CIRCULAR DATED 2 OCTOBER 2020

THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS OF SK JEWELLERY GROUP LIMITED ("COMPANY") AND THE ADVICE OF HONG LEONG FINANCE LIMITED (AS THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS). THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to this Circular (as defined herein) or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued and fully paid shares in the capital of the Company ("**Shares**"), held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited ("**Sponsor**"), in accordance 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 Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular including the correctness of any of the statements made or opinions expressed or reports contained in this Circular. 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.

SK
JEWELLERY GROUP

SK JEWELLERY GROUP LIMITED

(Company Registration No. 201214694Z)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL GENERAL OFFER

by

DBS BANK LTD.

(Company Registration No. 196800306E)
(Incorporated in the Republic of Singapore)

for and on behalf of

OROGREEN INVESTMENT PTE. LTD.

(Company Registration No. 202021576H)
(Incorporated in the Republic of Singapore)

to acquire the Offer Shares (as defined herein)

Independent Financial Adviser to the Independent Directors

HONG LEONG FINANCE

HONG LEONG FINANCE LIMITED

(Company Registration No. 196100003D)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 16 OCTOBER 2020. THE OFFEROR DOES NOT INTEND TO EXTEND THE OFFER BEYOND SUCH TIME AND DATE.

CONTENTS

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

"Act"	:	The Companies Act, Chapter 50 of Singapore
"Additional Undertaking Shareholders"	:	Shall have the meaning ascribed to it in Section 5.3 (Additional Irrevocable Undertakings) of the Letter to Shareholders in the Offer Document, reproduced at Section 5 of this Circular
"Auditors"	:	RSM Chio Lim LLP, the independent auditors of the Company
"Board"	:	Board of Directors
"Business Day"	:	A day other than Saturday, Sunday or a public holiday on which commercial banks are open for business in Singapore
"Catalist Rules"	:	The Listing Manual Section B: Rules of Catalist of the SGX-ST
"CDP"	:	The Central Depository (Pte) Limited
"Circular"	:	This circular to Shareholders in relation to the Offer, setting out, *inter alia*, the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors.
"Closing Date"	:	5.30 p.m. (Singapore time) on 16 October 2020
"Code"	:	The Singapore Code on Take-overs and Mergers
"Commencement Date"	:	Has the meaning ascribed to it in Section 2.4 of this Circular
"Company"	:	SK Jewellery Group Limited
"Concert Parties"	:	Parties acting or presumed to be acting in concert with the Offeror in connection with the Offer
"Constitution"	:	The constitution of the Company
"DBS"	:	DBS Bank Ltd.
"Directors"	:	The directors of the Company as at the Latest Practicable Date
"Distributions"	:	Any dividends, rights and other distributions declared, paid or made by the Company in respect of Shares
"Encumbrances"	:	Any claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever
"FAA"	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
"FAT"	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are not deposited with CDP

"**FY2017**"	:	Financial year ended 31 December 2017
"**FY2018**"	:	Financial year ended 31 December 2018
"**FY2019**"	:	Financial year ended 31 December 2019
"**Group**"	:	The Company and its subsidiaries
"**HY2020**"	:	The six (6) months financial period ended 30 June 2020
"**IFA**" or "**Hong Leong**"	:	Hong Leong Finance Limited, the independent financial adviser to the Independent Directors in relation to the Offer
"**IFA Letter**"	:	The letter from the IFA to the Independent Directors dated 2 October 2020 containing the advice of the IFA to the Independent Directors in respect of the Offer, a copy of which is set out in **Appendix 2** to this Circular
"**Independent Directors**"	:	The directors of the Company who are independent for the purpose of making a recommendation to Shareholders in respect of the Offer, namely Mr. Ang Miah Khiang, Mr. Sim Eng Huat, Mr. Lye Hoong Yip Raymond, and Mr. Cheng Leung Ho
"Irrevocable Undertakings"	:	The Management Shareholders' Irrevocable Undertakings, the SKCPL Irrevocable Undertaking and the Additional Irrevocable Undertakings
"**Latest Practicable Date**"	:	28 September 2020, being the latest practicable date prior to the issuance of this Circular
"LLE"	:	Mdm. Lim Liang Eng
"LYG"	:	Dato' Sri Dr. Lim Yong Guan
"LYS"	:	Mr. Lim Yong Sheng
"Management Shareholders"	:	LYG, LYS and LLE
"Management Shareholders' Irrevocable Undertakings"	:	Shall have the meaning ascribed to it in Section 5.1 (Management Shareholders' Irrevocable Undertakings and Roll-over Arrangement) of the Letter to Shareholders in the Offer Document
"**Market Day**"	:	A day on which the SGX-ST is open for trading of securities
"Notification of Electronic Dissemination"	:	Notification of electronic dissemination of the Offeree Circular dated 2 October 2020
"**Offer**"	:	The voluntary conditional cash offer by DBS, for and on behalf of the Offeror, to acquire the Offer Shares, on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended and revised from time to time by or on behalf of the Offeror

"**Offer Announcement**"	:	The announcement in connection with the Offer released by DBS, for and on behalf of the Offeror, on the Offer Announcement Date
"**Offer Announcement Date**"	:	2 September 2020, being the date of the Offer Announcement
"**Offer Document**"	:	The offer document dated 18 September 2020, including the FAA and FAT, and any other document(s) which may be issued for and on behalf of the Offeror to amend, revise, supplement or update this document from time to time
"**Offer Price**"	:	S$0.15 in cash for each Offer Share
"**Offer Shares**"	:	All the issued Shares to which the Offer relates, as described in Sections 2.1 (Offer) and 2.2 (Offer Shares) of the Letter to Shareholders in the Offer Document and Section 2.2 of this Circular
"**Offeror**"	:	OroGreen Investment Pte. Ltd.
"**Overseas Shareholders**"	:	Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be)
"Record Date"	:	In relation to any Distributions, the date on which Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such Distributions
"**Register**"	:	The register of holders of Shares, as maintained by the Registrar
"**Registrar**"	:	B.A.C.S. Private Limited, in its capacity as the share registrar of the Company, whose office is at 8 Robinson Road, #03-00, ASO Building, Singapore 048544
"Relevant Acceptance Forms"	:	The FAA and / or the FAT (as the case may be)
"**Securities Account**"	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
"**SFA**"	:	Securities and Futures Act, Chapter 289 of Singapore
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	The holders of the Offer Shares, including persons whose Offer Shares are deposited with CDP or who have purchased the Offer Shares on the SGX-ST
"**Shares**"	:	Ordinary shares in the capital of the Company
"**SIC**"	:	Securities Industry Council
"SKCPL"	:	Soo Kee Capital Pte. Ltd.
"SRS"	:	The Supplementary Retirement Scheme

"SRS Agent Banks"	:	Agent banks included under SRS
"SRS Investors"	:	Investors who purchase Shares pursuant to SRS
"**S$**" **and** "**cents**"	:	Singapore dollars and cents, respectively
"**Unconditional Announcement**"	:	The announcement dated 26 September 2020 released by DBS, for and on behalf of the Offeror, in relation to, *inter alia*, the Offer being declared unconditional in all respects
"Undertaking Shareholders"	:	The Management Shareholders, SKCPL and the Additional Undertaking Shareholders
"VWAP"	:	Volume weighted average price
"**%**" **or** "**per cent.**"	:	Per centum or percentage

The expression "**acting in concert**" shall have the meaning ascribed to it in the Code.

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA and the terms "**subsidiary**" and "**substantial shareholder**" shall have the meanings ascribed to them in Sections 5 and 81 of the Act respectively.

The term "**related corporation**" shall have the meaning ascribed to it in Section 6 of the Act.

References to "**you**", "**your**" and "**yours**" in this Circular are to Shareholders.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Catalist Rules or the Code or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Act, the Catalist Rules or the Code or any modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

Any discrepancies in figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

References in this Circular to the total number of Shares in issue are based on 562,500,000 Shares in issue as at the Latest Practicable Date, unless otherwise stated. As at the Latest Practicable Date, the Company does not hold any treasury shares.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “intend”, “plan”, “project”, “seek”, “strategy”, and similar expressions or future or conditional verbs such as “could”, “may”, “might”, “should”, “will” and “would”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

INDICATIVE TIMETABLE

Date of despatch of Offer Document	:	18 September 2020
Date of despatch of this Circular	:	2 October 2020
Closing Date	:	5.30 p.m. (Singapore time) on 16 October 2020 **Trading in the Shares will be suspended at the close of the Offer**
Date of settlement of consideration for the Offer Shares	:	(i) In respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven (7) Business Days of such date; or (ii) In respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

SK JEWELLERY GROUP LIMITED

(Company Registration No. 201214694Z)
(Incorporated in the Republic of Singapore)

Board of Directors:

Dato' Sari 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)
Mr. Sim Eng Huat
(Independent Director)
Mr. Lye Hoong Yip Raymond
(Independent Director)
Mr. Cheng Leung Ho
(Independent Director)

Registered Office:

7 Changi Business Park Vista
#01-01
SooKee HQ
Singapore 486042

2 October 2020

To: The Shareholders of SK Jewellery Group Limited.

Dear Sir/Madam

VOLUNTARY CONDITIONAL CASH OFFER BY DBS FOR AND ON BEHALF OF THE OFFEROR FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Offer Announcement

On 2 September 2020, DBS announced, for and on behalf of the Offeror, that the Offeror intends to make the Offer for the Offer Shares at the Offer Price of S$0.15 for each Offer Share.

A copy of the Offer Announcement is available on the website of the SGX-ST at http://www.sgx.com.

1.2 Offer Document

Shareholders should have by now received a copy of the Notification (as defined in the Offer Document), which contains the address and instructions for the electronic retrieval of the Offer Document issued on 18 September 2020, setting out, *inter alia*, the terms and conditions of the Offer. **Shareholders are urged to read carefully the terms and conditions contained therein.**

A copy of the Offer Document is available on the website of the SGX-ST at http://www.sgx.com.

1.3 Unconditional Announcement

On 26 September 2020, DBS issued the Unconditional Announcement, for and on behalf of the Offeror, announcing that the Offer has been declared unconditional in all respects. The Unconditional Announcement also contain details on the Offeror's intention to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act and the loss of free float of the Company. Shareholders are urged to read the Unconditional Announcement carefully.

A copy of the Unconditional Announcement is available on the website of the SGX-ST at http://www.sgx.com.

1.4 Independent Financial Adviser

The Independent Directors have appointed Hong Leong as their independent financial adviser in respect of the Offer.

1.5 Purpose of Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company, the Offer, the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors with regard to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix 2 to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA in respect of the Offer before deciding whether or not to accept the Offer.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

Based on the information set out in the Offer Document, the Offeror has offered to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT on the following basis:

2.1 Offer Price

As stated in Section 2.3 of the Offer Document, the Offeror is making the Offer for the Offer Shares on the following basis:

For each Offer Share: S$0.15 in cash ("Offer Price").

The Offer Price is final and the Offeror does not intend to revise the Offer Price.

2.2 Offer Shares

The Offer is extended, on the same terms and conditions, to all the Shares, including any Shares owned, controlled or agreed to be acquired by the Concert Parties (all such Shares, the "**Offer Shares**").

2.3 No Encumbrances

Pursuant to Section 2.4 of the Offer Document, the Offer Shares will be acquired (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any), the Record Date for which falls on or after the Offer Announcement Date.

In the event of any such Distributions on or after the Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer by the amount of such Distribution.

2.4 Minimum Acceptance Condition to the Offer

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with any Offer Shares owned, controlled, acquired or agreed to be acquired by the Offeror and the

Concert Parties before and during the Offer but otherwise than though acceptances of the Offer, will result in the Offeror and the Concert Parties holding not less than 90% of the total number of issued Shares (excluding any Shares held in treasury) as at the close of the Offer ("**Minimum Acceptance Condition**").

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled, acquired or agreed to be acquired by the Offeror and the Concert Parties before and during the Offer, will result in the Offeror and the Concert Parties holding not less than 90% of the total number of issued Shares.

Pursuant to the Irrevocable Undertakings (as set out at Section 5 below), the Management Shareholders, SKCPL and the Additional Undertaking Shareholders have undertaken to the Offeror to tender, or procure their nominees to tender, all of their respective Shares in acceptance of the Offer, being an aggregate of 508,037,400 Shares, representing approximately 90.32% of the total number of issued Shares. Accordingly, the Minimum Acceptance Condition will be satisfied upon receipt of such valid acceptances from the Management Shareholders, SKCPL and the Additional Undertaking Shareholders and the Offer will be declared unconditional in all respects thereafter.

Save as provided in this Section 2.4, the Offer is unconditional in all other respects. On 26 September 2020, DBS issued the Unconditional Announcement, for and on behalf of the Offeror, announcing that the Offer has been declared unconditional in all respects.

2.5 Warranty

According to Section 2.8 of the Offer Document, acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including but not limited to the right to receive and retain all Distributions (if any) declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date).

2.6 Closing Date

The Offer will remain open for acceptances by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of SIC and every person released from any obligation incurred thereunder. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 16 October 2020.**

The Offeror has indicated in the Offer Document that they have no intention of extending the Offer beyond the Closing Date.

2.7 Details of the Offer

Further details of the Offer are set out in **Appendix 1** to the Offer Document, including details on (a) the duration of the Offer; (b) the settlement of the consideration for the Offer; (c) the requirements relating to the announcement of level of acceptances of the Offer; and (d) the right of withdrawal of acceptance of the Offer.

2.8 Procedures for acceptance

The procedures for acceptance of the Offer are set out in **Appendix 2** to the Offer Document.

3. INFORMATION ON THE OFFEROR

The following has been extracted from Section 6 of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully:**

"***6.1 The Offeror.*** *The Offeror is an investment holding company incorporated in Singapore on 24 July 2020 for the purpose of undertaking the Offer. The Offeror has not carried on any business since its incorporation, except for matters in connection with the making of the Offer.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of $100 comprising 100 ordinary shares, of which 51% is held by LYG, 44% is held by LYS and 5% is held by LLE.

As at the Latest Practicable Date, the directors of the Offeror are LYG, LYS and LLE.

As at the Latest Practicable Date, the Offeror does not hold any Shares.

6.2 LYG, LYS and LLE. *LYG is a co-founder of the Group and the Non-Executive Chairman of the Company. LYS is a co-founder of the Group and an Executive Director of the Company and the Chief Executive Officer of the Group, and LLE is a co-founder of the Group and an Executive Director of the Company and the Chief Operating Officer of the Group.*

6.3 Management Shareholders' Roll-over Arrangement. *It is intended that following completion of the Roll-over Arrangement, each of the Management Shareholders will continue to hold the same percentage shareholding of Offeror Shares that they currently hold.*

6.4 Additional Information. *Additional information on the Offeror is set out in Appendix 3 to this Offer Document."*

Additional information on the Offeror is set out in **Appendix 3** to the Offer Document.

4. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from Section 8 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

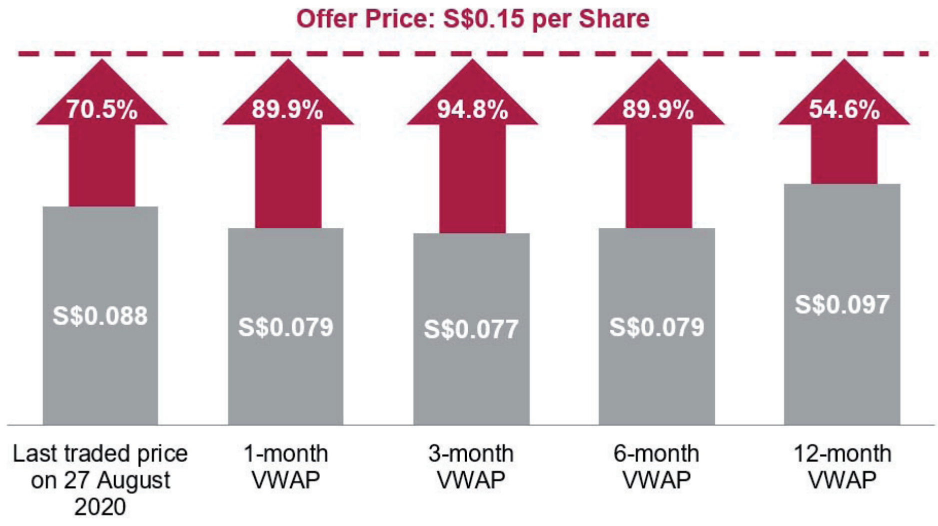
"*Against the uncertainties surrounding the long term impact of the COVID-19 pandemic and a challenging outlook across the Company's businesses in Singapore, Malaysia, Thailand and China, the Offeror is of the view that the Offer represents an opportunity for Shareholders to realise their investment in the Shares at a premium to historical market prices without incurring brokerage and trading costs.*

8.1 Opportunity for Shareholders to Realise their Investment in the Shares at a Premium to Market Price without incurring Brokerage Costs.

The Offer Price:

(a) represents a premium of approximately 70.5% over the last traded price per Share on 27 August 2020, being the Last Trading Day;

(b) represents a premium of approximately 89.9%, 94.8%, 89.9% and 54.6% over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods up to and including 27 August 2020, being the Last Trading Day; and



Notes:

(1) S$ figures (other than the Offer Price) are based on data extracted from Bloomberg L.P. on 27 August 2020, being the Last Trading Day, and rounded to the nearest three decimal places.

(2) Premia rounded to the nearest one decimal place.

(c) exceeds the highest closing price of the Shares in over two years preceding the Last Trading Day[1].

The Offer therefore presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

8.2 Low Trading Liquidity. *The trading volume of the Shares has been low, with an average daily trading volume[2] of approximately 21,105 Shares, 19,940 Shares, 34,860 Shares and 33,000 Shares during the one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including the Last Trading Day. These represent only 0.004%, 0.004%, 0.006% and 0.006% of the total number of issued Shares for the aforementioned relevant periods, respectively.*

The Offer therefore provides Shareholders with an opportunity to realise their entire investment in the Shares at a premium over the prevailing market prices which may not otherwise be readily available to Shareholders given the low trading liquidity of the Shares.

8.3 Greater Management Flexibility. *The Offeror is making the Offer with a view to delisting and privatising the Company. The Offeror believes that privatising the Company will provide the Offeror and the Company with greater control and management flexibility to manage the business of the Group, respond to the changing market conditions and optimise the use of the Company's management and resources.*

8.4 No Necessity for Access to Capital Markets and Declining Share Price. *The Company has not carried out any exercise to raise equity capital on the SGX-ST since its listing in 2015. The Company is unlikely to require access to Singapore equity capital markets to finance its operations in the foreseeable future as the Company has various other available funding sources such as bank credit facilities. In addition, maintaining a listing on the*

[1] *Based on data sourced from Bloomberg L.P..*

[2] *The average daily trading volumes are calculated by using the total volume of Shares traded divided by the number of market days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including the Last Trading Day.*

SGX-ST does not serve a material purpose from a fundraising perspective as the Company's declining share price has made it challenging for the Company to raise equity capital. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST.

8.5 Costs of Maintaining Listing Status. *In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Catalist Rules. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations."*

5. IRREVOCABLE UNDERTAKINGS

The information on irrevocable undertakings and roll-over arrangements obtained by the Offeror set out in italics below has been extracted from Section 5 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

*"**5.1 Management Shareholders' Irrevocable Undertakings and Roll-over Arrangement.** As at the Latest Practicable Date, the Offeror has received undertakings (the "**Management Shareholders' Irrevocable Undertakings**") from:*

(a) LYG in respect of 66,556,653 Shares (representing approximately 11.83% of the total number of issued Shares);

(b) LYS in respect of 57,421,427 Shares (representing approximately 10.21% of the total number of issued Shares); and

(c) LLE in respect of 6,525,155 Shares (representing approximately 1.16% of the total number of issued Shares),

pursuant to which each of the Management Shareholders has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to tender all of his/her respective Shares in acceptance of the Offer.

