



## SK Jewellery Group Limited

(Company Registration No.: 201214694Z)

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

### UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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					
	Q3-2019 S\$'000	Q3-2018 S\$'000	Change %	9M-2019 S\$'000	9M-2018 S\$'000	Change %
<b>Revenue</b>	32,612	60,658	(46.2%)	103,994	147,873	(29.7%)
Other gains	8	364	(97.8%)	878	1,589	(44.7%)
Material costs	(17,052)	(45,345)	(62.4%)	(56,888)	(100,774)	(43.5%)
Employee benefits expense	(4,894)	(5,014)	(2.4%)	(15,115)	(15,217)	(0.7%)
Depreciation and amortisation expense	(6,305)	(1,131)	N.M.	(18,522)	(3,347)	N.M.
Other losses	(74)	(211)	(64.9%)	(181)	(483)	(62.5%)
Finance costs	(450)	(280)	60.7%	(1,307)	(968)	35.0%
Rental expenses	(950)	(5,389)	(82.4%)	(2,034)	(15,975)	(87.3%)
Other expenses	(2,180)	(2,162)	0.8%	(6,415)	(7,486)	(14.3%)
Share of results of associates	(70)	(164)	(57.3%)	(222)	(164)	35.4%
<b>Profit before tax</b>	<b>645</b>	<b>1,326</b>	<b>(51.4%)</b>	<b>4,188</b>	<b>5,048</b>	<b>(17.0%)</b>
Income tax expense	(326)	(236)	(38.1%)	(1,056)	(1,254)	(15.8%)
<b>Profit, net of tax</b>	<b>319</b>	<b>1,090</b>	<b>(70.7%)</b>	<b>3,132</b>	<b>3,794</b>	<b>(17.5%)</b>
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Exchange differences on translating foreign operations, net of tax	40	(235)	N.M.	(36)	(5)	N.M.
<b>Other comprehensive income for the period, net of tax</b>	<b>40</b>	<b>(235)</b>	<b>N.M.</b>	<b>(36)</b>	<b>(5)</b>	<b>N.M.</b>
<b>Total comprehensive income</b>	<b>359</b>	<b>855</b>	<b>(58.0%)</b>	<b>3,096</b>	<b>3,789</b>	<b>(18.3%)</b>
<b>Attributable to:</b>						
Equity holders of the Company	459	1,090	(57.9%)	3,246	3,658	(11.3%)
Non-controlling interest	(140)	-	N.M.	(114)	136	N.M.
<b>Profit, net of tax</b>	<b>319</b>	<b>1,090</b>	<b>(70.7%)</b>	<b>3,132</b>	<b>3,794</b>	<b>(17.5%)</b>
<b>Attributable to:</b>						
Equity holders of the Company	499	855	(41.6%)	3,210	3,653	(12.1%)
Non-controlling interest	(140)	-	N.M.	(114)	136	N.M.
<b>Total comprehensive income</b>	<b>359</b>	<b>855</b>	<b>(58.0%)</b>	<b>3,096</b>	<b>3,789</b>	<b>(18.3%)</b>

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					
	Q3-2019 S\$'000	Q3-2018 S\$'000	Change %	9M-2019 S\$'000	9M-2018 S\$'000	Change %
Central support service income	78	78	-	234	177	32.2%
Depreciation and amortisation expenses	(6,305)	(1,131)	N.M.	(18,522)	(3,347)	N.M.
Finance costs	(450)	(280)	60.7%	(1,307)	(968)	35.0%
Foreign exchange adjustment gains/(losses)	(69)	(180)	(61.7%)	(53)	(98)	(45.9%)
Share of results of associates	(70)	(164)	(57.3%)	(222)	(164)	35.4%
Government grants	-	-	-	146	207	(29.5%)
Goodwill write off	-	-	-	-	(339)	N.M.
Interest income	-	7	(100.0%)	-	30	(100.0%)
Unrealised fair value gain on derivative financial instruments	-	-	-	-	447	N.M.
Realised fair value loss on derivative financial instruments	(388)	-	N.M.	(615)	-	N.M.
Loss on disposal of property, plant and equipment	(111)	(31)	N.M.	(234)	(46)	N.M.
Mark-to-market revaluation gain of gold loan	39	-	N.M.	75	-	N.M.
Bad debt recoverable	-	-	N.M.	206	-	N.M.
Rental income	134	224	(40.0%)	684	674	1.5%
Miscellaneous income	54	62	(12.9%)	147	84	75.0%

