



SK Jewellery Group Limited

(Company Registration No.: 201214694Z)

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

UNAUDITED FOURTH QUARTER AND FULL YEAR FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

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

	Group					
	Unaudited Q4-2018 S\$'000	Unaudited Q4-2017 S\$'000	Change %	Unaudited FY2018 S\$'000	Audited FY2017 S\$'000	Change %
Revenue	65,441	114,152	(42.7%)	213,314	231,940	(8.0%)
Other gains	444	960	(53.8%)	2,033	1,875	8.4%
Material costs	(47,596)	(96,500)	(50.7%)	(148,370)	(170,829)	(13.1%)
Employee benefits expense	(5,015)	(4,533)	10.6%	(20,232)	(18,706)	8.2%
Depreciation and amortisation expense	(1,190)	(1,086)	9.6%	(4,537)	(4,052)	12.0%
Other losses	(1,183)	(726)	(62.9%)	(1,666)	(766)	N.M.
Finance costs	(374)	(425)	(12.0%)	(1,342)	(1,568)	(14.4%)
Rental expenses	(5,587)	(5,021)	11.3%	(21,562)	(19,912)	8.3%
Other expenses	(2,929)	(2,405)	21.8%	(10,415)	(9,793)	6.4%
Share of results of associates	(53)	-	N.M.	(217)	-	N.M.
Profit before tax	1,958	4,416	(55.7%)	7,006	8,189	(14.4%)
Income tax refund/(expense)	(637)	183	N.M.	(1,891)	(887)	N.M.
Profit, net of tax	1,321	4,599	(71.1%)	5,115	7,302	(30.0%)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations, net of tax	(86)	194	N.M.	(91)	184	N.M.
Other comprehensive income for the period, net of tax	(86)	194	N.M.	(91)	184	N.M.
Total comprehensive income	1,235	4,793	(74.1%)	5,024	7,486	(32.9%)
Attributable to:						
Equity holders of the Company	1,724	4,618	(62.5%)	5,382	7,407	(27.3%)
Non-controlling interest	(403)	(19)	N.M.	(267)	(105)	N.M.
Profit, net of tax	1,321	4,599	(71.1%)	5,115	7,302	(30.0%)
Attributable to:						
Equity holders of the Company	1,638	4,812	(65.8%)	5,291	7,591	(30.3%)
Non-controlling interest	(403)	(19)	N.M.	(267)	(105)	N.M.
Total comprehensive income	1,235	4,793	(74.1%)	5,024	7,486	(32.9%)

N.M.: Not meaningful

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

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

	Group					
	Unaudited Q4-2018 S\$'000	Unaudited Q4-2017 S\$'000	Change %	Unaudited FY2018 S\$'000	Audited FY2017 S\$'000	Change %
Central support service income	78	50	56.0%	255	199	28.1%
Depreciation and amortisation expenses	(1,190)	(1,086)	9.6%	(4,537)	(4,052)	12.0%
Finance costs	(374)	(425)	(12.0%)	(1,342)	(1,568)	(14.4%)
Foreign exchange adjustment gains/(losses)	(79)	212	N.M.	(177)	556	N.M.
Government grant	55	21	N.M.	262	180	45.6%
Interest income	5	20	(75.0%)	35	74	(52.7%)
Allowance for impairment on other receivables	1,043	-	N.M.	1,043	-	N.M.
Fair value gain/(loss) on derivative financial instruments	106	(109)	N.M.	553	(109)	N.M.
Loss on disposal of property, plant and equipment	(140)	(117)	20.9%	(186)	(157)	18.5%
Miscellaneous income	(22)	78	N.M.	62	99	(37.4%)
Rental income	225	120	87.5%	899	341	N.M.