*Further, each Management Shareholder has agreed to be allotted and issued new Offeror Shares for an aggregate subscription price (the "**Set-Off Amount**") that will be set-off in full against the consideration that would otherwise be payable by the Offeror to each of the Management Shareholders for his/her Shares at the Offer Price pursuant to the acceptance of the Offer by the Management Shareholders (the "**Roll-over Arrangement**"). Accordingly, pursuant to the Management Shareholders' Irrevocable Undertakings and the Roll-over Arrangement, each Management Shareholder has agreed to waive his/her rights under Rule 30 of the Code to receive the cash consideration payable to him/her by the Offeror under the terms of the Offer in return for the issuance of new Offeror Shares following the valid tender of all of his/her Shares in acceptance of the Offer.*

5.2 SKCPL Irrevocable Undertaking. *As at the Latest Practicable Date, SKCPL (which is owned by LYG, LYS and LLE as to 51%, 44% and 5% respectively) holds 334,192,565 Shares, representing approximately 59.41% of the total number of issued Shares. As at the Latest Practicable Date, the Offeror has received an undertaking from SKCPL (the "**SKCPL Irrevocable Undertaking**") pursuant to which SKCPL has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to tender all of its Shares in acceptance of the Offer.*

*SKCPL has also agreed to waive all of its rights under Rule 30 of the Code and the terms of the Offer to receive the aggregate Offer Price that would otherwise be payable by the Offeror to SKCPL (the "**Waived Amount**") for the Shares to be tendered by SKCPL in acceptance of the Offer (the "**SKCPL Arrangement**").*

5.3 ***Additional Irrevocable Undertakings.*** *As at the Latest Practicable Date, the Offeror has also received additional irrevocable undertakings (the "****Additional Irrevocable Undertakings****") from the following Shareholders (collectively, the "****Additional Undertaking Shareholders****") pursuant to which each Additional Undertaking Shareholder has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to tender or procure their nominees to tender, all of his/her respective Shares in acceptance of the Offer at the Offer Price:*

No.	Name of Additional Undertaking Shareholder	No. of Shares which are the subject of the Additional Irrevocable Undertakings	Percentage of Shares in issue (%)
1.	Ruan Zi Qiong(1)	3,200,000	0.57
2.	Huang Yan Hua(1)	3,000,000	0.53
3.	Zheng Hua Xuan(1)	3,000,000	0.53
4.	Gu Zhi Ming(1)	3,000,000	0.53
5.	Tan Yong Jin	2,937,000	0.52
6.	Tuah Pei Koon(2)	2,829,100	0.50
7.	Lim Lai Hiang	2,800,000	0.50
8.	Man Yan Lam(1)	2,500,000	0.44
9.	Chan Kian Kuan	2,360,000	0.42
10.	Tan Yang Hong(3)	2,153,000	0.38
11.	Lim Liang Cheng(4)	2,138,000	0.38
12.	Lim Liang Keng(4)	2,138,000	0.38
13.	Lim Liang Soh(4)	2,138,000	0.38
14.	Zhou Yan(1)	2,000,000	0.36
15.	Kang Puay Seng	1,940,000	0.34
16.	Lin Wei Li(1)	1,000,000	0.18
17.	Foo Kian Beng	1,000,000	0.18
18.	Wong Jak(5)	888,500	0.16
19.	Yeo Chai Heng	350,000	0.06
20.	Lau Wan Kei Angelina(6)	300,000	0.05
21.	Tang Kim Siong	300,000	0.05
22.	Ng Ah Mooi(7)	300,000	0.05
23.	Ng Seng Thong(8)	300,000	0.05
24.	Tan Wei Li	230,000	0.04
25.	Ng Lik Kui(9)	200,000	0.04
26.	Woo Chee Chay	200,000	0.04
27.	Lim Kee Chai(10)	120,000	0.02
28.	Liew Woon Yoon(2)	20,000	n.m.(11)
Total		**43,341,600**	**7.71**

Notes:

(1) Held through CGS-CIMB Securities (Singapore) Pte. Ltd..

(2) Tuah Pei Koon and Liew Woon Yoon are the cousins of LYG, LYS and LLE.

(3) Tan Yang Hong is LYG's spouse.

(4) Lim Liang Cheng, Lim Liang Keng and Lim Liang Soh are the sisters of LYG, LYS and LLE.

(5) Wong Jak is Lim Liang Cheng's husband.

(6) Lau Wan Kei Angelina is LLE's daughter.

(7) Ng Ah Mooi is LYG, LYS and LLE's aunt.

(8) Ng Seng Thong is Lim Liang Soh's husband.

(9) Ng Lik Kui is LYG, LYS and LLE's uncle.

(10) Lim Kee Chai is Lim Liang Keng's husband.

(11) Not meaningful.

5.4 Aggregate Holdings of Undertaking Shareholders and Minimum Acceptance Condition. *As mentioned in Section 5.3 above, pursuant to the Irrevocable Undertakings, the Management Shareholders, SKCPL and the Additional Undertaking Shareholders have undertaken to the Offeror to tender, or procure their nominees to tender, all of their respective Shares in acceptance of the Offer, being an aggregate of 508,037,400 Shares, representing approximately 90.32% of the total number of issued Shares. Accordingly, pursuant to the Irrevocable Undertakings, the Minimum Acceptance Condition will be satisfied upon receipt of valid acceptances from the Management Shareholders, SKCPL and the Additional Undertaking Shareholders and the Offer will be declared unconditional in all respects thereafter.*

5.5 Termination of Irrevocable Undertakings. *Each of the Irrevocable Undertakings will cease to have any effect if the Offer lapses or is withdrawn or fails to become or be declared unconditional by 2 March 2021 for any reason other than a breach of the obligations of the Management Shareholders, SKCPL and the Additional Undertaking Shareholders under their respective Irrevocable Undertakings.*

5.6 No Other Undertakings. *Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any of its Concert Parties has received any irrevocable undertaking from any party to accept or reject the Offer.*

5.7 SIC Confirmation. *Pursuant to an application made by the Offeror to the SIC to seek certain rulings in relation to the Offer, the SIC has confirmed that the Roll-over Arrangement and the SKCPL Arrangement will not constitute a special deal for the purposes of Rule 10 of the Code."*

6. OFFEROR'S INTENTION FOR THE COMPANY

The full text of the Offeror's intentions for the Company has been extracted from Section 10 of the Offer Document and is set out in italics below. **Shareholders are advised to read the extract below carefully and note the Offeror's future plans for the Company:**

"10 OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

The Offeror intends for the Company to continue to develop and grow the existing businesses of the Group. The Offeror and the Company will continue to review, from time to time, the operations of the Group as well as the Company's strategic options. The Offeror retains and reserves the right and flexibility at any time and from time to time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Offeror and/or the Company.

Save as disclosed above, the Offeror has no current intentions to (a) introduce any major changes to the existing businesses of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of existing employees of the Group, in each case, other than in the ordinary and usual course of business and/or in response to the changing market conditions."

7. COMPULSORY ACQUISITION AND LISTING STATUS

The full text of the intentions of the Offeror relating to the compulsory acquisition and listing status of the Company has been extracted from Section 11 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

*"11.1 **Compulsory Acquisition.** Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**"), at a price equal to the Offer Price.*

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury). Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

*11.2 **Listing Status.** Pursuant to Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of Shares (excluding Shares held in treasury) are held by at least 200 Shareholders who are members of the public. Rule 1303(1) of the Catalist Rules provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.*

In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, notify its sponsor of that fact and announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding Shares held in treasury) in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted."

8. OFFER DECLARED UNCONDITIONAL AND EXERCISE OF RIGHT OF COMPULSORY ACQUISITION

The following sections have been extracted from the Unconditional Announcement and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below and the Unconditional Announcement carefully:**

"2.3 Minimum Acceptance Condition Satisfied

Based on the aforesaid, DBS wishes to announce, for and on behalf of the Offeror, that as at the Unconditional Date, the Offeror has received valid acceptances of the Offer (which have not been withdrawn) in respect of an aggregate of 525,381,550 Shares which, when taken together with the Shares owned, controlled, acquired or agreed to be acquired by the Offeror and the Concert Parties before and during the Offer but otherwise than through acceptances of the Offer, will result in the Offeror and the Concert Parties holding not less than 90% of the total number of issued Shares (excluding Shares held in treasury).

Accordingly, DBS wishes to announce, for and on behalf of the Offeror, that the Minimum Acceptance Condition of the Offer (as set out in Section 2.5 of the Offer Document) has been satisfied and the Offer has therefore become and is hereby declared unconditional in all respects on the Unconditional Date.*"*

"3 LOSS OF FREE FLOAT AND TRADING SUSPENSION

Under Rule 1104 of the Catalist Rules, as the Offeror has received valid acceptances pursuant to the Offer that bring the holdings owned by it and its Concert Parties to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 200 Shareholders who are members of the public. Under Rule 1303(1) of the Catalist Rules, if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands falls below 10%, 4 the Company must, as soon as practicable, notify its sponsor of that fact and announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding any Shares held in treasury) in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

As stated in the Offer Document, the Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.*"*

"6 RIGHT OF COMPULSORY ACQUISITION AND LISTING STATUS

6.1 ***Compulsory Acquisition by the Offeror under Section 215(1) of the Companies Act***

As the Offeror has received valid acceptances pursuant to the Offer in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding *any Shares held in treasury),* ***the Offeror is entitled to, and intends to, exercise its right of compulsory acquisition under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "Dissenting Shareholders"), at a price equal to the Offer Price of S$0.15 (in cash) for each Offer Share.*** *The Offeror will, in due course, despatch to the Dissenting Shareholders the relevant documentation together with the prescribed notice under the Companies Act in relation to the exercise of its right of compulsory acquisition.*

Subsequent to such compulsory acquisition, the Offeror will proceed to delist the Company from the SGX-ST.

Dissenting Shareholders should note that the Offer remains open for acceptance until the Closing Date as stated in paragraph 4 above and the Offer therefore remains as an opportunity for Shareholders to realise their Shares at the Offer Price as soon as practicable.

6.2 ***Dissenting Shareholders' rights under Section 215(3) of the Companies Act***

As the Offeror has received valid acceptances pursuant to the Offer which, together with the Shares held by the Offeror, its related corporation or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury), the Dissenting Shareholders will have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price of S$0.15 (in cash) for each Offer Share.

As the Offeror will be proceeding to compulsorily acquire the Shares of the Dissenting Shareholders, the Dissenting Shareholders need not take any action in relation to their right under Section 215(3) of the Companies Act. The Dissenting Shareholders who wish to exercise such right or who are in any doubt as to their position are advised to seek 6 their own independent legal advice*."*

9. FINANCIAL ASPECTS OF THE OFFER

The following has been extracted from Section 9 of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully:**

"9 FINANCIAL ASPECTS OF THE OFFER

The Offer Price of S$0.15 for each Offer Share represents the following premia over certain historical market prices of the Shares[3] as set out below:

	Description	***Share Price (S$)***	***Premium over Benchmark Price (%)***
(a)	*Last traded price of the Shares on the SGX-ST on the Last Trading Day*	*0.088*	*70.5*
(b)	*VWAP for the 1-month period up to and including the Last Trading Day*	*0.079*	*89.9*

[3] *The historical market prices of the Shares (rounded to the nearest three (3) decimal places) and the corresponding premia are computed based on data extracted from Bloomberg L.P..*

	Description	*Share Price (S$)*	*Premium over Benchmark Price (%)*
(c)	*VWAP for the 3-month period up to and including the Last Trading Day*	*0.077*	*94.8*
(d)	*VWAP for the 6-month period up to and including the Last Trading Day*	*0.079*	*89.9*
(e)	*VWAP for the 12-month period up to and including the Last Trading Day*	*0.097*	*54.6"*

10. CONFIRMATION OF FINANCIAL RESOURCES

The full text of the confirmation of financial resources by DBS as set out in Section 13 of the Offer Document has been extracted from the Offer Document and is set out in italics below. **Shareholders are advised to read the extract below carefully:**

"13 CONFIRMATION OF FINANCIAL RESOURCES

DBS, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the holders of the Offer Shares on the basis of the Offer Price (excluding the Set-Off Amount and the Waived Amount)."

11. ADVICE AND RECOMMENDATION

11.1 Appointment of IFA

Hong Leong has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. **Shareholders should read and consider carefully the advice of the IFA and the recommendation of the Independent Directors in its entirety before deciding whether or not to accept the Offer.**

11.2 Advice of the IFA in relation to the Offer

The Independent Directors have considered carefully the advice of the IFA on the Offer which is set out in the IFA Letter in **Appendix 2** to this Circular. The following is an extract from Section 14 of the IFA Letter to the Independent Directors and should be read by Shareholders in conjunction with, and in the full context of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

"14 RECOMMENDATION AND CONCLUSION

Having carefully considered the information available to us, the analysis set out in this IFA Letter, and other relevant considerations as at the Latest Practicable Date, we are of the view that, on balance, the financial terms of the Offer are FAIR AND REASONABLE.

*In determining that the Offer is **FAIR**, we have considered the following pertinent factors from the perspective of the value of the Shares:*

(a) the Offer Price represents a premium of approximately 70.5% over the last transacted Share price on the Last Trading Day;

(b) The Offer Price represents a premium of approximately 90.2%, 94.8%, 93.7%, and 81.2% over the VWAP of the Shares for the 1-month, 3-month, 6-month and 1-year periods prior to the Last Trading Day, respectively;

(c) the Offer Price represents a premium of approximately 30.8% over the unaudited NAV per Share of the Group as at 30 June 2020; and

(d) the P/NAV multiple as implied by the Offer Price of 1.31 times is above the average historical trailing P/NAV multiple of the Shares of 0.75 times for the 1-year period prior to the Last Trading Day.

In determining that the Offer is ***REASONABLE****, we have considered the following pertinent factors other than from the perspective of the value of the Shares:*

(a) the Group recorded significant decrease in revenue, net profit attributable to Shareholders of the Company and net profit margin in 1H2020 vis-à-vis 1H2019;

(b) the trading volume of the Shares for the 1-year period prior to the Last Trading Day had been relatively low and the Offer will provide an exit option for those Shareholders who wish to realise their investments in the Shares but find it difficult to do so as a result of the low trading liquidity;

(c) the Group's P/E ratio of the Company of 19.27 times is (i) within the comparable range of P/E ratios of the Comparable Companies of between 8.41 times and 36.29 times, and (ii) above the corresponding median and mean P/E ratios of the Comparable Companies of 11.23 times and 16.79 times respectively;

(d) the premium of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP is (i) within the comparable range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions and (ii) above the median and mean of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions;

(e) there is no publicly available evidence of any alternative offer for the Shares from any third party and given that the Offeror and parties acting in concert with it own, control, have acquired or have agreed to acquire holdings of approximately 93.4% of the issued Shares of the Company as at the Unconditional Announcement Date, it may deter a takeover by a third party for the Company;

(f) the Directors have confirmed that the Company does not have a fixed dividend policy; and

(g) the Offeror intends to exercise its right of compulsory acquisition and trading of the Shares will be suspended at the close of the Offer.

Accordingly, on the balance of the above factors, we advise that the Independent Directors recommend Shareholders who:

(a) wish to realise their investment in the Company at this time but are unable to sell their Shares in the open market at a price (after deducting related expenses) higher than the Offer Price; and/or

(b) believe that a higher offer may not be made,

to ***ACCEPT*** *the Offer. The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and, accordingly, our opinion and advice on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review."*

11.3 Exemption relating to Director's Recommendation

LYG, LYS and LLE are directors and shareholders of the Offeror. Under the Code, LYG, LYS and LLE will be parties presumed to be acting in concert with the Offeror.

The SIC has on 20 August 2020 ruled that LYG, LYS and LLE are exempted from making and assuming responsibility for any recommendations to Shareholders on the Offer as they face irreconcilable conflicts of interest being persons acting in concert with the Offeror.

However, LYG, LYS and LLE must still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

11.4 Independence

All Independent Directors consider themselves to be independent for the purpose of making a recommendation to Shareholders in respect of the Offer.

11.5 Recommendation of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter, **CONCUR** with the recommendation of the IFA in respect of the Offer, and accordingly, recommend that Shareholders should **ACCEPT** the Offer, unless there is a superior offer or Shareholders are able to obtain a price higher than the Offer Price in the open market, taking into account all the brokerage and transaction costs in connection with open market transactions.

Shareholders should read and consider carefully this Circular, including the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer as set out in Appendix 2 to this Circular in their entirety, before deciding whether to accept or reject the Offer. Shareholders are also urged to read the Offer Document carefully.

11.6 Limitations

In rendering the above opinion and advice and giving the above recommendation, the IFA and the Independent Directors have not had regard to the general or specific investment objectives, tax position, financial situation, tax status, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. **As each Shareholder would have different investment objectives and profiles, the Independent Directors recommend that any Shareholder who may require specific advice in relation to his specific investment objective(s) or portfolio(s) should consult his stock broker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately. Accordingly, Shareholders should note that the opinion and advice of the IFA and the recommendation of the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.**

12. OVERSEAS SHAREHOLDERS

Overseas Shareholders should refer to Section 14 of the Offer Document, an extract of which is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

"14. OVERSEAS SHAREHOLDERS

14.1 ***Overseas Jurisdictions.*** *This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law.*

The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about and observe such restrictions.

*Copies of this Offer Document and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer will violate the laws of that jurisdiction ("****Restricted Jurisdiction****") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

14.2 Overseas Shareholders. *The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (each, an "****Overseas Shareholder****") may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions.*

For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom the Notification (containing the address and instructions for retrieval of the Offer Document and its related documents) and the relevant Acceptance Forms may not be sent.

14.3 Copies of the Notification and the relevant Acceptance Forms. *Where there are potential restrictions on sending the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents) and the relevant Acceptance Forms to any overseas jurisdiction, the Offeror and DBS each reserves the right not to send these documents to such overseas jurisdictions where there may be potential restrictions on sending of the same. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, obtain copies of the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms and any related documents during normal business hours and up to the Closing Date from (a) CDP (if he is a depositor) by submitting* *a request to CDP via phone (+65 6535 7511) or email services (asksgx@sgx.com), or (b) the office of the Registrar (if he is a scripholder) at 8 Robinson Road, #03-00 ASO Building, Singapore 048544.*

14.4 *Alternatively, an affected Overseas Shareholder may, subject to compliance with applicable laws, write to the Offeror through CDP (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, or the Registrar (if he is a scripholder) at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, to request for the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms (with no shareholder details printed on the relevant Acceptance Forms) and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.*

14.5 ***Compliance with applicable laws.*** *It is the responsibility of any Overseas Shareholder who wishes to (a) request for the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms and/or any related documents, and/or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant overseas jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, DBS, CDP, the Registrar and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, DBS, CDP, the Registrar and/or any person acting on their behalf may be required to pay. In (i) requesting for the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms and/or any related documents, and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and DBS that he is in full observance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.*

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

14.6 ***Notice.*** *The Offeror and DBS each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement."*

Due to potential restrictions on sending the Notification of Electronic Dissemination, containing the address and instructions for the electronic retrieval of this Circular, to overseas jurisdictions, the Notification of Electronic Dissemination has not been and will not be sent to any Overseas Shareholder who has not provided, and will not provide, the Company with an address within Singapore at which notices or documents may be served upon him. Any affected Overseas Shareholder may nonetheless (subject to compliance with applicable laws) obtain copies of the Notification of Electronic Dissemination during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date, from the office of the Registrar at 8 Robinson Road, #03-00, ASO Building, Singapore 048544. Alternatively, an Overseas Shareholder may (subject to compliance with applicable laws) write to the Registrar at the above-stated address to request for the Notification of Electronic Dissemination to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

In requesting for the Notification of Electronic Dissemination, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

13. INFORMATION PERTAINING TO SRS INVESTORS

As stated at Section 15 of the Offer Document, SRS Investors will receive further information on how to accept the Offer from their respective SRS Agent Banks directly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice. SRS Investors who wish to accept the Offer are to reply to their respective SRS Agent Banks accordingly by the deadline stated in the letter from their respective SRS Agent Banks.

Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, SRS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares validly tendered in acceptance of the Offer, in their SRS investment accounts.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so no later than 5.30 p.m. (Singapore time) on 16 October 2020 and should follow the procedures set out in Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document and the FAA or the FAT and any related documents which have been sent to them.

15. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (i) the IFA Letter set out in **Appendix 2** to this Circular, and (ii) the recommendation of the Independent Directors set out in Section 10.5 of this Circular, the Directors (including those who may have delegated detailed supervision of the preparation of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Offer and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Apart from (i) the IFA Letter set out in **Appendix 2** to this Circular, and (ii) the recommendation of the Independent Directors set out in Section 10.5 of this Circular, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Company are fair and accurate.