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 September 2019 S\$'000	Audited As at 31 December 2018 S\$'000	Unaudited As at 30 September 2019 S\$'000	Audited As at 31 December 2018 S\$'000
<b>Assets</b>				
<b><u>Non-current assets</u></b>				
Property, plant and equipment	30,821	31,988	-	-
Investment in subsidiaries	-	-	10,502	10,502
Investment in associates	66	287	-	-
Deferred tax assets	315	458	-	-
Other financial assets	30	30	-	-
Other assets (lease use rights)	25,679	-	-	-
Other assets (land use rights)	4,936	5,102	-	-
<b>Total non-current assets</b>	<b>61,847</b>	<b>37,865</b>	<b>10,502</b>	<b>10,502</b>
<b><u>Current assets</u></b>				
Inventories	56,278	55,682	451	-
Trade and other receivables	2,579	2,893	35,397	33,936
Other assets (land use rights)	219	219	-	-
Other assets	6,146	6,888	218	53
Income tax receivables	201	181	-	-
Derivatives financial assets	-	545	-	-
Cash and cash equivalents	11,459	16,875	883	2,415
<b>Total current assets</b>	<b>76,882</b>	<b>83,283</b>	<b>36,949</b>	<b>36,404</b>
<b>Total assets</b>	<b>138,729</b>	<b>121,148</b>	<b>47,451</b>	<b>49,906</b>
<b>Equity and liabilities</b>				
<b><u>Equity</u></b>				
Share capital	42,399	42,399	42,399	42,399
Retained earnings	19,582	19,149	3,241	2,373
Other reserves	(897)	(861)	-	-
Equity attributable to owners of the Company	61,084	60,687	45,640	44,772
Non-controlling interest	(166)	(52)	-	-
<b>Total equity</b>	<b>60,918</b>	<b>60,635</b>	<b>45,640</b>	<b>44,772</b>
<b><u>Non-current liabilities</u></b>				
Deferred tax liabilities	399	326	-	-
Other financial liabilities	19,456	19,740	-	-
Other liabilities	999	980	-	-
Lease liabilities	21,759	-	-	-
<b>Total non-current liabilities</b>	<b>42,613</b>	<b>21,046</b>	<b>-</b>	<b>-</b>
<b><u>Current liabilities</u></b>				
Income tax payable	720	1,257	39	136
Trade and other payables	9,785	14,850	1,772	1,998
Other financial liabilities	18,060	21,508	-	-
Lease liabilities	4,662	-	-	-
Other liabilities	1,971	1,852	-	-
<b>Total current liabilities</b>	<b>35,198</b>	<b>39,467</b>	<b>1,811</b>	<b>2,134</b>
<b>Total liabilities</b>	<b>77,811</b>	<b>60,513</b>	<b>1,811</b>	<b>2,134</b>
<b>Total equity and liabilities</b>	<b>138,729</b>	<b>121,148</b>	<b>47,451</b>	<b>46,906</b>

**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 September 2019		As at 31 December 2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
17,775	285	17,268	4,240