N.M.: Not meaningful

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

STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	Unaudited As at 31 December 2018 S\$'000	Audited As at 31 December 2017 S\$'000	Unaudited As at 31 December 2018 S\$'000	Audited As at 31 December 2017 S\$'000
Assets				
<u>Non-current assets</u>				
Property, plant and equipment	31,988	33,136	-	-
Investment in subsidiaries	-	-	10,502	11,502
Investment in associates	287	2	-	-
Deferred tax assets	458	272	-	-
Other financial assets	30	30	-	-
Intangible assets	-	276	-	-
Other assets (land use rights)	5,102	5,321	-	-
Total non-current assets	37,865	39,037	10,502	11,502
<u>Current assets</u>				
Inventories	55,682	57,762	-	-
Trade and other receivables	2,893	2,095	33,936	30,145
Derivative financial assets	545	-	-	-
Other assets (land use rights)	219	219	-	-
Other assets	6,888	10,100	53	92
Income tax receivable	181	208	-	-
Cash and cash equivalents	16,875	31,263	2,415	7,048
Total current assets	83,283	101,647	36,404	37,285
Total assets	121,148	140,684	46,906	48,787
Equity and liabilities				
<u>Equity</u>				
Share capital	42,399	42,399	42,399	42,399
Retained earnings	19,149	16,580	2,373	5,627
Other reserves	(861)	(770)	-	-
Equity attributable to owners of the Company	60,687	58,209	44,772	48,026
Non-controlling interest	(52)	215	-	-
Total equity	60,635	58,424	44,772	48,026
<u>Non-current liabilities</u>				
Deferred tax liabilities	326	126	-	-
Other financial liabilities	19,740	29,419	-	-
Other liabilities	980	984	-	-
Total non-current liabilities	21,046	30,529	-	-
<u>Current liabilities</u>				
Income tax payable	1,257	1,399	136	121
Trade and other payables	14,850	13,859	1,998	640
Other financial liabilities	21,508	22,072	-	-
Derivatives financial liabilities	-	109	-	-
Other liabilities	1,852	14,292	-	-
Total current liabilities	39,467	51,731	2,134	761
Total liabilities	60,513	82,260	2,134	761
Total equity and liabilities	121,148	140,684	46,906	48,787

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

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

As at 31 December 2018		As at 31 December 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
17,268	4,240	17,117	4,955

Amount repayable by the Group after one year

As at 31 December 2018		As at 31 December 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
19,740	-	22,247	7,172

Details of collaterals

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

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

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

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

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

CONSOLIDATED / COMBINED STATEMENTS OF CASH FLOWS

	Unaudited Q4-2018 S\$'000	Unaudited Q4-2017 S\$'000	Unaudited FY2018 S\$'000	Audited FY2017 S\$'000
<u>Cash flows from operating activities</u>				
Profit before tax	1,958	4,416	7,006	8,189
Adjustments for:				
Depreciation of property, plant and equipment	1,024	1,001	4,288	3,802
Amortisation of land use rights	54	54	219	219
Amortisation of other intangible assets	30	30	30	31
Goodwill written off	246	-	246	-
Interest expense	374	425	1,342	1,568
Interest income	(5)	(20)	(35)	(74)
Loss on disposal of property, plant and equipment	140	116	186	157
Loss on disposal of an associate	2	-	2	-
Share of results of associate	217	-	217	-
Fair value (gain) loss on derivative financial instruments	(106)	109	(553)	109
Net effect of foreign exchange rate changes in consolidating foreign subsidiaries	(178)	197	(149)	(191)
Operating cash flows before changes in working capital	3,756	6,328	12,799	13,810
Inventories	(1,154)	(1,551)	2,080	1,882
Trade and other receivables	(741)	(750)	(798)	(127)
Other assets	1,977	(3,087)	3,212	(3,936)
Trade and other payables	2,660	2,390	991	(4,074)
Other liabilities	(8,402)	12,250	(12,440)	11,764
Net cash flows from operations	(1,904)	15,580	5,844	19,319
Income taxes refund/(paid)	(275)	532	(1,999)	(1,711)
Net cash flows from operating activities	(2,179)	16,112	3,845	17,608
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment	(1,151)	(833)	(3,555)	(3,913)
Disposal of property, plant and equipment	189	21	189	24
Acquisition of an associate	-	-	(504)	-
Interest received	5	20	35	74
Net cash flows used in investing activities	(956)	(792)	(3,835)	(3,815)
<u>Cash flows from financing activities</u>				
Increase/(decrease) in borrowings	(911)	176	(2,289)	1,000
(Decrease)/Increase in other financial liabilities	(7)	(62)	(60)	(2,927)
Finance lease repayments	-	17	(7)	(69)
Net movement in amounts due to directors	35	(910)	(7,887)	(3,641)
Interest paid	(374)	(425)	(1,342)	(1,568)
Dividend paid	-	-	(2,813)	(2,813)
Net cash flows used in financing activities	(1,257)	(1,204)	(14,398)	(10,018)
<u>Net increase/(decrease) in cash and cash equivalents</u>	(4,392)	14,116	(14,388)	3,775
Cash and cash equivalents, statement of cash flows, beginning balance	21,267	17,147	31,263	27,488
Cash and cash equivalents, statement of cash flows, ending balance	16,875	31,263	16,875	31,263

