choice to own a sustainable sourced diamond. Falling in line with the concept of conscious luxury, a growing and favourable concept among consumers, Star Carat adds a strong value proposition to the Group's brand equity. This new line was launched under the new Star Carat Shop brand, a digital-first shop that offers appointment-based personalised service to complete their shopping experience. To further expand customer touchpoints, the collection was also made available in SK Jewellery and Love & Co. boutiques.

From left to right, Dato' Sri Dr. Lim Yong Guan, Mr. Lim Yong Sheng

Concurrent to the launch of Star Carat, Love & Co. premiered a high-touch bespoke service that let couples select from over 30,000 permutations to create their own rings. Through the provision of personalisation services, we have reinforced our positioning as the one-stop wedding ring provider for today's millennials. This is another progressive initiative debuted by the Group that let us offer our customers a unique and memorable experience.

STRENGTHENING BUSINESS COMPETENCY

In 2019, the Group was selected to be part of the pioneer batch of 25 high-growth Singapore companies in the Scale-Up SG programme organised by Enterprise Singapore. This programme aims to groom companies that possess the potential to become future leading powerhouses. The Group will be working closely with Enterprise Singapore to strategise and identify approaches to strengthen our business competency at the global level.

On the operations front, consolidation efforts were made to better streamline the Group's resources. This allowed us to focus on areas that have higher potential for future growth, honing our competitiveness for the coming year.

OUTLOOK

Looking ahead, 2020 is expected to present even greater challenges. The COVID-19 situation has reinforced the possibility of much slower growth in Singapore's economy. Consumer sentiment is expected to remain lacklustre, continuing the trend from 2019. In light of this, the Group will continue to innovate and challenge ourselves, and to execute our strategies with utmost discipline. We will increase the competitiveness of our core product line by investing in branding efforts, and further enhancing our bespoke services. We will continue to stay focused to do more than what we do today, deploy new innovations, using our competency to launch new product lines and target new consumer segments.

On behalf of the Group and the Board of Directors, we would like to express our sincerest gratitude to our management team for their solidarity and support, and our deepest appreciation to shareholders, customers, suppliers and other business associates for their valuable support and unwavering faith.

While 2020 has cast its shadow, we are sure that with fortitude, perseverance and spirit, we can help each other navigate a clear path ahead.

Dato' Sri Dr. Lim Yong Guan
Non-Executive Chairman, Co-Founder

Lim Yong Sheng
Executive Director and Group CEO, Co-Founder

BUSINESS REVIEW

REVIEW OF THE GROUP'S PERFORMANCE REVENUE

REVENUE

Revenue increased by S$5.77 million or 4.34% from S$133.00 million in FY2018 to S$138.77 million in FY2019. The increase was mainly due to the increase in demand for the Group's jewellery products and mementoes.

OTHER GAINS

Other gains decreased by S$0.10 million or 5.71% from S$1.75 million in FY2018 to S$1.65 million in FY2019. The decrease was mainly due to (i) in 2018 there is a bad debt reversal of other receivable of $0.27 million and (ii) government grant of $0.10 million offset against an increase of (i) central support fee of $0.06 million (ii) miscellaneous income $0.15 million (iii) dividend income of $0.02 million from investments in unquoted equity interest and (iv) overprovision in reinstatement of $0.03 million (v) foreign exchange adjustment of $0.01 million.

MATERIAL COSTS

Material costs increased by S$3.64 million or 5.28% from S$68.94 million in FY2018 to S$72.58 million in FY2019. The increase in material costs was mainly attributed to changes in product mix.

EMPLOYEE BENEFITS EXPENSE

Employee benefits expense decreased by S$0.19 million or 0.95% from S$19.97 million in FY2018 to S$19.78 million in FY2019. The decrease was mainly due to reduction in employee headcount.

DEPRECIATION AND AMORTISATION EXPENSE

Depreciation and amortisation expense increased by S$19.59 million from S$4.46 million in FY2018 to S$24.05 million in FY2019. The increase was mainly due to the adoption of Singapore Financial Reporting Standards (International) ("SFRS (I)") 16 Leases with effect from 1 January 2019.

OTHER LOSSES

Other losses increased by S$0.57 million from S$0.50 million in FY2018 to S$1.07 million in FY2019. The increase was mainly due to (i) fair value losses on gold loan $0.8 million (ii) loss on disposal of plant and equipment $0.17 million offset against a decrease of (i) foreign exchange losses $0.14 million (ii) goodwill written off $0.25 million.

FINANCE COSTS

Finance costs increased by S$0.42 million or 31.34% from S$1.34 million in FY2018 to S$1.76 million in FY2019. The increase was mainly due to the 12 months' interest computed on the recognition of lease liabilities under the new SFRS(I) 16 Leases of S$0.58 million, offset by the decrease in interest expenses of S$0.17 million due to lower borrowings following the repayment of directors' loan and certain term loan facilities.

RENTAL EXPENSES

Rental expenses decreased by S$18.71 million or 86.78% from S$21.56 million in FY2018 to S$2.85 million in FY2019. This was mainly due to the adoption of SFRS(I) 16 Leases.

OTHER EXPENSES

Other expenses decreased by S$0.74 million or 7.45% from S$9.93 million in FY2018 to S$9.19 million in FY2019. The decrease was mainly attributed to the decrease in selling and promotion expenses for the Group's jewellery segment.

SHARE OF RESULTS OF ASSOCIATES

The loss of S$0.29 million in FY2019 arose from the financial performance of the Group's 40% investment in LVC (Thailand) Co., Ltd.

PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

As a result of the foregoing, profit before tax from continuing operations increased by S$1.04 million or 13.28% from S$7.83 million in FY2018 to S$8.87 million in FY2019.

INCOME TAX EXPENSE

Income tax expense increased by S$0.61 million or 32.28% from S$1.89 million in FY2018 to S$2.50 million in FY2019 which is in line with the increase in profit before tax.

LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX

The loss from discontinued operations, net of tax of S$0.38 million in FY2019 relates to the losses from the Group's 70% owned subsidiary, SKB, which had ceased operations in May 2019.

REVIEW OF THE GROUP'S FINANCIAL POSITION

NON-CURRENT ASSETS

Non-current assets increased by S$24.76 million or 65.02% from S$38.08 million as at 31 December 2018 to S$62.84 million as at 31 December 2019. This was mainly due to an increase in other assets (rights of use) of S$26.91 million due to recognition of right-of-use assets as "other assets (rights of use)" following the adoption of SFRS(I) 16, partially offset by (i) a decrease in (a) property, plant and equipment of S$1.52 million and (b) other assets (land use rights) of S$0.22 million, and (c) in investments in associate by S$0.29 million due to share of losses for the year.

CURRENT ASSETS

Current assets decreased by S$0.70 million or 0.84% from S$83.06 million as at 31 December 2018 to S$82.36 million as at 31 December 2019. This was mainly due to a decrease in (i) inventories of S$0.39 million; (ii) other assets of S$1.64 million mainly due to reduced deposits paid to various precious metal suppliers to secure delivery of goods and (iii) derivative financial assets of S$0.55 million following the cessation of SKB's operations, offset by an increase in (i) trade and other receivables of S$0.99 million and (ii) cash and cash equivalents of S$0.91 million.

NON-CURRENT LIABILITIES

Non-current liabilities increased by S$10.64 million or 50.55% from S$21.05 million as at 31 December 2018 to S$31.69 million as at 31 December 2019. This was mainly due to recognition of lease liabilities of S$12.21 million following the adoption of SFRS(I) 16 Leases, offset by a decrease in (i) loans and borrowings of S$1.35 million due to repayment of certain term loans facilities; (ii) deferred tax liabilities of S$0.13 million and (iii) other liabilities of S$0.1 million.

CURRENT LIABILITIES

Current liabilities increased by S$10.08 million or 25.54% from S$39.47 million as at 31 December 2018 to S$49.55 million as at 31 December 2019. This was mainly attributable to (i) the recognition of lease liabilities of S$15.08 million following the adoption of SFRS(I) 16 Leases and (ii) an increase in income tax payable of S$1.02 million, offset by the decrease in (i) trade and other payables of S$3.08 million; (ii) loan and borrowings of S$2.60 million due to repayment of directors' loan and (iii) other liabilities of S$0.36 million.

TOTAL EQUITY

Total equity increased by S$3.34 million or 5.51% from S$60.64 million as at 31 December 2018 to S$63.98 million as at 31 December 2019. The increase was mainly due to the total comprehensive income, net of tax attributable to owners of the Company of S$6.11 million for FY2019, offset by (i) decrease in non-controlling interest of S$0.11 million and (ii) payment of interim ordinary dividends in respect of FY2019 of S$2.81 million in the 3rd quarter of 2019.

REVIEW OF THE GROUP'S CASHFLOW STATEMENT

For FY2019, net cash flows from operating activities was S$31.97 million, which consisted of operating cash flows before changes in working capital of S$33.55 million, net of income tax paid of S$1.63 million and working capital outflows of S$3.77 million.

The net working capital outflows arose mainly from the following:

(a) a decrease in (i) inventories of S$1.90 million; (ii) trade and receivables of S$1.44 million; (iii) trade and other payables of S$1.92 million

(b) offset by an increase in (i) other assets S$1.13 and (ii) other liabilities S$0.43 million

For FY2019, net cash flows used in investing activities amounted to S$3.97 million mainly due to the net purchase of property, plant and equipment of S$3.36 million for investment in the new outlets in Malaysia and Singapore and offset by disposal of property, plant and equipment of S$0.30 million and net of cash disposed from the disposal of subsidiary.

For FY2019, net cash flows used in financing activities amounted to S$27.04 million mainly due to (i) loan repayment of S$4.29 million; (ii) payment of lease liabilities S$19.59 million; (iii) net movement in amounts due to directors of S$3.04 million arising from the repayment of the directors' loans; (iv) interest payment of S$1.19 million and (v) interim dividend payment in respect of FY2019 of S$2.81 million, offset by new borrowings of S$3.88 million.

As a result of the above, there was a net increase of S$0.91 million in cash and cash equivalents for FY2019, from a net cash surplus of S$16.88 million as at 31 December 2018 to a net cash surplus of S$17.78 million as at 31 December 2019.

FINANCIAL HIGHLIGHTS

PROFIT AND LOSS

	FY2019 S$'000	FY2018 S$'000	FY2017 S$'000	FY2016 S$'000	FY2015 S$'000
Revenue	138,774	133,001	231,940	176,790	139,288
Gross profit	66,198	64,066	61,111	62,481	66,301
Profit before taxation from continuing operations	8,873	7,833	8,189	8,205	10,431
Profit after taxation from continuing operations	5,996	5,115	7,302	6,468	8,345
Basic earnings per share (cents)	1.09	0.96	1.32	1.15	1.70
No. of shares ('000)	562,500	562,500	562,500	562,500	562,500

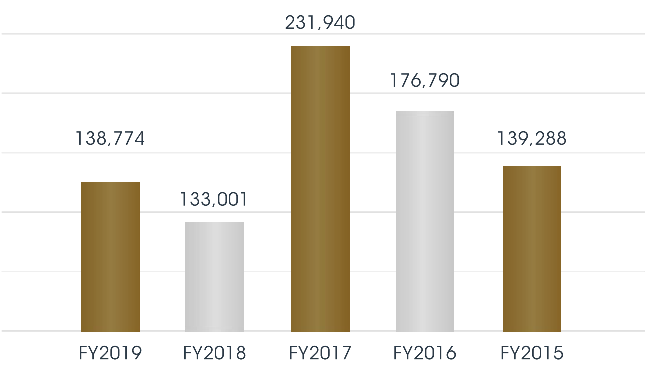
BALANCE SHEET

	FY2019 S$'000	FY2018 S$'000	FY2017 S$'000	FY2016 S$'000	FY2015 S$'000
Non-current assets	62,853	38,084	39,037	39,760	38,311
Current assets	82,356	83,064	101,647	95,483	102,834
Inventories	55,290	55,682	57,762	59,644	60,470
Fixed deposits and cash equivalents	17,783	16,875	31,263	27,488	34,026
Current liabilities	49,545	39,467	51,731	47,151	52,067
Net current assets	32,811	43,597	49,916	48,332	50,767
Total assets	145,209	121,148	140,684	135,243	141,145
Shareholders' equity	63,975	60,635	58,424	53,751	49,925

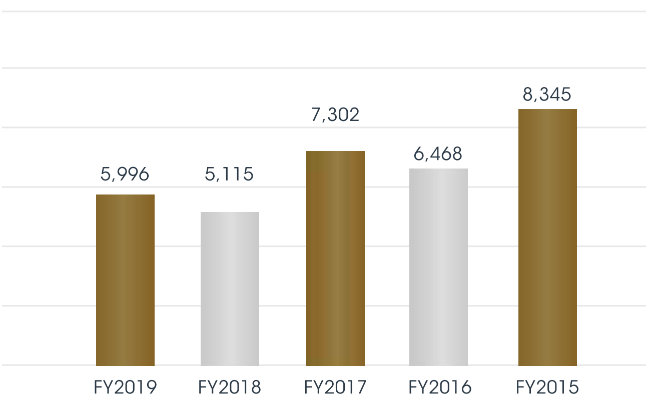
FINANCIAL RATIOS

	FY2019	FY2018	FY2017	FY2016	FY2015
Net profit margin (%)	4.3	3.9	3.1	3.7	6.0
Return on equity (%)	9.4	8.4	12.5	12.0	16.7
Net assets per share (cents)	11.37	10.78	10.35	9.50	8.88

REVENUE (S$'000)



PROFIT AFTER TAXATION (S$'000)



KEY EVENTS 2019

SK JEWELLERY LAUNCHES ON SHOPEE

SK Jewellery launched a shop-in-shop on the popular online marketplace platform - Shopee. This allowed the brand to tap into the popularity of this dynamic online marketplace.

SK JEWELLERY GROUP JOINS SCALE-UP SG

SK Jewellery Group was selected to be part of the pioneer batch of 25 high-growth Singapore companies in the Scale-Up SG programme organised by Enterprise Singapore. This is a programme that aims to groom companies to become future global powerhouses.

OFFICIAL LAUNCH OF SK 916 GOLD CONCEPT

Officially launched in July, the Everyday Luxury, Everyday Shine 916 Gold concept features a collection of contemporary, daily-wear gold jewellery for the millennial customer.

SK JEWELLERY GROUP LAUNCHES STAR CARAT

In October, the group launched the Star Carat line of lab-grown diamonds, giving customers the choice of greater sparkle at the same investment. Cultivated using state-of-the-art technology, this innovation was launched through a brand-new start-up, the Star Carat Shop, followed by a roll out to Love & Co. and SK Jewellery in Singapore, Malaysia and China.

Q4 marks an exciting time for the Group, with the launch of "Star Carat, The Future of Diamonds".

LOVE & CO. INTRODUCES FULL BESPOKE SERVICE

Love & Co. introduced a personalised bespoke service, specially catered to today's millennial couples looking for designs that they could truly call their own. This service provides consumers with options to build their own ring at every step of the way with over 30,000 permutations.