Amount repayable by the Group after one year

As at 30 September 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 loan of S\$0.29 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			
	Q3-2019 S\$'000	Q3-2018 S\$'000	9M-2019 S\$'000	9M-2018 S\$'000
<b><u>Cash flows from operating activities</u></b>				
Profit before tax	645	1,326	4,188	5,048
Adjustments for:				
Depreciation of property, plant and equipment	1,067	1,157	3,318	3,264
Amortisation of right-of-use assets	5,183	-	15,040	-
Amortisation of land use rights	54	56	164	165
Interest expense	183	280	771	968
Interest income	-	(7)	-	(30)
Mark-to-market revaluation gain of gold loan	(39)	-	(75)	-
Fair value loss/(gain) on derivatives financial instruments	388	-	615	(447)
Loss on disposal of property, plant and equipment	111	31	233	46
Share of results of associates	70	164	222	164
Net effect of foreign exchange rate changes in consolidating foreign subsidiaries	920	(337)	598	(299)
Operating cash flows before changes in working capital	8,582	2,670	25,074	8,879
Inventories	1,263	2,975	(596)	3,234
Trade and other receivables	(217)	(647)	264	(57)
Other assets	140	1,339	(39,976)	1,235
Trade and other payables	(1,274)	(874)	(5,015)	(1,669)
Other liabilities	(4,705)	(5,112)	26,558	(4,038)
Net cash flows from operations	3,789	351	6,309	7,584
Income taxes paid	(1,543)	(641)	(1,543)	(1,724)
Net cash flows (used in) / from operating activities	2,246	(290)	4,766	5,860
<b><u>Cash flows from investing activities</u></b>				
Purchase of property, plant and equipment	(1,082)	(934)	(2,610)	(2,241)
Disposal of property, plant and equipment	225	-	225	-
Acquisition of associates	-	-	-	(504)
Interest received	-	7	-	30
Net cash flows used in investing activities	(857)	(927)	(2,385)	(2,715)
<b><u>Cash flows from financing activities</u></b>				
Decrease in borrowings	(551)	(233)	(140)	(1,378)
Decrease in other financial liabilities	-	(17)	-	(54)
Finance lease repayments	(16)	-	(49)	(6)
Net movement in amounts due to directors	(4,024)	(3,018)	(4,024)	(7,922)
Interest paid	(183)	(280)	(771)	(968)
Dividend paid	(2,813)	-	(2,813)	(2,813)
Net cash flows used in financing activities	(7,587)	(3,548)	(7,797)	(13,141)
<b><u>Net decrease in cash and cash equivalents</u></b>	(6,198)	(4,765)	(5,416)	(9,996)
Cash and cash equivalents, statement of cash flows, beginning balance	17,657	26,032	16,875	31,263
<b>Cash and cash equivalents, statement of cash flows, ending balance</b>	<b>11,459</b>	<b>21,267</b>	<b>11,459</b>	<b>21,267</b>

- 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
<b>Balance as at 1 January 2019</b>	<b>42,399</b>	<b>19,149</b>	<b>(861)</b>	<b>60,687</b>	<b>(52)</b>	<b>60,635</b>
Dividends paid	-	(2,813)	-	(2,813)	-	(2,813)
Total comprehensive income for the period	-	3,246	(36)	3,210	(114)	3,096
<b>Balance as at 30 September 2019</b>	<b>42,399</b>	<b>19,582</b>	<b>(897)</b>	<b>61,084</b>	<b>(166)</b>	<b>60,918</b>
<b>Balance as at 1 January 2018</b>	<b>42,399</b>	<b>16,580</b>	<b>(770)</b>	<b>58,209</b>	<b>215</b>	<b>58,424</b>
Dividends paid	-	(2,813)	-	(2,813)	-	(2,813)
Total comprehensive income for the period	-	3,658	(5)	3,653	136	3,784
<b>Balance as at 30 September 2018</b>	<b>42,399</b>	<b>17,425</b>	<b>(775)</b>	<b>59,049</b>	<b>351</b>	<b>59,400</b>