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

STATEMENTS OF CHANGES IN EQUITY

Group	Share Capital	Retained Earnings	Other Reserves	Attributable to Owners	Non-Controlling Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	42,399	16,580	(770)	58,209	215	58,424
Dividends paid	-	(2,813)	-	(2,813)	-	(2,813)
Total comprehensive income for the period	-	5,382	(91)	4,291	(267)	5,024
Balance as at 31 December 2018	42,399	19,149	(861)	59,687	(52)	60,635
Balance as at 1 January 2017	42,399	11,986	(954)	53,431	320	53,751
Dividends paid	-	(2,813)	-	(2,813)	-	(2,813)
Total comprehensive income for the period	-	7,407	184	7,591	(105)	7,486
Balance as at 31 December 2017	42,399	16,580	(770)	58,209	215	58,424

Company	Share Capital	Retained Earnings	Total Equity
	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2018	42,399	5,627	48,026
Dividends paid	-	(2,813)	(2,813)
Total comprehensive income for the period	-	(441)	(441)
Balance as at 31 December 2018	42,399	2,373	44,772
Balance as at 1 January 2017	42,399	4,748	47,147
Dividends paid	-	(2,813)	(2,813)
Total comprehensive income for the period	-	3,692	3,692
Balance as at 31 December 2017	42,399	5,627	48,026

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

CHANGES IN ISSUED AND PAID-UP SHARE CAPITAL

	Company	
	Number of shares	Issued and paid-up share capital S\$
Issued and fully paid-up share capital Balance as at 31 December 2018	562,500,000	42,398,917

During Q4-2018 and FY2018, there were no changes in the Company’s issued and paid-up share capital.

There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 31 December 2018 and 31 December 2017.

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

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

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

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

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

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

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

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for Q4-2018 and FY2018 as its most recently audited consolidated financial statements for the financial year ended 31 December 2017 ("FY2017").

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

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

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

EARNINGS PER SHARE ("EPS")

	Group Unaudited			
	Q4-2018	Q4-2017	FY2018	FY2017
Profit, net of tax attributable to equity holders of the Company (S\$'000)	1,724	4,618	5,382	7,407
Weighted average number of ordinary shares ⁽¹⁾				
(a) Basic	562,500,000	562,500,000	562,500,000	562,500,000
(b) Diluted	562,500,000	562,500,000	562,500,000	562,500,000
EPS (cents)				
(a) Basic	0.31	0.82	0.96	1.32
(b) Diluted	0.31	0.82	0.96	1.32

Note:

(1) The weighted average number of ordinary shares on a basic and fully diluted basis were the same as there were no potentially dilutive instruments as at 31 December 2018 and 31 December 2017.

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

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

NET ASSET VALUE (“NAV”)

	Group		Company	
	Unaudited As at 31 December 2018	Audited As at 31 December 2017	Unaudited As at 31 December 2018	Audited As at 31 December 2017
NAV per ordinary share (cents)	10.78	10.39	8.00	8.54

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

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

REVIEW OF THE GROUP’S PERFORMANCE

Revenue

Revenue decreased by S\$18.63 million or 8.0% from S\$231.94 million in FY2017 to S\$213.31 million in FY2018 and by S\$48.72 million or 42.7% from S\$114.15 million in Q4-2017 to S\$65.44 million in Q4-2018. The decrease was mainly attributed to the decrease in revenue of our subsidiary, SKB, of S\$25.16 million and S\$51.44 million in FY2018 and Q4-2018, respectively due to generally weaker sentiments in the bullion market, which resulted in a decrease in demand for SKB’s bullion products.

Other gains

Other gains increased by S\$0.16 million or 8.0% from S\$1.88 million in FY2017 to S\$2.03 million in FY2018. The increase was mainly due to (i) improved rental income of S\$0.56 million, (ii) government grant increase of S\$0.15 million, and (iii) fair value gain on derivative financial instruments of S\$0.66 million, offset by the absence of foreign exchange adjustment gain of S\$0.89 million.