LOVE & CO. LAUNCHES ESHOP WITH GIFT IDEAS MADE OF 925 SILVER

Convenience is a factor that is increasingly influencing purchasing decisions. Consumers seek what they need, when and where they want it. Love & Co. aims to fill this need with the new online EShop, kicking off with the Teddy Bear collection in Silver.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' SRI DR. LIM YONG GUAN *(Non-Executive Chairman)*

MR. LIM YONG SHENG *(Executive Director and Group CEO)*

MDM. LIM LIANG ENG *(Executive Director and Group COO)*

MR. ANG MIAH KHIANG *(Lead Independent Director)*

MR. SIM ENG HUAT *(Independent Director)*

MR. LYE HOONG YIP RAYMOND *(Independent Director)*

MR. CHENG LEUNG HO *(Independent Director, appointed on 30 June 2019)*

AUDIT COMMITTEE

MR. ANG MIAH KHIANG *(Chairman)*

MR. SIM ENG HUAT

MR. LYE HOONG YIP RAYMOND

MR. CHENG LEUNG HO

NOMINATING COMMITTEE

MR. SIM ENG HUAT *(Chairman)*

MR. ANG MIAH KHIANG

MR. LYE HOONG YIP RAYMOND

MR. CHENG LEUNG HO

REMUNERATION COMMITTEE

MR. LYE HOONG YIP RAYMOND *(Chairman)*

MR. ANG MIAH KHIANG

MR. SIM ENG HUAT

MR. CHENG LEUNG HO

COMPANY SECRETARY

MR. GOH HOI LAI

COMPANY REGISTRATION NUMBER

201214694Z

REGISTERED OFFICE

7 CHANGI BUSINESS PARK VISTA #01-01
SINGAPORE 486042

AUDITORS

RSM CHIO LIM LLP
PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS
8 WILKIE ROAD
#03-08 WILKIE EDGE
SINGAPORE 228095

Partner-in-charge:
MR. DEREK HOW BENG TIONG
(a member of the Institute of Singapore Chartered Accountants)

Appointed since financial year ended 31 December 2016

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. PRIVATE LIMITED
8 ROBINSON ROAD #03-00
ASO BUILDING
SINGAPORE 048544

PRINCIPAL BANKERS

UNITED OVERSEAS BANK LIMITED
80 RAFFLES PLACE
UOB PLAZA
SINGAPORE 048624

DBS BANK LTD.
12 MARINA BOULEVARD
MARINA BAY FINANCIAL CENTRE TOWER 3
SINGAPORE 018982

OVERSEA-CHINESE CORPORATION LIMITED
65 CHULIA STREET
OCBC CENTRE
SINGAPORE 049513

BOARD OF DIRECTORS

DATO' SRI DR. LIM YONG GUAN

Non-Executive Chairman, Co-Founder

Dato' Sri Dr. Lim Yong Guan is one of the Group's founders and the Non-Executive Chairman of the Company since 19 August 2015. He was last re-elected on 24 April 2017. As the Group's co-founder, Dr. Lim has been instrumental in the establishment and development of the Group, and has substantial and invaluable expertise, know-how, and industry and business connections. As the Group's Non-Executive Chairman, Dr. Lim presides over and facilitates board meetings, and advises the Group's management, who draw on Dr. Lim's extensive business networks, market insights, and wealth of experience and knowledge of the jewellery industry, for guidance. Dr. Lim presently holds the position of Executive Chairman and Chief Executive Officer ("CEO") of Moneymax Financial Services Ltd. ("Moneymax"), a company listed on the Catalist of the SGX-ST. Dr Lim serves as a committee member for the Singapore Jewellers Association and the Singapore Pawnbrokers' Association. In addition, he is actively involved in community and grassroots activities. Dr Lim serves as the Chairman for Bukit Merah Community Centre Management Committee and Hua Yan Buddhist Society. He also serves as the Board Chairman for Bukit Timah Seu Teck Sean Tong Institution Limited, Chairman for Theng Hai Huay Kuan and Vice Chairman for Radin Mas Citizens' Consultative Committee and Teochew Poit Ip Huay Kuan. He was also awarded the prestigious Pingat Bakti Masyarakat or the Public Service Medal in 2015.

MR. LIM YONG SHENG

Executive Director and Group Chief Executive Officer, Co-Founder

Mr. Lim Yong Sheng is one of the Group's founders and an Executive Director of the Company and the Group CEO since 19 August 2015. He was last re-elected on 29 April 2019. Since the Group's establishment, Mr. Lim has been a critical contributor to the Group's growth and continued success. As Group CEO, he is responsible for the overall strategic planning, management, and business development of the Group, monitoring the development and performance of the Group's operations, driving the operational efficiency of the Group's work processes, and identifying new opportunities for the Group's expansion. In particular, the Group's brand management and marketing strategy are spearheaded by Mr. Lim. He also presently holds the position of Non-Executive Director of MoneyMax. Mr Lim received a Bachelor of Science in Electrical Engineering from the National University of Singapore.

MDM. LIM LIANG ENG

Executive Director and Group Chief Operating Officer, Co-Founder

Mdm. Lim Liang Eng is one of the Group's founders and an Executive Director of the Company and the Group Chief Operating Officer ("COO") since 19 August 2015. She was last re-elected on 30 April 2018. Since the Group's establishment, she has been a critical contributor to the Group's growth and continued success. As Group COO, Mdm. Lim oversees the Group's operations, including dealings with suppliers, financial institutions, and relevant government authorities, the expansion plans for the Group's retail stores, the Group's procurement, merchandising, pricing strategies, human resources, and general administration, and has been critical in contributing to the Group's growth. Mdm. Lim served as an Executive Director of MoneyMax from August 2013 to 6 August 2015.

MR. ANG MIAH KHIANG

Lead Independent Director

Mr. Ang Miah Khiang is the Lead Independent Director of the Company and was appointed on 30 June 2015 and was last re-elected on 30 April 2018. He is the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee of the Company. He spent the greater part of his career in the small-medium sized enterprise financing business, having held the position of managing director of GE Commercial Financing (Singapore) Ltd, formerly known as Heller Financial (S) Ltd. He was also concurrently regional director for GE related businesses in Asia Pacific. Mr. Ang is a Fellow of the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy degree from the University of Singapore. He is also an independent director of Baker Technology Ltd, a company listed on the Main Board of the SGX-ST, and PS Group Holdings Ltd, a company listed on the Catalist of the SGX-ST. In the preceding three (3) years, he was also an independent director of Uni-Asia Holdings Limited and Katrina Group Ltd.

MR. SIM ENG HUAT

Independent Director

Mr Sim Eng Huat was appointed as an Independent Director of the Company on 30 June 2015 and was last re-elected on 29 April 2019. He is the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Mr Sim started his career in 1977 with the Singapore Civil Service where he spent a total of 18 years, during which he had served 6 years in Hong Kong and 3 years in Bangkok as a diplomat. In 1994, he entered the private sector by joining Suntec Investment Group of Companies ("SIPL") in Singapore. In addition to fulfilling the role of Chief Operating Officer of SIPL, Mr Sim was the Managing Director of Chesterton Suntec International Property Consultants from 1997 to 2013. He had been an Honorary Advisor to the Real Estate Developers Association of Singapore from 2005 to 2013 and member of the Singapore Institute of Directors since its founding in January 2000. Mr Sim is also an independent director and the chairman of the nominating committee of Lafe Corporation Ltd, Metech International Ltd., and Mary Chia Holdings Ltd, which are listed on the Catalist of the SGX-ST.

MR. LYE HOONG YIP RAYMOND

Independent Director

Mr Lye Hoong Yip Raymond was appointed as an Independent Director of the Company on 30 June 2015 and was last re-elected on 29 April 2019. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee of the Company. Mr Lye holds a Bachelor of Laws (Honours) from the National University of Singapore and has been in legal practice since 1990. He served as Magistrate and Deputy Registrar in the Subordinate Courts of Singapore before going into private practice. In January 2014, he founded Union Law LLP as its Managing Partner. His areas of expertise are civil and criminal litigation, corporate and commercial work, building and construction law, family law and intellectual property rights. Mr Lye is also Deputy President of the Strata Titles Board, a Fellow of the Singapore Institute of Arbitrators and an arbitrator with the Law Society Arbitration Scheme. Mr Lye also serves as an independent director on the boards of Goodland Group Limited and 800 Super Holdings Limited, companies listed on the Main Board and Catalist Board of SGX-ST respectively.

MR. CHENG LEUNG HO

Independent Director

Mr. Cheng Leung Ho was appointed as an Independent Director of the Company on 30 June 2019. Apart from his role as an Independent Director, Mr. Cheng was also appointed as a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company. Mr. Cheng joined the World Gold Council ("WGC") in March 1993 as Regional Manager, becoming Managing Director, Far East in 2003. He retired at the end of March 2015, and was appointed Advisor by the Chairman of the board of WGC, a position he held until March 2019. In addition, he was appointed to the panel of the 18 International Advisors to the Shanghai Gold Exchange in 2016, a position he has held since its inception in 2002. Mr Cheng's marketing career began with Dentsu Young & Rubicam, Hong Kong in the early 80's, moved on to gold marketing in July 1985 when he joined the Royal Canadian Mint as Regional Manager for Hong Kong/ Southeast Asia. He was appointed honorary CEO of Singapore Bullion Market Association in November 2015 after retirement. Mr. Cheng is a graduate of Chinese University of Hong Kong with a Bachelor of Business Administration.

From left to right
Front row: Mdm. Lim Liang Eng, Dato' Sri Dr. Lim Yong Guan, Mr. Lim Yong Sheng
Second row: Mr. Sim Eng Huat, Mr Cheng Leung Ho, Mr. Ang Miah Khiang, Mr. Lye Hoong Yip Raymond

KEY MANAGEMENT

MS. YAT WAN THIAM

Group Financial Controller

Ms. Yat is the Group Financial Controller of the Company and joined in October 2019. She is responsible for all matters related to the financial and accounting of the Group.

Ms. Yat has more than 30 years of experience in corporate finance, accounting and auditing matters across different industries and geography. Prior to joining the Group, Ms. Yat was the Group Chief Financial Officer of Heatec Jietong Holdings Ltd from 2018 to 2019. She provided freelance consultancy services in areas of financial reporting, income tax planning, compliance, internal control as well as restructuring from 2017 to 2018. From 2015 to 2016 she held the position of Director, Special Project (Finance and Operation) at Gain City Best-Electric Pte Ltd and was the Chief Financial Officer at Titan Capital Asia from 2011 to 2015.

Ms. Yat is a Chartered Accountant with the Institute of Singapore Chartered Accountant (ISCA) and holds a Bachelor of Science (Hons) in Applied Accounting from Oxford Brookes University, UK.

MR. WONG JAK

General Manager, Malaysia

Mr. Wong is the Group's General Manager, Malaysia Operations. Since 2002, he has been in charge of all strategic, operational and management matters pertaining to the Group's Malaysian operations, which include, *inter alia*, identifying and securing suitable locations for the Group's retail stores, establishing suitable servicing and manufacturing facilities in Malaysia to support the Group's retail operations, and identifying suitable business opportunities for the Group's growth in Malaysia.

He previously served, *inter alia*, as business manager for Progress Software Corporation (S) Pte Ltd between 1993 and 2002, regional sales manager for Cognos Far East Pte Ltd between 1990 and 1992, and systems engineer for Computer Systems Advisers (Private) Limited between 1983 and 1990.

Mr. Wong received a Bachelor of Science from the University of Singapore and a Diploma in Business Administration from the National University of Singapore.

MS. LAU WAN KEI, ANGELINA

General Manager, International

Ms. Angelina Lau, is the Group's General Manager, International. She is in charge of the Group's expansion efforts to overseas markets such as China and Thailand, overseeing strategic, operational and management matters. She has served with the Group since 2008, and was responsible for overseeing the Group's network of retail stores between 2010 and 2017. Between 2009 and 2010, Ms. Lau was responsible for the management of the operations of the retail stores showcasing the *Love & Co.* brand.

She previously served as a management consultant for Accenture Pte Ltd between 2007 and 2008, a management trainee for General Electric International, Inc. between 2006 and 2007, and an audit assistant for Ernst & Young LLP (Singapore), between 2005 and 2006.

Ms. Lau received a Bachelor of Accountancy (Honours) from Nanyang Technological University.

CORPORATE GOVERNANCE REPORT

The board (the "**Board**") of directors (the "**Directors**") of SK Jewellery Group Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") is committed to ensuring a high standard of corporate governance so as to strengthen corporate transparency, to protect the interests of the shareholders of the Company (the "**Shareholders**") and to promote investor confidence.

This report (the "**Report**") describes the Group's corporate governance structures and practices currently in place with specific reference made to the principles and provisions of the Code of Corporate Governance (the "**Code**") and accompanying Practice Guidance issued by the Monetary Authority of Singapore on 6 August 2018 and, where applicable, the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

The Board is pleased to report on the Group's compliance with the principles and provisions as set out in the Code. Such compliance is regularly reviewed to ensure transparency and accountability. Where there are deviations from the Code, appropriate explanations have been provided.

A. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

As at the date of this Report, the Board comprises the following members:

Name of Director	Board Membership	Audit Committee ("**AC**")	Nominating Committee ("**NC**")	Remuneration Committee ("**RC**")
Dato' Sri Dr. Lim Yong Guan	Non-Executive Chairman	-	-	-
Mr. Lim Yong Sheng	Executive Director and Group Chief Executive Officer	-	-	-
Mdm. Lim Liang Eng	Executive Director and Group Chief Operating Officer	-	-	-
Mr. Ang Miah Khiang	Lead Independent Director	Chairman	Member	Member
Mr. Sim Eng Huat	Independent Director	Member	Chairman	Member
Mr. Lye Hoong Yip Raymond	Independent Director	Member	Member	Chairman
Mr. Cheng Leung Ho	Independent Director	Member	Member	Member

- Provide effective directives on and approve the policies, strategies and financial objectives of the Group;
- Ensure that necessary financial, human and other resources are in place for the Group to meet its objectives;
- Oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance to enable risks to be assessed and managed, including safeguarding of Shareholders' interests and the assets of the Group;
- Monitor and review the performance of the management and approve the nominations of Directors and appointment of key management personnel;
- Approve annual budgets;
- Approve acquisition, investment, divestment, joint venture and disposal of assets exceeding 3.0% of the latest audited net tangible assets ("**NTA**") of the Group;
- Set the Group's values and principles (including ethical standards) and ensuring that the obligations to the Shareholders and other stakeholders are met;
- Assume responsibility for the adoption of good corporate governance practices; and
- Consider sustainability issues of policies and procedures where appropriate.

CORPORATE GOVERNANCE REPORT

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and is obliged to act in good faith and take objective decisions as fiduciaries and in the interests of the Group. Where a Director has a conflict or potentially conflict of interest in relation to any matter relating to the Group, he/she should immediately declare his/her interest when the conflict-related matter is discussed, unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he/she is to abstain from voting in relation to the conflict-related matters.

The Company has a policy for new incoming Directors to be briefed on the Group's business, strategies, operations and organisation structures and governance practices to enable them to assimilate into their new roles. The new incoming Directors are also welcome to request further explanations, briefings or informal discussions on any aspects of the Group's operational or business issues from the management. The Company will make the necessary arrangements for the site visits, briefings, informal discussions or explanations required by the new incoming Directors.

A formal letter of appointment is furnished to every newly-appointed Director upon the appointment explaining, among other matters, the roles, obligations, duties and responsibilities as a member of the Board. During FY2019, Mr. Cheng Leung Ho was appointed as an Independent Director of the Company and a member of the AC, NC and RC on 30 June 2019.

The Group has adopted internal guidelines governing matters that require the Board's approval. These include:

- Strategies and objectives of the Group;
- Budgets/forecasts;
- Corporate or financial restructuring;
- Announcement of quarterly, including the half-year and full year results, and release of the annual reports;
- Issuance of securities;
- Declaration of interim dividends and proposed final dividends;
- Convening of Shareholders' meetings;
- Material acquisition, investment, divestment or capital expenditure exceeding 3.0% of the latest audited NTA of the Group;
- Diversification of business; and
- Interested person transactions.

The Board is supported by a number of board committees (the "**Board Committees**") to assist it in the discharge of its responsibilities. These Board Committees operate under clearly defined terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The three (3) Board Committees are:

- the AC;
- the NC; and
- the RC.

The Board accepts that while the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The schedules for all of the Board and Board Committee meetings as well as the Annual General Meetings of the Company ("**AGMs**") are planned in advance. The Board meets at least four (4) times a year to review and approve, *inter alia*, the quarterly financial results of the Group. The Board also meets on an ad-hoc basis as warranted by circumstances to supervise, direct and control the Group's business and affairs. Apart from approvals obtained at Board meetings, important matters are also put to the Board for approval by way of circulating resolutions in writing.

The constitution of the Company ("**Constitution**") allows for Directors to conduct meetings by teleconference or videoconference. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circulating resolutions.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held during the financial year ended 31 December ("**FY**") 2019 are as follows:

	Board	AC	NC	RC
No. of meetings held	5	4	1	1
Dato' Sri Dr. Lim Yong Guan	5	4*	1*	1*
Mr. Lim Yong Sheng	5	4*	1*	1*
Mdm. Lim Liang Eng	5	4*	1*	1*
Mr. Ang Miah Khiang	5	4	1	1
Mr. Sim Eng Huat	5	4	1	1
Mr. Lye Hoong Yip Raymond	5	4	1	1
Mr. Cheng Leung Ho (1)	2	2	-	-
Mr. Low Chia Wing (2)	3	2	1	1

** By invitation*

Notes:

(1) Mr. Cheng Leung Ho was appointed as an Independent Director and member of the AC, NC and RC on 30 June 2019. Mr. Cheng attended all the meetings during his term as a member of the Board and AC in FY2019. There were no meetings held for the NC and the RC in FY2019 after he was appointed.

