



SK Jewellery Group Limited

(Company Registration No.: 201214694Z)

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

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

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

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

	Group Unaudited					
	Q2-2019 S\$'000	Q2-2018 S\$'000	Change %	1H-2019 S\$'000	1H-2018 S\$'000	Change %
Revenue	31,996	38,630	(17.2%)	71,382	87,215	(18.2%)
Other gains	429	805	(46.7%)	960	1,307	(26.5%)
Material costs	(17,077)	(23,729)	(28.0%)	(39,837)	(55,429)	(28.1%)
Employee benefits expense	(5,076)	(5,059)	0.3%	(10,221)	(10,203)	0.2%
Depreciation and amortisation expense	(6,070)	(1,101)	N.M.	(12,217)	(2,216)	N.M.
Other losses	(46)	(114)	(59.6%)	(107)	(354)	(69.8%)
Finance costs	(506)	(354)	42.9%	(856)	(688)	24.4%
Rental expense	(463)	(5,262)	(91.2%)	(1,173)	(10,586)	(88.9)
Other expenses	(2,256)	(2,562)	(11.9%)	(4,235)	(5,324)	(20.4%)
Share of results of associate	(73)	-	N.M.	(152)	-	N.M.
Profit before tax	858	1,254	(31.6%)	3,544	3,722	(4.8%)
Income tax expense	138	(319)	N.M.	(731)	(1,018)	(28.2%)
Profit, net of tax	996	935	6.5%	2,813	2,704	4.0%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations, net of tax	20	(49)	N.M.	(55)	230	N.M.
Other comprehensive income for the period, net of tax	20	(49)	N.M.	(55)	230	N.M.
Total comprehensive income	1,016	886	14.7%	2,758	2,934	(6.0%)
Attributable to:						
Equity holders of the Company	1,053	794	32.6%	2,844	2,568	10.7%
Non-controlling interest	(57)	141	N.M.	(31)	136	N.M.
Profit, net of tax	996	935	6.5%	2,813	2,704	4.0%
Attributable to:						
Equity holders of the Company	1,073	745	44.0%	2,789	2,798	(0.3%)
Non-controlling interest	(57)	141	N.M.	(31)	136	N.M.
Total comprehensive income	1,016	886	14.7%	2,758	2,934	(6.0%)

N.M.: Not meaningful

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

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

	Group Unaudited					
	Q2-2019 S\$'000	Q2-2018 S\$'000	Change %	1H-2019 S\$'000	1H-2018 S\$'000	Change %
Central support service income	78	49	59.2%	156	99	57.6%
Depreciation and amortisation expenses	(6,070)	(1,101)	N.M.	(12,217)	(2,216)	N.M.
Finance costs	(506)	(354)	42.9%	(856)	(688)	24.4%
Foreign exchange adjustment gains/(losses)	69	(99)	N.M.	16	82	(80.5%)
Government grants	-	71	N.M.	146	207	(29.5%)
Goodwill write off	-	-	-	-	(339)	N.M.
Interest income	-	11	-	-	23	N.M.
Fair value (loss)/ gain on derivative financial instruments	(227)	447	N.M.	(227)	447	N.M.
Loss on disposal of property, plant and equipment	(48)	(15)	N.M.	(123)	(15)	N.M.
Mark-to-market revaluation gain of gold loan	36	-	N.M.	36	-	N.M.
Bad debt recoverable	206	-	N.M.	206	-	N.M.
Rental income	319	225	41.8%	550	450	22.2%
Miscellaneous income	18	13	38.5%	93	22	N.M.