The recommendation of the Independent Directors set out in Section 10.5 of this Circular is the responsibility of the Independent Directors.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source (including without limitation, information extracted from the Offer Document and/or the Offer Announcement), the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

16. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of the Board of
SK JEWELLERY GROUP LIMTED

Ang Miah Khiang
Lead Independent Director

1. DIRECTORS

The names, addresses, and designations of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Lim Yong Guan	C/O 7 Changi Business Park Vista #01-01 SooKee HQ Singapore 486042	Non-Executive Chairman
Lim Yong Sheng	C/O 7 Changi Business Park Vista #01-01 SooKee HQ Singapore 486042	Executive Director and Group Chief Executive Officer
Lim Liang Eng	C/O 7 Changi Business Park Vista #01-01 SooKee HQ Singapore 486042	Executive Director and Group Chief Operating Officer
Ang Miah Khiang	C/O 7 Changi Business Park Vista #01-01 SooKee HQ Singapore 486042	Lead Independent Director
Sim Eng Huat	C/O 7 Changi Business Park Vista #01-01 SooKee HQ Singapore 486042	Independent Director
Lye Hoong Yip Raymond	C/O 7 Changi Business Park Vista #01-01 SooKee HQ Singapore 486042	Independent Director
Cheng Leung Ho	C/O 7 Changi Business Park Vista #01-01 SooKee HQ Singapore 486042	Independent Director

2. REGISTERED OFFICE

The registered office of the Company is 7 Changi Business Park Vista, #01-01 SooKee HQ, Singapore 486042.

3. PRINCIPAL ACTIVITIES

The Company was incorporated in Singapore on 13 June 2012, and was listed on the Catalist Board of the SGX-ST on 20 August 2015.

The principal activity of the Company is that of an investment holding company. The key businesses of the subsidiaries of the Company are the carrying on of the jewellery retail business, including the design, cutting, production and trading of all kinds of jewellery, as well as the import, export, buying, selling and, otherwise, dealing in jewellery.

4. SHARE CAPITAL

4.1 Issued Share Capital

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S$43,499,217 comprising 562,500,000 issued Shares and does not hold any Shares in treasury. The issued Shares are listed and quoted on the Catalist Board of the SGX-ST.

4.2 Rights of Shareholders in respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the Company's registered office at 7 Changi Business Park Vista, #01-01, SooKee HQ, Singapore 486042.

The relevant regulations in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and are set out in **Appendix 3** to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

4.3 Shares Issued since End of Last Financial Year

No Shares have been issued by the Company since the end of the last financial year up to the Latest Practicable Date.

4.4 Outstanding Convertible Securities

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting shares in the Company.

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Company in the shares of the Offeror

Neither the Company nor its subsidiaries has any direct or indirect interest in the shares or convertible securities of the Offeror as at the Latest Practicable Date.

5.2 Dealings in shares of the Offeror by the Company

Neither the Company nor its subsidiaries has dealt for value in the shares or convertible securities of the Offeror during the period commencing six (6) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

5.3 Interests of Directors in the Shares

Save as disclosed below, none of the Directors has any direct or deemed interests in the Shares as at the Latest Practicable Date:

	Direct interest		Indirect Interests		Total interests	
Name	**No. of shares**	**%(1)**	**No. of shares**	**%(1)**	**No. of shares**	**%(1)**
LYG(2)(3)	66,556,653	11.83	336,345,565	59.79	402,902,218	71.63
LYS(2)	57,421,427	10,21	334,192,565	59.41	391,613,992	69.62
LLE(2)	6,525,155	1.16	334,192,565	59.41	340,717,720	60.57
Cheng Leung Ho	99,900	0.02	-	-	99,900	0.02

Notes:

(1) Based on the Company's issued and paid up capital of 562,500,000 Shares as at the Latest Practicable Date.

(2) Each of LYG, LYS and LLE is deemed to be interested in the 334,192,565 Shares held by SKCPL, pursuant to Section 4 of the SFA.

(3) LYG is deemed to be interested in the 2,153,000 Shares held by his spouse, Tan Yang Hong, pursuant to Section 133(4) of the SFA.

5.4 Dealings in Shares by Directors

None of the Directors has dealt for value in the Shares during the period commencing three (3) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

5.5 Interests of Directors in shares of the Offeror

Save for the arrangements between, *inter alia*, the Offeror and LYG, LYS and LLE described in Section 3 of this Circular and as disclosed below, none of the Directors has any direct or deemed interest in the shares or convertible securities of the Offeror as at the Latest Practicable Date.

Name of Director	**Direct Interest**		**Deemed Interest**	
	No. of shares in the Offeror	**Percentage of Total no. of issued shares in the Offeror (%)(1)**	**No. of shares in the Offeror**	**Percentage of Total no. of issued shares in the Offeror (%)(1)**
LYG	51	51	-	-
LYS	44	44	-	-
LLE	5	5		

Note:

(1) Based on the Offeror's issued and paid up capital of 100 Shares as at the Latest Practicable Date.

5.6 Dealings in shares of the Offeror by Directors

Save for:

(i) the subscription of 51 shares in the capital of the Offeror on 24 July 2020 by LYG;

(ii) the subscription of 44 shares in the capital of the Offeror on 24 July 2020 by LYS; and

(iii) the subscription of 5 shares of in the capital of the Offeror on 24 July 2020 by LLE, none of the Directors has dealt for value in the shares or convertible securities of the Offeror during the period commencing three (3) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

5.7 Interests of the IFA in the Shares

The IFA does not own or control any Shares as at the Latest Practicable Date. The IFA does not manage the investment of any funds which own or control any Shares.

5.8 Dealings in the Shares by the IFA

During the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the IFA or any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in the Shares.

5.9 Directors' Intentions

As at the Latest Practicable Date, each of LYG, LYS and LLE have accepted and/or procured the acceptance of the Offer in respect of all their interest (whether direct or deemed) in the Shares, being an aggregate of 130,503,235 Shares, representing 23.2% of the total number of issued Shares as at the Latest Practicable Date, pursuant to the Management Shareholders' Irrevocable Undertakings referred to in Section 5 of this Circular.

Cheng Leung Ho has informed the Company that he intends to accept the Offer in respect of all the Shares held by him.

Each of Ang Miah Khiang, Sim Eng Huat and Lye Hoong Yip Raymond do not have any interest in any Shares (direct and/or deemed).

6. OTHER DISCLOSURES

6.1 Directors' Service Contracts

There are no service contracts between any director or proposed director of the Company or its subsidiaries with more than 12 months to run, and which the employing company cannot, within the next 12 months, terminate without paying any compensation, other than payments in lieu of 6 months' notice under the service contracts, if applicable.

6.2 Arrangements Affecting Directors

As at the Latest Practicable Date:

(i) There is no agreement, arrangement or understanding between (i) the Offeror or any parties acting in concert with the Offeror and (ii) any of the current or recent directors of the Company or any of the current or recent shareholders of the Company having any connection with or dependence upon the Offer;

(ii) there is no agreement, arrangement or understanding whereby any Offer Shares acquired pursuant to the Offer will be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Offer Shares to its shareholders, any of its related corporations or for the purpose of granting security in favour of financial institutions which have extended or shall extend credit facilities to it;

(iii) there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of the Company or any of its related corporations as compensation for loss of office or otherwise in connection with the Offer; and

(iv) there is no agreement, arrangement or understanding between: (i) the Offeror; and (ii) any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Offer or is otherwise connected with the Offer.

7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Neither the Company nor any of its subsidiaries has entered into any material contract (other than those entered into in the ordinary course of business) with interested persons during the period commencing three (3) years prior to the Offer Announcement Date, and ending on the Latest Practicable Date.

Notes:

An "interested person", as defined in Note on Rule 23.12 of the Code, is:

(a) a director, chief executive officer, or substantial shareholder of the Company;

(b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the Company;

(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;

(d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;

(e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or

(f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings as plaintiff or defendant which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

The Directors are not aware of any proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company.

9. FINANCIAL INFORMATION

9.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group for FY2017, FY2018 and FY2019, and the unaudited consolidated statement of comprehensive income of the Group for HY2020 are set out below:

(S$'000)	HY2020 (unaudited)	FY2019	FY2018 (audited)	FY2017
CONTINUING OPERATIONS				
Revenue	39,802	138,774	133,001	231,940
Other gains	6,119	1,650	1,745	1,875
Material costs	(19,711)	(72,576)	(68,935)	(170,829)
Employee benefits expense	(8,370)	(19,780)	(19,968)	(18,706)
Depreciation and amortization expense	(11,914)	(24,046)	(4,459)	(4,052)
Other losses	(1,004)	(1,070)	(502)	(766)
Finance costs	(687)	(1,759)	(1,342)	(1,568)
Rental expense	-	(2,848)	(21,562)	(19,912)
Other expenses	(3,521)	(9,185)	(9,928)	(9,793)
Share of results of associates	-	(287)	(217)	-
Profit from tax from continuing operations	**714**	**8,873**	**7,833**	**8,189**
Income tax expense	**-**	(2,495)	(1,891)	(887)
Profit from continuing operations, net of tax	**714**	**6,378**	**5,942**	**7,302**
Loss from discontinued operations, net of tax	-	(382)	(827)	-
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations, net of tax	(200)	(9)	(91)	184
Other comprehensive loss for the period, net of tax	**(200)**	**(9)**	**(91)**	**184**
Total comprehensive income	**514**	**5,987**	**5,024**	**7,486**
Attributable to:				
Equity holders of the Company	714	6,110	5,382	7,407
Non-controlling interest	-	(114)	(267)	(105)
Profit, net of tax	**714**	**5,996**	**5,115**	**7,302**
Attributable to:				
Equity holders of the Company	514	6,101	5,291	7,591
Non-controlling interest	-	(114)	(267)	(105)
Total comprehensive income	**514**	**5,987**	**5,024**	**7,486**

9.2 Consolidated Statements of Financial Position

A summary of the audited consolidated statements of financial position of the Group as at 31 December 2017, 31 December 2018 and 31 December 2019, and the unaudited consolidated statement of financial position of the Group as at 30 June 2020 are set out below:

(S$'000)	As at 30 June 2020 Unaudited	As at 31 December 2019	As at 31 December 2018 (Audited)	As at 31 December 2017
ASSETS				
Non-current assets				
Property, plant and equipment	28,360	30,472	31,988	33,136
Intangible assets	-	-	-	276
Investment in associates	-	-	287	2
Deferred tax assets	335	337	458	272
Other financial assets	-	30	30	30
Other assets (rights of use)	27,911	26,913	-	-
Other assets (land use rights)	4,991	5,101	5,321	5,321
Total non-current assets	61,597	62,853	38,084	39,037
Current assets				
Inventories	55,653	55,290	55,682	57,762
Trade and other receivables	3,887	3,880	2,893	2,095
Other assets (land use rights)	-	-	-	219
Other assets	6,076	5,244	6,888	10,100
Derivatives financial assets	-	-	545	-
Income tax receivable	-	159	181	208
Cash and cash equivalents	20,731	17,783	16,875	31,263
Total current assets	86,347	82,356	83,064	101,647
Total assets	147,944	145,209	121,148	140,648
EQUITY AND LIABILITIES				
Equity				
Share capital	42,399	42,399	42,399	42,399
Retained earnings	23,160	22,446	19,149	16,580
Foreign currency translation reserve	-	(870)	(861)	(770)
Other reserves	(1,070)	-	-	-
Equity attributable to owners of the Company	64,489	63,975	60,687	58,209
Non-controlling interest	-	-	(52)	215
Total equity	64,489	63,975	60,635	58,424
Non-current liabilities				
Deferred tax liability	169	198	326	126
Loans and borrowings	18,082	18,391	19,740	29,419
Provisions	574	884	832	-
Other liabilities	-	-	148	984
Lease liabilities	16,908	12,216	-	-
Total non-current liabilities	35,733	31,689	21,046	30,529

(S$'000)	As at 30 June 2020 Unaudited	As at 31 December 2019 (Audited)	As at 31 December 2018 (Audited)	As at 31 December 2017 (Audited)
Current liabilities				
Income tax payable	1,592	2,280	1,257	1,399
Trade and other payables	13,915	11,770	14,850	13,859
Loans and borrowings	18,027	18,911	21,508	22,072
Other liabilities	2,813	1,496	1,852	14,292
Derivatives financial liabilities	-	-	-	109
Lease liabilities	11,375	15,088	-	-
Total current liabilities	47,722	49,545	39,467	51,731
Total liabilities	83,455	81,234	60,513	82,260
Total equity and liabilities	147,944	145,209	121,148	140,684

9.3 Material Changes in Financial Position

Save as disclosed in this Circular, the audited consolidated financial statements of the Group for FY2019, the unaudited consolidated financial statements of the Group for HY2020, and any other financial information on the Group which is publicly available (including without limitation, the announcements released by the Group on the SGX-ST), there has not been, within the knowledge of the Directors, any material changes in financial position since the last financial year ended 31 December 2019, being the date of the last published audited financial statements of the Company.

9.4 Significant Accounting Policies

The significant accounting policies of the Group are disclosed in the notes to the audited financial statements of the Group for FY2019, which are reproduced in **Appendix 4** to this Circular. Save as disclosed in this Circular, there was no significant change in accounting policies of the Group, which would be of any major relevance for the interpretation of the accounts of the Group referred to in this Circular.

9.5 Changes in Accounting Policies

There was no significant change in accounting policies of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

10. GENERAL

(a) All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

(b) The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter setting out, *inter alia,* its advice to the Independent Directors in respect of the Offer which is annexed hereto as **Appendix 2**, and references to its name, in the form and context in which they appear in this Circular.

(c) The Auditors have given and have not withdrawn its written consent to the issue of this Circular with the inclusion of the Independent Auditor's report relating to the audited consolidated financial statements of the Group for FY2019 which is annexed hereto as **Appendix 4**, and references to its name, in the form and context in which it appears in this Circular.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 7 Changi Business Park Vista, #01-01 SooKee HQ, Singapore 486042, during business hours for the period during which the Offer remains open for acceptances:

(a) the Constitution;

(b) the annual reports of the Company for FY2017, FY2018 and FY2019;

(c) the unaudited consolidated financial statements of the Group for HY2020 as announced by the Company on SGXNet on 13 August 2020;

(d) the IFA Letter, as reproduced in **Appendix 2** to this Circular; and

(e) the letters of consent referred to in Paragraph 10 above.

LETTER FROM HONG LEONG FINANCE LIMITED TO THE INDEPENDENT DIRECTORS OF SK JEWELLERY GROUP LIMITED

28 September 2020

The Independent Directors
SK Jewellery Group Limited
7 Changi Business Park Vista #01-01
Singapore 486042

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFER BY DBS BANK LTD., FOR AND ON BEHALF OF OROGREEN INVESTMENT PTE. LTD., FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF SK JEWELLERY GROUP LIMITED

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 2 October 2020 (the "**Circular**") shall have the same meaning herein.*

1. INTRODUCTION

On 2 September 2020, DBS announced, for and on behalf of OroGreen Investment Pte. Ltd., that the Offeror intends to make a voluntary conditional cash offer for all of the issued and paid-up ordinary shares in the capital of SK Jewellery Group Limited including any Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror in relation to the Offer, in accordance with Rule 15 of the Code. The Offer is made at the offer price of S$0.150 in cash for each Offer Share. The Offer Price is final and the Offeror does not intend to revise the Offer Price.

The Offeror is an investment holding company incorporated in Singapore on 24 July 2020 for the purpose of undertaking the Offer. The Offeror has not carried on any business since its incorporation, except in relation to matters in connection with the making of the Offer.

As at the Offer Announcement Date, the Offeror has received undertakings from:

a) Dato' Sri Dr. Lim Yong Guan ("**LYG**") in respect of 66,556,653 Shares (representing approximately 11.83% of the total number of issued Shares);

b) Mr. Lim Yong Sheng ("**LYS**") in respect of 57,421,427 Shares (representing approximately 10.21% of the total number of issued Shares);

c) Mdm. Lim Liang Eng ("**LLE**") in respect of 6,525,155 Shares (representing approximately 1.16% of the total number of issued Shares); and

d) Soo Kee Capital Pte. Ltd. ("**SKCPL**") in respect of 334,192,565 Shares (representing approximately 59.41% of the total number of issued Shares),

pursuant to which each of the Management Shareholders and SKCPL has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to tender all of his/her respective Shares in acceptance of the Offer.

On 8 September 2020, DBS announced, for and on behalf of the Offeror, that the Offeror has, on 8 September 2020, received additional irrevocable undertakings from the Additional Undertaking Shareholders in respect of 43,341,600 Shares (representing approximately 7.71% of the total number of issued Shares), pursuant to which each Additional Undertaking Shareholder has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to tender or procure their nominees to tender, all of his/her respective Shares in acceptance of the Offer at the Offer Price.

Accordingly, pursuant to the Initial Irrevocable Undertakings and Additional Irrevocable Undertakings, the aggregate number of Shares held by the Undertaking Shareholders amounts to 508,037,400 Shares, representing approximately 90.32% of the total number of issued Shares as at 8 September 2020.

On 26 September 2020 (the "**Unconditional Announcement Date**"), DBS announced, for and on behalf of the Offeror, that as at 25 September 2020, the Offeror has received, pursuant to the Offer, valid acceptances in respect of 525,381,550 Shares, representing approximately 93.40% of the total number of issued Shares. Accordingly, the Minimum Acceptance Condition has been satisfied and the Offer has therefore become unconditional in all respects as at the Unconditional Announcement Date. As the Offeror has received valid acceptances pursuant to the Offer in respect of not less than 90% of Shares, the Free Float Requirement is no longer satisfied. Accordingly, trading of the Shares will be suspended at the close of the Offer and the Offeror intends to exercise its right of compulsory acquisition and to delist and privatise the Company.

In connection with the Offer, the Company has appointed Hong Leong Finance Limited ("**HLF**") as the Independent Financial Adviser ("**IFA**") to the directors of the Company who are considered independent ("**Independent Directors**") for the purpose of making recommendation to the Shareholders in relation to the Offer.

This letter ("**IFA Letter**") is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer. This IFA Letter forms part of the Circular to Shareholders dated 2 October 2020 (the "**Circular**") which provides, *inter alia*, the details of the Offer and the recommendations of the Independent Directors thereon.

2. TERMS OF REFERENCE

We have confined our evaluation of the Offer solely from a financial point of view on the bases set out herein.

We have relied upon and assumed, *inter alia*, the accuracy, adequacy and completeness of all publicly available information or information provided to or discussed with us by the Company or otherwise reviewed by or for us. We have not independently verified such information or its accuracy, adequacy or completeness. We do not represent or warrant, expressly or impliedly, and do not accept any responsibility for the accuracy, completeness or adequacy of such information. We have not conducted any valuation or appraisal of any assets or liabilities, (including without limitation, real properties) nor have we evaluated the solvency of the Company, the Company and its subsidiaries (the "**Group**") the Offeror (and parties acting in concert with them) or any other relevant party to the Offer under any applicable laws relating to bankruptcy, insolvency or similar matters. We are not legal, regulatory or tax experts. We are the financial advisers only and have relied on, without independent verification, the assessments made by advisers to the Company with respect to such issues. We have nevertheless made reasonable enquiries and exercised reasonable judgement as we deemed necessary or appropriate in assessing such information and we are not aware of any reason to doubt the reliability of the information.

In addition, we have assumed that the Offer will be consummated in accordance with the terms set forth in the Offer Document without any waiver, amendment or delay of any terms or conditions and that no conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. We have further assumed, *inter alia*, that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Offer will be obtained and that no delays, limitations, conditions or restrictions will be imposed that would have any material adverse effect on the Company or on the contemplated benefits of the Offer.

Our opinion as set out in this IFA Letter is based upon prevailing market, economic, industry, monetary and other conditions (if applicable) and the information made available to us as of 28 September 2020 (the "**Latest Practicable Date**"). Developments after the Latest Practicable Date may affect the contents of this IFA Letter and we assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect the contents of this IFA Letter. Our opinion is limited to the fairness and reasonableness, from a financial point of view, of the Offer. We express no opinion as to the fairness and reasonableness of the Offer to, or any consideration received in connection therewith by, the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Offer.

We have not been requested to, and we do not, express any opinion on the structure of the Offer, the specific amount of the Offer Price, or any other aspects of the Offer, or to provide services other than the delivery of this IFA Letter. We were not involved in negotiations pertaining to the Offer nor were we involved in the deliberation leading up to the decision to put forth the Offer to the Shareholders. We have not been requested or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to the Shares and/or any other alternative transaction.

Our terms of reference also do not require us to evaluate or comment on the strategic merits, long term or otherwise, and/or on the commercial merits and risks (if any) of the Offer or the future prospects and earnings potential of the Company or the Group, nor do our terms of reference require us to evaluate or comment on the merits of the statements or opinions stated in any research reports on the Company, including any other reports issued by any other party. We have accordingly not made such evaluation or comments. Such evaluation or comments, if any, remains the sole responsibility of the Directors, although we may draw upon their views to the extent deemed necessary or appropriate by us in arriving at our opinion as set out in this IFA Letter. In addition, our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects and earnings potential of the Company and/or the Group. The Independent Directors may wish to advise Shareholders to take note of any announcement relevant to their consideration of the Offer, which may be released by the Company after the Offer Document Latest Practicable Date.