(2) Mr. Low Chia Wing resigned as an Independent Director and as a member of the AC, NC and RC on 30 June 2019. Mr. Low attended all the meetings during his term as a member of the Board, AC, NC and RC in FY2019.

Management keeps the Directors up-to-date on pertinent developments including the Group's business, financial reporting standards and industry-related matters. Such periodic updates provided to the Directors facilitate the discharge of their duties. The Directors are also encouraged to keep abreast of developments in legal, regulatory and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in training courses, seminars and workshops where relevant and/or applicable, with the cost of such training borne by the Company. At each Board meeting, the Chief Executive Officer (the "**CEO**") of the Company updates the Board on the business and strategic developments of the Group.

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow the Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to the Directors in advance of the meetings. Updates on the Group's financial performance, position and prospects, amongst others, are also provided to the Directors in advance of the Board and Board Committee meetings, as well as on an on-going basis, as practicable. Any additional materials or information requested by the Directors are also promptly furnished. The Directors have unrestricted access to records and information of the Group, and have separate and independent access to the company secretary ("**Company Secretary**"), the external auditors ("**EA**"), the internal auditors ("**IA**") and to other senior management of the Group at all times in carrying out their function.

The Company Secretary attends or is represented at all meetings of the Board and Board Committees, and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is responsible for, among others, ensuring that Board procedures are observed and that the Constitution, and relevant rules and regulations, including the Catalist Rules, are complied with. The Company Secretary also assists the Non-Executive Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term Shareholders' value.

The Company Secretary attends and prepares minutes for all Board and Board Committee meetings. As secretary for the Board Committees, the Company Secretary also assists the Non-Executive Chairman, the Chairman of each Board Committee and the management in the development of the agendas for the various Board and Board Committee meetings.

CORPORATE GOVERNANCE REPORT

The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

Changes to regulations are closely monitored by management and Directors are briefed at the Board and Board Committee meetings, or on an on-going basis by the Company Secretary and/or other professional advisors, especially where these changes have an important bearing on the Company's or the Directors' disclosure obligations.

Should the Directors, whether as a group or individually, require independent professional advice, the Board will appoint a professional advisor to render the advice. The cost of such professional advice will be borne by the Company.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this Report, the Board comprises two (2) Executive Directors, one (1) Non-Executive Director and four (4) Independent Directors. The Company is in compliance with the requirement of the Code where Independent Directors should make up a majority of the Board where the Chairman of the Board is not independent.

The Independent Directors have each confirmed that they are independent in conduct, character and judgement and has no relationship with the Company, its related corporations, its substantial shareholders or its officers which could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Group.

The NC has reviewed and is satisfied that the current composition and size of the Board and Board Committees are appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations, the balance and diversity of, amongst other factors, skills, experience and gender. The Board comprises Directors who are qualified and experienced in various fields including accounting and finance, legal, business and management experience and the requisite industry knowledge. Each Director has been appointed on the strength of his or her skills, knowledge and experience and is expected to contribute to the development of the Group's strategy and the performance of its business. The Board includes one (1) female Director in recognition of the importance and value of gender diversity. The NC is of the view that the current Board comprises members who as a group possess core competencies necessary to lead and manage the Group effectively.

The Non-Executive Director also provides oversight on the performance of management by constructively challenging and helping to develop proposals on strategy. He monitors and reviews the reporting and performance of management in meeting agreed goals and objectives.

The Independent Directors meet amongst themselves and with the EA and IA without the presence of management and the Non-Executive Chairman, given his familial relationship with certain members of management, to discuss matters such as the Group's financial performance, corporate governance and risk management initiatives, Board processes, management cooperation, as well as, any internal audit observations. Thereafter, Mr. Ang Miah Khiang, being the Lead Independent Director of the Company, will provide feedback to the Chairman of the Board after such meetings, if needed.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and the Management and no one individual has unfettered powers of decision-making.

The Chairman and CEO functions are assumed by different individuals, thus ensuring an appropriate balance of power and authority, and allowing for increased accountability and greater capacity of the Board for independent decision making.

Dato' Sri Dr. Lim Yong Guan is the Non-Executive Chairman of the Company. With the assistance of the Company Secretary, he schedules Board meetings as and when required, prepares the agenda for Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item, in particular, on strategic issues. He promotes an open environment for debate, and ensures that Independent Directors are able to speak freely and contribute effectively. In addition, he sets guidelines and exercises control over the quality, quantity, accurateness and timeliness of information flow between the Board and the management. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance with the support of the Board, the Company Secretary and management.

CORPORATE GOVERNANCE REPORT

Mr. Lim Yong Sheng, who is the brother of Dato' Sri Dr. Lim Yong Guan, is the Executive Director and Group CEO of the Company. He supervises the day-to-day business operations of the Group with the support of Mdm. Lim Liang Eng, the Executive Director and Group Chief Operating Officer of the Company, together with management, as well as formulates long-term strategies and policies of the Group.

Mr. Ang Miah Khiang, being the Lead Independent Director of the Company, provides leadership in situation where the Chairman is conflicted, and especially when the Chairman is not independent. He is the contact person for Shareholders, employees or other persons in situations where communication through the channels of the Non-Executive Chairman, Executive Directors, CEO and/or Group financial controller ("**GFC**") has not resolved their concerns or where such communication is considered inappropriate. Mr. Ang Miah Khiang will also take the lead in ensuring compliance with the Code.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC, at the beginning of FY2019, comprises four (4) members, all of whom, including the NC Chairman, are independent.

Chairman:	Mr. Sim Eng Huat	(Independent Director)
Members:	Mr. Ang Miah Khiang	(Lead Independent Director)
	Mr. Lye Hoong Yip Raymond	(Independent Director)
	Mr. Low Chia Wing	(Independent Director)

The NC was reconstituted following the resignation of Mr. Low Chia Wing and the appointment of Mr. Cheng Leung Ho on 30 June 2019 and as at the end of FY2019, the NC comprises four (4) members, all of whom, including the NC Chairman, are independent

Chairman:	Mr. Sim Eng Huat	(Independent Director)
Members:	Mr. Ang Miah Khiang	(Lead Independent Director)
	Mr. Lye Hoong Yip Raymond	(Independent Director)
	Mr. Cheng Leung Ho	(Independent Director)

The NC functions under a set of written terms of reference which sets out its responsibilities as follows:

- To review the succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- To review the Board structure, size, composition and independence of the Independent Directors;
- To make recommendations to the Board on all Board appointments and re-appointments, including making recommendations on the structure, size and composition of the Board;
- To develop the criteria for the selection of Directors and identify candidates for approval by the Board, to fill Board vacancies as and when they arise as well as put in place plans for succession for Directors;
- To review training and professional development programs for the Directors;
- To ensure that all Directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three (3) years, and to recommend Directors who are retiring by rotation to be put forward for re-election;
- To determine and confirm the independence of each Director, taking into consideration guidance from the Code and any other salient factors, at least on an annual basis;
- To develop a process for evaluation of the performance of the Board, Board Committees and Directors;
- To assess whether a Director is able to and has been adequately carrying out his/her duties as a Director, particularly when he/she has multiple board representations; and
- To perform such other duties or functions as may delegated by the Board or required by regulatory authorities.

CORPORATE GOVERNANCE REPORT

There is a formal and transparent process for the appointment of new Directors to the Board. The NC reviews and recommends all new Board appointments and also the re-nomination and re-appointment of Directors to the Board. When a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board, the NC will review and assess candidates before making recommendations to the Board. In recommending new appointments to the Board, the NC takes into consideration the balance and diversity of skills, calibre, experience, expertise, attributes, ability and gender, amongst other factors, required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of Independent Directors.

In identifying suitable candidates, the NC may:

- Advertise or use the services of external advisors to facilitate a search; and
- Consider candidates from a wide range of backgrounds from internal or external sources.

After shortlisting the candidates, the NC shall consider and interview candidates on merit against objective criteria, taking into consideration whether the candidate can devote sufficient time and attention to the affairs of the Group.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. The Constitution provides that one-third of the Board, or the number nearest to but not less than one-third is to retire by rotation at every AGM. In addition, the Constitution also provides that new Directors appointed during the year either to fill a vacancy or as an addition to the Board are required to submit themselves for re-election at the next AGM. In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM:

Pursuant to Article 88 of the Constitution:
(i) Mr. Cheng Leung Ho

Pursuant to Article 89 of the Constitution:
(i) Dato' Sri Dr. Lim Yong Guan; and
(ii) Mdm. Lim Liang Eng

Mr. Cheng Leung Ho, being a member of the NC, has abstained from deliberation in respect of his nomination.

All Directors are required to declare their board representations. As at the date of this Report, none of the Directors hold more than three (3) directorships in other listed companies outside of the Group. The Board has not set a numerical limit on the number of listed company board representations each Director may hold. The Company will consider imposing a cap in future when it deem necessary.

When a Director has multiple board representations, the NC will consider whether the Director is able to adequately carry out his duties, taking into consideration the Director's number of listed board representations, the Director's other principal commitments, the roles and scope of responsibilities of these principal commitments and involvement of any other activities outside of these principal commitments, among other factors. The NC has reviewed and is satisfied that each Director has been able to devote sufficient time and attention to the affairs of the Group to adequately discharge his or her duties as a Director, notwithstanding his or her respective board representations.

As at the date of this Report, the Company does not have any alternate Director as the Board does not encourage the appointment of alternate Directors, unless in exceptional cases.

Dato' Sri Dr. Lim Yong Guan, Mr. Lim Yong Sheng and Mdm. Lim Liang Eng are siblings. Save as aforesaid, the NC has confirmed that none of the Directors are related and they do not have any relationship with the Company or its related corporations, its substantial shareholders or its officers that could affect their independence to the Board.

The NC reviews the independence of each Independent Director at the time of appointment and annually. The NC has reviewed, determined and confirmed the independence of the Independent Directors and the Board has concurred with the NC's confirmation.

During FY2019, there was no Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment.

Key information of each Director can be found on pages 15 and 16 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Non-Executive Chairman and each individual Director to the Board. The Board assesses, amongst others, the structure, operation, responsibilities, contribution and the performance objectives of the Board and Board Committees.

All Directors are requested to complete a Board assessment checklist designed to seek their views on the various performance criteria set by the Board, so as to assess the overall performance and effectiveness of the Board and Board Committees. The checklists are completed and submitted to the Company Secretary for collation and the consolidated responses are presented to the NC for review and discussion before making any recommendations to the Board. The performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the performance of the Board and Board Committees against short and long-term financial and non-financial performance indicators, identify areas for improvement and to implement appropriate action. The NC has reviewed the overall performance and effectiveness of the Board and Board Committees and is of the view that the performance and effectiveness of the Board and Board Committees as a whole has been satisfactory.

The NC has adopted the guidelines for annual assessment of the contribution of each Director to the performance and effectiveness of the Board and Board Committees. The NC is of the view that despite multiple board appointments held by certain Directors, each Director has been able to devote sufficient time and attention in adequately carrying out his or her duties as a Director.

The Board has not engaged any external facilitator in conducting the assessment of the performance of the Board and Board Committees. Where relevant, the NC will consider such an engagement.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC, at the beginning of FY2019, comprises four (4) members all of whom, including the RC Chairman, are independent.

Chairman:	Mr. Lye Hoong Yip Raymond	(Independent Director)
Members:	Mr. Ang Miah Khiang	(Lead Independent Director)
	Mr. Sim Eng Huat	(Independent Director)
	Mr. Low Chia Wing	(Independent Director)

The RC was reconstituted following the resignation of Mr. Low Chia Wing and the appointment of Mr. Cheng Leung Ho on 30 June 2019 and as at the end of FY2019, the RC comprises four (4) members, all of whom, including the RC Chairman, are independent

Chairman:	Mr. Lye Hoong Yip Raymond	(Independent Director)
Members:	Mr. Ang Miah Khiang	(Lead Independent Director)
	Mr. Sim Eng Huat	(Independent Director)
	Mr. Cheng Leung Ho	(Independent Director)

CORPORATE GOVERNANCE REPORT

The RC functions under a set of written terms of reference which sets out its responsibilities as follows:

- To recommend to the Board a framework for remuneration for the Directors and key management personnel of the Group. The framework covers all aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, and benefits-in-kind;
- To review and recommend Directors' fees for approval at the AGM;
- To determine specific remuneration packages for each Executive Director as well as key management personnel so as to ensure that the packages are competitive and sufficient to attract, retain and motivate the Directors and key management personnel of the required quality to run the Group successfully;
- To ensure that the Company's obligations arising in the event of termination of each Executive Director as well as key management personnel to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous;
- To review the remuneration packages of employees related to Directors, CEO and/or substantial Shareholders, to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility;
- To administer the performance share plan and any other share option scheme or share plan established from time to time, in accordance with the rules of such share plan or share option scheme and the Catalist Rules; and
- To perform such other duties or functions as may be delegated by the Board or required by regulatory authorities.

Each member of the RC shall abstain from voting on any resolution in respect of his own remuneration package.

The RC will be provided with access to expert professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company. No such service was required for FY2019.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The Group's remuneration structure for its Executive Directors and key management personnel comprised both fixed and variable components. The fixed component is in the form of a monthly base salary. The variable component is in the form of a variable incentive bonus that is performance-related and is linked to the Group's performance as well as the individual's performance. This is designed to align remuneration with the interests of Shareholders and link rewards to corporate and individual performance so as to promote the long term success of the Group and ensure that the remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

Each Executive Director has a service agreement with the Company valid for an initial period of three (3) years with effect from the date of the Company's listing on the Catalist of the SGX-ST ("**Listing**"). Upon the expiry of the initial period of three (3) years, the employment of each Executive Director shall be renewed for a further three (3) years on such terms and conditions as may be agreed by the RC unless terminated by either party giving six (6) months' written notice of intention not to renew the employment.

All revisions to the remuneration packages for the Executive Directors and key management personnel are subject to the review by and recommendation of the RC and the approval of the Board.

Performance conditions such as the financial performance and operations of the Group, as well as any other business objectives such as quality of service and adherence to corporate values and principles which may from time to time be determined by the Board are used to determine the short-term incentive schemes employed in determining the remuneration of the Executive Directors and key management personnel. In addition, all employees of the Group, including the Directors, are eligible to participate in the Company's performance share plan known as the "SK Jewellery Group Performance Share Plan" ("**PSP**"). The PSP is employed as a long-term incentive in the remuneration of the Directors and key management personnel, and forms an integral component of the Group's compensation scheme. It is designed to reward, retain and motivate employees to achieve superior performance to align the interests of Directors and employees with that of the Shareholders. The PSP is administered by the RC. The performance conditions used to determine the entitlements of the

CORPORATE GOVERNANCE REPORT

Directors and key management personnel under the PSP include specific performance targets imposed by the Group, taking into account factors such as (i) the business strategies, plans and directions of the Company and the Group; (ii) the actual job scope and responsibilities of the Director or employee; and (iii) the prevailing economic conditions. The RC has reviewed the performance conditions for the Directors and key management personnel for FY2019 and has determined them to have been met. As at the date of this Annual Report, no awards have been granted under the PSP.

The PSP is administered by the RC with such discretion, powers and duties as are conferred on it by the Board. A member of the RC shall not be involved in the deliberations of the RC for the grant of awards to him.

Directors' fees are payable to the Non-Executive Directors taking into account factors such as the effort and time spent and their scope of responsibilities. Directors' fees are recommended by the RC for approval by Shareholders at the AGM. Executive Directors do not receive Directors' fees. No Director is involved in deciding his or her own remuneration package.