N.M.: Not meaningful

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

STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	Unaudited As at 30 June 2019 S\$'000	Audited As at 31 December 2018 S\$'000	Unaudited As at 30 June 2019 S\$'000	Audited As at 31 December 2018 S\$'000
Assets				
<u>Non-current assets</u>				
Property, plant and equipment	31,149	31,988	-	-
Investment in subsidiaries	-	-	10,502	10,502
Investment in associates	135	287	-	-
Deferred tax assets	314	458	-	-
Other financial assets	30	30	-	-
Other assets (lease use rights)	30,849	-	-	-
Other assets (land use rights)	4,990	5,102	-	-
Total non-current assets	67,467	37,865	10,502	10,502
<u>Current assets</u>				
Inventories	57,541	55,682	-	-
Trade and other receivables	2,362	2,893	35,598	33,936
Other assets (land use rights)	219	219	-	-
Other assets	6,299	6,888	170	53
Income tax receivables	105	181	-	-
Derivatives financial assets	388	545	-	-
Cash and cash equivalents	17,657	16,875	922	2,415
Total current assets	84,571	83,283	36,690	36,404
Total assets	152,038	121,148	47,192	46,906
Equity and liabilities				
<u>Equity</u>				
Share capital	42,399	42,399	42,399	42,399
Retained earnings	21,993	19,149	2,821	2,373
Other reserves	(916)	(861)	-	-
Equity attributable to owners of the Company	63,476	60,687	45,220	44,772
Non-controlling interest	(83)	(52)	-	-
Total equity	63,393	60,635	45,220	44,772
<u>Non-current liabilities</u>				
Deferred tax liabilities	399	326	-	-
Other financial liabilities	19,456	19,740	-	-
Other liabilities	1,035	980	-	-
Lease liabilities	21,750	-	-	-
Total non-current liabilities	42,640	21,046	-	-
<u>Current liabilities</u>				
Income tax payable	1,083	1,257	81	136
Trade and other payables	11,059	14,850	1,891	1,998
Other financial liabilities	22,553	21,508	-	-
Other liabilities	2,087	1,852	-	-
Lease liabilities	9,223	-	-	-
Total current liabilities	46,005	39,467	1,972	2,134
Total liabilities	88,645	60,513	1,972	2,134
Total equity and liabilities	152,038	121,148	47,192	46,906

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 2019		As at 31 December 2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
18,211	4,342	17,202	4,306

Amount repayable by the Group after one year

As at 30 June 2019		As at 31 December 2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
19,456	-	19,740	-

Details of collaterals

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

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

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

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

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

CONSOLIDATED / COMBINED STATEMENTS OF CASH FLOWS

	Unaudited			
	Q2-2019 S\$'000	Q2-2018 S\$'000	1H-2019 S\$'000	1H-2018 S\$'000
Cash flows from operating activities				
Profit before tax	858	1,254	3,544	3,722
Adjustments for:				
Depreciation of property, plant and equipment	1,131	1,047	2,251	2,107
Amortisation of right-of-use assets	4,885	-	9,857	-
Amortisation of land use rights	55	54	110	109
Interest expense	238	354	588	688
Interest income	-	(11)	-	(23)
Mark-to-market revaluation gain of gold loan	(36)		(36)	-
Fair value loss/(gain) on derivatives financial instruments	70	(447)	227	(447)
Loss on disposal of property, plant and equipment	48	15	122	15
Share of loss from associate	73	-	152	-
Net effect of foreign exchange rate changes in consolidating foreign subsidiaries	(247)	(181)	(323)	38
Operating cash flows before changes in working capital	7,075	2,085	16,492	6,209
Inventories	(4,410)	(1,286)	(1,859)	259
Trade and other receivables	1,946	521	481	590
Other assets	(9,614)	176	(40,116)	(104)
Trade and other payables	402	(369)	(3,741)	(795)
Other liabilities	4,725	4,759	31,263	1,074
Net cash flows from operations	124	5,886	2,520	7,233
Income taxes paid	-	(1,083)	-	(1,083)
Net cash flows from operating activities	124	4,803	2,520	6,150
Cash flows from investing activities				
Purchase of property, plant and equipment	(935)	(808)	(1,528)	(1,307)
Acquisition of associates	-	(504)	-	(504)
Interest received	-	11	-	23
Net cash flows used in investing activities	(935)	(1,301)	(1,528)	(1,788)
Cash flows from financing activities				
(Decrease)/Increase in borrowings	734	(822)	411	(1,145)
(Decrease)/Increase in other financial liabilities	-	(38)	-	(37)
Finance lease repayments	(17)	(1)	(33)	(6)
Net movement in amounts due to directors	-	(3,991)	-	(4,904)
Interest paid	(238)	(354)	(588)	(688)
Dividend paid	-	(2,813)	-	(2,813)
Net cash flows from/(used in) financing activities	479	(8,019)	(210)	(9,593)
Net (decrease)/increase in cash and cash equivalents	(332)	(4,517)	782	(5,231)
Cash and cash equivalents, statement of cash flows, beginning balance	17,989	30,549	16,875	31,263
Cash and cash equivalents, statement of cash flows, ending balance	17,657	26,032	17,657	26,032