Company	Share Capital	Retained Earnings	Total Equity
	S\$'000	S\$'000	S\$'000
<b>Balance as at 1 January 2019</b>	<b>42,399</b>	<b>2,373</b>	<b>44,772</b>
Dividends paid	-	(2,813)	(2,813)
Total comprehensive income for the period	-	3,681	3,681
<b>Balance as at 30 September 2019</b>	<b>42,399</b>	<b>3,241</b>	<b>45,640</b>
<b>Balance as at 1 January 2018</b>	<b>42,399</b>	<b>5,627</b>	<b>48,026</b>
Dividends paid	-	(2,813)	(2,813)
Total comprehensive income for the period	-	473	473
<b>Balance as at 30 September 2018</b>	<b>42,399</b>	<b>3,287</b>	<b>45,686</b>

**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 <b>Balance as at 30 September 2019</b>	562,500,000	42,398,917

During Q3-2019 and 9M-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 September 2019 and 30 September 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 September 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 September 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 Q3-2019 and 9M-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:

<b>Item on statement of financial position</b>	<b>As at 1 January 2019 compared to as at 31 December 2018</b>
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”)**

	<b>Group Unaudited</b>			
	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>9M-2019</b>	<b>9M-2018</b>
Profit, net of tax attributable to equity holders of the Company (S\$'000)	459	1,090	3,246	3,658
Weighted average number of ordinary shares <sup>(1)</sup>				
(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	0.08	0.19	0.58	0.65
(b) Diluted	0.08	0.19	0.58	0.65

**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 September 2019 and 30 September 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 September 2019	Audited As at 31 December 2018	Unaudited As at 30 September 2019	Audited As at 31 December 2018
NAV per ordinary share (cents)	10.83	10.78	8.11	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\$43.88 million or 29.7% from S\$147.87 million in 9M-2018 to S\$103.99 million in 9M-2019 and decreased by S\$28.05 million or 46.2% from S\$60.66 million in Q3-2018 to S\$32.61 million in Q3-2019. The decrease in revenue was mainly from the decrease in sales from SKB of S\$47.50 million and S\$29.34 million in 9M-2019 and Q3-2019, respectively following the cessation of SKB’s operations in May 2019.

**Other gains**

Other gains decreased by S\$0.71 million or 44.7% from S\$1.59 million in 9M-2018 to S\$0.88 million in 9M-2019. This was mainly attributable to (i) realised fair value loss on derivative financial instruments of S\$0.62 million in 9M-2019 as compared to an unrealised fair value gain on derivative financial instruments of S\$0.45 million in 9M-2018 as a result of the cessation of SKB’s operations and (ii) decrease in government grant of S\$0.06 million, offset by (i) recovery of purchase from a supplier of SKB of S\$0.21 million, (ii) mark-to-market revaluation gain on gold loan of S\$0.08 million, (iii) increase in miscellaneous income of S\$0.06 million, and (iv) increase in rental income of S\$0.10 million.

In Q3-2019, other gains were S\$0.01 million, as compared to S\$0.36 million in Q3-2018. The decrease of S\$0.35 million or 97.8% was mainly due to the realised fair value loss on derivative financial instruments of S\$0.39 million as a result of the cessation of SKB’s operations, offset by a mark-to-market revaluation gain on gold loan of S\$0.04 million.

**Material costs**

Material costs decreased by S\$43.89 million or 43.5% from S\$100.77 million in 9M-2018 to S\$56.89 million in 9M-2019 and decreased by S\$28.29 million or 62.4% from S\$45.35 million in Q3-2018 to S\$17.05 million in Q3-2019. The decrease in material costs was mainly attributed to changes in product mix and the cessation of SKB’s operations in May 2019.

### **Employee benefits expense**

Employee benefits expense decreased slightly by S\$0.10 million or 0.7% from S\$15.22 million in 9M-2018 to S\$15.12 million in 9M-2019 and decreased by S\$0.12 million or 2.4% from S\$5.01 million in Q3-2018 to S\$4.89 million in Q3-2019. The decrease was mainly attributed to the decrease in staff salaries following the cessation of SKB's operations in May 2019.