There are no termination or retirement benefits that are granted to the Directors. The Company does not intend to use contractual provisions to allow the Group to claim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Directors owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. In addition, the Company has in place strong corporate governance practices described herein such as the processes put in place for the selection and appointment of new Directors as disclosed under Principle 4 above, the review process to assess the performance and effectiveness of the Board and Board Committees as a whole on an annual basis as disclosed under Principle 5 above and the Whistle Blowing Policy as defined and disclosed under Principle 10 below, among others, as checks and balances to prevent the occurrence of such instances.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Remuneration of directors

As mentioned in Principle 7 above, each Executive Director has a service agreement with the Company for an initial period of three (3) years with effect from the date of Listing. Please refer to the Company's offer document dated 11 August 2015 ("**Offer Document**") for further information on the remuneration packages of the Executive Directors, which consist of fixed and variable components. A breakdown showing the level and mix of each individual Director's remuneration for FY2019 (in percentage terms) is disclosed below:-

Remuneration Band and Name of Director	Directors' Fees(1) (%)	Salary/Fixed Bonus(2) (%)	Benefits in Kind (%)	Variable Bonus(2) (%)	Total (%)
S$600,000 to S$699,999					
Mr. Lim Yong Sheng(3)	-	82.0	3.0	15.0	100.0
Mdm. Lim Liang Eng(3)	-	82.0	3.0	15.0	100.0
S$300,000 to S$399,999					
Dato' Sri Dr. Lim Yong Guan(3)	100.0	-	-	-	100.0
Below S$100,000					
Mr. Ang Miah Khiang	100.0	-	-	-	100.0
Mr. Sim Eng Huat	100.0	-	-	-	100.0
Mr. Lye Hoong Yip Raymond	100.0	-	-	-	100.0
Mr. Cheng Leung Ho(4)	100.0	-	-	-	100.0
Mr. Low Chia Wing(5)	100.0	-	-	-	100.0

CORPORATE GOVERNANCE REPORT

Notes:

(1) Directors' fees of S$490,000 for FY2019 have been approved by the Shareholders at the AGM held on 29 April 2019.

(2) Inclusive of employer provident funds.

(3) Dato' Sri Dr. Lim Yong Guan, Mr. Lim Yong Sheng and Mdm. Lim Liang Eng are siblings.

(4) Mr. Cheng Leung Ho was appointed as an Independent Director on 30 June 2019.

(5) Mr. Low Chia Wing resigned as an Independent Director on 30 June 2019.

Remuneration of key management personnel

The remuneration received by the top five (5) key management personnel (who are not Directors or the CEO) for FY2019 is below S$250,000 in each case.

The Company has not disclosed the names and details of the remuneration of each individual Director, the CEO and its top five (5) key management personnel as the Board believes that full detailed disclosure of the remuneration of each Director, the CEO and key management personnel as recommended by the Code would be prejudicial to the Group's interest and hamper its ability to retain and nurture the Group's talent pool. The Company has instead presented such information in remuneration bands.

Range of remuneration	No. of key management personnel
Below S$250,000	5(1)
Total	S$852,926

Notes:

(1) This includes (i) Ms. Lau Wan Kei, Angelina, General Manager, International, who is the daughter of Mdm. Lim Liang Eng, and niece of Dato' Sri Dr. Lim Yong Guan and Mr. Lim Yong Sheng, as well as, (ii) Mr. Wong Jak, General Manager, Malaysia Operations, who is the brother-in-law of Dato' Sri Dr. Lim Yong Guan, Mr. Lim Yong Sheng and Mdm. Lim Liang Eng, both of whom remuneration for FY2019 was between S$100,000 and S$199,999.

The Board is of the view that that the information as disclosed above would be sufficient for Shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar. The remuneration of employees related to the Directors, CEO and/or substantial Shareholders will also be reviewed annually by the RC.

In FY2019, the only other employee who is not a key management personnel but is an immediate family member of a Director, CEO and/or a substantial Shareholder is Mdm. Lim Liang Cheng, Area Manager, Malaysia Operations, who is the sister of Dato' Sri Dr. Lim Yong Guan, Mr. Lim Yong Sheng and Mdm. Lim Liang Eng, and the spouse of Mr. Wong Jak. The remuneration of Mdm. Lim Liang Cheng in FY2019 falls within the band of S$100,000 to S$199,999.

Save as disclosed above, there is no other employee who is related to a Director, the CEO or substantial Shareholder and whose remuneration exceeded S$100,000 during FY2019.

In connection with the Listing, the PSP was adopted with the objectives of, among others, motivating the management personnel to achieve key financial and operational goals of the Group and recognising the efforts of, and retaining, existing management personnel whose contributions are important to the long-term development and profitability of the Group.

During FY2019, no awards have been granted to eligible participants under the PSP.

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board notes that the Group's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Nonetheless, the Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology ("**IT**") controls. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard Shareholders' interests and the Group's assets. The Board will look into the need for establishment of a separate Board risk committee at the relevant time.

The management is responsible for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk exposure, risk tolerance and risk policies.

The AC will ensure that a review of the effectiveness of the Group's material internal controls, including, financial, operational, compliance, IT controls and risk management, is conducted annually. In this respect, the AC will review the audit plans and the findings of the EA and the IA, and will ensure that management follows up on the EA and IA's recommendations raised, if any, during the audit process.

Based on the internal control policies and procedures established and maintained by the Group, work performed by the EA and the IA and reviews performed by the Board, the AC and the management, the Board, with the concurrence of the AC, is of the view that the internal control systems of the Group addressing financial, operational, compliance, IT risks and risk management systems are adequate and effective as at the date of this Annual Report.

The Board and the AC have also received assurances from the Executive Director and CEO and the GFC that the Group's risk management and internal control systems are adequate and effective in addressing the material risks of the Group in its current business environment including financial, operational, compliance and IT risks and also that the financial records have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's business operations and finances.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The AC, at the beginning of FY2019, comprises four (4) members all of whom, including the AC Chairman, are independent.

Chairman:	Mr. Ang Miah Khiang	(Lead Independent Director)
Members:	Mr. Sim Eng Huat Mr. Lye Hoong Yip Raymond Mr. Low Chia Wing	(Independent Director) (Independent Director) (Independent Director)

The AC was reconstituted following the resignation of Mr. Low Chia Wing and the appointment of Mr. Cheng Leung Ho on 30 June 2019 and as at the end of FY2019, the AC comprises four (4) members, all of whom, including the AC Chairman, are independent.

Chairman:	Mr. Ang Miah Khiang	(Lead Independent Director)
Members:	Mr. Sim Eng Huat	(Independent Director)
	Mr. Lye Hoong Yip Raymond	(Independent Director)
	Mr. Cheng Leung Ho	(Independent Director)

The AC meets at least on a quarterly basis. The AC is guided by its terms of reference which stipulate that its principal functions include, *inter alia*, reviewing the Group's annual audit plans (internal and external), its system of internal controls and risk management, the effectiveness and adequacy of its internal audit function which is currently outsourced to the

CORPORATE GOVERNANCE REPORT

IA, the assurance from the CEO and GFC on the financial records and financial statements, regulatory compliance matters, its risk management framework, interested person transactions, significant financial reporting issues and judgements and financial performance announcements. The AC is also responsible for making recommendations to the Board on the proposals to the Shareholders on the appointment/re-appointment/removal of the EA and IA and their remuneration. The AC has explicit authority to investigate any matter within its terms of reference. The AC has full access to, and the co-operation of the management, as well as the EA and IA, respectively. The AC also has full discretion to invite any Director or any member of management to attend its meeting. The AC has adequate resources, including access to external professional advisors if required and auditors, to enable it to discharge its responsibilities properly.

The Board considers Mr. Ang Miah Khiang, a fellow with the Institute of Singapore Chartered Accountants who has extensive and practical financial management knowledge and experience, well-qualified to chair the AC. The other members of the AC bring with them invaluable experience in finance and business management. The Board is of the view that the members of the AC are appropriately qualified in that they have sufficient accounting or related financial management expertise and experience to discharge the duties and responsibilities of the AC.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements of the Group, the AC is encouraged to participate in training courses, seminars and workshops, as relevant, and to seek advice from the EA at the AC meetings that are held.

The AC is satisfied that based on the nature and extent of non-audit services provided to the Group by the EA, RSM Chio Lim LLP, in FY2019, it would not prejudice the independence and objectivity of the EA and has recommended the EA's re- appointment as external auditors of the Company to the Board for the financial year ending 31 December 2020. A breakdown of the fees in total for audit and non-audit services is set out in the Notes to the Financial Statements on page 70 of this Annual Report.

The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the EA.

The AC meets with the EA and the IA separately, at least once a year, without the presence of the Non-Executive Chairman, given his familial relationship with the management, and the management to review any matter that might be raised.

The Group has put in place a whistle-blowing framework (the "**Whistle Blowing Policy**"), endorsed by the AC where the employees of the Group or any other person may, in confidence, raise concerns about possible corporate improprieties on matters of financial reporting or other matters. A dedicated secured email address has been set up to allow whistle-blowers to contact the AC Chairman directly.

Details of the Whistle Blowing Policy and arrangements have been made available to all employees of the Group. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that whistle blowers will be protected from reprisal within the limits of the law.

The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities relating to the Group, the AC and the Board have access to appropriate external advice where necessary.

No former partner or director of the Company's EA and IA is a member of the AC.

The AC approves the hiring, removal, evaluation and compensation of the IA. The internal audit function of the Group has currently been out-sourced to an external professional firm, Nexia TS Risk Advisory Pte. Ltd. ("**Nexia TS**").

The IA reports directly and has unfettered access to the AC, has full access to documents, records, properties and personnel of the Company and the Group, and has appropriate standing within the Company. The IA plans its internal audit schedules in consultation with the management and its plans are reviewed and approved by the AC. The results of the internal audit will be presented to and reviewed by the AC and the Board. The IA had conducted an annual review of the effectiveness of the Group's internal controls in FY2019.

The AC reviews the reports issued by the IA to ensure that the Group's internal controls including financial, operational, compliance and IT controls are robust and effective, and follows up with management and the IA in ensuring that the IA's recommendations agreed with management have been adequately and appropriately implemented. The AC also ensures that management provides good support to the IA, such as providing the IA with access to documents, records, properties and personnel when requested in order for them to carry out their function accordingly.

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The IA reports directly to the AC on audit matters and performs its works in line with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC reviews and approves the annual internal audit plan as well as the IA reports and activities. The AC, having considered, amongst others, the reputation and track record of Nexia TS and the qualifications, experience and availability of resources and independence of the team at Nexia TS, is of the opinion that the Group's internal audit function is independent, effective and adequately resourced and is satisfied that the appointment of Nexia TS as IA is appropriate.

The AC, on an annual basis, assesses the effectiveness of the IA by examining the scope of the internal audit work, its independence and the IA's findings.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company believes in providing sufficient and regular information to its Shareholders and ensures that all of its Shareholders are treated equitably and the rights of all Shareholders are protected.

In this respect, the Board endeavours to provide clear, timely and fair disclosure of information about the Group's business developments and financial performance that could have a material impact on the price or value of the Company's shares.

Shareholders are informed of general meetings through notices published in the newspapers and the Company's announcements and press releases *via* SGXNET as well as through reports/circulars sent to all Shareholders. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

All Shareholders are entitled to vote and shall be informed of the rules, including voting procedures, at the general meeting. The Company supports active Shareholder participation at general meetings. If Shareholders are unable to attend the meetings, the Constitution allows for a Shareholder to appoint up to two (2) proxies to attend and vote in place of the Shareholder.

Voting in absentia such as voting *via* email, electronic mail or facsimile at the general meetings may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised.

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting.

The Chairman of the Board, the Board Committees and the GFC attend all general meetings to address issues raised by Shareholders. The EA is also invited to attend the AGM and is available to assist the Directors and the GFC in addressing any relevant queries by the Shareholders relating to the conduct of the audit and the preparation of the contents of the auditors' report. All the Directors (save for Mr. Cheng Leung Ho who was only appointed as a Director on 30 June 2019) attended the last AGM held on 29 April 2019.

The Company will publish minutes of general meetings of Shareholders on its corporate website as soon as practicable. The minutes will record substantial and relevant comments or queries raised by Shareholders and answers given by the Board and/or the management.

To ensure that all Shareholders have the opportunity to participate effectively in and vote at general meetings, voting at general meetings of the Company will be conducted by poll where Shareholders are accorded voting rights proportionate to their shareholding and all votes will be counted and announced.

Currently, the Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. For FY2019, the Board has proposed a final cash dividend of 0.50 Singapore cents per ordinary share.

CORPORATE GOVERNANCE REPORT

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

In line with the continuing disclosure obligations under the Catalist Rules, the Board informs Shareholders promptly of all major developments that may have a material impact on the Group. All of the Company's announcements are released via SGXNET, including the financial results, annual reports, distribution of notices, press releases, analyst briefings, presentations, announcements on acquisitions and other material developments. The Company does not practise selective disclosure of material information and price sensitive information is publicly released as soon as is practicable as required by the Catalist Rules.

General meetings are still the principal forum for dialogue with Shareholders. To promote a better understanding of Shareholders' views, the Board encourages Shareholders to participate during the Company's general meetings. At these meetings, Shareholders are able to engage the Board and the management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views and address Shareholders' concerns at general meetings. The Company is open to meetings with investors and analysts, and in conducting such meetings, is mindful to ensure fair disclosure. The Company also communicates through its corporate website, http://www.skjewellerygroup.com, to provide Shareholders with access to the Group's corporate announcements, press releases, annual reports and corporate information. The Company has an internal investor relations function which focuses on facilitating communications with Shareholders and analysts, attending to their queries or concerns and keeping them apprised of the Group's corporate developments and financial performance.

E. Managing Stakeholders Relationships

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Group has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve service and products' standards, as well as to sustain business operations for long-term growth.

The Group is mindful of its obligation to ensure a timely and adequate disclosure of information on matters of material impact on the Group to its Shareholders, in compliance with the requirements set out in the Catalist Rules. All announcements, annual reports and sustainability reports are released via SGXNET and published at the Group's corporate website http://www.skjewellerygroup.com. This website, which is updated regularly, contains various information on the Group and the Company which serves as an important resource for investors and all stakeholders.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations. They are namely, suppliers, customers, employees, community, investor and regulators.

At the last AGM held on 29 April 2019, the Company put all resolutions tabled to vote by poll. The voting results of all votes cast in respect of each resolution and the respective percentages were displayed at the meeting and announced in a timely manner via SGXNET after the meeting. The proceedings of the annual general meeting and extraordinary general meeting (if any) of the Company are properly recorded, including all comments or queries raised by Shareholders relating to the agenda of the meeting and responses from the Board and Management. The Company will publish minutes of general meetings of Shareholders on its corporate website as soon as practicable.

The Company welcomes feedback from stakeholders with regards to the Company's sustainability efforts. The stakeholders may send feedback to the Company at: enquiry@skjewellery.com.

CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES

Rule 1204(19) of the Catalist Rules

The Group has adopted a policy whereby the Directors and employees are prohibited from dealing in the securities of the Company while in possession of price-sensitive information as well as during the period commencing one (1) month before the announcement of the Company's full year results and two (2) weeks before the announcement of the first, second and third quarter financial results until the said results announcement has been made. The Directors and employees of the Group are to refrain from dealing in the Company's securities on short-term considerations.

The Directors and employees of the Group are also required to adhere to the provisions of the Securities and Futures Act, Companies Act, the Catalist Rules and any other relevant regulations with regard to their securities transactions.

Directors and employees of the Group are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

NON-SPONSOR FEES

In compliance with Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, United Overseas Bank Limited, in FY2019.

INTERESTED PERSON TRANSACTIONS

The Group has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved, and are conducted at an arm's length commercial terms basis. Any Director, CEO and/or controlling Shareholder who is interested in a transaction will abstain and refrain from deliberating, discussing, making recommendations and approving the transaction. The Group does not have a general mandate from Shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules.

However, pursuant to Rule 905 of the Catalist Rules, the aggregate value of interested person transactions entered into during FY2019 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during FY2019 (including transactions less than S$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Catalist Rules) S$'000
Transactions with Moneymax Financial Services Ltd. and its subsidiaries	
- Purchases of products	179
- Sales of products	108
- Sales of fixed assets	1
- Central support services	312
- Rental income	311
Rental expense	
Dato' Sri Dr. Lim Yong Guan (Non-Executive Chairman)	326
Sales of products	
Mr. Ang Miah Khiang (Independent Director)	15
Purchase of products	
Ms. Sharon Patricia Wong Mei Ching (Spouse of Mr. Lim Yong Sheng, an Executive Director and the Group CEO)	588
Total	**1,840**

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

Rule 1204(8) of the Catalist Rules

There are no other material contracts entered into by the Company or any of its subsidiaries involving the interest of any Director, CEO or controlling Shareholder either still subsisting as at 31 December 2019 or, if not then subsisting, entered into since 31 December 2019.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to contributing towards sustainable development and making a positive impact on local communities.

As part of the Group's community development efforts, the Group has participated in and supported the fundraising and charity projects of various local community organisations. The employees of the Group have embarked on "Project Sayang" in rendering a helping hand to the needy families of Radin Mas, Telok Blangah and Redhill housing estates, by providing them with daily necessities. This goodwill initiative was organised by Radin Mas CCC Community Development and Welfare Fund.

