

JOYAS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda on 4 October 2006 with limited liability)

(Bermuda Company Registration Number 38991)

DISCLAIMER OF OPINION BY THE AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited, the Board of Directors (the “**Board**”) of Joyas International Holdings Limited (the “**Company**”) and together with its subsidiaries (collectively the “**Group**”) wishes to announce that the independent auditors of the Company, Baker Tilly TFW LLP, have issued a disclaimer of opinion in the independent auditors’ report (“**Independent Auditors’ Report**”) in respect of the Company’s consolidated financial statements for the financial year ended 31 December 2019 (“**FY2019**”) (the “**Published Financial Statements**”).

The Independent Auditors’ Report is appended to this announcement together with the relevant Notes to the Published Financial Statements.

The Published Financial Statements and the Independent Auditors’ Report can also be found in the Company’s annual report for FY2019, which will be released via the SGXNET and despatched to the Company’s shareholders in due course.

The Board and the Management of the Company wish to provide their comments and views in relation to certain matters raised in the Independent Auditors’ Report which formed the basis of the disclaimer of opinion:

i) Comparative figure.

The Independent Auditors’ opinion on the current year’s financial statements is modified because of the possible effects of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 December 2018 on the comparability of the current period’s figures and the comparative figures.

ii) Deposit paid to supplier and trade payable owing to the supplier.

Recoverability of the deposit

The deposit of approximately HKD 24 million (“**Deposit**”) was made by the Group to its supplier in the Philippines during the financial year ended 31 December 2015 for the purchase of nickel ore pursuant to an exclusive agency agreement signed between Hong Kong Silver Basic Group Limited (“**Hong Kong Silver**”), a 70%-owned subsidiary of the Group, with the supplier on 19 March 2015 for being an exclusive agent of sale of nickel ore in the PRC including Hong Kong. For the avoidance of doubt, the supplier is owned by Mr. Wang De Zhou (“**Mr Wang**”), the managing director of Hong Kong Silver.

The supplier has yet to obtain export approval due to additional procedures relating to the environmental requirements imposed by the relevant authorities in the Philippines which explains the long overdue situation. The Deposit has been used by the supplier for extraction costs and cannot be returned until the sale of the nickel ore.

The Deposit is secured by a personal guarantee from Mr Wang, guarantee from the minority shareholders of Hong Kong Silver, and the charge of shares in a mining company which owns a nickel ore mining concession in Indonesia ("**Mining Company**").

Mr. Wang had provided a repayment plan to the Company for the Deposit owing to the Group, of which first installment of approximately USD50,000 will commence in August 2019 ("**Repayment Plan**") and will be increased and repaid over a period of time depending on the level of future shipment.

No impairment was considered necessary on the Deposit prior to FY2019 due to the following reasons:

- a) In the financial year ended 31 December 2018 ("FY2018"), the Board had received assurance from the management of Hong Kong Silver that the new majority shareholder of PT Global Linker Indonesia ("**PTGLI**"), the associate company of the Group whose activities are in nickel ore trading, has been providing financial support to PTGLI.
- b) PTGLI was expected to start domestic shipment of nickel ores in FY2019 and should be able to generate positive cash flows once shipments reached a certain expected level.
- c) The Board realised that there was a lack of visibility of PTGLI's plan and opined that provision may be required. However, a reliable estimate could not be made at the closure of the books of FY2018 due to lack of updated information on the realisable value of the collaterals of the Deposit.
- d) The Board has been monitoring closely the development of PTGLI in FY2019 and once it realised that PTGLI was unable to meet its performance and Mr. Wang was unable to meet his repayment promise, full impairment provision was made on grounds of prudence in respect of the Deposit in FY2019.

Up to the date of this statement, there has been no progress in the Group's nickel ore trading business in Philippines or Indonesia and no payment had been recovered in respect of the Deposit. As disclosed under the Company's various announcements up to 29 November 2019, the Group's lawyers had issued demand letters, notification letters and warning letters to relevant parties as part of recovery proceedings to enforce the guarantees and share pledge relating to the credit facility for the funding of the deposit. The Board has been informed that while legal action is in progress, Mr. Wang has proposed to the Group to defer further legal action and management is negotiating with him on the terms of the possible deferment of legal action.

Management is also in the process of discussing with lawyers on legal costs and evaluating the most feasible next course of action. The Company will update the shareholders when there is material development in this matter.

iii) Going concern

In the Independent Auditor's Report, the auditors highlighted that:

For the financial year ended 31 December 2019, the Group incurred net losses of HK\$26,783,000 (2018 – HK\$4,442,000). The Group is in loss making position for the past consecutive four years. In addition, the Group and the Company have fully redeemed its convertible bond on 21 February 2020 of S\$3,503,460 (HK\$21,460,000) which resulted in significant net cash outflow subsequent to the financial year ended 31 December 2019.