### **Depreciation and amortisation expense**

Depreciation and amortisation expense increased by S\$15.18 million from S\$3.35 million in 9M-2018 to S\$18.52 million in 9M-2019 and increased by S\$5.17 million from S\$1.13 million in Q3-2018 to S\$6.31 million in Q3-2019. 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 September 2019. Please refer to paragraph 5 of this announcement for further details on SFRS(I) 16 Leases.

### **Other losses**

Other losses decreased by S\$0.30 million or 62.5% from S\$0.48 million in 9M-2018 to S\$0.18 million in 9M-2019 mainly due to absence of write-off of goodwill arising from our acquisition of the entire issued and paid-up share capital of Diamond Avenue Investments Limited in January 2018 of S\$0.34 million.

Other losses decreased by S\$0.14 million or 64.9% from S\$0.21 million in Q3-2018 to S\$0.07 million in Q3-2019 mainly due to lower foreign exchange adjustment losses of S\$0.22 million attributable to the weakening of MYR against S\$, offset by increase in loss on disposal of plant and equipment in Singapore of S\$0.08 million.

### **Finance costs**

Finance costs increased by S\$0.34 million or 35.0% from S\$0.97 million in 9M-2018 to S\$1.31 million in 9M-2019 and increased by S\$0.17 million or 60.7% from S\$0.28 million in Q3-2018 to S\$0.45 million in Q3-2019. The increase was mainly due the 9 months' interest computed on the recognition of lease liabilities under the new SFRS(I) 16 Leases of S\$0.49 million, offset by the decrease in interest expenses of S\$0.15 million due to lower borrowings following the repayment of directors' loans and certain term loans facilities.

### **Rental expenses**

Rental expenses decreased by S\$13.94 million or 87.3% from S\$15.98 million in 9M-2018 to S\$2.03 million in 9M-2019 and decreased by S\$4.44 million or 82.4% from S\$5.39 million in Q3-2018 to S\$0.95 million in Q3-2019 as a result of the adoption of SFRS(I) 16 Leases. Please refer to paragraph 5 of this announcement for further details on SFRS(I) 16 Leases.

### **Other expenses**

Other expenses decreased by S\$1.07 million or 14.3% from S\$7.49 million in 9M-2018 to S\$6.42 million in 9M-2019 mainly due to decrease in selling and promotional expenses for the Group's jewellery segment.

Other expenses increased slightly by S\$0.02 million or 0.8% from S\$2.16 million in Q3-2018 to S\$2.18 million in Q3-2019.

### **Profit before tax**

As a result of the foregoing, profit before tax decreased by S\$0.86 million or 17.0% from S\$5.05 million in 9M-2018 to S\$4.19 million in 9M-2019 and decreased by S\$0.68 million or 51.4% from S\$1.33 million in Q3-2018 to S\$0.65 million in Q3-2019.

### **Income tax expense**

Income tax expense decreased by S\$0.20 million or 15.8% from S\$1.25 million in 9M-2018 to S\$1.06 million in 9M-2019 mainly due to the decrease in profit before tax.

Income tax expense increased by S\$0.09 million or 38.1% from S\$0.24 million in Q3-2018 to S\$0.33 million in Q3-2019 mainly due to reversal of over-provision of tax in FY2018 by SKJ Group Pte. Ltd., a wholly-owned subsidiary of the Group.

## **REVIEW OF THE GROUP'S FINANCIAL POSITION**

### **Non-current assets**

Non-current assets increased by S\$23.98 million or 63.3% from S\$37.87 million as at 31 December 2018 to S\$61.85 million as at 30 September 2019. This was mainly due to recognition of right-of-use assets as "Other assets (lease use rights)" of S\$25.68 million following the adoption of SFRS(I) 16.

### **Current assets**

Current assets decreased by S\$6.40 million or 7.7% from S\$83.28 million as at 31 December 2018 to S\$76.88 million as at 30 September 2019. This was mainly due to the (i) decrease in cash and cash equivalents of S\$5.42 million mainly due to repayment of directors' loans and interim dividend payment in respect of 1H-2019, (ii) decrease in other assets of S\$0.74 million and (iii) decrease in derivative financial assets of S\$0.55 million from the cessation of SKB's operations, offset by increase in inventories of S\$0.60 million.