In Q4-2018, other gain was S\$0.44 million, as compared to S\$0.96 million in Q4-2017. The decrease of S\$0.52 million was mainly due to foreign exchange adjustment loss of S\$0.45 million offset by increase in rental income of S\$0.11 million.

Material costs

Material costs decreased by S\$22.50 million or 13.1% from S\$170.83 million in FY2017 to S\$148.30 million in FY2018 and decreased by S\$48.90 million or 50.7% from S\$96.50 million in Q4-2017 to S\$47.60 million in Q4-2018. The decrease in material costs corresponded with the decrease in revenue by SKB and product mix.

Employee benefits expense

Employee benefits expense increased by S\$1.52 million or 8.2% from S\$18.71 million in FY2017 to S\$20.23 million in FY2018 and increased by S\$0.48 million or 10.6% from S\$4.53 million in Q4-2017 to S\$5.02 million in Q4-2018. The increase was due mainly to the higher salaries, staff allowance and sales commission of the Group's employees and also the increase in salaries following the commencement of the Group's operations and opening of retail stores in the People's Republic of China ("PRC").

Depreciation and amortisation expense

Depreciation and amortisation expense increased by S\$0.49 million or 12.0% from S\$4.05 million in FY2017 to S\$4.54 million in FY2018 and increased by S\$0.10 million or 9.6% from S\$1.09 million in Q4-2017 to S\$1.19 million in Q4-2018. The increase was mainly attributed to depreciation expenses in relation to the renovation and fixed assets purchased for the new retail stores in Singapore, the PRC and Malaysia.

Other losses

Other losses increased by S\$0.9 million from S\$0.77 million in FY2017 to S\$1.87 million in FY2018. The increase was mainly due to the goodwill written off in Q4-2018 of S\$0.24 million arising from the acquisition of SKB after taking into consideration the performance of SKB from the financial year ended 31 December 2016 ("FY2016") to FY2018, and provision of non-recovery of the purchase price from a supplier who defaulted in the delivery of goods to SKB amounting to S\$1.03 million in Q4-2018 following the filing for relief under Chapter 11 of the United States Bankruptcy Code by the supplier. Please refer to the Company's announcement dated 16 November 2018 for further details.

Other losses increased by S\$0.45 million or 62.9%, from S\$0.72 million in Q4-2017 to S\$1.19 million in Q4-2018 mainly due to the provision of non-recovery of purchase price from a supplier who defaulted in delivery to SKB of S\$1.03 million in Q4-2018, offset by foreign exchange adjustment gains of S\$0.65 million in Q4-2017.

Finance costs

Finance costs decreased by S\$0.23 million or 14.4% from S\$1.57 million in FY2017 to S\$1.34 million in FY2018 and decreased by S\$0.06 million or 12.0% from S\$0.43 million in Q4-2017 to S\$0.37 million in Q4-2018. The decrease was mainly due to the repayment of the Directors' Loans and Term Loans of S\$8.10 million and S\$2.29 million respectively in FY2018.

Rental expenses

Rental expenses increased by S\$1.66 million or 8.3% from S\$19.91 million in FY2017 to S\$21.57 million in FY2018 and increased by S\$0.57 million or 11.3% from S\$5.02 million in Q4-2017 to S\$5.60 million in Q4-2018. This was mainly due to the increase in rental expenses in Singapore and start-up costs incurred in the PRC.

Other expenses

Other expenses increased by S\$0.62 million or 6.4% from S\$9.79 million in FY2017 to S\$10.42 million in FY2018 and increased by S\$0.52 million or 21.8% from \$2.41 million in Q4-2017 to S\$2.93 million in Q4-2018. The increase was mainly attributed to the marketing and startup costs of Diamond Avenue Investments Limited ("DAI") of S\$0.34 million.

Share of results of associates

The loss of S\$0.22 million in FY2018 and S\$0.05 million in Q4-2018 arose from the financial performance of the Group's 40% investment in LVC (Thailand) Co, Ltd ("**LVC Thailand**").

Profit before tax

As a result of the foregoing, profit before tax decreased by S\$1.18 million or 14.4% from S\$8.19 million in FY2017 to S\$7.01 million in FY2018 and decreased by S\$2.46 million or 55.7% from S\$4.42 million in Q4-2017 to S\$1.96 million in Q4-2018.