The Directors have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information in connection with the Company, the Group, the Offer and the Circular has been disclosed to us, that such information constitutes a full and true disclosure in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group as stated in the Circular to be incomplete, inaccurate or misleading in any material respect. The Directors have jointly and severally accepted the responsibility for the accuracy and completeness of such information. We have relied upon such confirmation by the Directors and the accuracy and completeness of all information given to us by the Directors and/or management of the Company ("**Management**") and have not independently verified such information, whether written or verbal, and accordingly cannot and do not represent and warrant, expressly or impliedly, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. For the purposes of providing this IFA Letter and our evaluation of the Offer from a financial point of view, we have not received or relied on any financial projections or forecasts in respect of the Company, the Group, or any part or division of any of the foregoing.

In rendering our opinion, we have not had regard to any general or specific investment objectives, financial situation, tax position, risk profile, tax status or positions or particular needs and constraints or other particular circumstances of any Shareholder and do not assume any responsibility for, nor hold ourselves out as advisers to, any person other than the Independent Directors. As each Shareholder would have different investment objectives and profiles, the Independent Directors may wish to advise any Shareholder who may require specific advice in relation to his specific investment portfolio to consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other appropriate professional adviser immediately.

This IFA Letter is addressed to the Independent Directors and is for their benefit in connection with and for the purpose of their consideration of the Offer. However, the recommendations made by them shall remain the responsibility of the Independent Directors. This IFA Letter is not addressed to and may not be relied upon by any third party including, without limitation, Shareholders of the Company, employees or creditors of the Company. This IFA Letter does not constitute, and should not be relied on, as advice or a recommendation to, or confer any rights or remedies upon, any Shareholders as to how such person should deal with their Shares in relation to the Offer or any matter related thereto.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement and have not provided and will not provide any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for, and express no views (express or implied) on, the contents of the Circular (other than this IFA Letter).

Our opinion in relation to the Offer should be considered in the context of the entirety of this IFA Letter and the Circular.

3. THE OFFER

The following paragraphs have been extracted from Section 2 of the Offer Document and are set out in *italics*. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

*"**2. THE OFFER***

*2.1 **Offer**. DBS, for and on behalf of the Offeror, hereby makes the Offer to acquire all the Shares in accordance with Rule 15 of the Code and on the terms and subject to the conditions set out in this Offer Document, the FAA and the FAT.*

*2.2 **Offer Shares**. For the avoidance of doubt, the Offer will be extended, on the same terms and conditions, to all the Shares, including any Shares owned, controlled or agreed to be acquired by the Concert Parties (all such Shares, the "Offer Shares").*

*2.3 **Offer Price**. The consideration for each Offer Share is as follows:*

For each Offer Share: S$0.15 in cash (the "Offer Price")

The Offer Price is final and the Offeror does not intend to revise the Offer Price.

*2.4 **No Encumbrances**. The Offer Shares are to be acquired (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any), the Record Date for which falls on or after the Offer Announcement Date.*

In the event of any such Distributions on or after the Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer by the amount of such Distribution.

*2.5 **Minimum Acceptance Condition**. The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with any Offer Shares owned, controlled, acquired or agreed to be acquired by the Offeror and the Concert Parties before and during the Offer but otherwise than though acceptances of the Offer, will result in the Offeror and the Concert Parties holding not less than 90% of the total number of issued Shares (excluding any Shares held in treasury) as at the close of the Offer (the "Minimum Acceptance Condition").*

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled, acquired or agreed to be acquired by the Offeror and the Concert Parties before and during the Offer, will result in the Offeror and the Concert Parties holding not less than 90% of the total number of issued Shares.

Pursuant to the Irrevocable Undertakings (as set out in Section 5 of the Letter to Shareholders in this Offer Document below), the Management Shareholders, SKCPL and the Additional Undertaking Shareholders have undertaken to the Offeror to tender, or procure their nominees to tender, all of their respective Shares in acceptance of the Offer, being an aggregate of 508,037,400 Shares, representing approximately 90.32% of the total number of issued Shares. Accordingly, the Minimum Acceptance Condition will be satisfied upon receipt of such valid acceptances from the Management Shareholders, SKCPL and the Additional Undertaking Shareholders and the Offer will be declared unconditional in all respects thereafter.

Save for the Minimum Acceptance Condition, the Offer will be unconditional in all other respects.

2.6 ***Compulsory Acquisition.*** *Should the Offeror meet the Minimum Acceptance Condition, the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer at a price equal to the Offer Price, as further detailed in Section 11.1 of the Letter to Shareholders in this Offer Document below. In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer.*

2.7 ***No Options Proposal****. Based on the latest information available to the Offeror, there are no outstanding options to subscribe for new Shares of the Company ("Options") as at the Latest Practicable Date. In view of the foregoing, the Offeror will not make an offer to acquire any Options.*

2.8 ***Warranty****. A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Offer Announcement Date."*

Shareholders should note that as at the Latest Practicable Date, the Offer has become unconditional as to acceptances.

Shareholders should also note that in accordance with Rule 22.6 of the Code, as the Offer has become unconditional as to acceptances, the Offer will remain open for acceptances for not less than 14 days after the date on which the Offer would otherwise have closed. Accordingly, the Offer will remain open for acceptance until 5.30 p.m. (Singapore time) on 16 October 2020 (the "Final Closing Date"). In addition, the Offeror has given notice that the Offer will not be open for acceptance beyond the Final Closing Date and acceptances received after 5.30 p.m. (Singapore time) on the Final Closing Date will be rejected.

4. FURTHER DETAILS OF THE OFFER

Please refer to Appendix 1 to the Offer Document for details of the Offer on (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement(s) of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer.

Please refer to Appendix 2 to the Offer Document for the procedures for acceptance of the Offer.

5. IRREVOCABLE UNDERTAKINGS AND ROLL-OVER ARRANGEMENT

The following paragraphs have been extracted from Section 5 of the Offer Document and are set out in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

"***5. IRREVOCABLE UNDERTAKINGS AND ROLL-OVER ARRANGEMENT***

5.1 ***Management Shareholders' Irrevocable Undertakings and Roll-over Arrangement****. As at the Latest Practicable Date, the Offeror has received undertakings (the "****Management Shareholders' Irrevocable Undertakings****") from:*

(a) LYG in respect of 66,556,653 Shares (representing approximately 11.83% of the total number of issued Shares);

(b) LYS in respect of 57,421,427 Shares (representing approximately 10.21% of the total number of issued Shares); and

(c) LLE in respect of 6,525,155 Shares (representing approximately 1.16% of the total number of issued Shares),

pursuant to which each of the Management Shareholders has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to tender all of his/her respective Shares in acceptance of the Offer.

*Further, each Management Shareholder has agreed to be allotted and issued new Offeror Shares for an aggregate subscription price (the "****Set-Off Amount****") that will be set-off in full against the consideration that would otherwise be payable by the Offeror to each of the Management Shareholders for his/her Shares at the Offer Price pursuant to the acceptance of the Offer by the Management Shareholders (the "****Roll-over Arrangement****"). Accordingly, pursuant to the Management Shareholders' Irrevocable Undertakings and the Roll-over Arrangement, each Management Shareholder has agreed to waive his/her rights under Rule 30 of the Code to receive the cash consideration payable to him/her by the Offeror under the terms of the Offer in return for the issuance of new Offeror Shares following the valid tender of all of his/her Shares in acceptance of the Offer.*

5.2 ***SKCPL Irrevocable Undertaking****. As at the Latest Practicable Date, SKCPL (which is owned by LYG, LYS and LLE as to 51%, 44% and 5% respectively) holds 334,192,565 Shares, representing approximately 59.41% of the total number of issued Shares. As at the Latest Practicable Date, the Offeror has received an undertaking from SKCPL (the "****SKCPL Irrevocable Undertaking****") pursuant to which SKCPL has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to tender all of its Shares in acceptance of the Offer.*

*SKCPL has also agreed to waive all of its rights under Rule 30 of the Code and the terms of the Offer to receive the aggregate Offer Price that would otherwise be payable by the Offeror to SKCPL (the "****Waived Amount****") for the Shares to be tendered by SKCPL in acceptance of the Offer (the "****SKCPL Arrangement****").*

5.3 ***Additional Irrevocable Undertakings****. As at the Latest Practicable Date, the Offeror has also received additional irrevocable undertakings (the "****Additional Irrevocable Undertakings****") from the following Shareholders (collectively, the "****Additional Undertaking Shareholders****") pursuant to which each Additional Undertaking Shareholder has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to tender or procure their nominees to tender, all of his/her respective Shares in acceptance of the Offer at the Offer Price:*

No.	Name of Additional Undertaking Shareholder	No. of Shares which are the subject of the Additional Irrevocable Undertakings	Percentage of Shares in issue (%)
1.	Ruan Zi Qiong[(1)]	3,200,000	0.57
2.	Huang Yan Hua[(1)]	3,000,000	0.53
3.	Zheng Hua Xuan[(1)]	3,000,000	0.53
4.	Gu Zhi Ming[(1)]	3,000,000	0.53
5.	Tan Yong Jin	2,937,000	0.52
6.	Tuah Pei Koon[(2)]	2,829,100	0.50
7.	Lim Lai Hiang	2,800,000	0.50
8.	Man Yan Lam[(1)]	2,500,000	0.44
9.	Chan Kian Kuan	2,360,000	0.42
10.	Tan Yang Hong[(3)]	2,153,000	0.38
11.	Lim Liang Cheng[(4)]	2,138,000	0.38
12.	Lim Liang Keng[(4)]	2,138,000	0.38
13.	Lim Liang Soh[(4)]	2,138,000	0.38
14.	Zhou Yan[(1)]	2,000,000	0.36
15.	Kang Puay Seng	1,940,000	0.34
16.	Lin Wei Li[(1)]	1,000,000	0.18
17.	Foo Kian Beng	1,000,000	0.18
18.	Wong Jak[(5)]	888,500	0.16
19.	Yeo Chai Heng	350,000	0.06
20.	Lau Wan Kei Angelina[(6)]	300,000	0.05
21.	Tang Kim Siong	300,000	0.05
22.	Ng Ah Mooi[(7)]	300,000	0.05
23.	Ng Seng Thong[(8)]	300,000	0.05
24.	Tan Wei Li	230,000	0.04
25.	Ng Lik Kui[(9)]	200,000	0.04
26.	Woo Chee Chay	200,000	0.04
27.	Lim Kee Chai[(10)]	120,000	0.02
28.	Liew Woon Yoon[(2)]	20,000	n.m.[(11)]
Total		**43,341,600**	**7.71**

Notes:

(1) Held through CGS-CIMB Securities (Singapore) Pte. Ltd..

(2) Tuah Pei Koon and Liew Woon Yoon are the cousins of LYG, LYS and LLE.

(3) Tan Yang Hong is LYG's spouse.

(4) Lim Liang Cheng, Lim Liang Keng and Lim Liang Soh are the sisters of LYG, LYS and LLE.

(5) Wong Jak is Lim Liang Cheng's husband.

(6) Lau Wan Kei Angelina is LLE's daughter.

(7) Ng Ah Mooi is LYG, LYS and LLE's aunt.

(8) Ng Seng Thong is Lim Liang Soh's husband.

(9) Ng Lik Kui is LYG, LYS and LLE's uncle.

(10) Lim Kee Chai is Lim Liang Keng's husband.

(11) Not meaningful.

*5.4 **Aggregate Holdings of Undertaking Shareholders and Minimum Acceptance Condition**. As mentioned in Section 5.3 above, pursuant to the Irrevocable Undertakings, the Management Shareholders, SKCPL and the Additional Undertaking Shareholders have undertaken to the Offeror to tender, or procure their nominees to tender, all of their respective Shares in acceptance of the Offer, being an aggregate of 508,037,400 Shares, representing approximately 90.32% of the total number of issued Shares. Accordingly, pursuant to the Irrevocable Undertakings, the Minimum Acceptance Condition will be satisfied upon receipt of valid acceptances from the Management Shareholders, SKCPL and the Additional Undertaking Shareholders and the Offer will be declared unconditional in all respects thereafter.*

*5.5 **Termination of Irrevocable Undertakings**. Each of the Irrevocable Undertakings will cease to have any effect if the Offer lapses or is withdrawn or fails to become or be declared unconditional by 2 March 2021 for any reason other than a breach of the obligations of the Management Shareholders, SKCPL and the Additional Undertaking Shareholders under their respective Irrevocable Undertakings.*

*5.6 **No Other Undertakings**. Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any of its Concert Parties has received any irrevocable undertaking from any party to accept or reject the Offer.*

*5.7 **SIC Confirmation**. Pursuant to an application made by the Offeror to the SIC to seek certain rulings in relation to the Offer, the SIC has confirmed that the Roll-over Arrangement and the SKCPL Arrangement will not constitute a special deal for the purposes of Rule 10 of the Code.*"

6. INFORMATION ON THE OFFEROR

Please refer to Section 6 of the Offer Document for information and further disclosures on the Offeror.

7. INFORMATION ON THE COMPANY

Please refer to Section 7 of the Offer Document for information and further disclosures on the Company.

8. RATIONALE FOR THE OFFER

The following paragraphs have been extracted from Section 8 of the Offer Document and are set out in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

"***8. RATIONALE FOR THE OFFER***

Against the uncertainties surrounding the long term impact of the COVID-19 pandemic and a challenging outlook across the Company's businesses in Singapore, Malaysia, Thailand and China, the Offeror is of the view that the Offer represents an opportunity for Shareholders to realise their investment in the Shares at a premium to historical market prices without incurring brokerage and trading costs.

*8.1 **Opportunity for Shareholders to Realise their Investment in the Shares at a Premium to Market Price without incurring Brokerage Costs.***

The Offer Price:

(a) represents a premium of approximately 70.5% over the last traded price per Share on 27 August 2020, being the Last Trading Day;

(b) represents a premium of approximately 89.9%, 94.8%, 89.9% and 54.6% over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods up to and including 27 August 2020, being the Last Trading Day; and

(c) exceeds the highest closing price of the Shares in over two years preceding the Last Trading Day.

The Offer therefore presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

8.2 ***Low Trading Liquidity****. The trading volume of the Shares has been low, with an average daily trading volume of approximately 21,105 Shares, 19,940 Shares, 34,860 Shares and 33,000 Shares during the one (1)-month period, three (3)-month period, six (6)-month period and 12month period up to and including the Last Trading Day. These represent only 0.004%, 0.004%, 0.006% and 0.006% of the total number of issued Shares for the aforementioned relevant periods, respectively.*

The Offer therefore provides Shareholders with an opportunity to realise their entire investment in the Shares at a premium over the prevailing market prices which may not otherwise be readily available to Shareholders given the low trading liquidity of the Shares.

8.3 ***Greater Management Flexibility****. The Offeror is making the Offer with a view to delisting and privatising the Company. The Offeror believes that privatising the Company will provide the Offeror and the Company with greater control and management flexibility to manage the business of the Group, respond to the changing market conditions and optimise the use of the Company's management and resources.*

8.4 ***No Necessity for Access to Capital Markets and Declining Share Price****. The Company has not carried out any exercise to raise equity capital on the SGX-ST since its listing in 2015. The Company is unlikely to require access to Singapore equity capital markets to finance its operations in the foreseeable future as the Company has various other available funding sources such as bank credit facilities. In addition, maintaining a listing on the SGX-ST does not serve a material purpose from a fundraising perspective as the Company's declining share price has made it challenging for the Company to raise equity capital. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST.*

8.5 ***Costs of Maintaining Listing Status****. In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Catalist Rules. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.*"

9. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

The following paragraphs have been extracted from Section 10 of the Offer Document and are set out in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

"***10. THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY***

The Offeror intends for the Company to continue to develop and grow the existing businesses of the Group. The Offeror and the Company will continue to review, from time to time, the operations of the Group as well as the Company's strategic options. The Offeror retains and reserves the right and flexibility at any time and from time to time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Offeror and/or the Company.

Save as disclosed above, the Offeror has no current intentions to (a) introduce any major changes to the existing businesses of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of existing employees of the Group, in each case, other than in the ordinary and usual course of business and/or in response to the changing market conditions."

10. COMPULSORY ACQUISITION

The following paragraphs have been extracted from Section 11.1 of the Offer Document and are set out in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

"*11.1 **Compulsory Acquisition**. Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "Dissenting Shareholders"), at a price equal to the Offer Price.*

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury). Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice."

Shareholders should note that as at the Latest Practicable Date, as the Offeror has received valid acceptances pursuant to the Offer in respect of not less than 90% of the Shares, the Offeror is entitled, and intends, to exercise its right of compulsory acquisition under the Companies Act.

Dissenting Shareholders should note that the Offer remains an opportunity for Shareholders to realise their Shares at the Offer Price as soon as practicable, instead of waiting until the Offeror exercises its right of compulsory acquisition at the close of the Offer.

11. LISTING STATUS OF THE COMPANY

The following paragraphs have been extracted from Section 11.2 of the Offer Document and are set out in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

"*11.2 **Listing Status**. Pursuant to Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of Shares (excluding Shares held in treasury) are held by at least 200 Shareholders who are members of the public. Rule 1303(1) of the Catalist Rules provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus* *causing the percentage of the total number of Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.*

In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, notify its sponsor of that fact and announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding Shares held in treasury) in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted."

Shareholders should note that as at the Latest Practicable Date, as the Offeror has received valid acceptances pursuant to the Offer in respect of not less than 90% of Shares, the Free Float Requirement is no longer satisfied. Accordingly, trading of the Shares on the SGX-ST will be suspended at the close of the Offer. Shareholders should also note that the Offeror intends to exercise its right of compulsory acquisition and to delist and privatise the Company.

12. FINANCIAL ASSESSMENT OF THE OFFER

For the purpose of our analyses in this IFA Letter, we wish to highlight the following dates:

(a) 21 August 2020 (the "**Last Trading Day**"), being the last full Market Day on which the Shares were traded immediately prior to the Offer Announcement Date;

(b) 2 September 2020, being the date that DBS announced, for and on behalf of OroGreen Investment Pte. Ltd., that the Offeror intends to make a voluntary conditional cash offer for all the Shares in the capital of the Company (the "**Offer Announcement**"); and

(c) 28 September 2020, being the Latest Practicable Date prior to the despatch of this Circular, save that where parts of the Offer Document (including the letter from DBS to the Shareholders in the Offer Document) are reproduced, references to the "Last Practicable Date" in such reproduction shall mean the Offer Document LPD.

In the course of our evaluation of whether the Offer is fair and reasonable from a financial point of view, we have considered the following factors based on publicly available information and information made available to us by the Company as of the Latest Practicable Date:

(a) Historical financial performance of the Group;

(b) Historical share price performance and trading activity of the Shares;

(c) Historical share price performance relative to market index;

(d) Net asset value ("**NAV**") and net debt position of the Group;

(e) Historical trailing P/NAV multiples of the Shares;

(f) Valuation ratios of selected listed companies which are broadly comparable with the Group;

(g) Selected precedent privatisation and delisting transactions on the SGX-ST; and

(h) Other relevant considerations.

The figures and underlying financial data used in our analysis have been extracted from Bloomberg L.P., the SGX-ST, and other public filings as at the Latest Practicable Date or as provided by the Company where relevant. HLF makes no representation or warranty, express or implied, on the accuracy or completeness of such information.

12.1 Historical financial performance of the Group

For the purpose of evaluating the financial terms of the Offer, we have considered the audited consolidated financial statements of the Group for the last three financial years ended 31 December 2017, 2018 and 2019 ("**FY2017**", "**FY2018**" and "**FY2019**", respectively), and the unaudited interim consolidated financial statements of the Group for the 6-month financial periods ended 30 June 2019 ("**1H2019**") and 30 June 2020 ("**1H2020**"). The following summary of the financial information should be read in conjunction with the full text of the Group's published financial statements for FY2017, FY2018, FY2019, 1H2019 and 1H2020 in respect of the relevant financial years/periods including the notes thereto.

Summary of the Group's Profit and Loss Statement					
	Unaudited		**Audited**		
S$'000	**1H2020**	**1H2019**	**FY2019**	**FY2018 (Restated)**	**FY2017**
Revenue	39,802	71,382	138,774	133,001	231,940
Gross profit	20,091	31,545	66,198	64,066	61,111
Profit before tax from continuing operations	714	3,544	8,873	7,833	8,189
Net profit attributable to Shareholders of the Company	714	2,844	6,110	5,382	7,407
Net profit margin	1.8%	4.0%	4.4%	4.0%	3.2%

Summary of the Group's Cash Flows Statement					
	Unaudited		**Audited**		
S$'000	**1H2020**	**1H2019**	**FY2019**	**FY2018 (Restated)**	**FY2017**
Net cash from operating activities	11,553	2,520	31,917	3,690	17,608
Net cash used in investing activities	(44)	(1,528)	(3,974)	(3,681)	(3,815)
Net cash used in financing activities	(8,561)	(210)	(27,035)	(14,397)	(10,018)
Cash and cash equivalents at end of period/year	20,731	16,657	17,783	16,875	31,263

Source: Annual reports for FY2019 and FY2018 and unaudited financial statements for 1H2020 of the Group

<u>**Profit and Loss Statement**</u>

FY2017 vs FY2018

The revenue of the Group decreased by S$98.9 million or 42.7% from S$231.9 million in FY2017 to S$133.0 million in FY2018, mainly due to the derecognition of revenue amounting to approximately S$80.3 million from its subsidiary SK Bullion Pte. Ltd. ("**SKB**") which was placed under creditors' voluntary liquidation with effect from 16 August 2019. As a result, the Group deconsolidated the results of SKB on 16 August 2019.

