

TAKA JEWELLERY HOLDINGS LIMITED

(Company Registration No. 201526542C)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Q1. As noted in the letter to shareholders, with the return of physical exhibitions around the second quarter of this year, and together with sales via digital communications, revenue for the group increased by 63% in the wholesale and exhibition segment to \$41.7 million as compared to \$25.6 million in FY2021. Management expects international demand for the group's jewellery products to improve going forward (page 2).

(i) In the wholesale and exhibitions segment, how have consumer demand and preferences changed in the past three years?

We have a wide range of products catering to different consumer preferences and requirements, and we have not seen any significant changes in the consumer demand and preferences in the last three years.

(ii) How much of the segment revenue was derived from sales via digital communication channels (and not from exhibitions)? Has management been able to build up a stable customer base with recurring orders from the use of digital communications to cut down on the dependence on physical exhibitions?

Sales via digital communication channels ("DCC") are not directly identifiable and measurable in this segment at this point of time. This is mainly due to the fact the generation of sales leads and closing of sales transactions often co-exist with random sequence of occurrence even amongst the same customers. Our wholesale customers still prefer to examine and select the products in person at the physical exhibition though they may place order via DCC subsequently. Hence it is still not practical to cut down the dependency on physical exhibition as sales via DCC is merely a secondary facility to support our sales and marketing function.

In the retail business segment, revenue declined 13% to \$59.7 million in FY2022 from \$68.2 million in FY2021, partly due to gold price fluctuations. The company began selling lab-grown diamonds to cater to the growing demand by millennials and Gen-Z consumers who prefer environmentally sourced and sustainable diamonds.

(iii) What is the impact of gold price fluctuations on the group's P&L?

No direct impact to the group's P&L as the gold price fluctuations has been reflected in the selling price of jewellery. The decline in sales is attributable to gold price fluctuations which affect overall consumer buying sentiments.

(iv) What is management's strategy to grow the market for lab-grown diamonds?

We will focus on content marketing of this new line of lab-grown diamonds as well as educating consumers not familiar with such diamonds on the sustainability of lab-grown diamonds and the differences between such diamonds and mined diamonds.

(v) Is there a risk that the sale of lab-grown diamonds will cannibalise the sales of mined diamonds? Are there significant differences in the profit margin between the two?

Currently there is no perceived risk as demand for lab-grown diamonds is still in its infancy stage, with most consumers still preferring mined diamonds. Lab-grown diamonds and mined diamonds are used to set different range and style of products, of which the margins vary widely.

Q2. On 18 August 2022, the company announced that, through its wholly-owned subsidiary, Equity Fintech Pte. Ltd., the group subscribed for 1,320,000 new shares in Surrey Hills Holdings (Private Limited) (“Surrey Hills”) for a cash consideration of \$1,760,000.

Surrey Hills is engaged in the business of, amongst others, owning and operating a grocer and food & beverage outlet named Surrey Hills Grocer, located at 511 Upper Jurong Road.

(i) What were the pre-money and post-money valuations of Surrey Hills?

Surrey Hills is a new start-up with its very first outlet which has an operating track record of only four months. Hence no formal pre-money and post-money valuations were conducted. The purchase consideration was agreed between parties at arm’s length negotiations, on a willing-seller, willing-buyer basis and after taking into account the business plans, prospects and financial performance of Surrey Hills and the net book value of Surrey Hills.

(ii) How was the company introduced to Surrey Hills?

It was introduced by a business associate at no cost to the Company and the target.

Q3. The attendance of the directors at board and board committee meetings is shown on page 17 and reproduced below:

The attendance of each Director at meetings of the Board and Board Committees during FY2022 is disclosed as follows:

Attendance at Board and Board Committee Meetings

	Board	AC	NC	RC
Number of scheduled meetings held	2	2	1	1
Name of Director				
Goh Yeow Tin	2	2	1	1
Teo Boon Leng	2	2*	1*	1*
Ang Kah Leong	2	2*	1*	1*
Lu King Seng	2	2	1	1
Chua Kern	2	2	1	1

* *By invitation*

As seen in the table above, Mr Teo Boon Leng (managing director) and Mr Ang Kah Leong (executive director) attended all the board committee meetings even though they are not members of the board committees.

It would appear the board committee meetings are attended by all the directors, making them the same as board meetings.

Such board committee meetings would have included agenda items on interested person transactions, performance assessment, remuneration of the executive directors and the audit/financial reporting/internal controls of the group.

The two executive directors are co-founders of the group and are the two largest shareholders, with a combined 58.8% stake in the company.

(i) Is it a board-approved practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?

(ii) What are the board’s governance structure and “Chinese walls” that are put in place at the board committee meetings when the independent directors on the board committees may be reviewing and discussing matters that are related to or affect the executive directors?

(iii) Do the executive directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from board meetings?

The executive directors and senior members of the management team attend board committee meetings by invitation of the respective board committees. They are invited to attend board committee meetings so as to provide the relevant background and the relevant explanatory information and details relating to the matters being discussed to the committee members and to respond to questions raised and clarifications requested by committee members. They do not participate in the deliberation and discussion of matters by the board committee members. The agenda and deliberation of matters are driven by each board committee chairman and its members. The recommendations of the respective board committees are then reported to the Board.

As stated on page 14 of the Annual Report 2022, any director who has an interest in any matter must excuse himself from all discussions and decisions involving the matter and abstain from voting on resolutions regarding such matter. Accordingly, where there are any agenda matters that should be discussed and resolved without the presence of an executive director or senior management team member, such person(s) concerned are asked to excuse themselves from the meeting. For instance, discussions with the internal and external auditors without the presence of management including the executive directors and senior management are always held without their presence. Similarly, issues pertaining to remuneration of the executive director and management are discussed and deliberated without their presence. The board committee members also conduct ad-hoc discussions regularly without the presence and participation of any executive director and senior management team member.

(iv) **Are the independent directors able to conduct the board committee meetings without the executive director(s) in attendance?**

(v) **Are the committees able to make decisions objectively and independently?**

As mentioned above, the executive directors attend board committee meetings by invitation only. The board committee meetings which the said personnel are invited to are usually those scheduled for the review of results announcements which are held on the same day as scheduled board meetings. The board committee members do conduct ad-hoc discussions regularly without the presence and participation of any executive director and senior management team member.

All decisions and recommendations of board committees are made independently and objectively by the members of the board committees without reference to by any executive director.

(vi) **Separately, all three independent directors were first appointed on 21 August 2015. Can the board help shareholders recall if it has appointed any new directors, especially independent directors, since its listing? Can the nominating committee (NC) elaborate further on the succession plans for directors especially as all three independent directors approach the nine-year limit at the same time?**

The Company has not appointed any new independent directors since its listing.

As stated on pages 21 and 22 of the Annual Report 2022, the NC is taking progressive steps to review and consider opportunities to refresh the Board in light of the nine-year limit and is also in the process of identifying new candidates to facilitate board renewal as part of its succession plans.

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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