Excluding (i) the provision of non-recovery of purchase price from a supplier who defaulted in delivery to SKB amounting to S\$1.03 million in Q4-2018; (ii) total expenses relating to the start-up costs of the Group's PRC business of S\$1.46 million; and (iii) share of loss of associates of S\$0.22 million from the financial performance of the Group's 40% investment in LVC Thailand, which did not occur in FY2017, the Group's pre-tax profit would have been S\$9.72 million in FY2018.

Income tax expense

Income tax expense increased from S\$1.0 million in FY2017 to S\$1.89 million in FY2018 mainly due to the tax refund of S\$0.88 million in FY2017 in Singapore which was absent in FY2018.

Income tax expense increased from tax credit of S\$0.18 million in Q4-2017 to S\$0.64 million in Q4-2018 mainly due tax refund in Q4-2017.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Non-current assets

Non-current assets decreased by S\$1.17 million or 3.0% from S\$39.04 million as at 31 December 2017 to S\$37.87 million as at 31 December 2018. This was mainly due to the (i) decrease in property, plant and equipment of S\$1.15 million, (ii) decrease in other assets (land use rights) of S\$0.22 million which both arose from depreciation, and (iii) decrease in intangible assets of S\$0.28 million due to goodwill written off from the acquisition of SKB after taking into consideration the performance of SKB from FY2016 to FY2018

The increase investments in associates of S\$0.28 million was due to the subscription of shares in LVC Thailand of S\$0.50 million after offsetting its share of loss of S\$0.22 million,

Current assets

Current assets decreased by S\$18.36 million or 18.1% from S\$101.65 million as at 31 December 2017 to S\$83.28 million as at 31 December 2018. This was mainly due to the (i) decrease in inventories of S\$2.08 million, (ii) decrease in cash and cash equivalents of S\$14.39 million arising from the repayment of Directors' Loans, payment of dividend in respect of FY2017 and working capital and capital expenditure for the Group's operations in the PRC, (iii) increase in derivative financial assets of S\$0.54 million from SKB and (iv) decrease in other assets by S\$3.2 million mainly due to reduced deposits paid to various precious metal suppliers to secure delivery of goods, offset by the increase in trade and other receivables of S\$0.80 million mainly receivables from Thailand investment under Love and Co., Thailand.

Non-current liabilities

Non-current liabilities decreased by S\$9.48 million or 31.1% from S\$30.53 million as at 31 December 2017 to S\$21.05 million as at 31 December 2018. This was mainly due to (i) repayment of certain term loans facilities of S\$2.29 million and (ii) repayment of the Directors' Loans of S\$8.10 million.

Current liabilities

Current liabilities decreased by S\$12.26 million or 23.7% from S\$51.73 million as at 31 December 2017 to S\$39.47 million as at 31 December 2018. This was mainly attributable to the decrease in (i) other financial liabilities of S\$0.56 million due to repayment of certain term loans and Directors' loans, (ii) income tax payable of S\$0.14 million and (iii) other liabilities of S\$12.44 million mainly due to reduced deposits received from customers for purchase of precious metals.

Total equity

Total equity increased by S\$2.21 million or 3.8% from S\$58.42 million as at 31 December 2017 to S\$60.64 million as at 31 December 2018. The increase was mainly due to the total comprehensive income, net of tax attributable to owners of the Company of S\$5.38 million for FY2018, offset by (i) decrease in non-controlling interest of S\$0.27 million; (ii) payment of ordinary dividends in respect of FY2017 of S\$2.81 million in Q2-2018 and (iii) decrease in foreign currency translation reserve (other reserves) of S\$0.09 million.

Total equity under company level has decreased by S\$1.00 million due to the impairment of investment in SKB resulting to the total equity decrease from S\$48.03 million in FY2017 to S\$45.76 million in FY2018.

REVIEW OF THE GROUP'S CASHFLOW STATEMENT

For FY2018, net cash inflows from operating activities was S\$3.84 million, which consisted of operating cash flows before changes in working capital of S\$12.80 million, net of income tax paid of S\$2.00 million and working capital outflows of S\$5.84 million.

The net working capital inflows arose mainly from the following:

- (a) (i) a decrease in inventories of S\$2.08 million and (ii) decrease in other assets of S\$3.21 million and (iii) increase in trade and payables S\$1.00 million,
- (b) offset by (i) increase in trade and other receivables of S\$0.80 million, and (ii) decrease in other liabilities of S\$12.45 million.