These matters indicate the existence of a material uncertainty which cast significant doubt on the Group's and the Company's ability to continue as going concerns. The going concern assumption under which the financial statements are prepared is dependent on the positive cash flows to be generated by the Group, as well as recovery of receivables recorded by the Group and the Company.

We are unable to assess the reliability of management's cash flows projections nor assess the feasibility of their plans for future actions in relation to their going concern assessment due to insufficient appropriate evidence. Therefore, we are not able to determine whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

The Board and the Management of the Company believe that the Group and the Company will have sufficient resources to continue its operation for the foreseeable future after taking into consideration the following:

- i) As at 31 December 2019, the Group had net current assets and net assets of HK\$9,360,000 (2018 – HK\$53,988,000) and HK\$9,326,000 (2018 – HK\$35,722,000), respectively, while the Company had net current assets and net assets of HK\$3,036,000 (2018 – HK\$54,744,000) and HK\$3,009,000 (2018 – HK\$33,546,000), respectively.
- (ii) The Group and the Company have fully redeemed its convertible bond on 21 February 2020 of S\$3,503,460 (HK\$21,460,000). The redemption was financed by the repayment of loans and advances received by the Group's financing business and the Group's working capital subsequent to the end of FY2019. Pursuant to the redemption of its convertible bonds, the Group has reduced its finance costs and hence reducing its operating losses further. The redemption has no effect on the net assets or net current assets of the Group for FY2019.
- (iii) Financing business is profitable and operating losses for FY2019 are mainly due to Group's overheads which are relatively limited as the Group has a small number of staff and office facilities. The significant losses in FY2019 was mainly due to full impairment losses on trade and other receivables relating to nickel ore business. As at to date, the Group is not aware of any need to provide for impairment for the loans and advances from the financing business.

Based on the above, the Board is of the view that the Group and the Company will be able to continue as a going concern, and it is appropriate that the Published Financial Statements have been prepared on that basis.

Additionally, the Board

- (i) is of the opinion that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner; and
- (ii) confirm that all material disclosures have been provided for trading of the Company's shares to continue.

iv) Disposal of subsidiaries of JGL Group

This item had only been included in the Basis for Disclaimer of Opinion for FY2019 due to comparability of the figures as set out in the Group's financial statements for FY2019 and the comparative figures as set out in the Group's audited financial statements for FY2018.

v) Unaudited financial information, impairment of investment in associate and impairment of amount due from an associate

The opening balances of investment in an associate (previously a subsidiary) and amount due from associate were disclaimed for reasons previously disclosed in the FY2018 Independent Auditors' report and the Company's announcement dated 3 April 2019 in relation to the Disclaimer of Opinion in the Independent Auditors' Report for the financial year ended 2018.

To address the auditor's view that they were not able to obtain sufficient appropriate evidence that certain balances recorded by the associate in the Group's balance sheet as at 31 December 2018 are not materially misstated, request has been made by the Group to the associate to arrange for audit of its financial statements from FY2017 but management of the associated company is reluctant to incur any audit expenditure as the company has no revenue and statutory audit is currently not required by the tax authorities or other regulatory requirements.

In view of the uncertainty of recoverability from the associate, the Group has made full provision for the amount due from associate in its financial statements for FY2019.

No impairment for investment in associate and amount due from associate was considered necessary prior to FY2019 for reasons explained in paragraphs (ii)(a) and (ii)(b).

vi) Impairment of amount due from subsidiaries

The balance of amount due from subsidiaries arose from advances to various subsidiaries engaging in financing business and nickel ore trading activities.

The Management is of the view that the advances to subsidiaries in financing business can be fully recovered. As for the advances to subsidiaries engaged in nickel ore trading activities, the respective balances have been fully impaired. For recoverability, please refer to previous paragraph.

No impairment for amount due from subsidiaries engaging in nickel ore trading activities was considered necessary prior to FY2019 for reasons explained in paragraph (ii).

Shareholders of the Company are advised to read this announcement in conjunction with the Independent Auditors' Report and the entire Published Financial Statements in the Company's annual report for FY2019 which will be despatched in due course.

A copy of the aforesaid Independent Auditor's Report together with an extract of the relevant notes of the Published Financial Statements is annexed to this announcement for reference.

BY ORDER OF THE BOARD

Lau Chor Beng Peter
Managing Director
9 April 2020

*This announcement has been prepared by Joyas International Holdings Limited (the “**Company**”) and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”) in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst.*

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.

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