The profit before tax of the Group decreased by S$0.4 million or 4.3% from S$8.2 million in FY2017 to S$7.8 million in FY2018, mainly due to a decrease in revenue and other gains, an increase in (i) employee benefits expense; (ii) depreciation and amortisation expense; (iii) rental expense; (iv) other expenses; and (v) share of loss from equity-accounted associate, offset by a decrease in other losses and finance costs.

Taking into account the income tax expenses and loss from discontinued operations, the net profit for the year attributable to Shareholders of the Company decreased by S$2.0 million or 27.3% from S$7.4 million in FY2017 to S$5.4 million in FY2018. However, the net profit margin increased from 3.2% in FY2017 to 4.0% in FY2018.

FY2018 vs FY2019

The revenue of the Group increased by S$5.8 million or 4.3% from S$133.0 million in FY2018 to S$138.8 million in FY2019, mainly due to an increase in demand for the Group's jewellery products and mementoes.

The profit before tax of the Group increased by S$1.0 million or 13.3% from S$$7.8 million in FY2018 to S$8.9 million in FY2019, mainly due to an increase in revenue, decrease in (i) employee benefits expense; (ii) rental expense; and (iii) other expenses, offset by a decrease in other gains and an increase in (i) raw materials and consumables used; (ii) depreciation and amortisation expense; (iii) other losses; (iv) finance costs; and (v) share of loss from equity-accounted associate.

Taking into account the income tax expense and loss from discontinued operations, the net profit for the year attributable to Shareholders of the Company increased by S$0.7 million or 13.5% from S$5.4 million in FY2018 to S$6.1 million in FY2019. Accordingly, the net profit margin increased from 4.0% in FY2018 to 4.4% in FY2019.

1H2019 vs 1H2020

The revenue of the Group decreased by S$31.6 million or 44.2% from S$71.4 million in 1H2019 to S$39.8 million in 1H2020, mainly due to the decline in retail sales amid the Covid-19 pandemic which led to the closure of the Group's retail stores in accordance with preventive measures implemented by the governments of the jurisdictions in which the Group operates in.

The profit before tax of the Group decreased by S$2.8 million or 79.9% from S$3.5 million in 1H2019 to S$0.7 million in 1H2020, mainly due to a decrease in revenue and an increase in other losses, offset by an increase in other gains, a decrease in (i) raw materials and consumables used; (ii) employee benefits expense; depreciation and amortisation expense; (iii) finance costs; (iv) other expenses; and (v) share of loss from equity-accounted associate.

Taking into account the income tax expense and loss from discontinued operations, the net profit for the period attributable to Shareholders of the Company decreased by S$2.1 million or 74.9% from S$2.8 million in 1H2019 to S$0.7 million in 1H2020. Accordingly, the net profit margin decreased significantly from 4.0% in 1H2019 to 1.8% in 1H2020.

<u>Cash Flows Statement</u>

The Group recorded net cash flows from operating activities ranging from S$2.5 million to S$31.9 million in FY2017, FY2018, FY2019, 1H2019 and 1H2020.

The Group recorded net cash flows from operating activities in FY2019 of S$31.9 million, which consisted of operating cash flows before changes in working capital of S$33.5 million, net of income tax paid of S$1.6 million and working capital outflows of S$3.77 million, offset by net cash flows used in investing activities of S$4.0 million and net cash flows used in financing activities of S$27.0 million. Taking into account the cash and cash equivalents at the beginning of FY2019 of S$16.9 million and the net increase in cash and cash equivalents of S$0.9 million, the Group's cash and cash equivalents as at 31 December 2019 amounted to S$17.8 million.

The Group recorded net cash flows from operating activities in 1H2020 of S$11.6 million, which consisted of operating cash flows before changes in working capital of S$10.2 million, net of income tax paid of S$0.6 million and working capital outflows of S$2.0 million, offset by net cash flows used in investing activities of S$44,000 and net cash flows used in financing activities of S$8.6 million. Taking into account the cash and cash equivalents at the beginning of 1H2020 of S$17.8 million and the net increase in cash and cash equivalents of S$3.0 million, the Group's cash and cash equivalents as at 30 June 2020 amounted to S$20.7 million.

12.2 Historical share price performance and trading activity of the Shares

We have compared the Offer Price to the daily closing prices of the Shares for (i) the 1-year period between 21 August 2019 and the Last Trading Day on 21 August 2020; and (ii) the period from the Last Trading Day and up to the Latest Practicable Date.

Closing price (in S$) and volume (in thousands) of the Shares for the 1-year period prior to and including the Last Trading Day

Source: Bloomberg L.P. and the Company's announcements on the SGX-ST

Earnings announcements:

E1. **13 August 2020:** The Company announced its unaudited financial statements for 1H2020 in which the Group's net profit attributable to owners of the Company decreased by approximately S$2.1 million or 74.9% from approximately S$2.8 million in 1H2019 to approximately S$0.7 million in 1H2020.

E2. **25 February 2020:** The Company announced its unaudited financial statements for FY2019 in which the Group's net profit attributable to owners of the Company increased by approximately S$0.7 million or 13.5% from approximately S$5.4 million in FY2018 to approximately S$6.1 million in FY2019. The Company had proposed a final dividend of 0.50 Singapore cents per ordinary share in respect of FY2019, subject to shareholders' approval.

E3. **8 November 2019:** The Company announced its unaudited financial statements for the 9-month financial period ended 30 September 2019 ("**9M2019**") in which the Group's net profit attributable to owners of the Company decreased by approximately S$0.4 million or 11.3% from approximately S$3.7 million for the 9-month financial period ended 30 September 2018 ("**9M2018**") to approximately S$3.2 million in 9M2019.

Other significant announcements:

A1. **25 June 2020:** The Company announced the responses to questions from shareholders of the Company ahead of the AGM to be held on 26 June 2020 including the impact of Covid-19 on the Group's business and the jewellery industry.

A2. **19 June 2020:** The Company announced that the Group is expected to report a net loss after tax for 1H2020. The expected net loss is mainly due to the decline in the Group's revenue as a result of the Covid-19 pandemic

A3. **22 May 2020:** The Company announced the cancellation of the proposed final dividend of 0.50 Singapore cents per ordinary share in respect of FY2019 as set out in its announcement dated 25 February 2020 in relation to the Group's unaudited financial statements for FY2019.

A4. **30 April 2020:** The Company announced the adverse impact of Covid-19 on the Group's operations including the temporary closure of its headquarters at Changi Business Park and its retail outlets in Singapore, Malaysia and Thailand.

A5. **1 November 2019:** The Company announced the cessation of Ms. Yeo Kah Cheng Karen as the Country General Manager, Singapore with effect from 8 November 2019.

A6. **25 October 2019:** The Company announced the cessation of Ms. Yong Mew Peng Victoria as the Chief Financial Officer of the Company with effect from 8 November 2019, and the appointment of Ms. Yat Wan Thiam as the Group Financial Controller of the Company with effect from 25 October 2019.

A7. **17 October 2019**: The Company announced the launch of its Star Carat line, which features laboratory grown diamonds and priced as much as 50% lower than mined diamonds. The Group is also expected to be the first jewellery chain in the region to offer both mined and lab-grown diamonds side-by-side.

Based on the above, the closing price of the Shares during the 1-year period prior to and including the Last Trading Day had ranged between a high of S$0.110 (on 27 August 2019) and a low of S$0.061 (on 26 March 2020). We note that the Offer Price of S$0.150 is above the closing price of the Shares for the 1-year period prior to and including the Last Trading Day.

Closing price (in S$) and volume (in thousands) of the Shares from the Last Trading Day and up to the Latest Practicable Date

Source: Bloomberg L.P. and the Company's announcements on the SGX-ST

Significant announcements:

A1. 28 August 2020: Trading halt in the Shares of the Company.

A2. 2 September 2020: The Offer Announcement was made.

A3. 8 September 2020: The Offeror announced that it has received irrevocable undertakings representing 90.32% of the total number of Shares to accept the Offer. Accordingly, the Minimum Acceptance Condition will be satisfied and the Offeror intends to exercise its right of compulsory acquisition.

A4. 18 September 2020: The Offeror announced the despatch of the Offer Document to the Shareholders.

A5. 26 September 2020: The Offeror announced that the Offer has become unconditional and intends to exercise its right of compulsory acquisition.

Based on the above, the closing price of the Shares during the period from the Offer Announcement Date and up to the Latest Practicable Date had closed at between S$0.148 and S$0.150. The closing prices of the Shares during this period appear to have been supported by the Offer Price of S$0.150.

We have sought to benchmark the Offer Price against the volume-weighted average price ("**VWAP**") of the Shares, and historical trading volumes of the Shares for (i) the 1-year period prior to the Last Trading Day; and (ii) the period after the Offer Announcement Date and up to the Latest Practicable Date:

	VWAP[(1)] (S$)	Premium of Offer Price over VWAP (%)	Average daily trading volume[(2)] ("ADTV")	ADTV as a percentage of free float[(2)(3)] (%)
Periods prior to the Last Trading Day				
1-year	0.083	81.2	20,639	0.02
6-month	0.077	93.7	11,202	0.01
3-month	0.077	94.8	19,035	0.02
1-month	0.079	90.2	23,558	0.03
Last Trading Day	0.088[(4)]	70.5	62,100	0.07
Period after the Offer Announcement Date and up to the Latest Practicable Date				
After the Offer Announcement Date and up to the Latest Practicable Date	0.148	1.7	886,117	1.01
Latest Practicable Date	0.149[(5)]	0.7	7,000	0.01

Source: Bloomberg L.P. and HLF's calculations

Notes:

(1) The VWAPs have been weighted based on the average traded prices and traded volumes of the Shares for the relevant trading days for each of the above periods.

(2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded for each of the above periods divided by the number of Market Days during those periods.

(3) Free float refers to approximately 88.0 million Shares or 15.6% of the issued share capital of the Company held by the public (as defined in the Listing Manual) for (i) the 1-year period prior to and including the Last Trading Day, and (ii) the period after the Offer Announcement Date and up to the Latest Practicable Date, as extracted from publicly available information

(4) Refers to the closing price of the Shares on the Last Trading Day.

(5) Refers to the closing price of the Shares on the Latest Practicable Date.

We note the following:

Periods prior to the Last Trading Day

(a) The daily closing prices of the Shares over the 1-year period prior to the Last Trading Day were between a low of S$0.061 and a high of S$0.110. The Offer Price of S$0.150 represents a significant premium of approximately 145.9% above the lowest transacted price and a premium of approximately 36.4% to the highest transacted price.

(b) The Offer Price represents a premium of approximately 70.5% to the closing price of S$0.088 per Share on the Last Trading Day.

(c) The Offer Price represents a premium of approximately 90.2%, 94.8%, 93.7%, and 81.2% above the VWAP of the Shares for the 1-month, 3-month, 6-month and 1-year periods prior to the Last Trading Day, respectively.

(d) The average daily trading volumes of the Shares were relatively low at 23,558 Shares, 19,035 Shares, 11,202 Shares and 20,639 Shares for the 1-month, 3-month, 6-month and 1-year periods prior to the Last Trading Day, respectively.

(e) Due to the lack of trading liquidity of the Shares, the average daily trading volume of the Shares as a percentage of free float was 0.03%, 0.02%, 0.01% and 0.02% for the 1-month, 3-month, 6-month and 1-year periods prior to the Last Trading Day, respectively.

Period after the Offer Announcement Date and up to the Latest Practicable Date

(f) The daily closing prices of the Shares appear to have been supported by the Offer subsequent to the Offer Announcement Date and up to the Latest Practicable Date.

(g) The Offer Price represents (i) a premium of approximately 1.7% over the VWAP of S$0.148 for the period after the Offer Announcement and up to the Latest Practicable Date; and (ii) a premium of 0.7% above the last transacted price of the Shares of S$0.149 as at the Latest Practicable Date.

(h) The average daily trading volume of the Shares was approximately 886,117 Shares, representing approximately 1.01% of free float, during the period after the Offer Announcement and up to the Latest Practicable Date.

Shareholders should note that the market prices of the Shares have shown appreciable differences before and after the Offer Announcement Date. Shareholders should also note that there is no assurance that the market prices of the Shares would remain at the current prevailing level after the close of the Offer, and that past trading performance of the Shares is not in any way reflective of its future trading performance.

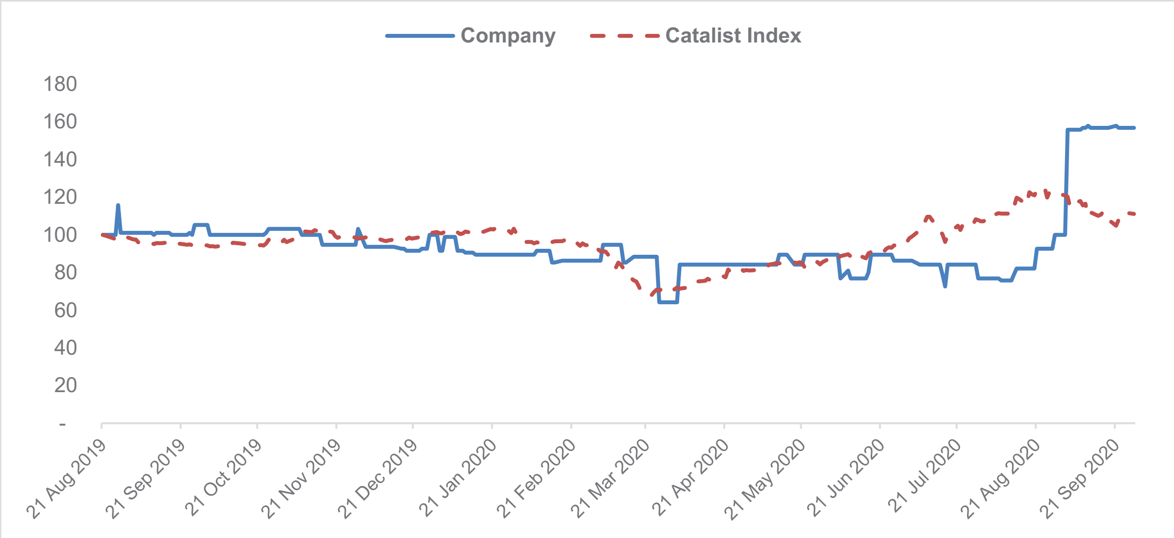
We wish to highlight that the market valuation of shares of a company traded on a securities exchange may be affected by, *inter alia*, the corporate activities of the company, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given point in time.

12.3 Historical share price performance relative to market index

To gauge the market price performance of the Shares relative to the general performance of the Singapore equity market, we have compared the market price movement of the Shares against the FTSE ST Catalist Index ("**Catalist Index**"), which is a market capitalisation-weighted stock market index that tracks the performance of sponsored companies listed on the SGX-Catalist.

The relative market price performance of the Shares *vis-à-vis* the Catalist Index for the period commencing one year prior to the Last Trading Day and ending on the Latest Practicable Date is illustrated below:

Share price performance against the Catalist Index (rebased) for the period commencing one year prior to the Last Trading Day and ending on the Latest Practicable Date



Source: Bloomberg L.P.

We also set out in the table below the movements in the closing prices of the Shares and the Catalist Index between the Last Trading Day and the Latest Practicable Date:

	As at Last Trading Day	As at Latest Practicable Date	Percentage change (%)
Shares (S$)	0.088	0.149	69.3
Catalist Index	335.27	300.24	(10.4)

Source: Bloomberg L.P.

Based on the above, we note the following:

(a) during the period commencing one year prior to the Offer Announcement and ending on the Last Trading Day, the Shares had generally performed in tandem with the rebased Catalist Index, save for the period between June 2020 and the Last Trading Day where the Shares had generally underperformed the Catalist Index; and

(b) between the Last Trading Day and the Latest Practicable Date, the Shares significantly outperformed the rebased Catalist Index, having increased by approximately 69.3% as compared to the decrease of 10.4% in the rebased Catalist Index over the same period.

The above observation reinforces our view that the market price of the Shares appears to have been supported by the Offer subsequent to the Offer Announcement Date.

Shareholders should note that the past trading performance of the Shares is not in any way reflective of its future trading performance. Any comparison of the historical price performance of the Shares with the Catalist Index is for illustrative purposes only.

12.4 The Group's NAV and Net Debt Position

12.4.1 NAV of the Group as at 30 June 2020

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all liabilities of the group. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of all assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of the shareholders' equity.

Shareholders should nonetheless note that an analysis based on the NAV of the Group provides only an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised. While the asset base of the Group can be a basis for valuation, such valuation does not necessarily imply a realisable market value as the market value of the assets and liabilities may vary depending on prevailing market and economic conditions.

A summary of the unaudited financial position of the Group as at 30 June 2020 is set out below:

	Unaudited As at 30 June 2020 S$'000
Current assets	
Inventories	55,653
Trade and other receivables	3,887
Other assets	6,076
Cash and cash equivalents	20,731
Total current assets	**86,347**
Non-current assets	
Property, plant and equipment	28,360
Deferred tax assets	335
Other assets (rights of use)	27,911
Other assets (land use rights)	4,991
Total non-current assets	**61,597**
Total assets	**147,944**
Current liabilities	
Income tax payable	1,592
Trade and other payables	13,915
Loans and borrowings	18,027
Other liabilities	2,813
Lease liabilities	11,375
Total current liabilities	**47,722**

	Unaudited As at 30 June 2020 S$'000
Non-current liabilities	
Deferred tax liabilities	169
Loans and borrowings	18,082
Provisions	574
Lease liabilities	16,908
Total non-current liabilities	**35,733**
Total liabilities	**83,455**
Equity	
Share capital	42,399
Retained earnings	23,160
Other reserves	(1,070)
Equity attributable to owners of the Company	**64,489**
Total liabilities and equity	**147,944**
Number of issued Shares as at 30 June 2020	562,500,000
NAV per Share (S$)	**0.115**
Premium of the Offer Price over the NAV per Share	**30.8%**
Price-to-NAV ("P/NAV") ratio as implied by the Offer Price	**1.31 times**

As set out in the table above, the unaudited NAV of the Group amounted to approximately S$64.5 million or S$0.115 per Share (based on 562,500,000 issued Shares). Accordingly, the Offer Price represents a premium of approximately 30.8% over the unaudited NAV per Share of the Group as at 30 June 2020, and would value the Group at a P/NAV ratio of 1.31 times.

We have also set out further details on certain assets of the Group below:

Inventories

Inventories accounted for approximately 37.6% of the Group's total assets as at 30 June 2020. Inventories consist mainly of raw materials such as diamonds, gemstones and precious metals, and finished products, such as gold necklaces. Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined either by reference to the selling prices of items sold in the ordinary course of business subsequent to the year-end date, or to Management estimates, less any further costs expected to be incurred to completion and disposal. 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.

Management has confirmed that the estimation techniques or significant assumptions applied in measuring the inventories in 1H2020 do not have material change in the carrying values of the inventories as at the Latest Practicable Date.

Property, plant and equipment

Property, plant and equipment accounted for approximately 19.2% of the Group's total assets as at 30 June 2020. The property, plant and equipment comprise (i) leasehold property, (ii) renovations and (iii) plant and equipment. The leasehold property constituted the main bulk of the property, plant and equipment as at 30 June 2020. Property, plant and equipment are recorded at cost and subsequently measured at cost less accumulated depreciation and any impairment loss. Accordingly, we note that the difference between the market value of the property, plant and equipment and its carrying value is not reflected in the NAV of the Group as at 20 June 2020. We also note that the SIC has, on 24 September 2020, waived the requirement under the Code for an independent valuation of the leasehold property for the purposes of the Offer.

We are of the view that a revalued NAV ("**RNAV**") may not be relevant for the valuation of the Company and the Group for the following reasons. Management has confirmed that (i) the property, plant and equipment are predominantly used in the continuing operations of the business and that it is their intention to continue using the property, plant and equipment in its current business, and (ii) as at the Latest Practicable Date, the Group does not have any current plans for an imminent material disposal and/or conversion of the use of such property, plant and equipment.