For FY2018, net cash flows used in investing activities amounted to S\$3.84 million mainly due to the net purchase of property, plant and equipment of S\$3.56 million for its investment in the new outlets in the PRC and Singapore and subscription of shares in LVC Thailand of S\$0.50 million.

For FY2018, net cash flows used in financing activities amounted to S\$14.40 million mainly due to (i) loan repayment of S\$2.29 million, (ii) net movement in amounts due to directors of S\$7.89 million arising from the repayment of the Directors' Loans, (iii) interest payment of S\$1.34 million and (iv) dividend payment in respect of FY2017 of S\$2.81 million.

As a result of the above, there was a net decrease of S\$14.38 million in cash and cash equivalents for FY2018, from a net cash surplus of S\$31.26 million as at 31 December 2017 to a net cash surplus of S\$16.88 million as at 31 December 2018.

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

Not applicable as no forecast for FY2018 was provided.

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

The challenges in the retail sector are expected to persist, given weaker consumer sentiments. Notwithstanding the easing of global trade tensions, the Group, remains conservative in its approach to the business. Competition posed from existing incumbents will continue, and the Group continues to stay focused on its core competencies in delivering better products and services to maintain its competitiveness in the market.

On 11 February 2019, the Precious Stones and Precious Metals Prevention of Money Laundering and Terrorist Financing Bill (“**Bill**”) was tabled for Second Reading and passed in Parliament. Under this Bill, regulated dealers in precious stones and metals will have to register with the Registrar within the Ministry of Law, and carry out additional layers of checks. This is expected to increase compliance costs for the Group’s operations moving forward.

Beyond the retail scene in Singapore and Malaysia, the Group has embarked on the overseas expansion phase and seeks to enhance its presence in the PRC and Thailand, with a focus on building the branding and product innovation in these countries.

11. Dividend

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

None.

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

Name of Dividend:	Ordinary cash dividend
Dividend Type:	Final
Dividend Amount per Ordinary Share:	0.50 Singapore cents per ordinary share
Tax Rate:	One-tier tax exempt

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No final dividend in respect of FY2018 has been declared as the Group considers it prudent to conserve funds in view of the challenging environment and also the requirements for its overseas expansion and development strategies.

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

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

Name of Interested Person	Aggregate value of all Interested Person Transactions during the year under review (including transactions of less than S\$100,000 and transactions conducted under Shareholders’ Mandate pursuant to Rule 920 of the Catalyst Rules)	
	FY2018 S\$’000	FY2017 S\$’000
Purchases of products Moneymax Financial Services Ltd. and its subsidiaries (the “MoneyMax Group”)	56	65
Sales of products MoneyMax Group	53	394
Sales of fixed assets MoneyMax Group	13	7
Central support services MoneyMax Group	255	199
Rental income MoneyMax Group	311	230
Rental expense Lim Yong Guan	326	324
	1,014	1,219

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

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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2 & Q3 or Half Year Results)

15. **Segment revenue and results or geographical segments (of the Group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.**

(a) Business Segment Information
FY2018

	<u>Jewellery</u> S\$'000	<u>Bullion</u> S\$'000	<u>Others</u> S\$'000	<u>Elimination</u> S\$'000	<u>Group</u> S\$'000
Revenue by segment					
Revenues from external customers	133,001	80,313	-	-	213,314
Inter-segment revenues	70,141	39,366	-	(109,507)	-
Total revenue	203,142	119,679	-	(109,507)	213,314
Results					
Segment results	9,763	(1,085)	(330)	-	8,348
Finance costs	(1,342)	-	-	-	(1,342)
Profit before tax	8,421	(1,085)	(330)	-	7,006
Income tax expense	(1,780)	-	(111)	-	(1,891)
Profit net of tax	6,641	(1,085)	(441)	-	5,115
Segment assets	161,822	6,033	46,906	(93,613)	121,148
Segment liabilities	125,506	6,106	2,134	(73,233)	60,513
Capital expenditure	3,523	32	-	-	3,555
Depreciation and amortisation	4,459	78	-	-	4,537
Plant and equipment written off	98	88	-	-	186
<u>FY2017</u>					
	<u>Jewellery</u> S\$'000	<u>Bullion</u> S\$'000	<u>Others</u> S\$'000	<u>Elimination</u> S\$'000	<u>Group</u> S\$'000
Revenue by segment					
Revenues from external customers	126,464	105,476	-	-	231,940
Inter-segment revenues	36,878	11,905	-	(48,783)	-
Total revenue	163,342	117,381	-	(48,783)	231,940
Results					
Segment results	9,188	(322)	891	-	9,757
Finance costs	(1,568)	-	-	-	(1,568)
Profit before tax	7,620	(322)	891	-	8,189
Income tax expense	(1,168)	-	281	-	(887)
Profit net of tax	6,452	(322)	1,172	-	7,302
Segment assets	203,086	19,919	7,048	(89,369)	140,684
Segment liabilities	134,221	19,187	-	(71,148)	82,260