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

STATEMENTS OF CHANGES IN EQUITY

Group	Share Capital	Retained Earnings	Other reserves	Attributable to Owners	Non-Controlling Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2019	42,399	19,149	(861)	60,687	(52)	60,635
Dividends paid	-	-	-	-	-	-
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
Balance as at 1 January 2018	42,399	16,580	(770)	58,209	215	58,424
Dividends paid	-	(2,813)	-	(2,813)	-	(2,813)
Total comprehensive income for the period	-	2,568	230	2,798	136	2,934
Balance as at 30 June 2018	42,399	16,335	(540)	58,194	351	58,545

Company	Share Capital	Retained Earnings	Total Equity
	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2019	42,399	2,373	44,772
Dividends paid	-	-	-
Total comprehensive income for the period	-	448	448
Balance as at 30 June 2019	42,399	2,821	45,220
Balance as at 1 January 2018	42,399	5,627	48,026
Dividends paid	-	(2,813)	(2,813)
Total comprehensive income for the period	-	356	356
Balance as at 30 June 2018	42,399	3,170	45,569

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

CHANGES IN ISSUED AND PAID-UP SHARE CAPITAL

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

During Q2-2019 and 1H-2019, 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 2019 and 30 June 2018.

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 2019	As at 31 December 2018
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 2019 and 31 December 2018.

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

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

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

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

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for Q2-2019 and 1H-2019 as its most recently audited consolidated financial statements for the financial year ended 31 December 2018 ("FY2018").

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

The Group has adopted the new or revised Singapore Financial Standards (International) ("SFRS(I)") which are relevant to the Group with effect from 1 January 2019.

The Group has applied the simplified transition approach of SFRS(I) 16 Leases and will not be restating the comparative amounts for the year prior to first adoption of SFRS(I) 16 Leases. On adoption of SFRS(I) 16 Leases, the Group had recognised all leases in its statement of financial position, as the distinction between operating and finance leases is removed. Under SFRS(I) 16 Leases, the assets (the right to use the leased items) and the lease liabilities to pay rentals are recognised. The only exceptions are short-term leases and leases of low value assets. The accounting for lessors has not changed significantly.

The right-of-use assets are measured using the cost model and are carried at cost less amortisation, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(I) 16 Leases had resulted in adjustments to certain items on the statement of financial position of the Group as at 1 January 2019 and the differences as compared to the Group's audited statement of financial position as at 31 December 2018 as previously reported are as follows:

Item on statement of financial position	As at 1 January 2019 compared to as at 31 December 2018
Right-of-use assets	Increase by S\$30.81 million
Lease liabilities (current and non-current)	Increase by S\$30.81 million

Save for the effect on the adoption of SFRS(I) 16 Leases as described above, the adoption of the new and revised SFRS(I) did not have any significant impact on the Group's financial statements.