We wish to highlight that should a valuation of the property, plant and equipment be performed, the RNAV could be potentially different from the NAV as at 30 June 2020. Management has confirmed that there has been no recent independent market valuation of its property, plant and equipment. As such, we are unable to comment whether the RNAV per Share is likely to be higher or lower than the Offer Price. Shareholders should note that companies typically do not record the market value of its operational assets.

Other assets (rights of use)

Right-of-use assets accounted for approximately 18.9% of the Group's total assets as at 30 June 2020. The right-of-use assets were accounted for due to the adoption of the SFRS(I) 16 by the Company and the Group as a result of adopting the new and revised SFRS(I) which are effective for its financial year beginning 1 January 2019. SFRS(I) 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and the corresponding lease liabilities representing its obligation to make lease payments.

As set out in Section 10 of the Offer Document, the Offeror does not currently have any intention to (i) introduce any major changes to the businesses of the Company, (ii) re-deploy the fixed assets of the Group, or (iii) discontinue the employment of any of the existing employees of the Group, other than in the ordinary course of business. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves.

In respect of the above, the Directors have confirmed that as at the Latest Practicable Date and to the best of their knowledge and belief:

(a) there are no material differences between the realisable values of the Group's assets and their respective book values as at the Latest Practicable Date which would have a material impact on the NAV of the Group as at 30 June 2020;

(b) they are not aware of any circumstances which may cause the NAV of the Group as at the Latest Practicable Date to be materially different from that recorded in the unaudited balance sheet of the Group as at 30 June 2020;

(c) there are no other contingent liabilities, bad or doubtful debts, impairment losses or material events which would likely have a material impact on the NAV of the Group as at 30 June 2020;

(d) there are no litigation, claim or proceedings pending or threatened against the Company or the Group or likely to give rise to any proceedings which may materially and adversely affect the financial position of the Company and/or the Group as at 30 June 2020; and

(e) there are no material acquisitions or disposals of assets by the Group between 30 June 2020 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisitions or disposal of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business.

12.4.2 Net debt position of the Group

As at 30 June 2020, the Group had unaudited cash and cash equivalents of approximately S$20.7 million and total liabilities of approximately S$83.5 million, translating into an unaudited net debt of S$62.7 million. Accordingly, we have not compared the Offer Price *vis-à-vis* the NAV of the Group on an ex-cash basis.

12.4.3 Historical trailing P/NAV multiples of the Shares

We have compared the P/NAV multiple of the Shares implied by the Offer Price *vis-à-vis* the historical trailing P/NAV multiples of the Shares (based on the closing prices of the Shares and the Group's trailing announced NAV per Share) for the 1-year period prior to the Last Trading Day and up to the Latest Practicable Date, as set out below:

Historical P/NAV multiples of the Shares for the period commencing one year prior to the Last Trading Day and up to the Latest Practicable Date

Source: Bloomberg L.P.

Based on the above, we note the following:

(a) for the 1-year period prior to and including the Last Trading Day, the P/NAV multiple of 1.31 times as implied by the Offer Price is significantly above the average historical P/NAV multiple of the Shares of 0.75 times; and

(b) for the period after the Last Trading Day and up to the Latest Practicable Date, P/NAV multiple of 1.31 times as implied by the Offer Price is close to the average historical P/NAV multiple of the Shares of 1.30 times.

Shareholders should note that the above computation is solely for illustration purposes as the NAV of the Company is not necessarily a realisable value given that the market value of the assets may vary depending on, amongst others, the prevailing market and economic conditions.

12.5 Valuation ratios of selected listed companies which are broadly comparable with the Group

In our evaluation of whether the Offer is fair and reasonable from a financial point of view, we have compared the valuation ratios of selected companies listed on the SGX-ST and regional securities exchanges engaging in similar business activities, which we consider to be broadly comparable to the Group ("**Comparable Companies**").

Based on the abovementioned criteria, we have identified five Comparable Companies.

We have had discussions with the Management of the Company about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available information of the selected Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The selected Comparable Companies' accounting policies with respect to the values for which the assets and liabilities or the revenue and cost are recorded may differ from that of the Group.

In evaluating the Comparable Companies, we have applied and used the following valuation ratios:

Valuation ratio	**Description**
Price-earnings ("**P/E**") ratio	The P/E ratio illustrates the ratio of the market price of a company's shares in relation to its earnings per share. As such, it is affected by, *inter alia*, a company's capital structure, tax position and accounting policies relating to revenue recognition, depreciation and intangible assets.
Enterprise value-to-earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") ratio	EV refers to enterprise value, which is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long term debts less its cash and cash equivalents. EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation. The EV/EBITDA ratio is an earnings-based valuation methodology. The difference between the EV/EBITDA ratio and the P/E ratio (described above) is that the former does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.
Price-net asset value ("**P/NAV**") ratio	The NAV refers to consolidated net asset value, which is the total assets less total liabilities of a company. The P/NAV ratio refers to the ratio of a company's share price divided by NAV per share. The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company. The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.

A brief description of the Comparable Companies is as follows:

Company	Description	Country of listing
TLV Holdings Ltd. ("**TLV**")	TLV is primarily engaged in the sale of jewellery through wholesale and retail outlets under the brands, Taka Jewellery and Lovis Diamonds. TLV also offers pawnbroking and pre-owned sales services throughout local and international markets.	Singapore
Tomei Consolidated Bhd. ("**TCB**")	TCB is primarily engaged in manufacturing and wholesales, and in retailing of gold ornaments and jewellery. TCB operates approximately 70 retail outlets under different brands, including Tomei, My Diamond, Goldheart, Le Lumiere and De Beers. TCB is also involved in the business of retailing skincare products.	Malaysia
Verite Co. Ltd. ("**VCL**")	VCL is primarily engaged in the retail and wholesale of jewellery including rings, necklaces, earrings and bracelet products under the brands including Verite, Maharaja Diamond, Mimikazari and Velicia. VCL is also involved in the provision of after-sales services such as free cleaning, repair and processing, trade-in of metal and renovation.	Japan
Tribhovandas Bhimji Zaveri Ltd. ("**TBZ**")	TBZ retails jewellery products in India. TBZ primarily sell gold jewellery and diamond-studded jewellery through its retails stores. TBZ also sells other products, including platinum jewellery and jadau jewellery.	India

Source: Bloomberg L.P. and annual reports of the Comparable Companies

The valuation ratios of the Comparable Companies based on their respective closing share prices as at the Latest Practicable Date are set out below:

Company	Market capitalisation (S$'million)	P/E (times)	EV/EBITDA (times)	P/NAV (times)
TLV Holdings Ltd.	28.5	8.41	20.14	0.27
Tomei Consolidated Bhd.	37.4	10.66	5.92	0.53
Verite Co. Ltd.	78.6	36.29	8.80	1.21
Tribhovandas Bhimji Zaveri Ltd.	47.1	11.79	7.55	0.53
Minimum		8.41	5.92	0.27
Median		11.23	8.18	0.53
Mean		16.79	10.60	0.63
Maximum		36.29	20.14	1.21
SK Jewellery Group Limited (implied by the Offer Price)	**84.4**	**19.27**	**4.09**	**1.31**

Source: Bloomberg L.P. and HLF's calculations

Based on the above, we observe that:

(a) the P/E ratio of the Company (as implied by the Offer Price) of 19.27 times is (i) within the comparable range of P/E ratios of the Comparable Companies of between 8.41 times and 36.29 times, (ii) above the corresponding median and mean P/E ratios of the Comparable Companies of 11.23 times and 16.79 times respectively.

(b) the EV/EBITDA ratio of the Company (as implied by the Offer Price) of 4.09 times is below the comparable range of EV/EBITDA ratios of the Comparable Companies of between 5.92 times and 20.14 times; and

(c) the P/NAV ratio of the Company (as implied by the Offer Price) of 1.31 times is above the range of P/NAV ratios of the Comparable Companies of between 0.27 times and 1.21 times.

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company listed on the SGX-ST and regional securities exchanges that may be identical to the Group in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different profitability objectives. Shareholders should note that any comparison made with respect to the Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons made may not necessarily reflect the perceived market valuation of the Group as at the Latest Practicable Date.

12.6 Recent selected successful privatisation take-over transactions on the SGX-ST

This analysis serves as general indication of the relevant premium/(discount) that offerors have paid in order to acquire the level of acceptances required to delist/privatise the target companies without having regard to specific industry characteristics or other considerations.

As stated in the Offer Document, we note that, in the event that the Company does not meet the free float requirement pursuant to the Rules 724, 1104 or 1303(1) of the Catalist Listing Manual, the securities of the Company may be suspended on the SGX-ST for an indefinite period of time. Shareholders should note that in the event the Offer is unconditional as to acceptances, the Offeror is entitled to, and will exercise, its rights to compulsorily acquire all the remaining Shares of Shareholders who have not accepted the Offer in accordance with the provisions of Section 215(1) of the Companies Act. Accordingly, it is the Offeror's intention to privatise and delist the Company if the Offer is unconditional as to acceptances.

We have referred to voluntary general offers ("**VGO**") and mandatory general offers ("**MGO**") where the offeror had majority control (owning 50% or more of the issued shares in the target company as at the date of the offer announcement) and the offer resulted in a successful privatisation and delisting of the target company ("**Selected Successful Delisting/Privatisation Transactions**").

We wish to highlight that the target companies set out under the Selected Successful Delisting/Privatisation Transactions are not directly comparable to the Company in terms of operations, market capitalisation, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, future prospects and other relevant criteria. Each of the Selected Successful Delisting/Privatisation Transactions must be considered on its own commercial and financial merits. We also wish to highlight that the list of Selected Successful Delisting/Privatisation Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

Details of the Selected Successful Delisting/Privatisation Transactions announced during the last 24-month period preceding the Offer Announcement Date and up to the Latest Practicable Date are set out below:

				Premium/(discount) of offer price(1)				
Last Announcement	Company	Type	Offer price (S$)	Last transacted price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	Offer price to NAV Date (times)
12 Jun 2020	Perennial Real Estate Holdings Limited(2)	VGO	0.950	37.7	46.4	70.1	71.4	0.57
24 Feb 2020	Breadtalk Group Limited(3)	VGO	0.770	19.4	30.1	24.0	25.0	2.94
4 Nov 2019	PACC Offshore Services Holdings Ltd(4)	VGO	0.215	69.3	99.4	93.0	70.2	0.96
25 Oct 2019	Raffles United Holdings Ltd(5)	VGO	0.065	(1.5)	-	10.0	15.9	0.28
5 Sep 2019	San Teh Ltd(6)	VGO	0.280	81.8	90.5	83.0	84.2	0.40
20 Aug 2019	PS Group Holdings Ltd(7)	VGO	0.118	195.0	266.7	267.5	267.5	0.62
5 Aug 2019	Star Pharmaceutical Limited(8)	MGO	0.450	157.1	160.1	176.1	186.6	0.67
29 Jul 2019	Delong Holdings Limited(9)	VGO	7.000	1.9	8.0	17.9	37.2	0.60
28 Jun 2019	Hupsteel Limited(10)	VGO	1.200	51.9	58.3	58.6	58.6	0.58
15 May 2019	Boardroom Limited(11)	VGO	0.880	14.3	18.4	16.1	17.6	2.00
14 May 2019	Memtech International Ltd(12)	VGO	1.350	23.9	31.5	31.6	35.6	1.09
18 Jan 2019	Courts Asia Limited(13)	VGO	0.205	34.9	35.8	34.0	23.5	0.56
7 Jan 2019	Declout Limited(14)	VGO	0.130	62.5	66.7	66.7	58.5	1.28
29 Oct 2018	Cityneon Holdings Limited(15)	MGO	1.300	3.2	6.9	11.9	15.7	4.50
19 Jul 2018	Wheelock Properties (Singapore) Limited(16)	VGO	2.100	20.7	29.0	22.7	17.8	0.84

Minimum				(1.5)	-	10.0	15.7	0.28
Median				34.9	35.8	34.0	37.2	0.67
Mean				51.5	63.2	65.5	65.7	1.19
Maximum				195.0	266.7	267.5	267.5	4.50

2 Sep 2020	**SK Jewellery Group Limited**		**0.150**	**70.5**	**90.2**	**94.8**	**93.7**	**1.31**

Source: Respective companies' filings and publicly available information

Notes:

(1) Last transacted price is calculated based on the last price on either the last trading day or last market day as defined in the respective circulars.

(2) On 12 June 2020, United Overseas Bank Limited and DBS Bank Ltd. announced, for and on behalf of Primero Investment Holdings Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of Perennial Real Estate Holdings Limited. The market premia is calculated based on S$0.95 per share. The time reference for calculation of premia is 15 May 2020, being the last trading day of the company prior to the date of the offer announcement.

(3) On 24 February 2020, United Overseas Bank Limited announced, for and on behalf of BTG Holding Company Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued ordinary shares in the capital of BreadTalk Group Limited. The market premia is calculated based on S$0.77 per share. The time reference for calculation of premia is 21 February 2020, being the last trading day of the company prior to the date of the offer announcement.

(4) On 4 November 2019, Oversea-Chinese Banking Corporation Limited announced, for and on behalf of Quetzal Capital Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and outstanding ordinary shares in the capital of PACC Offshore Services Holdings Ltd. The market premia is calculated based on S$0.215 per share. The time reference for calculation of premia is 30 October 2019, being the last trading day of the company prior to the trading halt and release of the offer announcement.

(5) On 25 October 2019, GATXH Holdings Pte. Ltd. announced its intention to make a voluntary unconditional general offer for all the issued and paid-up ordinary shares in the capital of Raffles United Holdings Ltd. The market premia is calculated based on S$0.065 per share. The time reference for calculation of premia is 13 August 2019, being the last trading day of the company prior to the suspension of trading of the shares.

(6) On 5 September 2019, CEL Impetus Corporate Finance Pte. Ltd. announced, for and on behalf of Singapore San Teh Real Estate Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the offer shares in the capital of San Teh Ltd. The market premia is calculated based on S$0.28 per share. The time reference for calculation of premia is 3 September 2019, being the last trading day of the company preceding the date of the offer announcement.

(7) On 20 August 2019, SooChow CSSD Capital Market (Asia) Pte. Ltd. announced, for and on behalf of the offeror, that the offeror intends to make a voluntary conditional general offer for all the offer shares in the capital of PS Group Holdings Ltd. The market premia is calculated based on S$0.118 per share. The time reference for calculation of premia is 6 August 2019, being the last trading day of the company prior to the date of the offer announcement.

(8) On 5 August 2019, CEL Impetus Corporate Finance Pte. Ltd. announced, for and on behalf of the offeror, a mandatory unconditional cash offer for all the offer shares in the capital of Star Pharmaceutical Limited. The market premia is calculated based on S$0.45 per share. The time reference for calculation of premia is 5 August 2019, being the last trading day of the company prior to the date of the offer announcement.

(9) On 29 July 2019, Stirling Coleman Capital Limited announced, for and on behalf of Best Grace Holdings Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of Delong Holdings Limited. The market premia is calculated based on S$7.00 per share. The time reference for calculation of premia is 22 July 2019, being the last trading day of the company prior to the date of the offer announcement.

(10) On 28 June 2019, Oversea-Chinese Banking Corporation Limited announced, for and on behalf of Hercules Pte. Ltd, that the offeror intends to make a voluntary conditional cash offer for the offer shares in the capital of Hupsteel Limited. The market premia is calculated based on S$1.20 per share. The time reference for calculation of premia is 27 june 2019, being the last trading day of the company prior to the date of the offer announcement.

(11) On 15 May 2019, CIMB Bank Berhad announced, *inter-alia*, that the offeror, a wholly-owned subsidiary of G. K. Goh Holdings Limited, intends to make a voluntary unconditional cash offer for all the issued and outstanding shares in the capital of Boardroom Limited. The market premia is calculated based on S$0.88 per share. The time reference for calculation of premia is 3 May 2019, being the last trading day of the company prior to the date of the offer announcement.

(12) On 14 May 2019, Oversea-Chinese Banking Corporation Limited announced, for and on behalf of the offeror, that it intends to make a voluntary conditional cash offer for all the issued ordinary shares in the capital of Memtech International Ltd. The market premia is calculated based on S$1.35 per share. The time reference of calculation of premia is 10 May 2019, being the last full trading day of the company prior to the date of the offer announcement.

(13) On 18 January 2019, PrimePartners Corporate Finance Pte. Ltd. announced, *inter alia*, that the offeror, a wholly-owned subsidiary of Nojima, intends to make a voluntary conditional cash offer for all the issued and outstanding shares of Courts Asia Limited. The market premia is calculated based on S$0.152 per share. The time reference for calculation of premia is 16 January 2019, being the last full trading day of the company prior to the date of the offer announcement.

(14) On 7 January 2019, KPMG Corporate Finance Pte. Ltd. announced, for and on behalf of Exeo Global Pte. Ltd, that the offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital DeClout Limited. The market premia is calculated based on S$0.081 per share. The time reference for calculation of premia is 6 September 2018, being the last trading date of the company prior to the date of the offer announcement.

(15) On 29 October 2018, Credit Suisse (Singapore) Limited announced, for and on behalf of West Knighton Limited, that it has purchased an aggregate of 168,692,268 ordinary shares in the capital of Cityneon Holdings Limited. As a consequence of the acquisition, the offeror is required to make a mandatory unconditional cash offer for all the shares, other than those already owned, controlled or agreed to be acquired by the offeror. The market premia is calculated based on S$1.249 per share. The time reference for calculation of premia is 24 October 2018, being the last full trading day of the company prior to the date of the offer announcement.

(16) On 19 July 2018, DBS Bank Limited announced, for and on behalf of Star Attraction Limited, that the offeror intends to make a voluntary unconditional general offer for the offer shares of Wheelock Properties (Singapore) Limited. The market premia is calculated based on S$1.712 per share. The time reference for calculation of premia is 13 July 2018, being the last full trading day of the company prior to the date of the offer announcement.

Based on the information above, we note the following:

(a) the premium of the Offer Price over the last transacted price on the Last Trading Day of 70.5% is (i) within the range of the Selected Successful Delisting/Privatisation Transactions of between a discount of 1.5% and a premium of 195.0%, and (ii) significantly above the corresponding median and mean premia of the Selected Successful Delisting/Privatisation Transactions of 34.9% and 51.5% respectively;

(b) the premium of the Offer Price over the 1-month VWAP of 90.2% is (i) within the range of the Selected Successful Delisting/Privatisation Transactions of between 0.0% and a premium of 266.7%, and (ii) significantly above the corresponding median and mean premia of the Selected Successful Delisting/Privatisation Transactions of 35.8% and 63.2% respectively;

(c) the premium of the Offer Price over the 3-month VWAP of 94.8% is (i) within the range of the Selected Successful Delisting/Privatisation Transactions of between 10.0% and a premium of 267.5%, and (ii) significantly above the corresponding median and mean premia of the Selected Successful Delisting/Privatisation Transactions of 34.0% and 65.5% respectively;

(d) the premium of the Offer Price over the 6-month VWAP of 93.7% is (i) within the range of the Selected Successful Delisting/Privatisation Transactions of between 15.7% and a premium of 267.5%, and (ii) significantly above the corresponding median and mean premia of the Selected Successful Delisting/Privatisation Transactions of 37.2% and 65.7% respectively; and

(e) the Group's P/NAV ratio of 1.31 times (as implied by the Offer Price) is (i) within the range of the P/NAV ratios of the Selected Successful Delisting/Privatisation Transactions of between 0.28 times and 4.50 times, and (ii) above the median and mean P/NAV ratio of 0.67 times and 1.19 times respectively.

Shareholders should note that the level of premium/(discount) an offeror would normally pay in any particular delisting and privatisation transaction depends on, *inter alia*, factors such as potential synergy that the offeror can gain by acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and consideration and existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Selected Successful Delisting/Privatisation Transactions set out above is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.

12.7 Other relevant considerations

12.7.1 Outlook of the Group

The Company had, in its results announcement dated 13 August 2020 in relation to the 1H2020 results, made the following statements:

"*The COVID-19 uncertainties and general economic conditions will continue to dampen the retail market.*

Among these conditions include a prolonged slowdown caused by the disruption of tourism spending, and a weakened labour market leading to higher retrenchment numbers and wage cuts. These continue to weigh heavily on spending on discretionary items. Meanwhile a potential "Second Wave" resurgence of COVID-19 infections as seen in many other countries around the world, could lead to the re-introduction of movement restrictions and further disrupt economic activities. On the global stage, ongoing confrontation between the United States and the People's Republic of China is causing continued uncertainty over global trade.

