

# TAKA JEWELLERY HOLDINGS LIMITED

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

---

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

---

*Unless otherwise defined, all capitalised terms herein shall have the same meanings as ascribed to them in the Company's Annual Report 2024 released on 7 October 2024.*

**Q1.** In the letter to shareholders, the chairman and the managing director said that tradeshow and exhibitions continue to be the group's "key growth driver" and highlighted that revenue from the segment was \$59.8 million in FY2024, down from \$61.0 million in FY2023.

(i) **Can management elaborate on the underlying reasons why wholesale export sales to overseas customers declined other than just stating that it was due to "reduced wholesale export sales to overseas customers"?**

The decline in wholesale export sales to overseas customers was due to a combination of external market conditions and operational factors. In particular, demand from certain key markets softened amid challenging market conditions, which led to reduced consumer spending on jewellery items. Additionally, ongoing global supply chain disruptions, driven by geopolitical tensions, have led to longer delivery times and increased logistical costs, which have contributed to a decrease in export volumes.

For the financial year ended 31 March 2019 (i.e. before the pandemic), the group achieved revenue of \$57.7 million from the exhibition business.

(ii) **Can management provide insights into the structural changes within the industry over the past five years? Management has highlighted a notable shift to trade buyers from Southeast Asia and South Asia in 2024. How sustainable is this trend and are there differences in consumer preferences and/or designs?**

Amongst the significant structural changes within the industry is the shift towards lab-grown diamonds, particularly among the younger consumers who prefer gemstones and metals that were sustainably and ethically sourced. Additionally, another key shift is the adoption of technology, which has fuelled rising demand for customised jewellery designs. This trend has pushed companies within the industry to offer more personalised and digitalized services, intensifying competition in the market. With a burgeoning middle class and younger demographic in the Southeast Asia and South Asia regions, these regions have seen rising disposable incomes and a preference for gold and precious jewellery, a market which we are well-positioned to capture.

(iii) **Has the increasing interest in coloured gemstones positively impacted the group's profit margins?**

While coloured gemstone products remain a popular alternative jewellery choice among consumers, driving steady and sustained demand for the Group, their impact on our profit margins is relatively minimal. Instead, factors such as fluctuations in gold prices and the sourcing of raw materials have a more significant influence on our profit margins.

The group has 33,000 followers on Facebook, 6,700 followers on Instagram and 400 followers on TikTok. Apart from the own webstore, the brand has also established e-commerce stores in on e-commerce platforms, such as Lazada (with 23,400 followers), Shopee (with 85,000 followers) etc.

- (iv) **Can management elaborate on the successes the group has achieved through e-commerce and social media platforms? What strategies have proven most effective in driving engagement and sales across platforms like Lazada and Shopee, which have significant follower counts, and the company's own webstore?**

The Group has successfully leveraged e-commerce and social media platforms to expand our customer reach and drive sales. These initiatives have effectively increased brand awareness, driven website traffic, and boosted sales across platforms like Lazada, Shopee, and our own webstore. They focus on engaging the IT-savvy younger demographic through, among others, the following:

- Social Media Marketing: Regular postings and targeted advertising campaigns to enhance brand and product visibility
- KOL Partnerships: Collaborations with influential key opinion leaders (KOLs) aligned with our brand values and target audience
- Exclusive online promotions: Limited-time offers and sales available only through our e-commerce platforms

- Q2.** On 18 August 2022, the company announced a 55% investment in Surrey Hills Holdings (Private Limited) for a cash consideration of \$1.76 million. The net book value of the subscription shares was approximately \$500,000. The rationale for the investment was for the "potential revenue stream" from the food and beverage business carried out by Surrey Hills.

On 30 March 2023, the group completed the disposal of its 55% interest in Surrey Hills for a consideration of \$1.76 million, payable over three tranches, with \$880,000 received on 1 April 2023, \$440,000 on 1 October 2023 and \$440,000 on 1 April 2024.

- (i) **Can the board clarify whether the company had announced the disposal on SGXNet??**

Please refer to the Company's FY2023 full year unaudited results announcement released on 24 August 2023 where the material information relating to the disposal was disclosed under the section heading "Disclosures on Acquisition and Realisation of Shares pursuant to Catalist Rule 706A".

There was no separate announcement as the disposal constituted a **non-disclosable transaction** under the Catalist Rule 1008(1) since all of the applicable relative figures computed under Catalist Rule 1006 amounted to 5% or less.

- (ii) **What were the key drivers for the decision to divest from Surrey Hills just seven months post-acquisition? Can management provide specific insights into the due diligence process that formed the initial investment decision, including any factors that may have changed after the acquisition?**

Following due diligence, the Group recognised Surrey Hills' potential as an innovative F&B concept and a strategic diversification opportunity. Consequently, the Group acquired 55% equity interest in Surrey Hills by share subscription. Please refer to the Company's announcement released on 18 August 2022 on the rationale of the acquisition.

However, post-acquisition, the Group reassessed Surrey Hill's business performance and capital requirements. Following the re-assessment, management and the Board collectively decided to divest its 55% equity interest in Surrey Hill. The timing coincided with an existing shareholder's interest in increasing his stake in Surrey Hill, facilitating an amicable exit. The Group completed the divestment of its 55% equity stake in Surrey Hills to the shareholder in March 2023.

