

**Issuer:** Soo Kee Group Ltd.

**Security:** Soo Kee Group Ltd.

**Meeting details:**

Date: 30 April 2018

Time: 10.00 a.m.

Venue: 7 Changi Business Park Vista, #01-01, Singapore 486042

**Company Description**

Soo Kee Group Ltd., an investment holding company, engages in the retail and trade of jewelry products in Singapore, Malaysia, and China. The company operates through Retail and Trading of Jewellery, and Retail and Trading of Bullion Products segments. It offers jewelry products and mementos, including engagement and wedding bands, diamonds, bridal jewelry products, sculpted art pieces, commemorative gold bars, coins, gifts, pendants, necklaces, rings, bracelets, and earrings; and services, such as cleaning, engraving, resizing, repair, restoration, and return and exchange services. The company also provides watches and luxury goods. It offers jewelry products under the Soo Kee Jewellery, SK Jewellery, and Love & Co. brand names. In addition, the company operates as a gold and silver dealer under SK Bullion brand, which offer an alternative investment platform for consumers to buy, sell, and store precious gold and silver assets at their convenience. It operates a network of approximately 60 retail stores in Singapore and Malaysia. The company was founded in 1991 and is headquartered in Singapore. Soo Kee Group Ltd. is a subsidiary of Soo Kee Capital Pte Ltd.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=42G](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42G))

1. In the CEO's Statement, it was highlighted that the regional expansion to Thailand and China was a significant milestone for the group. Would the board/management provide better clarity to shareholders on the regional plans? Specifically:

- (i) **China and Thailand:** The Chinese jewellery market is dominated by large local/Hong Kong players such as Chow Tai Fook, Chow Sang Sang, Luk Fook and Lao Feng Xiang. Similarly, in Thailand, the group has to compete with big international and local Thai brands. The group has made its foray into the China market with the opening of a first bridal jewellery store in Shenzhen and in Thailand, it has partnered a leading retailer of gold ornament and fine jewellery.

**Other than leveraging the bespoke bridal jewellery brand name, Love & Co., what is the level of market research carried out by the group? How well does management understand the consumer psyche of the modern Chinese/Thai couples? Can management elaborate further on the positioning of the brand? Will the group need to invest a lot into the marketing of the brands in the local markets? How much capital has the company earmarked for the expansion in the two markets?**

- (ii) **Singapore:** Can management also elaborate further on the performance and prospects of the Singapore "home" market? What was the growth, if any, and how is the group managing the escalating rental costs?

2. Based on the disclosure in Note 4B (page 60 - Profit or loss from continuing operations and reconciliations), the group's bullion business, under SK Bullion, grew to \$105.5 million in FY2017 from \$42.6 million in FY2016 (from 19 April 2016). The bullion business reported a segment loss of \$(322,000) in the first full year of operations.

As a result, the group wrote off \$500,000 in goodwill arising from the acquisition and at the same time, reversed the contingent consideration for business combination

- (i) **Since the acquisition in April 2016, how has management scaled up the bullion business? What were the milestones?**
- (ii) **What caused the loss from the bullion business in FY2017 even as revenue more than doubled?**
- (iii) **Going forward, how does the group intend to scale up the business profitably? What is the value proposition of SK Bullion and how does it compete against others in a crowded marketplace?**
- (iv) **With total assets in the segment increasing from \$9.5 million to \$20.0 million as at 31 December 2017, how much more capital will be allocated to scale up the segment?**

3. As shown in the Corporate Governance Report, the attendance of the directors at meetings of the board and board committees,

	Board	AC	NC	RC
No. of meetings held	4	4	1	1
Dato' Sri Dr. Lim Yong Guan	4	4*	1*	1*
Mr. Lim Yong Sheng	4	4*	1*	1*
Mdm. Lim Liang Eng	4	4*	1*	1*
Mr. Ang Miah Khiang	4	4	1	1
Mr. Sim Eng Hua	4	4	1	1
Mr. Lye Hoong Yip Raymond	4	4	1	1
Mr. Low Chia Wing	4	4	1	1

\* By invitation

as well as the frequency of such meetings held during the financial year ended 31 December 2017 are as follows (page 18):  
(Source: Company annual report)

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

Under Principle 3 in the Corporate Governance Report, the company disclosed that:

*"The Independent Directors meet amongst themselves and with the Company's external auditors ("EA") and internal auditors ("IA") without the presence of management and the Non-Executive Chairman, given his familial relationship with certain members of management, to discuss matters such as the Group's financial performance, corporate governance and risk management initiatives, Board processes, management cooperation, as well as, any internal audit observations.(page 20)*

As seen in the table above, the three executive directors were invited for all the board committee meetings held in the year.

- (i) **Can the independent directors who sit and chair the board committees help shareholders understand if it is routine to invite all the executive directors to the board committee meetings?**
- (ii) **Given that the independent directors see value in meeting auditors without the presence of management and the non-executive chairman, would the board dynamics change at the board committee without the presence of management and the non-executive chairman?**