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

EARNINGS PER SHARE (“EPS”)

	Group Unaudited			
	Q2-2019	Q2-2018	1H-2019	1H-2018
Profit, net of tax attributable to equity holders of the Company (S\$'000)	1,053	794	2,844	2,568
Weighted average number of ordinary shares ⁽¹⁾				
(a) Basic	562,500,000	562,500,000	562,500,000	562,500,000
(b) Diluted	562,500,000	562,500,000	562,500,000	562,500,000
EPS (cents)				
(a) Basic	0.19	0.14	0.51	0.46
(b) Diluted	0.19	0.14	0.51	0.46

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 2019 and 30 June 2018.

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 2019	Audited As at 31 December 2018	Unaudited As at 30 June 2019	Audited As at 31 December 2018
NAV per ordinary share (cents)	11.27	10.78	8.04	7.96

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\$15.83 million or 18.2% from S\$87.22 million in 1H-2018 to S\$71.38 million in 1H-2019 and decreased by S\$6.63 million or 17.2% from S\$38.63 million in Q2-2018 to S\$32.00 million in Q2-2019. The decrease was mainly attributed to the decrease in sales from SKB of S\$18.17 million and S\$9.13 million in 1H-2019 and Q2-2019 respectively following the cessation of SKB's operations with effect from May 2019.

Other gains

Other gains decreased by S\$0.35 million or 26.5% from S\$1.31 million in 1H-2018 to S\$0.96 million in 1H-2019. This was mainly due to the (i) decrease in fair value gain on derivative financial instruments of S\$0.67 million and (ii) decrease in government grants of S\$0.06 million, offset by (i) recovery of purchase from a supplier of SKB of S\$0.21 million; (ii) increase in rental income of S\$0.10 million; (iii) increase in central support service income of S\$0.06 million; (iv) mark-to-market revaluation gain of gold loan of S\$0.04 million and (v) increase in miscellaneous income of S\$0.07 million relating to the transfer of lease of SKB's outlet to a new tenant.

In Q2-2019, other gains was S\$0.43 million, as compared to S\$0.81 million in Q2-2018. The decrease in other gains of S\$0.38 million or 46.7% was mainly due to the (i) decrease in fair value gain on derivative financial instruments of S\$0.67 million and (ii) absence of government grants of S\$0.07 million, offset by (i) recovery of purchase from a supplier of SKB of S\$0.21 million; (ii) increase in rental income of S\$0.09 million; (iii) increase in central support service income of S\$0.03 million and (iv) mark-to-market revaluation gain of gold loan of S\$0.04 million.

Material costs

Material costs decreased by S\$15.59 million or 28.1% from S\$55.43 million in 1H-2018 to S\$39.84 million in 1H-2019 and decreased by S\$6.65 million or 28.0% from S\$23.73 million in Q2-2018 to S\$17.08 million in Q2-2019. The decrease in material costs was mainly due to the cessation of SKB's operation with effect from May 2019 and also due to changes in product mix.

Employee benefits expense

Employee benefits expense increased by S\$0.02 million or 0.2% from S\$10.20 million in 1H-2018 to S\$10.22 million in 1H-2019 and increased by S\$0.02 million or 0.3% from S\$5.06 million in Q2-2018 to S\$5.08 million in Q2-2019. The increase was mainly attributed to the increase in sales commission.

Depreciation and amortisation expense

Depreciation and amortisation expense increased by S\$10.00 million in 1H-2019 and S\$4.97 million in Q2-2019. The increase in amortisation expenses was mainly due to the adoption of SFRS(I) 16 Leases with effect from 1 January 2019, which resulted in the recognition of all leases as non-current assets in the Group's statement of financial position as at 30 June 2019. Please refer to paragraph 5 of this announcement for further details on SFRS(I) 16 Leases.