CORPORATE SUSTAINABILITY

The Group firmly believes that its commitment to embrace the tenets of corporate sustainability is a driving force to creating value for the stakeholders at large. It adopts the principles of sustainability throughout the value chain and continues to build sustainable practices in every aspect of the Group's business in achieving high levels of integrity and excellence in its activities. In FY2019, the Group was focused on anti-corruption and anti-money laundering policies, energy management, diversity and equal opportunity, training and education and customer's privacy. The Group's sustainability initiatives and performance will be set out separately in the FY2019 Sustainability Report to be published by 31 May 2020 in accordance with Rule 711A of the Catalist Rules.

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INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING

The information on the Directors who are retiring and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company, pursuant to Rule 720(5) of the Catalist Rules is set out below:

Details	Name of Director		
	Lim Yong Guan	**Lim Liang Eng**	**Cheng Leung Ho**
Date of Appointment	13 June 2012	13 June 2012	30 June 2019
Date of last re- appointment (if applicable)	24 April 2017	30 April 2018	Not Applicable
Age	60	63	67
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having reviewed and considered the qualifications, contribution and performance of Dato' Sri Dr. Lim, concurred with the recommendation of the Nomination Committee, and approved the re-election of Dato' Sri Dr. Lim as the Non-Executive Chairman of the Company.	The Board, having reviewed and considered the qualifications, contribution and performance of Mdm. Lim, concurred with the recommendation of the Nomination Committee, and approved the re-election of Mdm. Lim as an Executive Director and the Group Chief Operating Officer of the Company.	The Board, having reviewed and considered the qualifications, work experience, contribution and performance of Mr. Cheng, concurred with the recommendation of the Nomination Committee, and approved the re-election of Mr. Cheng as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Mdm Lim oversees the Group's operations, including dealings with suppliers, financial institutions and relevant government authorities, the expansion plans for the Group's retail stores, the Group's procurement, merchandising, pricing strategies, human resources and general administration, and has been critical in contributing the Group's growth.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman	Executive Director and Group Chief Operating Officer	Independent Director, member of the Remuneration Committee, Audit Committee and Nominating Committee
Professional qualifications	Diploma in Business Administration, Singapore Chinese Chamber Institute of Business	GCE 'A' Levels, National Junior College	Bachelor of Business Administration, Chinese University of Hong Kong

CORPORATE GOVERNANCE REPORT

Details	**Name of Director**		
	Lim Yong Guan	**Lim Liang Eng**	**Cheng Leung Ho**
Working experience and occupation(s) during the past 10 years	MoneyMax Financial Services Ltd. (2008 – Present), Executive Chairman and Chief Executive Officer	Company (2008 – Present) Executive Director and Chief Operating Officer	Singapore Bullion Market Association (2015 – Present), Honorary CEO Chow Tai Fook Jewellery Co., Ltd (2018 – 2019), Advisor World Gold Council (2015 -2019), Advisor World Gold Council (1993 -2015), Managing Director (Far East)
Shareholding interest in the listed issuer and its subsidiaries	• Direct interest of 66,556,653 shares in the Company • Deemed interest of 336,345,565 shares in the Company	• Direct interest of 6,525,155 shares in the Company • Deemed interest of 334,192,565 shares in the Company	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	(i) Sibling of Mdm. Lim Liang Eng (Executive Director and Group Chief Operating Officer) and Mr Lim Yong Sheng (Executive Director and Group Chief Executive Officer) (ii) Uncle of Ms Angelina Lau (General Manager, International) (iii) Brother-in-law of Mr. Wong Jak (General Manager, Malaysia Operations) (iv) Controlling shareholder and director of Soo Kee Capital Pte Ltd (Controlling shareholder of the Company)	(i) Sibling of Dato' Sri Lim Yong Guan (Non-Executive Chairman) and Mr Lim Yong Sheng (Executive Director and Group Chief Executive Officer) (ii) Mother of Ms Angelina Lau (General Manager, International) (iii) Sister-in-law of Mr. Wong Jak (General Manager, Malaysia Operations) (iv) Controlling shareholder and director of Soo Kee Capital Pte Ltd (Controlling shareholder of the Company)	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Details	**Name of Director**		
	Lim Yong Guan	**Lim Liang Eng**	**Cheng Leung Ho**
Other Principal Commitments Including Directorships	Past (for the last 5 years): Director of: 1) Ban Joo Pawnshop Pte. Ltd. 2) Concept 66 Pte. Ltd. 3) Jewelfest Pte. Ltd. 4) Rico Development Pte. Ltd. 5) SK Bullion Pte. Ltd. Present Director of: 1) Bukit Timah Seu Teck Sean Tong Institution Limited 2) Guan Sheng Capital Pte. Ltd. 3) Heng Seng Pte. Ltd. 4) Lady Paris Sdn Bhd 5) Love & Co. International Pte. Ltd. 6) Love & Co. Pte. Ltd. 7) Love & Co. Sdn Bhd 8) Money Farm Pte. Ltd. 9) Moneymax Assurance Agency Pte. Ltd. 10) Moneymax Capital Pte. Ltd. 11) Moneymax Credit Pte. Ltd. 12) Moneymax Express Pte. Ltd. 13) Moneymax Financial Services Ltd. 14) Moneymax Group Pte. Ltd. 15) Moneymax Holdings Pte. Ltd. 16) Moneymax Jewellery Pte. Ltd. 17) Moneymax Jewellery Sdn Bhd 18) Moneymax Leasing Pte. Ltd. 19) Moneymax Pawnshop Pte. Ltd. 20) Moneymax Pte. Ltd. 21) Nam Hwa Opera Limited 22) SK Jewellery Group Limited 23) SG E-Auction Pte. Ltd. 24) SK Jewellery Pte. Ltd. 25) SK Jewellery Sdn Bhd 26) SK Properties Pte. Ltd. 27) SKC Pte. Ltd. 28) SKJ Group Pte. Ltd. 29) Soo Kee Capital Pte. Ltd. 30) Soo Kee Investment Pte Ltd 31) Wealthy Land Pte. Ltd. 32) Cash Online Sdn Bhd 33) Moneymax Pawnshop Sdn Bhd 34) Easimine Group Sdn Bhd 35) Easigram Group Sdn Bhd 36) MS1 Infinite Sdn Bhd 37) MS2 Infinite Sdn Bhd 38) MS3 Infinite Sdn Bhd 39) MS4 Infinite Sdn Bhd 40) MS5 Infinite Sdn Bhd 41) MS10 Infinite Sdn Bhd 42) Easigram (Pandan) Sdn Bhd 43) Easigram (Batu Pahat) Sdn Bhd 44) Easigold Group Sdn Bhd 45) Yong Mei Group Sdn Bhd 46) Guan Sang Group Sdn Bhd 47) Soo Kee Jewellery Sdn Bhd	Past (for the last 5 years): Director of: 1) Moneymax Credit Pte. Ltd. 2) Moneymax Financial Services Ltd. 3) Moneymax Group Pte. Ltd. 4) Moneymax Holdings Pte. Ltd. 5) Moneymax Jewellery Pte. Ltd. 6) Moneymax Pawnshop Pte. Ltd 7) Moneymax Pte. Ltd. 8) SK Bullion Pte. Ltd. Present Director of: 1) Guan Sheng Capital Pte Ltd. 2) Love & Co. International Pte. Ltd. 3) Love & Co. Pte Ltd. 4) Money Farm Pte Ltd. 5) Sk Jewellery Group Limited. 6) SK Jewellery Pte Ltd 7) SK Properties Pte Ltd 8) SKJ Group Pte Ltd 9) Soo Kee Capital Pte. Ltd. 10) Soo Kee Jewellery Sdn Bhd 11) Bedok Land Sdn Bhd 12) Love & Co Sdn Bhd 13) SK Jewellery Sdn Bhd	Past (for the last 5 years): Director of: 1) WGC (Far East) Pte Ltd Present Director of : 1) AC Consultants Ltd. 2) Clean Earth Technologies Pte Ltd 3) Clean Mining (Singapore) Pte Ltd

CORPORATE GOVERNANCE REPORT

Details		Name of Director		
		Lim Yong Guan	Lim Liang Eng	Cheng Leung Ho
The general statutory disclosures of the Directors are as follows :				
a.	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
b.	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
c.	Whether there is any unsatisfied judgment against him?	No	No	No
d.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
f.	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No

CORPORATE GOVERNANCE REPORT

Details		Name of Director		
		Lim Yong Guan	Lim Liang Eng	Cheng Leung Ho
g.	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
h.	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i.	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
j.	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-			
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
	iii. any business trust which has been investigated fora breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
k.	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

CORPORATE GOVERNANCE REPORT

Details	**Name of Director**		
	Lim Yong Guan	**Lim Liang Eng**	**Cheng Leung Ho**
Information required **Disclosure applicable to the appointment of Director only.**			
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	No
If yes, please provide details of prior experience.	Executive Chairman and Chief Executive Officer of Moneymax Financial Services Ltd.	Executive Director of Moneymax Financial Services Ltd.	Not Applicable
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable	Not applicable	Mr. Cheng will be attending the relevant modules under the Listed Entity Directors Programme organized by the Singapore Institute of Directors to meet the mandatory training requirements under Rule 406(3)(a) of the Catalist Rules

FINANCIAL STATEMENTS CONTENTS

STATEMENT BY DIRECTORS

The directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and

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

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

Mr. Lim Yong Guan
Mr. Lim Yong Sheng
Mdm. Lim Liang Eng
Mr. Ang Miah Khiang
Mr. Sim Eng Huat
Mr. Lye Hoong Yip, Raymond
Mr. Cheng Leung Ho (Appointed on 30 June 2019)

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

	Direct Interest		Deemed Interest	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**	**At beginning of the reporting year**	**At end of the reporting year**
The Company	Number of shares of no par value			
Lim Yong Guan	66,556,653	66,556,653	329,254,965	333,445,565
Lim Yong Sheng	57,421,427	57,421,427	327,101,965	331,292,565
Lim Liang Eng	6,525,155	6,525,155	327,101,965	331,292,565

By virtue of section 7 of the Act, the above directors with interests are deemed to have an interest in the Company and in all the related body corporate of the Company.

The directors' interests as at 21 January 2020 were the same as those at the end of the reporting year.

STATEMENT BY DIRECTORS

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the options rights and other rights mentioned below.

5. Options

At an Extraordinary General Meeting held on 29 July 2015, shareholders approved the SK Jewellery Group Performance Share Plan (the "PSP" or the "Plan") for granting of ordinary shares of the Company to directors (executive and non-executive) and selected full time employees. The Plan is administered by the Remuneration Committee. Since the commencement of the Plan till the end of the financial year, no share awards are granted and no new shares are issued under the grant of share awards under the Plan.

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares. At the end of the reporting year, there were no unissued shares under option.

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Report of audit committee

The members of the audit committee at the date of this report are as follows:

Mr. Ang Miah Khiang	(Chairman of audit committee and independent and non-executive director)
Mr. Sim Eng Huat	(Independent and non-executive director)
Mr. Lye Hoong Yip, Raymond	(Independent and non-executive director)
Mr. Cheng Leung Ho	(Independent and non-executive director)

The audit committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan.
- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption.
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

STATEMENT BY DIRECTORS

7. Report of audit committee (cont'd)

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how independent auditor's objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the Company.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2019.

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 25 February 2020, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

....
Lim Yong Guan
Director

....
Lim Yong Sheng
Director

27 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SK JEWELLERY GROUP LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of SK Jewellery Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS (I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of inventories

Refer to Notes 2A and 2C for the relevant accounting policy and key estimates used in the valuation of inventory respectively and Note 19 for the breakdown of inventory for the reporting year end.

The carrying amount of inventories amounted to S$55,290,000 accounted for approximately 38% of the Group's total assets as at the reporting year end. The cost of inventories may not be recoverable in full if those inventories become obsolete, or if their selling prices have declined. Management applies judgment in determining the appropriate allowance for inventories based upon a technical assessment of inventories concerned, considering future demand, future selling prices, rework cost and fluctuation of gold market prices and ageing analysis of inventories.

Our procedures include:

(i) comparing the carrying value to their subsequent selling prices, if any;
(ii) comparing the carrying value of a sample of products to the fair value assessed by gemologist;
(iii) assessing the independence, qualifications and competence of the gemologist;
(iv) reviewing the gold price index for the reporting year and comparing the average cost of gold items as at the reporting year end to the latest practicable market gold price subsequent to reporting year end;
(v) reviewing the assumptions used in computing the rework cost for aged products; and
(vi) assessing the adequacy of disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SK JEWELLERY GROUP LIMITED

Other information

Management is responsible for the other information. The other information comprises the information included in the statement by directors and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SK JEWELLERY GROUP LIMITED

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Derek How Beng Tiong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

27 March 2020
Engagement partner - effective from year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Notes	Group 2019 $'000	Group 2018 $'000
Revenue	5	138,774	133,001
Other gains	6	1,650	1,745
Raw materials and consumables used		(72,576)	(68,935)
Employee benefits expense	7	(19,780)	(19,968)
Depreciation and amortisation expense		(24,046)	(4,459)
Other losses	6	(1,070)	(502)
Finance costs	8	(1,759)	(1,342)
Rental expense	29	(2,848)	(21,562)
Other expenses	9	(9,185)	(9,928)
Share of loss from equity-accounted associate		(287)	(217)
Profit before tax from continuing operations		8,873	7,833
Income tax expense	11	(2,495)	(1,891)
Profit from continuing operations, net of tax		6,378	5,942
Loss from discontinued operations, net of tax		(382)	(827)
		5,996	5,115
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(9)	(91)
Other comprehensive loss for the year, net of tax:		(9)	(91)
Total comprehensive income for the year		5,987	5,024
Profit attributable to owners of the parent, net of tax		6,110	5,382
Loss attributable to non-controlling interests, net of tax		(114)	(267)
Profit for the year		5,996	5,115
Total comprehensive income attributable to owners of the parent		6,101	5,291
Total comprehensive loss attributable to non-controlling interests		(114)	(267)
Total comprehensive income for the year		5,987	5,024
Earnings per share			
Earnings per share currency unit		**Cents**	**Cents**
Basic	13	1.09	0.96
Total		1.09	0.96

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Notes	2019	2018	2019	2018
ASSETS		**$'000**	**$'000**	**$'000**	**$'000**
Non-current assets					
Property, plant and equipment	14	30,472	31,988	–	–
Investments in subsidiaries	15	–	–	10,502	10,502
Investments in associates	16	–	287	–	–
Deferred tax assets	11	337	458	–	–
Other financial assets	17	30	30	–	–
Other assets (right of use)	29	26,913	–	–	–
Other assets (land use rights)	18	5,101	5,321	–	–
Total non-current assets		62,853	38,084	10,502	10,502
Current assets					
Inventories	19	55,290	55,682	–	–
Trade and other receivables	20	3,880	2,893	35,629	33,936
Other assets	21	5,244	6,888	169	53
Derivatives financial assets	27	–	545	–	–
Income tax receivable		159	181	–	–
Cash and cash equivalents	22	17,783	16,875	1,285	2,415
Total current assets		82,356	83,064	37,083	36,404
Total assets		145,209	121,148	47,585	46,906
EQUITY AND LIABILITIES					
Share capital	23	42,399	42,399	42,399	42,399
Retained earnings		22,446	19,149	2,960	2,373
Foreign currency translation reserve		(870)	(861)	–	–
Equity attributable to owners of the parent		63,975	60,687	45,359	44,772
Non-controlling interest		–	(52)	–	–
Total equity		63,975	60,635	45,359	44,772
Non-current liabilities					
Deferred tax liabilities	11	198	326	–	–
Loans and borrowings	24	18,391	19,740	–	–
Provisions	26	884	832	–	–
Other liabilities	28	–	148	–	–
Lease liabilities	29	12,216	–	–	–
Total non-current liabilities		31,689	21,046	–	–
Current liabilities					
Income tax payable		2,280	1,257	51	136
Trade and other payables	25	11,770	14,850	2,175	1,998
Loans and borrowings	24	18,911	21,508	–	–
Other liabilities	28	1,496	1,852	–	–
Lease liabilities	29	15,088	–	–	–
Total current liabilities		49,545	39,467	2,226	2,134
Total liabilities		81,234	60,513	2,226	2,134
Total equity and liabilities		145,209	121,148	47,585	46,906