Despite these challenges, the Group has stayed focused on its core competencies in delivering better products and services to maintain its competitiveness in the market. Through aggressive cost-cutting measures, the Group has continued to protect our bottom line while continuing to invest in technology."

12.7.2 Offeror's intentions for the Company

The Offeror's intention is to delist and privatise the Company if the Offer is unconditional as to acceptances.

As at the Unconditional Announcement Date, the Offeror has received valid acceptances in respect of 525,381,550 Shares, representing approximately 93.4% of the total number of Shares. Accordingly, the Offer has been declared unconditional in all respects.

As the Offer has become unconditional, the Offeror is entitled, and intends, to exercise its right of compulsory acquisition under the Companies Act, to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer at the Offer Price of S$0.150.

Rule 723 of the Catalist Listing Manual also requires the Company to ensure that at least 10% of the total number of Shares (excluding preference shares, convertible equity securities and treasury shares) to be held by the public. As the total number of Shares owned, controlled or agreed to be acquired by the Offeror and its concert parties amount to approximately 93.4% of the total number of Shares, the Free Float Requirement is no longer satisfied. Accordingly, trading of the Shares on the SGX-ST will be suspended at the close of the Offer. As mentioned above, the Offeror intends to exercise its right of compulsory acquisition and to delist and privatise the Company.

12.7.3 No competing offers

The Directors have confirmed, to the best of their knowledge and belief as at the Latest Practicable Date, that (i) no other third parties have approached the Company with an intention to make an offer for the Company; and (ii) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company.

12.7.4 Transaction costs in connection with the disposal of the Shares

The Offer presents an opportunity for Shareholders to dispose of their Shares for cash without any transaction costs as opposed to the sale of the Shares in the open market which will incur expenses such as brokerage or other trading costs.

12.7.5 Dividend track record

The Company had, in its announcement dated 22 May 2020 in relation to the proposed final dividend of S$0.005 for FY2019, made the following statements:

"*As set out in the Company's announcement on 30 April 2020, the global outbreak of the COVID-19 pandemic has resulted in the Group's retail outlets in the various markets being closed for an extended period of time, which is expected to have a negative impact the Group's financial performance, cash flows and financial position during this period.*

Notwithstanding the various cost-saving measures implemented by the Group to mitigate the impact of COVID-19, such as the reduction of salary of the Group's management and staff, the Board is of the view that payment of the Proposed FY2019 Final Dividend will reduce the current cash resources of the Group. Given the uncertainty as to how the COVID-19 situation will evolve in Singapore and globally, the Board has, after serious and careful deliberations, decided that in addition to the efforts taken by the Directors and the Group's management and staff, it will be appropriate and in the best interests of the Group to cancel the Proposed FY2019 Final Dividend so as to conserve funds for the working capital requirements of the Group should the restrictions from the COVID-19 measures be extended."

The Directors have confirmed that the Group does not have a fixed dividend policy and that they may recommend future dividends after taking into consideration the Group's cash and financial position, financial performance of the Group, working capital requirements, projected capital expenditure and other investment plans.

The Directors have also confirmed that the Group currently does not have any plan to distribute its cash to its shareholders by way of a special dividend or otherwise. Hence there is no certainty that Shareholders will receive any dividend distribution in the near future.

We wish to highlight that the above is not an indication of the Company's future dividend policy.

13 SUMMARY OF ANALYSIS

In arriving at our opinion in respect of the financial terms of the Offer, we have deliberated on various factors which we consider to be pertinent and have a significant bearing on our assessment including, *inter alia*, the following:

(a) Rationale for the Offer

We noted that the Offeror is making the Offer with a view to delisting and privatising the Company.

(b) Historical financial performance of the Group

<u>Volatile financial performance of the Group and significant decline in 1H2020</u>

The Group had registered net profit attributable to Shareholders of the Company of approximately S$7.4 million, S$5.4 million and S$6.1 million in FY2017, FY2018 and FY2019 respectively, but decreased significantly from S$2.8 million in 1H2019 to S$0.7 million in 1H2020. The Group's net profit margin amounted to 3.2%, 4.0% and 4.4% in FY2017, FY2018 and FY2019 respectively, and decreased significantly from 4.0% in 1H2019 to 1.8% in 1H2020.

(c) Historical share price performance and trading activity of the Shares

<u>One year period prior to the Last Trading Day</u>

Between 21 August 2019 and up to the Last Trading Day, the Shares were trading at a range between S$0.061 to S$0.110. We noted that the Offer Price represents a significant premium of approximately 145.9% and 36.4% above the lowest transacted price and the highest transacted price respectively.

<u>Low trading volume for the Shares</u>

We noted that the trading volume of the Shares on SGX-ST had been relatively low, and the Shares of the Company only traded 75 out of the total 263 Market Days during the period from 21 August 2019 to the Last Trading Day. Average daily trading volume during this period is approximately 20,639 Shares, which represents approximately 0.02% of the free float as at the Last Trading Day.

We noted that the trading volume of the Shares had been relatively low in the past one year prior to the Offer Announcement. The Offer will provide an exit option for Shareholders who wish to realise their investments in the Shares but find it difficult to do so as a result of the low trading liquidity. However, Shareholders should note that the past trading performance for the Shares should not be relied upon as an indication of its future trading performance.

(d) The Group's NAV and net debt position

<u>Offer Price to NAV</u>

The Offer Price represents a premium of approximately 30.8% over the unaudited NAV per Share of the Group as at 30 June 2020, and values the Group at a P/NAV ratio of 1.31 times.

Net debt position

We noted that the Group is in a net debt position of approximately S$62.7 million as at 30 June 2020.

Historical closing prices of the Shares to NAV per Share

We noted that the P/NAV multiple of 1.31 times as implied by the Offer Price is (i) significantly above the average historical trailing P/NAV multiple of the Shares of 0.75 times for the 1-year period prior to the Last Trading Day, and (ii) close to the average historical trailing P/NAV multiple of the Shares of 1.30 times for the period after the Last Trading Day and up to the Latest Practicable Date.

Comparison of the Offer Price to NAV per Share against Comparable Companies and Selected Successful Delisting/Privatisation Transactions

We noted that the P/NAV ratio of the Company of 1.31 times is above the range of P/NAV ratios of the Comparable Companies of between 0.27 times and 1.21 times.

We noted that the Group's P/NAV ratio of 1.31 times is within the range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions and above the median and mean of 0.67 times and 1.19 times respectively.

(e) Relative valuation analysis

We noted that the P/E ratio of the Company (as implied by the Offer Price) of 19.27 times is (i) within the comparable range of P/E ratios of the Comparable Companies of between 8.41 times and 36.29 times, and (ii) above the corresponding median and mean P/E ratios of the Comparable Companies of 11.23 times and 16.79 times respectively.

The EV/EBITDA ratio of the Company (as implied by the Offer Price) of 4.09 times is below the comparable range of EV/EBITDA ratios of the Comparable Companies of between 5.92 times and 20.14 times

(f) Comparison against Selected Successful Delisting/Privatisation Transactions

We noted that the premiums of 70.5%, 90.2%, 94.8% and 93.7% for the Group as implied by the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP for the Shares prior to the Offer Announcement, respectively, are (i) within the comparable range of the corresponding ratios of the Selected Successful Delisting/ Privatisation Transactions, and (ii) significantly above the corresponding median and mean premia of the Selected Successful Delisting/Privatisation Transactions.

(g) Intention of the Offeror regarding the listing status

We noted that as at the Latest Practicable Date, the Offer has become unconditional to acceptances. Accordingly, trading of the Shares will be suspended at the close of the Offer and the Offeror intends to exercise its right of compulsory acquisition and to privatise and delist the Company.

(h) No competing offer received

The Directors have confirmed, to the best of their knowledge and belief as at the Latest Practicable Date, that (i) no other third parties have approached the Company with an intention to make an offer for the Company; and (ii) apart from Offer being made by the Offeror, no other third party has made a firm offer for the Company.

(i) Transaction costs in connection with the disposal of the Shares

The Offer presents an opportunity for Shareholders to dispose of their Shares for cash without any transaction costs as opposed to the sale of the Shares in the open market which will incur expenses such as brokerage or other trading costs.

(j) Dividend track record of the Company

The Directors have confirmed that the Company does not have a fixed dividend policy and that they may recommend future dividends after taking into consideration the Company's cash and financial position, financial performance of the Group, working capital requirements, projected capital expenditure and other investment plans. The Directors have also confirmed that the Group currently does not have any plan to distribute its cash to its shareholders by way of a special dividend or otherwise. Hence there is no certainty that Shareholders will receive any dividend distribution in the near future.

14 RECOMMENDATION AND CONCLUSION

Having carefully considered the information available to us, the analysis set out in this IFA Letter, and other relevant considerations as at the Latest Practicable Date, we are of the view that, on balance, the financial terms of the Offer are FAIR AND REASONABLE.

In determining that the Offer is **FAIR**, we have considered the following pertinent factors from the perspective of the value of the Shares:

(a) the Offer Price represents a premium of approximately 70.5% over the last transacted Share price on the Last Trading Day;

(b) The Offer Price represents a premium of approximately 90.2%, 94.8%, 93.7%, and 81.2% over the VWAP of the Shares for the 1-month, 3-month, 6-month and 1-year periods prior to the Last Trading Day, respectively;

(c) the Offer Price represents a premium of approximately 30.8% over the unaudited NAV per Share of the Group as at 30 June 2020; and

(d) the P/NAV multiple as implied by the Offer Price of 1.31 times is above the average historical trailing P/NAV multiple of the Shares of 0.75 times for the 1-year period prior to the Last Trading Day.

In determining that the Offer is **REASONABLE**, we have considered the following pertinent factors other than from the perspective of the value of the Shares:

(a) the Group recorded significant decrease in revenue, net profit attributable to Shareholders of the Company and net profit margin in 1H2020 *vis-à-vis* 1H2019;

(b) the trading volume of the Shares for the 1-year period prior to the Last Trading Day had been relatively low and the Offer will provide an exit option for those Shareholders who wish to realise their investments in the Shares but find it difficult to do so as a result of the low trading liquidity;

(c) the Group's P/E ratio of the Company of 19.27 times is (i) within the comparable range of P/E ratios of the Comparable Companies of between 8.41 times and 36.29 times, and (ii) above the corresponding median and mean P/E ratios of the Comparable Companies of 11.23 times and 16.79 times respectively;

(d) the premium of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP is (i) within the comparable range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions and (ii) above the median and mean of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions;

(e) there is no publicly available evidence of any alternative offer for the Shares from any third party and given that the Offeror and parties acting in concert with it own, control, have acquired or have agreed to acquire holdings of approximately 93.4% of the issued Shares of the Company as at the Unconditional Announcement Date, it may deter a takeover by a third party for the Company;

(f) the Directors have confirmed that the Company does not have a fixed dividend policy; and

(g) the Offeror intends to exercise its right of compulsory acquisition and trading of the Shares will be suspended at the close of the Offer.

Accordingly, on the balance of the above factors, we advise that the Independent Directors recommend Shareholders who:

(a) wish to realise their investment in the Company at this time but are unable to sell their Shares in the open market at a price (after deducting related expenses) higher than the Offer Price; and/or

(b) believe that a higher offer may not be made,

to **ACCEPT** the Offer. The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and, accordingly, our opinion and advice on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of HLF in each specific case, except for the purpose of the Offer. Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore, and are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours truly,
For and on behalf of
Hong Leong Finance Limited

Tang Yeng Yuen
Vice President

Kaeson Chui
Vice President

APPENDIX 3 – EXTRACT FROM THE COMPANY'S CONSTITUTION

1. RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL ISSUE OF SHARES

Issue of Shares

3. (A) Subject to the Act and to these Articles, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards Dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no options shall be granted over unissued shares except in accordance with the Act and the Designated Stock Exchange's listing rules.

(B) The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

(C) Except so far as otherwise provided by the conditions of issue or by these Articles, all new shares shall be issued subject to the provisions of the Statutes and of these Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.

4. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

5. (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).

(B) Notwithstanding Article 5(A) above, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:–

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

(b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided that:–

(1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Designated Stock Exchange;

(2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Designated Stock Exchange for the time being in force (unless such compliance is waived by the Designated Stock Exchange) and these Articles; and

(3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

(C) The Company may, notwithstanding Articles 5(A) and 5(B) above, authorise the Directors not to offer new shares to Members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members on such terms and conditions as the Company may direct.

6. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

7. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.

8. (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Designated Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrear.

(B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

Variation of rights

9. (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Articles relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

(B) The provisions in Article 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.

(C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

Alteration of share capital

10. The Company may by Ordinary Resolution:-

    (a) consolidate and divide all or any of its share capital;

    (b) sub-divide its shares, or any of them, provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share is derived;

    (c) convert or exchange any class of shares into or for any other class of shares; and/or

    (d) cancel the number of shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled.

11. (A) The Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorised, and consent or confirmation required, by law.

    (B) The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Statutes and any applicable rules of the Designated Stock Exchange (hereafter, the "Relevant Laws"), on such terms and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

Share certificates

12. (A) Every certificate shall be issued under the Seal and shall bear the facsimile signatures or the autographic signatures at least of any two Directors or one of the Director and the Secretary or such other person as may be authorised by the Directors, and shall specify the number and class of shares to which it relates and the amount paid up and the amount (if any) unpaid thereon. The facsimile signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the Directors of the Company. No certificate shall be issued representing shares of more than one class.

    (B) The provisions in this Article and in Articles 13 to 16 (so far as they are applicable) shall not apply to transfer of book-entry securities.

13. (A) The Company shall not be bound to register more than three persons as joint holders of a share except in the case of executors, trustees or administrators of the estate of a deceased Member.

(B) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the joint holders shall be sufficient delivery to all.

14. Every person whose name is entered as a Member in the Register of Members shall be entitled, within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the closing date of any application for shares or (as the case may be) the date of lodgement of a registrable transfer, to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.

15. (A) Where a Member transfers part only of the shares comprised in a certificate or where a Member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares (in the case of transfer) and the whole of such shares (in the case of sub-division) shall be issued in lieu thereof and the Member shall pay (in the case of sub-division) a maximum fee of S$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) for each new certificate. Where some only of the shares comprised in a share certificate are transferred, the new certificate for the balance of such shares shall be issued in lieu thereof without charge.

(B) Any two or more certificates representing shares of any one class held by any Member may at his request be cancelled and a single new certificate for such shares issued in lieu thereof without charge.

16. Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a written indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Designated Stock Exchange or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate, and in any case on payment of such sum not exceeding S$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to, and to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

Calls on shares

17. The Directors may from time to time make calls upon the Members in respect of any monies unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

18. Each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.

19. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.

20. Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

21. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.

22. The Directors may if they think fit receive from any Member willing to advance the same all or any part of the monies uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish *pro tanto* the liability upon the shares in respect of which it is made and upon the monies so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the Member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profits.

Forfeiture and lien

23. If a Member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

24. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit.

25. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all Dividends declared in respect of the forfeit share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be made forfeit hereunder.

26. A share so made forfeit or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorise some person to transfer a share so made forfeit or surrendered to any such other person as aforesaid.

27. A Member whose shares have been made forfeit or surrendered shall cease to be a Member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all monies which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.

28. The Company shall have a first and paramount lien on every share (not being a fully paid share) and Dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such monies are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article 28.

29. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

30. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser.

31. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly made forfeit or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, the Depository Register) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be

registered as the holder of the share, or where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

Transfer of shares

32. All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided always that an instrument of transfer in respect of which the transferee is the CDP shall be effective although not signed or witnessed by or on behalf of the CDP. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

33. The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made.

34. (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

(B) The Directors may decline to register any instrument of transfer unless:-

(a) such fee not exceeding S$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;

(b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;

(c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty,), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(d) the instrument of transfer is in respect of only one class of shares.

35. All instruments of transfer which are registered may be retained by the Company.

36. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all Dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:-

(a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

(b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and

(c) references herein to the destruction of any document include references to the disposal thereof in any manner.

Transmission of Shares

37. (A) In case of the death of a Member whose name is registered in the Register of Members, the survivors or survivor, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(B) In the case of the death of a Member who is a Depositor, the survivors or survivor, where the deceased is a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder and where such executors or administrators are entered into the Depository Register in respect of any shares to the deceased Member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(C) Nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.

38. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member.

39. Save as otherwise provided by or in accordance with these Articles, a person becoming entitled to a share in consequence of the death or bankruptcy of a Member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same Dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to General Meetings of the Company until he shall have been registered as a Member in respect of the share.

40. There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require.

Central depository system

41. A reference to a Member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP, the Depositors on behalf of whom CDP holds the shares, Provided that:-

(a) a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP forty-eight (48) hours before the General Meeting as a Depositor on whose behalf CDP holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP as supplied by CDP to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a

Depositor's Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;

(b) the payment by the Company to CDP of any Dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;

(c) the delivery by the Company to CDP of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and

(d) the provisions in these Articles relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).

Exclusion of equities

42. Except as required by the Statutes or law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Articles or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these Articles contained relating to CDP or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

Stock

43. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination.

44. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

45. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards Dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

2. RIGHTS OF SHAREHOLDERS IN RESPECT OF VOTING

General meetings

46. An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings. The interval between the close of a financial year of the Company and the date of the Company's Annual General Meeting shall not exceed four months or such other period as prescribed by the Act and the byelaws and listing rules of the Designated Stock Exchange or other legislation applicable to the Company from time to time.

47. The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.

Notice of General Meetings

48. Any Annual General Meeting and any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and an Annual General Meeting or any other Extraordinary General Meeting, by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in manner hereinafter mentioned to all Members other than such as are not under the provisions of these Articles entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-

(a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and

(b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Members having a right to vote at thereat;

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days' notice in writing of such Extraordinary General Meeting shall be given to the Designated Stock Exchange.

49. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a Member of the Company.

(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

(C) In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

50. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:-

(a) declaring Dividends;

(b) receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;

(c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;

(d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);

(e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and

(f) fixing the Directors fees.

51. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

Proceedings at General Meetings

52. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any General Meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the Members present shall choose one of their number) to be chairman of the General Meeting.

53. No business other than the appointment of a Chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two Members present in person or by proxy, provided that (i) a proxy representing more than one Member shall only count as one Member for purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present.

54. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint.

55. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or *sine die*) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned *sine die*, the time and place for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or *sine die*, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

56. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting.

57. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the General Meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

58. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-

(a) the chairman of the meeting; or

(b) not less than two Members present in person or by proxy and entitled to vote; or

(c) any Member present in person or by proxy, or where such a Member has appointed two proxies any one of such proxies, or any number or combination of such Members or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all the Members having the right to vote at the General Meeting; or

(d) any Member present in person or by proxy, or where such a Member has appointed two proxies any one of such proxies, or any number or combination of such Members or proxies, holding shares conferring a right to vote at the General Meeting, of which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the share conferring that right,

Provided Always that no poll shall be demanded on the choice of the chairman of the meeting or on a question of adjournment. A demand for a poll may be withdrawn only with the approval of the meeting.

59. Unless a poll is required, a declaration by the chairman of the General Meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the General Meeting may direct,

and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the General Meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

60. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the General Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

61. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the chairman of the Meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the General Meeting for the transaction of any business other than the question on which the poll has been demanded.

Votes of members

62. Subject to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares, and to Article 4, each Member entitled to vote may vote in person or by proxy. On a show of hands every Member who is present in person or by proxy shall have one vote (provided that in the case of a Member who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the General Meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands) and on a poll every Member who is present in person or by proxy shall have one vote for every share of which he holds or represents. For the purposes of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the references to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company. A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any General Meeting.

63. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.

64. Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such Member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.

65. No Member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to General Meetings if any call or other sum payable by him to the Company in respect of such shares remains unpaid.

66. No objection shall be raised as to the admissibility of any vote except at the General Meeting or adjourned General Meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the General Meeting whose decision shall be final and conclusive.

67. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

68. (A) A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting, provided that if the Member is a Depositor, the Company shall be entitled and bound:-

(a) to reject any instrument of proxy lodged if the Depositor, is not shown, to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company; and

(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered into against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

(B) Where a Member appoints more than one proxy, the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

(C) A proxy need not be a Member of the Company.

69. (A) An instrument appointing a proxy for any Member shall be in writing in any usual or common form or in any other form which the Directors may approve and:-

(a) in the case of an individual Member, shall be signed by the Member or his attorney duly authorised in writing; and

(b) in the case of a Member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorised in writing or a duly authorised officer of the corporation.

(B) The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a Member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.

70. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the General Meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

71. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the General Meeting.

72. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the General Meeting or adjourned General Meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

73. Subject to these Articles and the Statutes, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

Corporations acting by representatives

74. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any General Meeting. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company and such corporation shall for the purposes of these Articles (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorised is present thereat.