Other losses

Other losses decreased by S\$0.25 million or 69.8% from S\$0.35 million in 1H-2018 to S\$0.11 million in 1H-2019 and decreased by S\$0.07 or 59.6% from S\$0.11 million in Q2-2018 to S\$0.05 million in Q2-2019. The decrease was mainly due to absence of write-off of goodwill arising from the Group's acquisition of the entire issued and paid-up share capital of Diamond Avenue Investments Limited in January 2018 of S\$0.34 million.

Finance costs

Finance costs increased by S\$0.17 million or 24.4% from S\$0.69 million in 1H-2018 to S\$0.86 million in 1H-2019 and increased by S\$0.15 million or 42.9% from S\$0.35 million in Q2-2018 to S\$0.51 million in Q2-2019. The increase was mainly due the 6 months' interest computed on the recognition of lease liabilities under the new SFRS(I) of S\$0.35 million, offset by the decrease in interest expenses of S\$0.18 million due to lower borrowings following the repayment of certain term loans facilities.

Rental expenses

Rental expenses decreased by S\$9.41 million or 88.9% from S\$10.59 million in 1H-2018 to S\$1.17 million in 1H-2019 and decreased by S\$4.80 million or 91.2% from S\$5.26 million in Q2-2018 to S\$0.46 million in Q2-2019 as a result of the adoption of SFRS(I) 16 Leases. Please refer to paragraph 5 of this announcement for further details on SRFS(I) 16 Leases.

Other expenses

Other expenses decreased by S\$1.09 million or 20.4% from S\$5.32 million in 1H-2018 to S\$4.24 million in 1H-2019 and decreased by S\$0.31 million or 11.9% from S\$2.56 million in Q2-2018 to S\$2.26 million in Q2-2019. This was mainly due to decrease in selling and promotional expenses for the Group's jewellery segment.

Share of results of associates

The loss of S\$0.15 million in 1H-2019 and S\$0.07 million in Q2-2019 arose from the financial performance of the Group's 40% investment in LVC (Thailand) Co, Ltd.

Profit before tax

As a result of the foregoing, profit before tax decreased by S\$0.18 million or 4.8% from S\$3.72 million in 1H-2019 to S\$3.54 million in 1H-2018 and decrease by S\$0.40 million or 31.6% from S\$1.25 million in Q2-2018 to S\$0.86 million in Q2-2019.

Income tax expense

Income tax expense decreased by S\$0.29 million or 28.2% from S\$1.02 million in 1H-2018 to S\$0.73 million in 1H-2019 and decreased by S\$0.46 million from S\$0.32 million in Q2-2018 to an income tax credit of S\$0.14 million in Q2-2019. This was mainly attributed to the decrease in profit before tax and a reversal of over-provision of tax in FY2018 by SKJ Group Pte. Ltd., a wholly-owned subsidiary of the Company.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Non-current assets

Non-current assets increased by S\$29.60 million or 78.25% from S\$37.87 million as at 31 December 2018 to S\$67.47 million as at 30 June 2019. This was mainly due to recognition of right-of-use assets as "Other assets (lease use rights)" of S\$30.85 million following the adoption of SFRS(I) 16 Leases.

Current assets

Current assets increased by S\$1.29 million or 1.6% from S\$83.28 million as at 31 December 2018 to S\$84.57 million as at 30 June 2019. This was mainly due to increase in (i) inventories of S\$1.86 million and (ii) cash and cash equivalents of S\$0.78 million, offset by decrease in (i) trade and other receivables of S\$0.53 million; (ii) other assets of S\$0.59 million and (iii) derivatives financial assets of S\$0.16 million.

Non-current liabilities

Non-current liabilities increased by S\$21.59 million from S\$21.05 million as at 31 December 2018 to S\$42.64 million as at 30 June 2019. This was mainly due to recognition of lease liabilities of S\$21.75 million following the adoption of SFRS(I) 16 Leases.

Current liabilities

Current liabilities increased by S\$6.54 million or 16.6% from S\$39.47 million as at 31 December 2018 to S\$46.01 million as at 30 June 2019. This was mainly due to the increase in (i) other financial liabilities of S\$1.05 million and (ii) lease liabilities of S\$9.22 million following the adoption of SFRS(I) 16 Leases, offset by decrease in trade and other payables of S\$3.79 million.