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

Group:	Total equity $'000	Attributable to parent sub-total $'000	Share capital $'000	Retained earnings $'000	Foreign currency translation reserves $'000	Non-controlling interests $'000
Current year:						
Opening balance at 1 January 2019	60,635	60,687	42,399	19,149	(861)	(52)
Changes in equity:						
Total comprehensive income for the year	5,987	6,101	–	6,110	(9)	(114)
Dividends paid (Note 12)	(2,813)	(2,813)	–	(2,813)	–	–
Disposal of subsidiary (Note 30)	166	–	–	–	–	166
Closing balance at 31 December 2019	63,975	63,975	42,399	22,446	(870)	–
Previous year:						
Opening balance at 1 January 2018	58,424	58,209	42,399	16,580	(770)	215
Changes in equity:						
Total comprehensive income for the year	5,024	5,291	–	5,382	(91)	(267)
Dividends paid (Note 12)	(2,813)	(2,813)	–	(2,813)	–	–
Closing balance at 31 December 2018	60,635	60,687	42,399	19,149	(861)	(52)

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

Company	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 January 2019	44,772	42,399	2,373
Changes in equity:			
Total comprehensive loss for the year	3,400	–	3,400
Dividend paid (Note 12)	(2,813)	–	(2,813)
Closing balance at 31 December 2019	45,359	42,399	2,960
Previous year:			
Opening balance at 1 January 2018	48,026	42,399	5,627
Changes in equity:			
Total comprehensive loss for the year	(441)	–	(441)
Dividend paid (Note 12)	(2,813)	–	(2,813)
Closing balance at 31 December 2018	44,772	42,399	2,373

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	$'000	$'000
Cash flows from operating activities		
Profit before tax	8,873	7,833
Adjustment for:		
Depreciation of plant and equipment	4,455	4,210
Depreciation of land use rights	220	219
Amortisation of other intangible asset	–	30
Depreciation of right-of-use assets	19,371	–
Goodwill written off	–	247
Interest expense	1,759	1,342
Interest income	(50)	(35)
Loss on disposal of property, plant and equipment	269	99
Loss on disposal of associate	–	2
Overprovision of reinstatement	(32)	–
Share of loss from equity-accounted associate	287	217
Fair value loss on gold loans designated at fair value through profit or loss (Note 24)	801	–
Operating activities from discontinued operations	1,483	(7,579)
Net effect of exchange rate changes in consolidating foreign operations	(121)	(84)
Operating cash flows before changes in working capital	37,315	6,501
Inventories	(1,901)	(1,347)
Trade and other receivables	(1,439)	(1,033)
Other assets	1,132	815
Trade and other payables	(1,923)	1,411
Other liabilities	429	(516)
Provisions	(65)	(145)
Net cash flows from operations	33,548	5,686
Income taxes paid	(1,631)	(1,996)
Net cash flows from operating activities	31,917	3,690
Cash flows from investing activities		
Disposal of subsidiary (net of cash disposed) (Note 30)	(971)	–
Disposal of property, plant and equipment	303	254
Purchase of property, plant and equipment (Note 14)	(3,356)	(3,466)
Acquisition of an associate	–	(504)
Interest received	50	35
Net cash flows used in investing activities	(3,974)	(3,681)
Cash flows from financing activities		
Increase from new borrowings	3,880	–
Repayment of borrowings	(4,288)	–
Decrease in other financial liabilities	–	(2,291)
Net movements in amounts due to directors	(3,040)	(7,887)
Lease liabilities	(19,590)	(72)
Interest paid	(1,184)	(1,334)
Dividends paid	(2,813)	(2,813)
Net cash flows used in financing activities	(27,035)	(14,397)
Net increase (decrease) in cash and cash equivalents	908	(14,388)
Cash and cash equivalents, statement of cash flows, beginning balance	16,875	31,263
Cash and cash equivalents, statement of cash flows, ending balance (Note 22)	17,783	16,875

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. General

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the Company (referred to as "parent") and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The Company is an investment holding Company.

The Company is listed on the Catalist which is a shares market on Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in the Notes to the financial statements below.

The registered office is: 7 Changi Business Park Vista, #01-01, Singapore 486042. The Company is situated in Singapore.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS (I) s") and the related Interpretations to SFRS (I) ("SFRS (I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. General (cont'd)

Basis of presentation (cont'd)

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods. Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised goods or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods.

Other income

Rental income is recognised from operating leases as income on either a straight-line basis. Another systematic basis is used if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest method. Dividend from equity instruments is recognised in profit or loss only when the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries and associates except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The useful life of the property plant and equipment are as follows:

Leasehold property	-	Over the remaining lease terms of 329 months
Renovations	-	Over lease term of 3 to 5 years
Plant and Equipment	-	1 to 5 years

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. See Note 26 on non-current provisions.

Land use rights

Following initial recognition, land use right is measured at cost less accumulated amortisation and accumulated impairment losses. The land use right is amortised over the lease term of 329 months.

Right of use assets

The right-of-use assets are accounted and presented as if they were owned such as property, plant and equipment. The annual rates of depreciation are as follows:

Office and retail outlets - over lease term of 3 to 5 years

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-to-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). Short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

Lessor

As a lessor the reporting entity classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis over the term of the lease.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity. In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Inventories

Inventories are measured at the lower of cost (specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories held by entities which are commodity broker-traders, measure their inventories at fair value less costs to sell are measured at fair value less costs to sell. Changes in fair value less costs to sell are recognised in profit or loss in the period of the change.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.

3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): On initial recognition of an equity investment that is not held for trading, an irrevocably election may be made to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Fair value changes are recognised in OCI but dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. The gain or loss that is presented in OCI includes any related foreign exchange component arising on non-monetary investments (eg, equity instruments). On disposal, the cumulative fair value changes are not recycled to profit or loss but remain in reserves within equity. The weighted average or specific identification method is used when determining the cost basis of equities being disposed of.

4. Financial asset classified as measured at fair value through profit or loss (FVTPL): There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Gold loans

Gold loans to be repaid by cash are designated as financial liabilities at fair value through profit or loss as the gold loans form part of a contract containing one or more embedded derivatives. Gold loans to be repaid by physical gold are classified as liabilities at fair value through profit or loss. Gain or losses on gold loans are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these liabilities.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts are shown in Note 14.

Net realisable value of inventories:

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value.

The usual considerations for determining the amount of allowance or write-down include a technical assessment of inventories concerned, considering future demand, future selling prices, rework cost and fluctuation of gold market prices and ageing analysis of inventories. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in Note 19.

Impairment of loans and receivables:

The Group assesses at the end of each financial period whether there is any objective evidence that a financial asset is impaired. This determination requires the Company to consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. The carrying amounts of the loans and receivables at the end of the reporting year are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Income tax amounts:

The Group recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in Note 11.

Leases: estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay' which requires estimation when no observable rates are available when they need to be adjusted to reflect the terms and conditions of the leases. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling parties are Lim Yong Guan, Lim Yong Sheng and Lim Liang Eng.

3A. Members of a Group:

Name	Relationship	Country of incorporation
Soo Kee Capital Pte Ltd	Parent	Singapore

Related companies in these financial statements include the members of the above group of companies. Associates also include those that are associates of members of the above group.

Intragroup transactions and balances that have been eliminated in these combined financial statements are not disclosed as related party transactions and balances below.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Related party relationships and transactions (cont'd)

3B. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and financial guarantees if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Significant related party transactions:

	Related parties	
	2019 $'000	2018 $'000
Sale of goods	110	53
Purchase of goods	762	56
Sale of property, plant and equipment	1	13
Rental income	211	311
Central support service income	312	255

	Directors	
	2019 $'000	2018 $'000
Sales of goods	15	–
Interest expense	(69)	(307)
Rental expense	(326)	(326)

The related parties and the Group have common directors who have significant influence.

3C. Key management compensation:

	2019 $'000	2018 $'000
Salaries and other short-term employee benefits	2,683	2,790

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Related party relationships and transactions (cont'd)

3C. Key management compensation: (cont'd)

The above amounts are included under employee benefits expenses. Included in the above amounts are the following items:

	2019 $'000	2018 $'000
Remuneration of directors of the Company	1,340	1,280
Fees to directors of the Company	490	465

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

3D. Other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	Directors	
	2019 $'000	2018 $'000
Other payables:		
Balance at beginning of year	(3,040)	(10,927)
Interest expense	(69)	(307)
Repayments	3,109	8,194
Balance at end of the year (Note 24C)	–	(3,040)

3E. Commitments and contingencies:

Bank loans of $32,621,000 (2018: $36,909,000) to subsidiaries are guaranteed by the Company. The loans are repayable by January 2034. No charge is made for the financial guarantee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS(I) 8 Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management monitoring and financial purposes, the Group is organised into two major operating segments, namely retail and trading of jewellery (“Jewellery”) and others operations include provision of other support services (“Others”).

Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information. They are managed separately because each business requires different strategies.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly provision for taxation, deferred tax liabilities and deferred tax assets.

Capital expenditure comprises additions to plant and equipment.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment’s operating results comprises two major financial indicators: (1) earnings from operations before depreciation and amortisation, interests and income taxes (called “Recurring EBITDA”) and (2) operating result before share of loss from equity-accounted associate and income taxes (called “ORBIT”).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations

	Jewellery $'000	Others $'000	Elimination $'000	Group $'000
Continuing operations 2019				
Revenue by segment				
Total revenue by segment	138,774	4,359	(4,359)	138,774
Inter-segment revenues	83,825	–	(83,825)	–
Total revenue	222,599	4,359	(88,184)	138,774
Recurring EBITDA				
Segment results	37,193	(2,228)	–	34,965
Finance costs	(1,759)	–	–	(1,759)
Depreciation and amortisation expense	(24,046)	–	–	(24,046)
ORBIT	11,388	(2,228)	–	9,160
Share of loss from equity-accounted associate	(287)	–	–	(287)
Profit/(loss) before tax from continuing operations	11,101	(2,228)	–	8,873
Income tax expense	(2,402)	(93)	–	(2,495)
Profit from continuing operations	8,699	(2,321)	–	6,378
Loss from discontinued operations				(382)
				5,996
Continuing operations 2018				
Revenue by segment				
Total revenue by segment	133,001	–	–	133,001
Inter-segment revenues	70,141	–	(70,141)	–
Total revenue	203,142	–	(70,141)	133,001
Recurring EBITDA				
Segment results	14,181	(330)	–	13,851
Finance costs	(1,342)	–	–	(1,342)
Depreciation and amortisation expense	(4,459)	–	–	(4,459)
ORBIT	8,380	(330)	–	8,050
Share of loss from equity-accounted associate	(217)	–	–	(217)
Profit before tax from continuing operations	8,163	(330)	–	7,833
Income tax expense	(1,780)	(111)	–	(1,891)
Profit from continuing operations	6,383	(441)	–	5,942
Loss from discontinued operations				(827)
				5,115

NOTES TO THE FINANCIAL STATEMENTS

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4. Financial information by operating segments (cont'd)

4C. Assets and reconciliations

	Jewellery $'000	Others $'000	Group $'000
31 December 2019			
Total assets for reportable segments	142,890	1,823	144,713
Unallocated assets:			
Deferred tax assets			337
Income tax receivable			159
Total group assets			145,209
31 December 2018			
Total assets for reportable segments	111,516	2,415	113,931
Unallocated assets:			
Deferred tax assets			458
Derivative financial instruments			545
Income tax receivable			181
Discontinued operations			6,033
Total group assets			121,148

4D. Liabilities and reconciliations

	Jewellery $'000	Others $'000	Group $'000
31 December 2019			
Total liabilities for reportable segments	77,880	876	78,756
Unallocated liabilities:			
Deferred tax liabilities			198
Income tax payable			2,280
Total group liabilities			81,234
Capital expenditure	3,500	–	3,500
31 December 2018			
Total liabilities for reportable segments	52,132	692	52,824
Unallocated liabilities:			
Deferred tax liabilities			326
Income tax payable			1,257
Discontinued operations			6,106
Total group liabilities			60,513
Capital expenditure	3,538	–	3,538

NOTES TO THE FINANCIAL STATEMENTS

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4. **Financial information by operating segments (cont'd)**

4E. **Geographical information**

	Revenue		Non-current assets	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	115,239	109,599	57,863	36,872
Malaysia	21,165	22,553	3,478	116
PRC	2,370	849	1,145	608
Total	138,774	133,001	62,486	37,596

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

4F. **Information about major customers**

There are no customers with revenue transactions of over 10% of the Group revenue.

5. **Revenue**

	Group	
	2019	**2018**
	$'000	**$'000**
Sale of goods	138,724	132,966
Interest income	50	35
Total revenue	138,774	133,001

The revenue is from sale of goods is recognised based on point in time. All contracts are less than 12 months.

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6. Other gains and (other losses)

	Group	
	2019	2018
	$'000	$'000
Bad debts reversal of other receivables	–	270
Central support service income	312	255
Dividend income	21	–
Fair value losses on gold loan	(801)	–
Foreign exchange adjustments (losses)/gains	11	(142)
Goodwill written off	–	(247)
Government grants	151	257
Loss on disposal of associate	–	(2)
Loss on disposal of plant and equipment, net	(269)	(99)
Miscellaneous income	214	64
Overprovision of reinstatement	32	–
Rental income from property	909	899
Others	–	(12)
Net	580	1,243
Presented in profit or loss as:		
Other gains	1,650	1,745
Other losses	(1,070)	(502)
Net	580	1,243

7. Employee benefits expense

	Group	
	2019	2018
	$'000	$'000
Short term employee benefits expense	18,220	18,410
Contributions to defined contribution plan	1,560	1,558
Total employee benefits expense	19,780	19,968

NOTES TO THE FINANCIAL STATEMENTS

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8. Finance costs

	Group	
	2019	2018
	$'000	$'000
Interest expense	1,184	1,334
Interest on lease liabilities	575	8
	1,759	1,342

9. Other expenses

The major components and other selected components include the following:

	Group	
	2019	2018
	$'000	$'000
Advertisement	1,230	1,624
Credit cards and nets commission	1,451	1,342
Promotion and display	1,221	1,727

10. Items in profit or loss

In addition to the profit and loss line items disclosed elsewhere in the Notes to the financial statements, this item includes the following expenses:

	Group	
	2019	2018
	$'000	$'000
Audit fees to the independent auditor of the Company	162	170
Audit fees to the other independent auditors	34	35
Other fees to the other independent auditors	22	34
Other fees to the independent auditor of the Company	10	10

NOTES TO THE FINANCIAL STATEMENTS

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11. Income tax

11A. Components of tax expense recognised in profit or loss include:

	Group	
	2019	**2018**
	$'000	**$'000**
Current tax expense:		
Current tax expense	2,612	2,203
Over adjustments in respect of prior periods	(124)	(326)
Sub-total	2,488	1,877
Deferred tax income:		
Deferred tax income	29	(111)
(Over) Under adjustments in respect of prior periods	(22)	125
Subtotal	7	14
Total income tax expense	2,495	1,891

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2018: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2019	**2018**
	$'000	**$'000**
Profit before tax	8,873	7,833
Share of loss from equity-accounted associates	287	217
	9,160	8,050
Income tax expense at the above rate	1,557	1,369
Expenses not deductible for tax purposes	1,007	682
Tax exemptions	(84)	(108)
Enhanced allowance	–	(17)
Over adjustments in tax in respect of prior periods	(146)	(201)
Effect of different tax rate in different countries	167	170
Other minor items less than 3% each	(6)	(4)
Total income tax expense	2,495	1,891

There are no income tax consequences of dividends to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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11. Income tax (cont'd)

11B. Deferred tax expense recognised in profit or loss include:

	Group	
	2019	**2018**
	$'000	**$'000**
Excess of tax over book depreciation on plant and equipment	34	19
Excess of book over tax depreciation on plant and equipment	(23)	(175)
Provisions	(54)	(94)
Tax loss carryforwards	114	233
Deferred tax relating to depreciation expense on right of use and interest on lease liabilities	(60)	–
Others	(18)	3
Total deferred income tax expense recognised in profit or loss	(7)	(14)

11C. Deferred tax balance in the statement of financial position:

	Group	
	2019	**2018**
	$'000	**$'000**
From deferred tax assets (liabilities) recognised in profit or loss:		
Excess of tax over book depreciation on plant and equipment	56	90
Excess of book over tax depreciation on plant and equipment	(262)	(285)
Deferred tax relating to depreciation expense on right of use and interest on lease liabilities	60	–
Provisions	164	110
Tax loss carryforwards	121	235
Others	–	(18)
Net balance	139	132

Presented in the statement of financial position as follows:

	2019	**2018**
	$'000	**$'000**
Deferred tax assets	337	458
Deferred tax liabilities	(198)	(326)
Net balance	139	132

It is impracticable to estimate the amount expected to be settled or used within one year.