(iii) **Has the group received the second and third tranches from the purchaser?**

Yes.

(iv) **Can the board clarify the strategic framework guiding the company's capital allocation decisions? How does the management assess potential acquisitions, and what criteria are prioritised when considering diversification beyond jewellery and financial services?**

The Board's strategic framework for capital allocation prioritises value creation through targeted resource distribution to high-growth areas. When evaluating acquisitions, management considers factors such as strategic fit, potential synergies, and long-term value. For diversification beyond jewellery and financial services, key criteria include market potential, alignment with core competencies and opportunities to generate sustainable returns.

(v) **Management has also stated that the overseas expansions have been put on hold and its immediate focus is to strengthen its domestic market presence. What specific steps are being taken to strengthen the company's domestic market presence? Are there any acquisition plans?**

To tap on the return of tourism and ongoing recovery following the pandemic, we opened three new stores this year, one at Lucky Plaza in Orchard Road, one at Northpoint City in Yishun and the other at Ang Mo Kio, bringing our total outlets to 19 stores<sup>1</sup>. We plan to open two additional stores by end of December 2024.

In the ordinary course of business operation, management is constantly on a lookout for business opportunities, including new product offerings and acquisition opportunities, with the aim of enhancing shareholders' value. We will keep shareholders posted as and when there are material developments on this front.

**Q3.** As disclosed in the corporate governance report, the internal audit function of the group is outsourced to Yang Lee & Associates (IA). During FY2024, the internal auditors completed an internal control review of the Group's key processes in procurement, payment and payment, exhibition sales, inventory management. No material internal control weaknesses had been raised by the internal and external auditors in the course of their audits for FY2024.:

The internal audit function is independent of the activities it audits. During FY2024, the internal auditors completed an internal control review of the Group's key processes in procurement, payment and payment, exhibition sales, inventory management. The related internal audit reports, including management's responses and implementation status, have been communicated to the AC.

(Source: company annual report; emphasis added)

---

<sup>1</sup> Our retail outlet in Ang Mo Kio was opened on 18 September 2024.

Nevertheless, the board noted that there were certain areas requiring improvement as identified by the IA during the course of their audit performed in FY2024. The board has accepted the IA's recommendations and has implemented the various recommendations to address such deficiencies identified.

(i) **What were the key findings and recommendations by the internal auditor for FY2024?**

Key findings and recommendations of FY2024 internal audit relate to the enhancement of operational controls of retail outlets and of inventory management. There were no high priority findings identified in the internal audit. The recommendations were duly accepted and implemented by the Group.

(ii) **Can the audit committee (AC) confirm whether all operations of the group, including wholesale, retail, pawnbroking, and secured lending, were included in the internal audit?**

The Group's internal audits have been conducted on a risk-based approach, with a rotational plan covering all key businesses of the Group over a 5-year financial period.

(iii) **Can the AC clarify what is meant by "payment and payment"?**

Thank you for pointing out the typographical error. The correct text should read "...payment and ~~payment~~...".

It is further noted that the scope of the IA has remained the same for three years from FY2022 to FY2024. In past annual reports, the company has stated the following:

The internal audit function is independent of the activities it audits. During FY2023, the internal auditors completed an internal control review of the Group's key processes in procurement, payment and payment, exhibition sales, inventory management. The related internal audit reports, including management's responses and implementation status, have been communicated to the AC.

The internal audit function is independent of the activities it audits. During FY2022, the internal auditors completed an internal control review of the Group's key processes in procurement, payment and payment, exhibition sales, inventory management. The related internal audit reports, including management's responses and implementation status, have been communicated to the AC.

The internal audit function is independent of the activities it audits. During FY2021, the internal auditors completed an internal control review of the Group's key processes in retail sales and cashiering, bank and cash management. The related internal audit reports, including management's responses and implementation status, have been communicated to the AC.

(Source: company annual reports)

(iv) **Can the audit committee (AC) elaborate further on the level of oversight on the IA and what input is given by the AC on the scope of the IA? Why has the scope of the IA remained the same for the past three years? Are there any other focus areas, such as retail sales and cashiering, bank and cash management etc, that were identified?**

The AC exercises robust oversight over internal audit (IA), ensuring its effectiveness and independence. The internal auditors report to the AC. Under this reporting structure, all IA plans and reports are presented for the AC's review and approval. Prior to the approval of an IA plan (including the scope), the AC deliberates and provides inputs on areas such as the adequacy of coverage and additional or specific areas of focus for each year,

ensuring alignment with the Group's risk profile and emerging concerns. In addition, the AC meets with the IA in the absence of the management, to discuss topics such as tone at the top, level of cooperation rendered by the management during the course of the internal audits and adequacy of finance resources.

Regarding the scope of IA as stated in the Annual Report, the description represents a generic overview of IA work to be performed over a 5-year cycle on a rotational basis.

(v) **Does the IA follow a risk-based approach and what is the length of an internal audit cycle?**

Yes, as mentioned above, our internal audits have been conducted on a risk-based approach, with a rotational plan covering all key businesses of the Group over a 5-year financial period.

**BY ORDER OF THE BOARD**

Taka Jewellery Holdings Limited

Teo Boon Leng

Managing Director

18 October 2024

---

*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 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 Ms Foo Jien Jieng, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg).*