Total equity

Total equity increased by S\$2.76 million or 4.5% from S\$60.64 million as at 31 December 2018 to S\$63.39 million as at 30 June 2019. The increase was mainly due to increase in the total comprehensive income, net of tax attributable to owners of the Company of S\$2.84 million for 1H-2019.

REVIEW OF THE GROUP'S CASHFLOW STATEMENT

For 1H-2019, net cash flows from operating activities was S\$2.52 million, which consisted of operating cash flows before changes in working capital of S\$16.49 million and working capital outflows of S\$13.97 million.

The net working capital outflows arose mainly from the following:

- (a) (i) decrease in trade and receivables of S\$0.48 million and (ii) increase in other liabilities of S\$31.26 million due to the recognition of lease liabilities following the adoption of SFRS(I) 16 Leases,
- (b) offset by (i) increase in inventories of S\$1.86 million; (ii) decrease in trade payables S\$3.74 million and (iii) increase in other assets of S\$40.12 million due to the recognition of lease assets following the adoption of SFRS(I) 16 Leases.

For 1H-2019, net cash flows used in investing activities amounted to S\$1.53 million, mainly due to the purchase of property, plant and equipment.

For 1H-2019, net cash flows used in financing activities was S\$0.21 million, mainly due to increase in loan borrowings of S\$0.41 million, offset by interest payment of S\$0.59 million.

As a result of the above, there was a net increase of S\$0.78 million in cash and cash equivalents for 1H-2019, from a net cash surplus of S\$16.88 million as at 31 December 2018 to a net cash surplus of S\$17.66 million as at 30 June 2019.

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

Not applicable as no forecast for 1H-2019 was provided.

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

The challenges in the retail sector are expected to persist in view of the uncertainty in the macroeconomic environment. The continuing Sino-US trade war also plays a big part in creating a pessimistic consumer outlook. Nevertheless, the Group remains committed in strengthening its core competencies and introducing new and exciting products and services.

The Group will continue its expansion plans in the People's Republic of China ("PRC") with the opening of two (2) new franchised "Love & Co." stores in Chongqing in the 2nd half of 2019, further strengthening the Group's presence in the PRC. These new stores will increase the Group's number of franchised stores in the PRC to four (4), forming part of the Group's plans to foray into the PRC market *via* franchise arrangements.

11. Dividend

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

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in cents)	0.50 cents per ordinary share

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

No interim dividend was declared in respect of 1H-2018.

(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)

Tax exempt (one-tier)

(d) Date payable

The payment date for the interim dividend in respect of 1H-2019 ("**Interim Dividend**") will be on 30 August 2019.

(e) Books closure date

The Share Transfer Books and Register of Members of the Company will be closed on 22 August 2019 for the purpose of determining members' entitlements to the Interim Dividend.

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

Not applicable.

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:

Name of Interested Person	Aggregate value of all Interested Person Transactions during the year under review (including transactions of less than S\$100,000 and transactions conducted under Shareholders’ Mandate pursuant to Rule 920 of the Catalist Rules)	
	1H-2019 S\$’000	1H-2018 S\$’000
Purchases of products Moneymax Financial Services Ltd. and its subsidiaries (the “ MoneyMax Group ”)	177	25
Sales of products MoneyMax Group Ang Miah Khiang	30 15	2 -
Central support services MoneyMax Group	156	99
Rental income MoneyMax Group	155	156
Rental expense Lim Yong Guan	163	162
	696	444

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

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

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

The board of directors of the Company (the “**Board**”) confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial statements for Q2-2019 and 1H-2019 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD OF DIRECTORS

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

Lim Yong Sheng
Executive Director and Chief Executive Officer

8 August 2019

*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 Khat, Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.*