Capital expenditure	4,209	31	-	-	4,240
Depreciation and amortisation	3,944	108	-	-	4,052
Inventories write down	-	-	-	-	-
Plant and equipment written off	157	-	-	-	157

(b) Geographical Segment Information

Revenue

	Group		
	FY2018 S\$'000	FY2017 S\$'000	Change %
Singapore	189,912	212,280	(10.5%)
Malaysia	22,553	19,660	14.7%
PRC	849	-	N.M.
Total	213,314	231,940	(8.0%)

Non-current assets

	Group		
	As at 31 December 2018 S\$'000	As at 31 December 2017 S\$'000	Change %
Singapore	36,225	37,927	(4.5%)
Malaysia	574	838	(31.5%)
PRC	608	-	N.M.
Total	37,407	38,765	(3.5%)

Revenues are attributable 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.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to paragraph 8 of this announcement.

17. A breakdown of sales and results as follows:

	GROUP		
	FY2018 S\$'000	FY2017 S\$'000	Change %
Sales reported for first half year	87,215	79,095	10.3%
Operating profit after reported for first half year	2,704	2,163	25.0%
Sales reported for the second half year	126,099	152,845	(17.5%)
Operating profit after tax reported for second half year	2,411	5,139	(53.1%)

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

	COMPANY	
	FY2018 S\$'000	FY2017 ⁽¹⁾ S\$'000
Ordinary	-	2,813
Preference	-	-
Total	-	2,813

Notes:

- (1) The final tax exempt one-tier dividend of 0.50 Singapore cents per share for FY2017 was paid on 14 May 2018.

19. Person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of issuer pursuant to Rule 704(10)

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Mr. Lau Tai Wai David	28	Son of Mdm. Lim Liang Eng and nephew of Dato' Sri Dr. Lim Yong Guan and Mr. Lim Yong Sheng	Business Development Manager, Singapore operations since 2018. In charge of all strategic, operational and management matters pertaining to the Group's associates operations in Thailand.	NA
Ms. Lau Wan Kei, Angelina	36	Daughter of Mdm. Lim Liang Eng, and niece of Dato' Sri Dr. Lim Yong Guan and Mr. Lim Yong Sheng.	General Manager, Singapore Operations since 2010. In charge of all strategic, operational and management	NA

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
			matters pertaining to the Group's Singapore operations, which include, <i>inter alia</i> , overseeing its network of retail stores, branding and marketing activities, jewellery design, and quality control.	
Mr. Wong Jak	65	Brother-in-law to Dato' Sri Dr. Lim Yong Guan, Mr. Lim Yong Sheng, and Mdm. Lim Liang Eng, and the spouse of Mdm. Lim Liang Cheng.	General Manager, Malaysia Operations since 2002. In charge of all strategic, operational and management matters pertaining to the Group's Malaysian operations, which include, <i>inter alia</i> , 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.	NA
Mdm. Lim Liang Cheng	54	Sister of Dato' Sri Dr. Lim Yong Guan, Mr. Lim Yong Sheng and Mdm. Lim Liang Eng, and the spouse of Mr. Wong Jak.	Area Manager, Malaysia Operations since 2002. In charge of the day-to-day running of the Group's retail operations in Malaysia.	NA

NA: Not applicable.

ON BEHALF OF THE BOARD OF DIRECTORS

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

Lim Yong Sheng
Executive Director and Chief Executive Officer

26 February 2019

This announcement has been prepared by SK Jewellery Group Limited (the "Company") and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited ("Sponsor"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

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

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