The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

12. Dividends on equity shares

	2019 cents	2018 cents	2019 $'000	2018 $'000
Final tax exempt (1-tier) dividend paid	–	0.50	–	2,813
Interim tax-exempt (1-tier) dividend	0.50	–	2,813	–
Total dividends paid in the year			2,813	2,813

The directors have proposed that a final dividend of 0.5 cents per share with a total of $2,813,000 be paid to shareholders after the annual general meeting to be held subsequent to the financial year end. There are no income tax consequences on the reporting entity. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

13. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted amount per share of no par value:

	2019 $'000	2018 $'000
A. Numerators: earnings attributable to equity:		
Continuing operations: attributable to equity holders	6,110	5,382
B. Total basic earnings	6,110	5,382
C. Denominators: weighted average number of equity shares	**No: '000**	**No: '000**
D. Basic	562,500	562,500

The weighted average number of equity shares refers to shares in issue outstanding during the reporting period.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There is no dilutive effect as there were no unissued shares under share options.

NOTES TO THE FINANCIAL STATEMENTS

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14. Property, plant and equipment

	Leasehold property $'000	Renovations $'000	Plant and equipment $'000	Total $'000
Group				
Cost:				
At beginning of year 1 January 2018	29,154	8,628	11,127	48,909
Additions	–	1,834	1,704	3,538
Additions – discontinued operations	–	6	26	32
Disposals	–	(1,259)	(505)	(1,764)
Foreign exchange adjustments	–	1	–	1
At end of year 31 December 2018	29,154	9,210	12,352	50,716
Additions	–	1,963	1,537	3,500
Disposal of a subsidiary	–	(6)	(152)	(158)
Disposals	–	(1,030)	(1,084)	(2,114)
Foreign exchange adjustments	–	(6)	(2)	(8)
At end of year 31 December 2019	29,154	10,131	12,651	51,936
Accumulated depreciation:				
At beginning of year 1 January 2018	2,460	6,780	6,533	15,773
Depreciation for the year	1,169	1,451	1,590	4,210
Depreciation for the year – discontinued operations	–	8	71	79
Disposals	–	(1,032)	(291)	(1,323)
Foreign exchange adjustments	–	(9)	(2)	(11)
At end of year 31 December 2018	3,629	7,198	7,901	18,728
Depreciation for the year	1,169	1,529	1,757	4,455
Disposal of a subsidiary	–	(6)	(152)	(158)
Disposals	–	(898)	(644)	(1,542)
Foreign exchange adjustments	–	(15)	(4)	(19)
At end of year 31 December 2019	4,798	7,808	8,858	21,464
Carrying value:				
At 1 January 2018	26,694	1,848	4,594	33,136
At 31 December 2018	25,525	2,012	4,451	31,988
At 31 December 2019	24,356	2,323	3,793	30,472

Certain items are under finance lease agreements (See Note 29).

NOTES TO THE FINANCIAL STATEMENTS

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14. Property, plant and equipment (cont'd)

Borrowing costs included in the cost of qualifying assets are as follows:

	2019	2018
Capitalisation rates	1.45% to 2.35%	1.45% to 2.35%

	2019 $'000	2018 $'000
Accumulated interest capitalised included in the cost	300	300

15. Investments in subsidiaries

	Company	
	2019 $'000	2018 $'000
Movements during the year. At cost:		
Balance at beginning of the year	10,502	11,502
Allowance for impairment	–	(1,000)
Cost at the end of the year	10,502	10,502
Carrying value in the books of the Company comprising:		
Unquoted equity shares at cost	10,502	10,502
Movements in allowance for impairment:		
At beginning of the year	(1,000)	–
Impairment loss charge to profit or loss included in other losses	–	(1,000)
Used	1,000	–
At end of the year	–	(1,000)

NOTES TO THE FINANCIAL STATEMENTS

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15. Investments in subsidiaries (cont'd)

The listing of and information on the subsidiaries are given below:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	**Cost in books of Company**		**Percentage of equity held by the Group**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**%**	**%**
Held by the Company				
SKJ Group Pte Ltd [(a)] Singapore Retail sale of jewellery, watches and luxury goods	2,853	2,853	100	100
SK Jewellery Pte Ltd [(a)] Singapore Retail sale of jewellery, watches and luxury goods	3,821	3,821	100	100
Love & Co Pte Ltd [(a)] Singapore Retail sale of jewellery, watches and luxury goods	1,322	1,322	100	100
SK Bullion Pte Ltd [(e)] (Under liquidation) Singapore Wholesale and retail sales of bullion products	–	1,000	–	70
Love & Co International Pte Ltd [(a)] Singapore Sale of jewellery, watches and luxury goods	–+	–+	100	100
Institution of Advanced Gemology Pte Ltd [(d)] Singapore Dormant	–+	–+	100	100
SK Jewellery Sdn Bhd [(b)] Malaysia Retail sale of jewellery, watches and luxury goods	888	888	100	100
Love & Co Sdn Bhd [(b)] Malaysia Retail sale of jewellery, watches and luxury goods	1,618	1,618	100	100
SK Jewellery (Hong Kong) Ltd [(d)] Hong Kong Logistics and distribution management	–+	–+	100	100

Note: + Amount less than S$1,000

NOTES TO THE FINANCIAL STATEMENTS

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15. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	**Percentage of equity held by the Group**	
	2019	**2018**
	%	**%**
Held through subsidiary – Love & Co International Pte Ltd	100	100
Diamond Avenue Investments Limited [d]		
British Virgin Islands		
Investment holding		
Subsidiary held by Diamond Avenue Investments Limited		
Diamond Asia Pacific Limited [d]	100	100
Hong Kong		
Investment holding		
Subsidiary held by Diamond Asia Pacific Limited		
ZuanYi Jewellery (Shenzhen) Co., Ltd. [c]	100	100
People's Republic of China		
Retail sale of jewellery, watches and luxury goods		
Subsidiary held by ZuanYi Jewellery (Shenzhen) Co., Ltd.		
Love & Co. Jewellery (Shenzhen) Co., Ltd [d]	100	100
People's Republic of China		
Retail sale of jewellery, watches and luxury goods		

(a) Audited by RSM Chio Lim LLP in Singapore, a member firm of RSM International.

(b) Audited by RSM Malaysia, a member of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Audited by SBA Stone Forest Shanghai Certified Public Accountants (Partnership), an affiliated firm of RSM Chio Lim LLP.

(d) Not audited as it was dormant and inactive.

(e) Deconsolidated on 16 August 2019 as the subsidiary is place under voluntary liquidation.

NOTES TO THE FINANCIAL STATEMENTS

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16. Investments in associate

	Group	
	2019	2018
	$'000	$'000
Movements in carrying value:		
Balance at beginning of the year	287	2
Addition	–	504
Disposal	–	(2)
Share of the loss for the year	(287)	(217)
Total at end of the year	–	287
Carrying value comprising:		
Unquoted equity shares at cost	287	504
Share of the loss	(287)	(217)
	–	287

	Percentage of equity held by the Group	
Name of associate, country of incorporation, place of operations and principal activities and (independent auditor)	**2019** %	**2018** %
Held by Love & Co International Pte. Ltd.		
LVC (Thailand) Co Ltd. [(a)]		
Thailand		
Business of events organisers and jewellery	40	40

(a) The unaudited management financial statements at 31 December of the associates have been used for equity accounting purposes.

NOTES TO THE FINANCIAL STATEMENTS

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17. Other financial assets

	Group	
	2019	2018
	$'000	$'000
Investments in unquoted equity interest at fair value through OCI	30	30

The SFRS(I) 9 financial instruments which become effective on 1 January 2019 require that all investments in unquoted equity shares and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. When information about the performance and operations of the investee becomes available after the date of initial recognition and that relevant factors exist, they may indicate that cost might not be representative of fair value. In such cases, the unquoted equity shares have to be measured fair value.

There are no indicators that cost might not be representative of fair value and Management has not identified a market for these unquoted equity instruments and it has not made a decision on how and when it intends to dispose of them in the foreseeable future. Management has determined that the cost of investment in these unquoted equity interest approximate fair value.

18. Other assets (land use rights)

	2019	2018
	$'000	$'000
Costs:		
At beginning and at end of the year	6,015	6,015
Accumulated amortisation:		
At beginning of the year	694	475
Amortisation for the year included under depreciation and amortisation expense	220	219
At the end of the year	914	694
Balance to be amortised:		
Not later than one year	219	219
Later than one year and not later than five years	878	878
Later than five years	4,004	4,224
	5,101	5,321

On 1 April 2013, a wholly owned subsidiary was given a license (i.e. land use rights) to develop and use the land for their office building located at Changi Business Park. The period for the rights to use the land is 30 years. The entire premium of $6,014,557 was paid in advance in 2013.

The land use rights is amortised over the remaining lease period of 329 months commencing November 2015 (upon the completion of the office building) on the straight line method.

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19. Inventories

	Group 2019 $'000	Group 2018 $'000
Finished goods	52,073	52,105
Raw materials	3,217	3,577
	55,290	55,682
Inventories are stated after allowance. Movement in allowance:		
Balance at beginning of the year	624	610
Charged to profit or loss included in raw materials and consumables used	(118)	14
Balance at end of the year	506	624
Raw materials and consumables used	72,608	66,064
Changes in inventories of finished goods decrease	(32)	2,871

There are no inventories pledged as security for liabilities.

20. Trade and other receivables

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade receivables:				
Outside parties	1,304	1,369	–	–
Net trade receivables – subtotal	1,304	1,369	–	–
Other receivables:				
Outside parties	2,576[1]	1,524	11	13
Subsidiaries (Note 3)	–	–	35,618	33,923
Net other receivables – subtotal	2,576	1,524	35,629	33,936
Total trade and other receivables	3,880	2,893	35,629	33,936

[1]Included in the other receivables is an amount of $360,000 to be recover from the liquidator upon the finalisation of the liquidation of subsidiary – SK Bullion Pte Ltd (Note 30).

Trade and other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. Trade receivables are mainly NETS and credit card payments that will be settled in a few days and are considered to have low credit risk. Other receivables at amortised cost and which can be graded as low risk individually are also considered to have low credit risk. No loss allowance is necessary.

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20. Trade and other receivables (cont'd)

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

Other receivables are normally with no fixed terms and therefore there is no maturity. Subsidiaries other receivables are regarded as of low credit risk if they are guaranteed by the parent or a related company with the ability to settle the amount.

21. Other assets

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deposits to secure services	4,615	5,735	–	–
Prepayments	629	1,153	169	53
	5,244	6,888	169	53

22. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Not restricted in use	17,783	16,875	1,285	2,415

The interest earning balances are not significant.

22A. Non-cash transactions:

There were acquisitions of certain assets under property, plant and equipment with a total cost of $144,000 (2018: $104,000) for the provision for reinstatement costs (Note 26).

22B. Reconciliation of liabilities arising from financing activities

	1 January 2019	Cash flows	Non-cash changes	31 December 2019
	$'000	$'000	$'000	$'000
Lease liabilities	30,119	(19,590)	16,775[1]	27,304

1. Acquisition of $16,200 and interest expense $575 (Note 29).

NOTES TO THE FINANCIAL STATEMENTS

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23. Share capital

Group and Company	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at beginning of the year 1 January 2018	562,500	42,399
Balance at end of the year 31 December 2018 and 2019	562,500	42,399

The Company is not subject to any externally imposed capital requirement.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents. If the entity has more cash than debt, the ratio can be negative.

	2019 $'000	2018 $'000
Net debt:		
All current and non-current borrowings (including lease liabilities)	64,606	41,248
Less cash and cash equivalents	(17,783)	(16,875)
Net debt	46,823	24,373
Capital:		
Total equity	63,975	60,635
Debt-to-capital ratio	73.19%	40.20%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

23. Share capital (cont'd)

The debt-to-adjusted capital ratio (as shown below) does not include the effects of SFRS (I) 16 Leases, as covenants are based on frozen FRS.

	2019 $'000	2018 $'000
Net debt:		
All current and non-current borrowings	37,302	41,248
Less cash and cash equivalents	(17,783)	(16,875)
Net debt	19,519	24,373
Capital:		
Total equity	63,975	60,635
Debt-to-capital ratio	30.51%	40.20%

The improvement as shown by the decrease in the debt-to-adjusted capital ratio (excluding the effects of SFRS (I) 16 Leases) for the reporting year resulted primarily from the decrease in borrowings. There was also a favourable change with improved retained earnings.

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable. The other reserves are not available for cash dividends unless realised.

24. Loans and borrowings

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current:				
Financial instruments with floating interest rates:				
Bank loans (secured) (Note 24A)	18,391	19,707	–	–
Financial instruments with fixed interest rates:				
Finance leases	–	33	–	–
Total non-current portion	18,391	19,740	–	–

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24. Loans and borrowings (cont'd)

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current:				
Financial instruments with floating interest rates:				
Bank loans (secured) (Note 24A)	14,230	17,202	–	–
Gold loans (unsecured) (Note 24B)	4,681	–	–	–
Financial instruments with fixed interest rates:				
Directors' loan (unsecured) (Note 24C)	–	3,040	–	–
Non-controlling interest loan payable (Note 24D)	–	1,200	–	–
Finance leases	–	66	–	–
Total current portion	18,911	21,508	–	–
Total non-current and current	37,302	41,248	–	–

	Group	
	2019	2018
	$'000	$'000
The non-current portion is repayable as follows:		
Due within 2 to 5 years	6,510	5,577
After 5 years	11,881	14,163
	18,391	19,740

The range of floating rate interest rates paid was as follows:

	Group	
	2019	2018
Bank loans (secured)	2.78% – 3.95%	1.88% – 3.95%
Gold loans	1.88% - 2.00%	–

24A. Bank loans (secured)

	Group	
	2019	2018
	$'000	$'000
Short term loans	12,943	15,943
Term loan A	3,265	3,472
Term loan B	16,413	17,494
Gold loans	4,681	–
	37,302	36,909

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

24. Loans and borrowings (cont'd)

24A. Bank loans (secured) (cont'd)

(i) Short term loans are revolving short term bank loan maturing in 2019. The loans are secured by corporate guarantees from the Company.

(ii) Term loan A is repayable by 240 equal monthly instalments from July 2013. The loan was used to finance the acquisition of a land use right (Note 18). Refer to part (iii) for security.

(iii) Term loan B is used to finance the construction of a building (Note 14) on the land indicated in (ii). It is repayable by 240 equal monthly instalments upon the issuance of temporary occupancy permit for the building in September 2015. In 2014, as part of the revised agreement with the bank, term loans A and B, were collectively secured by a legal mortgage and assignment of rental proceeds over the land and building (the "property") of the Group (upon completion of construction) and a corporate guarantee from the Company.

(iv) The fair value (Level 2) is a reasonable approximation of the carrying amount due to their short term nature or that they are floating rate instruments that are frequently re-priced to market interest rates.

24B. Gold loans (unsecured)

(i) Gold loans are monthly revolving short term loan and are borrowed to reduce the impact of fluctuations in gold prices on gold inventories. The amounts represent borrowing from banks and the amounts payable are pegged to gold prices.

(ii) The fair value (Level 2) is a reasonable approximation of the carrying amount due to their short term nature or that they are floating rate instruments that are frequently re-priced to market interest rates and gold prices.

24C. Directors' loans

	Group	
	2019	**2018**
	$'000	**$'000**
Movements during the year:		
Balance at beginning of the year	3,040	10,927
Interest charged	69	307
Repayment	(3,109)	(8,194)
Balance at end of the year	–	3,040

The loan payable agreement provides that it is unsecured, with fixed interest of 4.65% (2018: 4.65%) per annum and is expected to be settled by equal quarterly instalments over 5 years from December 2015. The loan is carried at amortised cost using the effective interest method over 5 years. The carrying amount is a reasonable approximation of fair value (Level 3).

Based on announcement dated on 12 September 2018, under the revised payment term, the Directors' loan was fully settled on 2 July 2019.

NOTES TO THE FINANCIAL STATEMENTS

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24. Loans and borrowings (cont'd)

24D. Loan from non-controlling interest

	Group	
	2019	2018
	$'000	$'000
Movements during the year:		
Balance at beginning of the year	1,200	1,200
Repayment	(915)	–
Disposal of non-controlling interest	(285)	–
Balance at end of the year	–	1,200

The loan from non-controlling interest arises because of a subsidiary (SK Bullion Pte Ltd). The subsidiary was placed under voluntary liquidation on 16 August 2019 and deconsolidated.

25. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	10,937	13,714	857	623
Trade payables – subtotal	10,937	13,714	857	623
Other payables:				
Subsidiaries (Note 3)	–	–	1,299	1,306
Outside parties	833	1,136	19	69
Other payables – subtotal	833	1,136	1,318	1,375
Total trade and other payables	11,770	14,850	2,175	1,998

26. Provisions

	Group	
	2019	2018
	$'000	$'000
Provision for dismantling	884	832
Movement in above provision:		
At beginning of the year	832	859
Additions	144	104
Used	(97)	(145)
Foreign exchange adjustments	5	14
At end of the year	884	832

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

26. Provisions (cont'd)

The provision is based on the present value of costs to be incurred to remove leasehold improvements from leased property. The estimate is based on quotations from external contractor. The unexpired term ranges from 1 to 5 years. The unwinding of discount is not significant.

27. Derivatives

	Group
	2018
	$'000
Assets – Contracts with negative fair values:	
Derivatives not designated as hedging instruments:	
Precious metals trading contracts	545
Total	545

The Group enters into precious metals trading contracts to reduce the impact of changes in the movement of prices for precious metal. While the precious metals trading contracts provide hedging effects as required by the Group's risk management policy, the derivatives do not meet the criteria for hedging accounting under the specific rules in SFRS(I) 1-39 – Financial Instruments: Recognition and Measurement. Fair value changes on these derivatives are recognised in profit or loss when the changes arised.

28. Other non-financial liabilities

	Group	
	2019	**2018**
	$'000	**$'000**
Non-current		
Deferred rent	–	148
Total non-current	–	148
Current		
Deposit	1,496	1,852
Total current	1,496	1,852
Total non-current and current	1,496	2,000

Included in the above amount is $1,491,000 (2018: $1,847,000) of customers deposit placed with the Group for the purchase of goods or customisation of products and rental deposit received.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

29. Right-of-use assets and lease liabilities

The Group has lease contracts for offices and retail outlets. The lease contracts are usually for fixed periods of 3 years but may have extension options. Lease terms contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, office leases were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. On transition to the new standard on leases the weighted average incremental borrowing rate applied to lease liabilities recognised was 2% per year. The right-of-use asset and lease liability before the date of initial application are measured at the same amounts as under the new standard. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The right-of-use assets and lease liabilities in the statement of financial position. The movement are as follows:

	Group	
	Office and Retail outlets	**Lease Liabilities**
	$'000	**$'000**
At 1 January 2019 on adoption of SFRS(I) 16	30,020	30,020
Reclassification from other financial liabilities	–	99
Accretion of interest	–	575
Lease payments	–	(19,590)
Additions	16,212	16,200
Accumulated depreciation and impairment losses:		
Depreciation	(19,371)	–
Foreign exchange adjustments	52	–
Carrying value:		
As at 1 January 2019	30,020	30,119
At 31 December 2019	26,913	27,304

Lease liabilities are presented in the statement of financial position as follows:

	Group
	2019
	$'000
Lease liabilities, current	15,088
Lease liabilities, non-current	12,216
	27,304

The new standard on lease has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the year ended 31 December 2018 are presented.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

29. Right-of-use assets and lease liabilities (cont'd)

On transition to the new standard on leases the weighted average incremental borrowing rate applied to lease liabilities recognised was 2% per year. The right-of-use asset and lease liability before the date of initial application are measured at the same amounts as under the new standard.

Reconciliation of lease commitments and lease liability at the date of initial application:

	Group
	2019
	$'000
Operating lease commitments as at 31 December 2018	33,013
Discounted using incremental borrowing rate	(603)
Other minor adjustments	96
Reasonably certain extension options	1,297
Relief option of short term and low value lease	(3,775)
Foreign exchange differences	(8)
Total lease liabilities recognised at 1 January 2019	30,020

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

	Minimum payments	Finance charges	Present value
	$'000	**$'000**	**$'000**
2019			
Minimum lease payments payable:			
Not later than one year	15,436	(348)	15,088
Between 1 and 5 years	12,483	(267)	12,216
Total	27,919	(615)	27,304
Net book value of plant and equipment under finance lease			110
2018			
Minimum lease payments payable:			
Not later than one year	73	(7)	66
Between 1 and 2 years	36	(3)	33
Total	109	(10)	99
Net book value of plant and equipment under finance lease			288

The total cash outflow for leases of $19,590,000 for the year ended 31 December 2019 are shown in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

29. Right-of-use assets and lease liabilities (cont'd)

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities above.

At reporting year date there were no commitments on leases which had not yet commenced.

Apart from the disclosures made in other Notes to the financial statements, amounts relating to leases include the following:

	Group
	2019
	$'000
Expenses relating to variable lease payments not included in lease liabilities	2,848

30. Disposal of subsidiary

The subsidiary SK Bullion Pte Ltd ("SKB") has been placed under creditors' voluntary liquidation with effect from 16 August 2019 pursuant to a resolution passed at the extraordinary general meeting of SKB and confirmation by the creditors of SKB at a creditors' meeting, both held on 16 August 2019. As a result, the Group deconsolidated the results of SKB on 16 August 2019.

The results for the reporting year from the discontinued operation and the results for the previous reporting year and for the period from the beginning of the reporting year to 16 August 2019, which have been included in the consolidated financial statements, were as follows:

	Group	
	Period ended 16 Aug 2019	Year ended 31 Dec 2018
	$'000	$'000
Revenue	4,325	80,313
Expenses	(4,707)	(81,140)
Loss before tax	(382)	(827)
Loss after tax before disposal loss	(382)	(827)
Total loss on discontinued operations	(382)	(827)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

30. Disposal of subsidiary (cont'd)

The following table is a summary of the carrying amounts of the assets and liabilities of the subsidiary SKB that were liquidated on 16 August 2019:

	Group	
	At date of disposal in 2019 $'000	At end of last year 2018 $'000
Plant and equipment	–	50
Inventories	–	2,293
Trade and other receivables	–	447
Other assets	–	512
Derivative financial instruments	–	545
Cash and cash equivalents	1,331	2,187
Trade and other payables	–	(1,173)
Other non-financial liabilities	(880)	(933)
Loan payable to non-controlling interest	(285)	(1,200)
Less: non-controlling interest	(166)	(52)
Gain/(loss) on disposal	–	
Net cash outflow on disposal:		
Cash disposed off	(1,331)	
Net cash recoverable from liquidator	360	
Net cash outflow	(971)	

31. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2019 $'000	2018 $'000
Commitments to purchase of property, plant and equipment	–	217

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

32. Financial instruments: information on financial risks

32A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets:				
Financial assets at amortised cost	21,663	19,768	36,914	36,351
Financial assets at fair value through profit or loss	–	545	–	–
At end of the year	21,663	20,313	36,914	36,351
Financial liabilities:				
Financial liabilities at amortised cost	76,376	56,098	2,175	1,998
At end of the year	76,376	56,098	2,175	1,998

Further quantitative disclosures are included throughout these financial statements.

32B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.

2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.

3. All financial risk management activities are carried out and monitored by senior management staff.

4. All financial risk management activities are carried out following acceptable market practices.

5. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

32. Financial instruments: information on financial risks (cont'd)

32C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

32D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

Due to the nature of the business, all trade receivables as at end of the reporting years are aged less than 30 days. The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

32E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 120 days (2018: 30 to 120 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be are available to meet liquidity needs and no further analysis is deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

32. Financial instruments: information on financial risks (cont'd)

32E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group **Non-derivative financial liabilities:**	**Less than 1 year $'000**	**1 – 3 years $'000**	**3 – 5 years $'000**	**Over 5 years $'000**	**Total $'000**
31 December 2019:					
Gross borrowings commitments	19,567	5,110	3,278	13,260	41,215
Gross lease liabilities	15,436	12,483	–	–	27,919
Trade and other payables	11,770	–	–	–	11,770
At end of year	46,773	17,593	3,278	13,260	80,904

Group **Non–derivative financial liabilities:**	**Less than 1 year $'000**	**1 – 3 years $'000**	**3 – 5 years $'000**	**Over 5 years $'000**	**Total $'000**
31 December 2018:					
Gross borrowings commitments	24,869	4,552	2,691	16,141	48,253
Gross finance lease obligations	73	36	–	–	109
Trade and other payables	14,850	–	–	–	14,850
At end of year	39,792	4,588	2,691	16,141	63,212

Company **Non-derivative financial liabilities:**	**Less than 1 year $'000**	**1 – 3 years $'000**	**3 – 5 years $'000**	**Over 5 years $'000**	**Total $'000**
31 December 2019:					
Trade and other payables	2,175	–	–	–	2,175
At end of year	2,175	–	–	–	2,175

Company **Non-derivative financial liabilities:**	**Less than 1 year $'000**	**1 – 3 years $'000**	**3 – 5 years $'000**	**Over 5 years $'000**	**Total $'000**
31 December 2018:					
Trade and other payables	1,998	–	–	–	1,998
At end of year	1,998	–	–	–	1,998

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

32. Financial instruments: information on financial risks (cont'd)

32E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Group Derivative financial liabilities:	Less than 1 year $'000	1 – 3 years $'000	3 – 5 years $'000	Over 5 years $'000	Total $'000
31 December 2018:					
Gross settled:					
Precious metals trading arrangement	2,050	–	–	–	2,050
At end of the year	2,050	–	–	–	2,050

Financial guarantee contracts – For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

Company	Less than 1 year $'000	1 – 3 years $'000	3 – 5 years $'000	Over 5 years $'000	Total $'000
31 December 2019:					
Financial guarantee contracts – in favour of subsidiaries (Note 3)	14,230	3,890	2,619	11,882	32,621
31 December 2018:					
Financial guarantee contracts – in favour of a subsidiary (Note 3)	17,202	3,470	2,075	14,162	36,909

Bank Facilities:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Bankers' guarantees in favour of landlord	1,609	1,475	–	–
Bankers' guarantees in favour of subsidiaries	–	–	37,302	36,909
Undrawn borrowing facilities	4,750	4,812	–	–

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

32. Financial instruments: information on financial risks (cont'd)

32F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments (excluding derivatives) by type of interest rate:

	Group	
	2019 $'000	2018 $'000
Financial liabilities with interest:		
Fixed rate	27,304	3,139
Floating rate	37,302	36,909
Total at end of the year	64,606	40,048

The floating rate debt instruments are with interest rates that are re-set regular intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group	
	2019 $'000	2018 $'000
Financial liabilities:		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an impact in pre-tax profit for the reporting year by	373	369

The analysis has been performed for fixed interest rate and floating interest rate over a year for financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on profit or loss.

The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

32G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

32. Financial instruments: information on financial risks (cont'd)

32G. Foreign currency risks (cont'd)

Analysis of amounts denominated in major non-functional currencies:

Group	US Dollar $'000	Japanese Yen $'000	Chinese RMB $'000	Hong Kong Dollar $'000	Total $'000
31 December 2019					
Financial liabilities:					
Loan and borrowings	4,681	–	–	–	4,681
Trade and other payables	2,889	61	354	331	3,635
Total financial liabilities	7,570	61	354	331	8,316
31 December 2018					
Financial liabilities:					
Trade and other payables	5,728	137	515	265	6,645
Total financial liabilities	5,728	137	515	265	6,645

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	2019 $'000	2018 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the US Dollar with all other variables held constant would have a favourable effect on post-tax profit of	757	573
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Japanese Yen with all other variables held constant would have a favourable effect on post-tax profit of	6	14
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Chinese RMB with all other variables held constant would have a favourable effect on post-tax profit of	35	52
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Hong Kong Dollar with all other variables held constant would have a favourable effect on post-tax profit of	33	27

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

32. Financial instruments: information on financial risks (cont'd)

32G. Foreign currency risks (cont'd)

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

33. Events after the end of the reporting year

There are current uncertainties in the economy related to the COVID-19 outbreak that emerged since early 2020. These uncertainties has impacted the Group's operations and it will have an impact on the Group's productivity and financial performance for the next financial year, the extent of which will depend on how long the outbreak lasts.

34. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements except as for SFRS(I) 16 as discussed below.

SFRS(I) No.	Title
SFRS(I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS(I) 1-28	Amendments to Long-term Interests in Associates and Joint Ventures
SFRS(I) INT 23	Uncertainty over Income Tax Treatments
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes

Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessee almost all leases are brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Thus, the entity has recognised a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The amount by which each financial statement line item is impacted (debits / (credits)) in the current reporting year 2019 by the application of the new standard on leases are disclosed in the Note 29 to the financial statements. The reporting entity elected to apply the modified retrospective approach for this standard new standard on leases. Under the modified retrospective approach the comparative information is not restated and therefore there is no presentation of a third column for the statement of financial position. Any cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

35. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for period beginning on or after
SFRS(I) 1-1 and 1-8	Definition of Material – Amendments to The Conceptual Framework for Financial Reporting	1 Jan 2020
SFRS(I)10 and SFRS(I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet

STATISTICS OF SHAREHOLDINGS
AS AT 23 MARCH 2020

Number of shares issued	:	562,500,000
Class of Equity Security	:	Ordinary shares
Voting Rights of Ordinary Shareholders	:	1 vote for each ordinary share
Number of treasury shares and subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	--	--	--	--
100 – 1,000	122	8.78	110,500	0.02
1,001 – 10,000	774	55.73	4,237,900	0.75
10,001 – 1,000,000	473	34.05	40,089,700	7.13
1,000,001 and above	20	1.44	518,061,900	92.10
Total	1,389	100.00	562,500,000	100.00

SHAREHOLDING HELD IN HANDS OF PUBLIC

As at 23 March 2020, approximately 15.64% of the issued ordinary shares of the Company is held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**"). Accordingly, Rule 723 of the Catalist Rules is complied with.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Soo Kee Capital Pte Ltd	334,192,565	59.41
2	Lim Yong Guan	66,556,653	11.83
3	Lim Yong Sheng	57,421,427	10.21
4	CGS-CIMB Securities (Singapore) Pte Ltd	17,710,000	3.15
5	Lim Liang Eng	6,525,155	1.16
6	Lim Hock Chee	3,449,600	0.61
7	Lim Soon Hwee (Lin Shunhui)	3,292,400	0.59
8	Tan Yong Jin	2,937,000	0.52
9	Toh Ong Tiam	2,884,000	0.51
10	Tuah Pei Koon	2,829,100	0.50
11	Lim Lai Hiang Delphine	2,800,000	0.50
12	Chan Kian Kuan	2,360,000	0.42
13	Tan Yang Hong	2,153,000	0.38
14	Equigold Pte Ltd	2,143,300	0.38
15	Lim Liang Cheng	2,138,000	0.38
16	Lim Liang Keng	2,138,000	0.38
17	Lim Liang Soh	2,138,000	0.38
18	Kang Puay Seng	1,940,000	0.35
19	HSBC (Singapore) Nominees Pte Ltd	1,250,000	0.22
20	Gay Soon Watt	1,203,700	0.22
	Total	518,061,900	92.10

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

as recorded in the Register of Substantial Shareholders

	Direct Interest		Deemed Interest	
Name of shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Soo Kee Capital Pte Ltd (1)	334,192,565	59.41	-	-
Lim Yong Guan (2), (3), (4)	66,556,653	11.83	336,345,565	59.79
Lim Yong Sheng (2), (3)	57,421,427	10.21	334,192,565	59.41
Lim Liang Eng (2), (3)	6,525,155	1.16	334,192,565	59.41

Notes:

(1) Soo Kee Capital Pte. Ltd. is an investment holding company. All of its equity interest is collectively held by Lim Yong Guan, Lim Yong Sheng and Lim Liang Eng.

(2) Lim Yong Guan, Lim Yong Sheng and Lim Liang Eng are siblings.

(3) Lim Yong Guan, Lim Yong Sheng and Lim Liang Eng are entitled to exercise all the votes attached to the voting shares in Soo Kee Capital Pte. Ltd. As such, pursuant to Section 4 of the Securites and Futures Act, each of them is deemed to be interested in the shares which Soo Kee Capital Pte. Ltd. holds in the Company.

(4) Lim Yong Guan is deemed to be interested in the 2,153,000 shares held by his spouse, Tan Yang Hong, by virtue of section 133(4) of the Securities and Futures Act.

SK JEWELLERY GROUP LIMITED – Annual Report 2019

GOING BEYOND

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