

# JOYAS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda)  
(Company Registration Number 38991)

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## RESPONSE TO SGX QUERIES ON THE ANNOUNCEMENT OF THE COMPANY DATED 4 APRIL 2019 RELATING TO THE DISCLAIMER OF OPINION BY THE AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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The Board of Directors (the “**Board**”) of Joyas International Holdings Limited (the “**Company**”) wishes to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 21 April 2019, with reference to the Company’s announcements dated 4 April 2019 and 24 April 2019 (the “**Announcements**”) relating to the disclaimer of opinion by the Group’s auditor on the financial statements for the financial year ended 31 December 2018.

*Unless otherwise defined, all capitalized terms utilized herein shall have the meanings ascribed to them in the Announcements.*

### **Query No 1:**

Pursuant to the Facility Agreement, are there any interest levied upon the loan amount? As to the Minimum Cost of Funding which is not received by Asiapac for the relevant period, does the Facility Agreement provide for any consequences of such non-adherence/breach of the terms of the Facility Agreement by HK Silver?

### **Company’s response:-**

The Company wishes to clarify that there is no interest levied upon the loan amount pursuant to the Facility Agreement. However, under the terms of the Facility Agreement, HK Silver had covenanted and undertaken to pay Asiapac at the rate of 20% per annum (defined as Minimum Cost of Funding in the response to SGX’s query 1 (a) dated 5 April 2019 and announced by the Company on 24 April 2019) and therefore, the effective interest rate on the loan amount is 20% per annum.

Under the terms of the Facility Agreement, the Share Pledge and personal guarantees provided by the Guarantors shall be enforceable at any time until the outstanding sums have been repaid or satisfied. Considering the above, the Asiapac is able to call on the Share Pledge and the personal guarantees in the event of a non-adherence / breach of the terms of the Facility Agreement by HK Silver.

### **Query No 2**

In relation to the Disclaimer of Opinion by the auditors, section v) on Unaudited financial information and impairment of amount due from an associate, it was stated that the ‘Based on the information available to the Board and Management of the Company as the auditors were unable to verify the correspondences address of certain third parties (“**Third Parties**”) in order to deliver the third party confirmation letter for the balance recorded under the associate, PT Global Linker Indonesia (“**PTGL**”). The Third Parties did not accede to the request of the auditors for a physical meeting as they were of the view their confirmation of balance recorded in PTGL’s books via email and their provision of official documents such as passport, identity card and specimen signature are adequate to assist the auditors with such confirmation.’”

- a. Why did the Auditors have to request for physical meetings with the Third Parties? What does these balances relate to?

### **Company’s response:-**

As at 31 December 2018, the balances with Third Parties relate to balances owing to Fill Stone, being the 51% shareholder of PTGL for advances provided to PTGL of approximately HK\$ 3.3 million and balance owing from a third party supplier for advances/deposits paid to the supplier of approximately HK\$ 5.6 million for the extraction of nickel ore.

To comply with the International Standards on Auditing (“ISA”) regarding External Confirmations, the auditors are required to determine whether to modify or add procedures to resolve doubts over the reliability of information to be used as audit evidence. Management has suggested that the external confirmation requests be sent to addresses other than the official addresses or independently verifiable addresses of the Third Parties. The official addresses of the Third Parties are mining sites and British Virgin Islands where any confirmation will be difficult to receive. The alternative addresses are the place of operations of the respective Third Parties in Jakarta. This created doubts over the reliability of the confirmation replies received. According to ISA, the auditor may choose to verify the source and contents of a response to a confirmation request by contacting the confirming party. The management has initially suggested that such authentication could be done by sighting Photo ID of the confirmation parties, matching them to the Third Parties’ company incorporation documents or such other competent documents linking them to official positions in those companies as well as arranging for video call for the auditors to authenticate the confirmation replies with the confirming parties. However, the Third Parties declined to have the call with auditors. In the circumstances, the external confirmation process cannot be relied upon and there are no other practicable alternative procedures to obtain reasonable assurances that the balances are not materially misstated.

- b. How much investments / loans has been provided by the Group to PTGL since its incorporation? Are there any such amounts which has been written off thus far?

**Company’s response:-**

As at 31 December 2018, the amount of investment by the Group in PTGL is approximately HK\$2.9 million and the amount of advances provided to PTGL is approximately HK\$10.6 million. No amount has been written off so far.

**Query No 3**

On disclaimer of PTGL’s results,

- a. What are the steps and controls in place to provide the Board and Management with the comfort of the unaudited results of PTGL, as reported by the Group?

**Company’s response:-**

The steps and controls in place in relation to the unaudited results of the PTGL include:

- (a) all accounting vouchers and supporting documents are prepared by PTGL’s accounts clerk, reviewed by PTGL’s accountant. PTGL management will also review. HK Silver and Joyas’s management will conduct random check.
- (b) Monthly accounts are prepared by accountant. They are reviewed by PTGL’s, HK Silver’s and Joyas’s management.
- (c) Monthly bank statements are provided to HK Silver’s and Joyas’s management for review.
- (d) Monthly bank reconciliations are prepared by PTGL’s accountant when needed.
- (e) Regular meetings between HK Silver’s and Joyas’s management to discuss shipments and operations issues.

- (f) During the discussion between Joyas's management and auditors in relation to the audit issues of PTGL, the auditors have not highlighted material inaccuracy of figures other than recoverability, and audit confirmation procedures.
- b. What are the steps taken by Board and Management in trying to resolve the issue so as to avoid a disclaimer of opinion on the results of PTGL?

**Company's response:-**

Subject to cooperation from the management of PTGL and the majority shareholder of PTGL, the steps that are or will be taken by the Board and the Management to resolve the disclaimer of opinion include, inter alia, as follows:

- (a) Monitor the shipments of PTGL.
- (b) Monitor the repayment of balances between the various parties and PTGL.
- (c) Discussion with management of HK Silver and PTGL on how to provide alternative evidence to the auditors or convince the parties concerned to provide confirmation replies in accordance with auditor's requirement.
- (d) Discussion with the auditors on the alternative procedures as the counterparties may have practical difficulties in complying with the requirements of the audit procedures.

By Order of the Board

Cheung King Kwok  
Independent Non-Executive Chairman

29 April 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

*This announcement has not been examined or approved by SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Tan Pei Woon, Associate Director, Continuing Sponsorship, (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).*