### **Non-current liabilities**

Non-current liabilities increased by S\$21.57 million from S\$21.05 million as at 31 December 2018 to S\$42.61 million as at 30 September 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 decreased by S\$4.27 million or 10.8% from S\$39.47 million as at 31 December 2018 to S\$35.20 million as at 30 September 2019. This was mainly due to (i) decrease in trade and other payables of S\$5.07 million in the People's Republic of China ("PRC"), (ii) decrease in other financial liabilities of S\$3.45 million and (iii) decrease in income tax payable of S\$0.54 million, offset by lease liabilities of S\$4.67 million following the adoption of SFRS(I) 16 Leases.

### **Total equity**

Total equity increased by S\$0.28 million or 0.5% from S\$60.64 million as at 31 December 2018 to S\$60.92 million as at 30 September 2019. The decrease was mainly due to increase in the total comprehensive income, net of tax attributable to owners of the Company of S\$3.25 million for 9M-2019, offset by the interim dividend payment of S\$2.81 million made in Q3-2019.

## REVIEW OF THE GROUP'S CASHFLOW STATEMENT

For 9M-2019, net cash flows from operating activities was S\$4.77 million, which consisted of operating cash flows before changes in working capital of S\$25.07 million, net of income tax paid of S\$1.54 million and working capital outflows of S\$18.77 million.

The net working capital outflows arose mainly from the following:

- (a) (i) increase in other liabilities of S\$26.56 million due to the recognition of lease liabilities following the adoption of SFRS(I) 16 Leases and (ii) decrease in trade and receivables of S\$0.26 million,
- (b) offset by (i) increase in other assets of S\$39.98 million due to the recognition of lease assets following the adoption of SFRS(I) 16 Leases; (ii) decrease in trade payables S\$5.02 million and (iii) increase in inventories of S\$0.60 million.

For 9M-2019, net cash flows used in investing activities amounted to S\$2.39 million, mainly due to the purchase of property, plant and equipment.

For 9M-2019, net cash flows used in financing activities was S\$7.80 million, mainly due to (i) repayment of loan borrowings of S\$4.02 million, (ii) interim dividend payment S\$2.81 million, (iii) interest payment of S\$0.77 million.

As a result of the above, there was a net decrease of S\$5.42 million in cash and cash equivalents for 9M-2019, from a net cash surplus of S\$16.88 million as at 31 December 2018 to a net cash surplus of S\$11.46 million as at 30 September 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 9M-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 continuing uncertainty in the macroeconomic environment. Continuing tensions between Japan and Korea, Brexit and the Sino-US trade war have contributed towards a pessimistic consumer outlook. Nevertheless, the Group remains committed in strengthening its core competencies to provide novel shopping experiences and introduce new product lines to capture market share.

The Group is also committed to its strategic expansion into PRC's market *via* franchise model arrangements, following the opening of its flagship stores in Chong Qing Raffles City and Chengdu JinNu recently.

**11. Dividend**

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

None.

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

None.

**(c) 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.**

No dividend has been declared or recommended for 9M-2019.

**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)	
	9M-2019 S\$’000	9M-2018 S\$’000
<b>Purchases of products</b> Moneymax Financial Services Ltd. and its subsidiaries (the “ <b>MoneyMax Group</b> ”)	178	52
<b>Sales of products</b> MoneyMax Group	65	7
Ang Miah Khiang	15	-
<b>Central support services</b> MoneyMax Group	234	177
<b>Rental income</b> MoneyMax Group	233	233

	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	9M-2019 S\$'000	9M-2018 S\$'000
<b>Rental expense</b>		
Lim Yong Guan	245	243
	970	712

**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 Q3-2019 and 9M-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 November 2019

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*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.*