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Issuer: SK Jewellery Group Limited (formerly Soo Kee Group Ltd.)

Security: SK Jewellery Group Limited

Meeting details:

Date: 29 April 2019

Time: 10.00 a.m.

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

Company Description

SK Jewellery Group Limited, formerly Soo Kee Group Ltd., is a Singapore-based company, which is engaged in investment holding. The Company operates through the retail and trading of jewellery business segment. It offers a range of jewelry products and mementoes through its Soo Kee Jewellery, SK Jewellery and Love & Co. brands. Soo Kee Jewellery offers products, including diamonds, engagement rings and wedding rings. SK Jewellery and Love offers collections, including Allove Diamond, Dancing Star, Star Carat, Cherio, Disney Princess, Fiestar, Jade Royale and Shima. Love & Co. offers products, including wedding bands and engagement rings. The Company, through its subsidiaries, is engaged in activities, including retail sale of jewelry, watches, and logistics and distribution management. It offers SOOKEE Estore, which is an e-commerce platform featuring a range of certified diamonds. It has a network of approximately 60 retail stores situated in shopping malls in Singapore and Malaysia. (Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42G)

Q1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) Singapore:** Management has attributed the fall in overall revenue (by \$18.63 million) to the \$25.16 million drop in the bullion business. **Would management help shareholders understand the performance of the Singapore retail segment? What is management's strategy to deal with the rising rental expenses?** As disclosed in Note 30 (page 93 – Operating lease payment commitments – as lessee), rental expenses increased by 8.3% to \$21.56 million (although this would include the rental expenses from the PRC operation).
- (ii) SK Bullion:** Due to decreasing performance by SK Bullion Pte Ltd, the group has written down the entire goodwill associated with the acquisition (2018 - \$247,000 and 2017 - \$500,000). **What are management's plans to grow the bullion business? Going forward, what is the expected growth rate and profitability of the bullion business?**
- (iii) PRC:** **With the opening of the first store in Shenzhen in the first quarter of 2018 and the second store in the second quarter of 2018, has the growth in China met management's projection? Can management highlight some of the milestones achieved for its PRC business?** According to the segment information, the group recognised just \$849,000 in revenue from PRC.

2. The group has ventured beyond the core business in recent years, with the bullion business and the venture into cryptocurrencies. On 18 January 2019, the group entered into a memorandum of understanding (“MOU”) with Bizkey Network Pte. Ltd. (“Bizkey”), a blockchain-based Point-of-Sale (“POS”) systems provider, in relation to the acceptance of cryptocurrency as an alternative form of payment at its jewellery outlets.

On 22 March 2019, the company announced that the MOU had expired and the group decided not to proceed with the integration of the acceptance of crypto currencies into the POS systems at its outlets.

- (i) Although the blockchain-based POS MOU has lapsed, can management help shareholders understand how it was aligned with the group's strategic direction? What was the level of due diligence carried out? What was the involvement of the board leading up to the signing of the MOU?**
- (ii) What is the guidance given by the board to management on the group's growth strategies and diversification efforts?**

- (iii) In trying out the blockchain POS, and any other future ventures, what are the main investment criteria? Is management guided by a set of robust investment criteria, including addressable market, profitability, and the associated market and execution risks?**

Q3. In the original loan payment agreement, the shareholders (also directors) had provided the group with loans of approximately S\$18.0 million in aggregate.

Under the terms of the Directors' Loan Agreement, the Directors' Loan will be repaid by quarterly installments over five years, and will be subject to an interest rate of 4.65% per annum, with the first payment of the principal loan amount and accrued interest on 4 January 2016, and thereafter on the first business day of the first month of the relevant quarter.

On 23 May 2018, with approximately S\$9.00 million of the principal amount still outstanding, the group agreed to a revised payment term as follows:

- (i) the 1st tranche of approximately S\$3.07 million (inclusive of accrued interest of approximately S\$0.07 million) to be repaid on 1 June 2018;*
 - (ii) the 2nd tranche of approximately S\$3.16 million (inclusive of accrued interest of approximately S\$0.16 million) to be repaid on 2 January 2019; and*
 - (iii) the 3rd tranche of approximately S\$3.07 million (inclusive of accrued interest of approximately S\$0.07 million) to be repaid on 2 July 2019,*
- (collectively, the "Revised Payment Terms")*

On 12 September 2018, the lenders once again asked for the following:

- advance the repayment of the January 2019 Payment to 18 September 2018, which will comprise the repayment of approximately S\$3.08 million (inclusive of accrued interest of approximately S\$0.08 million) to the Lenders (the "September 2018 Payment").
- (i) Can the independent directors help shareholders understand if they were consulted on the proposed revisions and had explicitly approved the revision of the payment terms (twice) as this was an interested person transaction?**
 - (ii) Did the company receive any early "termination" benefit? If not, why not?**

- (iii) What was the role of management (and the conflicted directors) in the entire process of revising the payment term?**

- (iv) Can the independent directors help shareholders understand how the unplanned early repayment of loan had affected the group's operations and expansion plans?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=>

The company's response could be found here: -----