3. RIGHTS OF SHAREHOLDERS IN RESPECT OF DIVIDENDS

Dividends

123. The Company may by Ordinary Resolution declare Dividends but no such Dividend shall exceed the amount recommended by the Directors.

124. If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed Dividends on any class of shares carrying a fixed Dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim Dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

125. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:-

   (a) all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

   (b) all Dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.

   For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

126. (A) No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. The payment by the Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All Dividends remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company, and any Dividend or any such monies unclaimed after six (6) years from having been first payable shall be forfeited and shall revert to the Company provided always that the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the Dividend so forfeited to the person entitled thereto prior to the forfeiture. If CDP returns any such Dividend or monies to the Company, the relevant Depositor shall not have any right or claim in respect of such Dividend or monies against the Company if a period of six years has elapsed from the date of the declaration of such Dividend or the date on which such other monies are first payable.

   (B) A payment by the Company to CDP of any Dividend or other monies payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.

127. No Dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

128. (A) The Directors may retain any Dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

   (B) The Directors may retain the Dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.

129. The waiver in whole or in part of any Dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

130. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a Dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

131. Any Dividend or other monies payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such Member or person or persons may by writing direct.

Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

132. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any Dividend or other monies payable or property distributable on or in respect of the share.

133. Any resolution declaring a Dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the Dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such Dividend of transferors and transferees of any such shares.

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

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Lim Yong Guan
Director

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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	**2018**
	$'000	**$'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	**2018**
	$'000	**$'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	**2018**
	$'000	**$'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

31 DECEMBER 2019

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

31 DECEMBER 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

31 DECEMBER 2019

8. Finance costs

	Group 2019 $'000	Group 2018 $'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 $'000	Group 2018 $'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 $'000	Group 2018 $'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

31 DECEMBER 2019

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

31 DECEMBER 2019

11. Income tax (cont'd)

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

	Group 2019 $'000	Group 2018 $'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 $'000	Group 2018 $'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 $'000	2018 $'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

31 DECEMBER 2019

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

31 DECEMBER 2019

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)

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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

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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.

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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,	**2019**	**2018**
place of operations and principal activities and (independent auditor)	**%**	**%**
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.

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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	**2018**
	$'000	**$'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		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'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.

NOTES TO THE FINANCIAL STATEMENTS

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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

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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	–	–

NOTES TO THE FINANCIAL STATEMENTS

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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

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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.

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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

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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.

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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

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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.

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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)

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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	At end of last year 2018
	$'000	$'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	2018
	$'000	$'000
Commitments to purchase of property, plant and equipment	–	217

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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.

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	**2018**
	$'000	**$'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	**2018**
	$'000	**$'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

SK Jewellery Group Limited

(Company Registration No.: 201214694Z)

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

UNAUDITED FINANCIAL STATEMENTS FOR THE SIX-MONTH FINANCIAL PERIOD ENDED 30 JUNE ("1H") 2020

PART I - INFORMATION REQUIRED FOR 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 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group Unaudited		
	1H2020 S$'000	**1H2019 S$'000**	**Change %**
Revenue	39,802	71,382	(44.24%)
Other gains	6,119	960	N.M
Material costs	(19,711)	(39,837)	(50.52%)
Employee benefits expense	(8,370)	(10,221)	(18.11%)
Depreciation and amortisation expense	(11,914)	(12,217)	(2.48%)
Other losses	(1,004)	(107)	N.M.
Finance costs	(687)	(856)	(19.74%)
Other expenses	(3,521)	(5,408)	(34.89%)
Share of results of associates	-	(152)	N.M
Profit before tax from continuing operations	**714**	**3,544**	**(79.83%)**
Income tax expense	-	(731)	N.M.
Profit from continuing operations, net of tax	**714**	**2,813**	**(74.62)%**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	(200)	(55)	N.M.
Other comprehensive loss for the period, net of tax	**(200)**	**(55)**	N.M.
Total comprehensive income	**514**	**2,758**	**(81.36%)**
Attributable to:			
Equity holders of the Company	714	2,844	(74.89%)
Non-controlling interest	-	(31)	N.M.
Profit, net of tax	**714**	**2,813**	**(74.89%)**
Attributable to:			
Equity holders of the Company	514	2,789	(81.57%)
Non-controlling interest	-	(31)	N.M.
Total comprehensive income	**514**	**2,758**	**(81.36%)**

N.M.: Not meaningful

1(a)(ii) Notes to consolidated 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		
	1H2020 S$'000	1H2019 S$'000	Change %
Central support service income	156	156	-
Depreciation and amortisation expenses	(11,914)	(12,217)	(2.48%)
Finance costs	(687)	(856)	(19.74%)
Foreign exchange gains/(losses), net	(73)	16	N.M.
Government grants	1,586	146	N.M.
Share of results of associate	-	(152)	N.M.
Bad debt recoverable	-	206	N.M.
Mark-to-market revaluation gain/(loss) of gold loan	(928)	36	N.M.
Fair value loss on derivative financial instruments	-	(227)	N.M.
Interest income	3	-	N.M.
Loss on disposal of property, plant and equipment	(3)	(123)	(97.56%)
Miscellaneous income	10	93	(89.25%)
Rental income	449	550	(18.36%)
Rental rebates	3,918	-	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	
Assets	**Unaudited As at 30 June 2020 S$'000**	**Audited As at 31 December 2019 S$'000**	**Unaudited As at 30 June 2020 S$'000**	**Audited As at 31 December 2019 S$'000**
Non-current assets				
Property, plant and equipment	28,360	30,472	-	-
Investment in subsidiaries	-	-	10,502	10,502
Deferred tax assets	335	337	-	-
Other financial assets	-	30	-	-
Other assets (rights of use)	27,911	26,913	-	-
Other assets (land use rights)	4,991	5,101	-	-
Total non-current assets	61,597	62,853	10,502	10,502
Current assets				
Inventories	55,653	55,290	-	-
Trade and other receivables	3,887	3,880	33,883	35,629
Other assets	6,076	5,244	105	169
Income tax receivable	-	159	-	-
Cash and cash equivalents	20,731	17,783	3,617	1,285
Total current assets	86,347	82,356	37,605	37,083
Total assets	147,944	145,209	48,107	47,585
Equity and liabilities				
Equity				
Share capital	42,399	42,399	42,399	42,399
Retained earnings	23,160	22,446	3,598	2,960
Other reserves	(1,070)	(870)	-	-
Equity attributable to owners of the Company	64,489	63,975	45,997	45,359
Total equity	64,489	63,975	45,997	45,359
Non-current liabilities				
Deferred tax liabilities	169	198	-	-
Loans and borrowings	18,082	18,391	-	-
Provisions	574	884	-	-
Lease liabilities	16,908	12,216	-	-
Total non-current liabilities	35,733	31,689	-	-
Current liabilities				
Income tax payable	1,592	2,280	137	51
Trade and other payables	13,915	11,770	1,973	2,175
Loans and borrowings	18,027	18,911	-	-
Other liabilities	2,813	1,496	-	-
Lease liabilities	11,375	15,088	-	-
Total current liabilities	47,722	49,545	2,110	2,226
Total liabilities	83,455	81,234	2,110	2,226
Total equity and liabilities	147,944	145,209	48,107	47,585

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

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

As at 30 June 2020		**As at 31 December 2019**	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
14,225	3,802	23,044	4,681

Amount repayable by the Group after one year

As at 30 June 2020		**As at 31 December 2019**	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
18,082	-	18,391	-

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

The Group's unsecured credit facilities comprise gold loans which were borrowed to reduce the impact of fluctuations of gold prices of the Group's gold inventories. These amounts represent borrowings from banks and are pegged to market prices. The fair value is a reasonable approximation of the carrying amount due to their short term nature as they are floating rate instruments that are frequently re-priced according to foreign exchange rates and gold prices.

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 1H2020 S$'000	Unaudited 1H2019 S$'000
Cash flows from operating activities		
Profit before tax	714	3,544
Adjustments for:		
Depreciation of property, plant and equipment	2,149	2,251
Amortisation of land use rights	110	110
Amortisation of right of use assets	9,655	9,857
Interest expense	687	588
Interest income	(3)	-
Loss on disposal of property, plant and equipment	3	122
Rental rebate income	(3,918)	-
Share of results of associate	-	152
Fair value loss / (gain) on gold loans designated at fair value through profit or loss	928	(36)
Fair value loss on derivatives financial instruments	-	227
Net effect of foreign exchange rate changes in consolidating foreign subsidiaries	(188)	(323)
Loss on disposal of investment	22	-
Operating cash flows before changes in working capital	10,159	16,492
Inventories	(363)	(1,859)
Trade and other receivables	(7)	481
Other assets	(832)	(40,116)
Trade and other payables	2,145	(3,741)
Other liabilities	1,317	31,208
Provisions	(310)	55
Net cash flows from operations	12,109	2,520
Income taxes paid	(556)	-
Net cash flows from operating activities	11,553	2,520
Cash flows from investing activities		
Purchase of property, plant and equipment	(55)	(1,528)
Disposal of investment	8	-
Interest received	3	-
Net cash flows used in investing activities	(44)	(1,528)
Cash flows from financing activities		
(Decrease)/Increase in borrowings	(7,136)	411
Increase from new borrowings	5,000	-
Interest paid	(687)	(588)
Lease liabilities	(5,738)	(33)
Net cash flows used in financing activities	(8,561)	(210)
Net increase in cash and cash equivalents	2,948	782
Cash and cash equivalents, statement of cash flows, beginning balance	17,783	16,875
Cash and cash equivalents, statement of cash flows, ending balance	20,731	17,657

SK JEWELLERY GROUP

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 S$'000	Retained Earnings S$'000	Other Reserves S$'000	Attributable to Owners S$'000	Non-Controlling Interests S$'000	Total Equity S$'000
Balance as at 1 January 2020	**42,399**	**22,446**	**(870)**	**63,975**	**-**	**63,975**
Total comprehensive income for the period	-	714	(200)	514	-	514
Balance as at 30 June 2020	**42,399**	**23,160**	**(1,070)**	**64,489**	-	**64,489**
Balance as at 1 January 2019	**42,399**	**19,149**	**(861)**	**60,687**	**(52)**	**60,635**
Total comprehensive income for the period	-	2,844	(55)	2,789	(31)	2,758
Balance as at 30 June 2019	**42,399**	**21,993**	**(916)**	**63,476**	**(83)**	**63,393**

Company	Share Capital S$'000	Retained Earnings S$'000	Total Equity S$'000
Balance as at 1 January 2020	**42,399**	**2,960**	**45359**
Total comprehensive income for the period	-	638	638
Balance as at 30 June 2020	**42,399**	**3,598**	**45,997**
Balance as at 1 January 2019	**42,399**	**2,373**	**44,772**
Total comprehensive income for the period	-	448	448
Balance as at 30 June 2019	**42,399**	**2,821**	**45,220**

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

CHANGES IN ISSUED AND PAID-UP SHARE CAPITAL

	Company	
	Number of shares	**Issued and paid-up share capital S$**
Issued and fully paid-up share capital **Balance as at 30 June 2020 and 31 December 2019**	562,500,000	42,398,917

During 1H2020, there were no changes in the Company's issued and paid-up share capital.

There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 June 2020 and 30 June 2019.

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

	As at 30 June 2020	**As at 31 December 2019**
Total number of issued shares (excluding treasury shares)	562,500,000	562,500,000

The Company has no treasury shares or securities convertible into shares that were outstanding as at 30 June 2020 and 31 December 2019.

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 modifications or emphasis of matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for 1H2020 as its most recently audited consolidated financial statements for the financial year ended 31 December 2019 ("**FY2019**").

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.**

Not applicable.

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	
	1H2020	**1H2019**
Profit, net of tax attributable to equity holders of the Company (S$'000)	714	2,844
Weighted average number of ordinary shares [(1)] - Basic and diluted	562,500,000	562,500,000
EPS (cents) - Basic and diluted	0.13	0.51

Note:

(1) The weighted average number of ordinary shares on a basic and fully diluted basis were the same as there were no potentially dilutive instruments as at 30 June 2020 and 30 June 2019.

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

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

NET ASSET VALUE ("NAV")

	Group		**Company**	
	Unaudited As at 30 June 2020	**Audited As at 31 December 2019**	**Unaudited As at 30 June 2020**	**Audited As at 31 December 2019**
NAV per ordinary share (cents)	11.46	11.37	8.18	8.08

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$31.58 million or 44.24% from S$71.38 million in 1H2019 to S$39.80 million in 1H2020. The decrease was mainly due to the decline in retail sales amid the COVID-19 pandemic outbreak which led to the closure of the Group's retail stores in accordance with preventive measures carried out by the governments of the jurisdictions in which we operate in.

Other gains

Other gains increased by S$5.16 million from S$0.96 million in 1H2019 to S$6.12 million in 1H2020. The increase was mainly due to rental rebates of S$3.92 million and government grants of S$1.21 million under the Jobs Support Scheme in relation to the COVID-19 relief measures implemented by the Singapore government.

Material costs

Material costs decreased by S$20.13 million or 50.52% from S$39.84 million in 1H2019 to S$19.71 million in 1H2020 The decrease in material costs was generally in line with the decrease in revenue.

Employee benefits expense

Employee benefits expense decreased by S$1.85 million or 18.11% from S$10.22 million in 1H2019 to S$8.37 million in 1H2020 The decrease was mainly due to decrease in sales commission in line with the decrease in revenue due to the COVID-19 pandemic, which led to lower manpower costs, as well as a reduction in employee headcount and shortening of working hours.

Depreciation and amortisation expense

Depreciation and amortisation expense decreased by S$0.31 million or 2.48% from S$12.22 million in 1H2019 to S$11.91 million in 1H2020. The decrease was mainly due to the closure of certain retail outlets following expiry of lease tenor.

Other losses

Other losses increased by S$0.89 million from S$0.11 million in 1H2019 to S$1.00 million in 1H2020. The increase was mainly due to provisions made for the revaluation losses on the gold loans payable.

Finance costs

Finance costs decreased by S$0.17 million or 19.74% from S$0.86 million in 1H2019 to S$0.69 million in 1H2020, The decrease was mainly due to repayment of certain short term money market loan facilities and lower borrowing rate.

Other expenses

Other expenses decreased by S$1.89 million or 34.89% from S$5.41 million in 1H2019 to S$3.52 million in 1H2020. The decrease was mainly due to the temporary closure of the Group's retail outlets in accordance with preventive measures carried out by the governments of the jurisdictions in which we operate in.

Share of results of associates

The share of results of associates relate to the financial performance of the Group's 40% investment in LVC (Thailand) Co., Ltd. No gain or loss had been recognised in 1H2020. The losses of an associate in excess of the Group's interest in the associate need not be recognised as the Group does not have the obligation to do so given that it has fully recognised the losses in FY2019 up to their cost of investment in the associate.

Profit before tax from continuing operations

As a result of the foregoing, profit before tax from continuing operations decreased by S$2.83 million or 79.85% from S$3.54 million in 1H2019 to S$0.71 million in 1H2020.

Income tax expense

The Group did not provide any income tax expense for 1H2020 as the Group was in a tax loss position. Income tax expense in 1H2019 was S$0.73 million.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Non-current assets

Non-current assets decreased by S$1.25 million or 1.99% from S$62.85 million as at 31 December 2019 to S$61.60 million as at 30 June 2020. The decrease was mainly due to the decreases in (i) property, plant and equipment of S$2.11 million and (ii) other assets (land use rights) of S$0.11 million, offset by an increase in other assets (rights of use) of S$1.00 million.

Current assets

Current assets increased by S$3.99 million or 4.85% from S$82.36 million as at 31 December 2019 to S$86.35 million as at 30 June 2020. The increase was mainly due to the increases in (i) inventories of S$0.03 million; (ii) other assets of S$0.83 million primarily due to increased deposits paid to various precious metal suppliers to secure delivery of goods; (iii) trade and other receivables of S$0.01 million and (iv) cash and cash equivalents of S$2.95 million.

Non-current liabilities

Non-current liabilities increased by S$4.04 million or 12.75% from S$31.69 million as at 31 December 2019 to S$35.73 million as at 30 June 2020. The increase was mainly due to an increase in lease liabilities of S$4.69 million for outlets which leases were renewed in 1H2020, offset by the decreases in (i) deferred tax liabilities of S$0.03 million; (ii) loans and borrowings of S$0.31 million and (iii) provisions of S$0.31 million.

Current liabilities

Current liabilities decreased by S$1.83 million or 3.69% from S$49.55 million as at 31 December 2019 to S$47.72 million as at 30 June 2020. The decrease was mainly due to the decreases in (i) income tax payable of S$0.69 million; (ii) loans and borrowings of S$0.88 million and (iii) lease liabilities of S$3.71 million, offset by the increases in (i) trade and other payables of S$2.15 million and (ii) other liabilities of S$1.32 million.

Total equity

Total equity increased by S$0.51 million or 0.80% from S$63.98 million as at 31 December 2019 to S$64.49 million as at 30 June 2020. The increase was mainly due to the total comprehensive income, before tax attributable to owners of the Company of S$0.51 million for 1H2020.

REVIEW OF THE GROUP'S CASHFLOW STATEMENT

For 1H2020, net cash flows from operating activities was S$11.55 million, which consisted of operating cash flows before changes in working capital of S$10.16 million, net of income tax paid of S$0.56 million and working capital outflows of S$1.95 million.

The net working capital outflows arose mainly from the following:

(a) increase in (i) trade and other payables of S$2.15 million and (ii) other liabilities of S$1.32 million;

(b) offset by decrease in (i) inventories of S$0.36 million; (ii) trade and other receivables of S$0.01 million; (iii) other assets of S$0.83 million and (iv) provision of reinstatement costs of S$0.31 million.

For 1H2020, net cash flows used in investing activities amounted to S$0.04 million, mainly due to the net purchase of property, plant and equipment of S$0.06 million, offset by disposal of investment and interest received of S$0.01 million in aggregate.

For 1H2020, net cash flows used in financing activities amounted to S$8.56 million mainly due to (i) loan repayment of S$7.14 million; (ii) interest payment of S$0.69 million and (iii) payment of lease liabilities of S$5.74 million, offset by new loan borrowings of S$5.00 million.

As a result of the above, there was a net increase of S$2.95 million in cash and cash equivalents for 1H2020, from a net cash surplus of S$17.78 million as at 31 December 2019 to a net cash surplus of S$20.73 million as at 30 June 2020.

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 1H2020 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 COVID-19 uncertainties and general economic conditions will continue to dampen the retail market.

Among these conditions include a prolonged slowdown caused by the disruption of tourism spending, and a weakened labour market leading to higher retrenchment numbers and wage cuts. These continue to weigh heavily on spending on discretionary items. Meanwhile a potential "Second Wave" resurgence of COVID-19 infections as seen in many other countries around the world, could lead to the re-introduction of movement restrictions and further disrupt economic activities. On the global stage, ongoing confrontation between the United States and the People's Republic of China is causing continued uncertainty over global trade.

Despite these challenges, the Group has stayed focused on its core competencies in delivering better products and services to maintain its competitiveness in the market. Through aggressive cost-cutting measures, the Group has continued to protect our bottom line while continuing to invest in technology.

11. Dividend

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

No dividend has been declared or recommended in respect of 1H2020.

(b) (i) Amount per share

Nil

(ii) Previous corresponding period

Yes, an interim dividend of 0.50 cent per share was declared in respect of 1H2019.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for 1H2020 so as to preserve the Group's financial reserves for future working capital requirements.

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 Catalist ("**Catalist Rules**"). However, pursuant to Rule 905 of the Catalist Rules, the following is disclosed:

	Aggregate value of all Interested Person Transactions during the year under review (including transactions of less than S$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Catalist Rules)	
Name of Interested Person	**1H2020 S$'000**	**1H2019 S$'000**
Transactions with Moneymax Financial Services Ltd. and its subsidiaries		
- Purchases of products	1	177
- Sales of products	2	30
- Sales of fixed assets	2	-
- Central support services	156	156
- Rental income	155	155
Rental expense		
Dato' Sri Dr. Lim Yong Guan (Non-Executive Chairman)	109	163
Sale of products		
Mr. Ang Miah Khiang (Independent Director)	-	15
	425	696

14. Negative Confirmation by the Board pursuant to Rule 705(5)

The board of directors of the Company (the "**Board**") confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial statements for 1H2020 to be false or misleading in any material aspect.

15. Confirmation Pursuant To Rule 720(1) of The Catalist Rules

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

ON BEHALF OF THE BOARD

Dato' Sri Dr. Lim Yong Guan Non-Executive Chairman	Lim Yong Sheng Executive Director and Chief Executive Officer

13 August 2020

*This announcement 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 Catalist Rules. This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes 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. 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.*