

Joyas International Holdings Limited

(Incorporated in Bermuda)
(Company Registration Number 38991)

RESPONSES TO QUERIES RAISED BY THE SGX-ST

The Board of Directors (the “**Board**”) of Joyas International Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) sets out below the Company’s Responses to queries raised by the SGX-ST.

Query 1

It was stated that 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. Did Mr Wang pay the first installment of USD50,000? Please provide details of the Repayment Plan, including the dates and amounts due to be repaid.

Company’s Response

As at the date of this response, Mr Wang has not paid the first instalment of USD50,000 or any of the subsequent instalments under the Repayment Plan as elaborated below.

The Repayment Plan comprised monthly repayments of USD50,000 commencing from August 2019 until all outstanding loan and interest owing to Asiapac Growth Holdings Ltd (“Asiapac”), a wholly-owned direct subsidiary of the Company, is fully repaid. The timeframe for full repayment was dependent on the repayment amounts, which are subject to adjustments as discussed below.

The monthly repayment amount was proposed to increase based on the level of future shipment, of which the amount of such increase was to be negotiated in due course between Asiapac and Mr Wang.

Query 2

What is preventing the Company from enforcing the guarantees and share pledge relating to the credit facility for the funding of the deposit (collectively, “Guarantee”)?

Company’s Response

As disclosed in the Company’s announcements on 9 October 2019, 22 November 2019 and 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 Guarantee 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 De Zhou has proposed to the Group to defer further legal action and the management of the Group (“Management”) is negotiating with him on the terms of the possible deferment of legal action. To date, the Company has not stopped legal action in enforcing the Guarantee. To date, based on the understanding from the Management with regards to progress of legal proceeding so far, there are no particular issues raised which prevents the Company from enforcing the Guarantees. Having said that, based on the understanding of the Management, the Company may not be able to recover the proceeds from sale of pledged shares from the enforcement of the Guarantees whether in full or partially even if it is favourable judgement as there may not be a ready buyer for the pledged shares.

Management is 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.

No legal action was taken by the Board prior to FY2019 as the Management was then of the view that repayment from the shipment of nickel would have been the most beneficial to the Group. The Board had considered and accepted Management's recommendation on the same.

Query 3

Please provide AC's views as to whether the Deposit is material to the Group? What is the AC's views as to whether the non-recovery of the Deposit via the enforcement of the Guarantee is in the best interests of the Company?

Company's Response

The Deposit is material to the Group as it is approximately 41% (based on the assumption that no impairment was provided for the Deposit) of the Group's total assets as at 31 December 2019. The Group has taken the steps as outlined in the response to Query (2) to enforce the Guarantee. See above for further details.

The AC is given the understanding that legal action has been in progress all this while and has maintained the view that recovery of the Deposit via legal enforcement of the security is in the best interests of the Company.

Query 4

What is preventing the Company from enforcing the guarantees and share pledge relating to the credit facility for the funding of the deposit (collectively, "Guarantee")?

Company's Response

The AC believes that the Group should continue with its legal actions to enforce realization of the Guarantee provided for the credit facility until and unless:

- (i) Mr Wang De Zhou ("Mr Wang") and Management can negotiate and come out with a concrete and feasible settlement proposal for the Board to consider; or
- (ii) Lawyers of the Group advise against taking legal action for valid reasons; or
- (iii) The Group has no financial resources to further support legal action.

Query 5

The auditor has stated that the Group is in loss making position for the past consecutive four years. 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.

- (a) Please justify and provide details of the positive cash flows to be generated by the Group.
- (b) Please provide details as to the aging of the receivables recorded and the recoverability of these receivables.

Company's Response

To clarify, the positive cash flows estimated to be generated by the Group refers to the Group ending with a positive cash flow position for the next 12 months, and are based on the following assumptions:

- (i) Interest income of approximately HK\$2 million for FY2020. This would include interest income from existing and new loans. Subject to additional funds as set out in (b) below, such income have been generated in the past based on similar levels of funding and interest rates.
- (ii) New funds to be raised of approximately HK\$11 million for FY2020 to finance new loans. The Management is in the process of approaching possible investors to raise finance.
- (iii) Administrative expenses of approximately HK\$3.5 million for FY2020 are incurred with no exceptional legal and professional expenses. Such level of expenses is consistent with the expenses incurred by the Group in the past.

All loans and advances balances are current as they are repayable on demand and as of to-date there are no factors indicating any impairment issue.

Query 6

After redemption of the convertible bonds on 21 Feb 2020, how much cash and AR does the Group have? What is the latest net current asset/liability and net asset/liability balance of the Group, post the redemption of the convertible bonds?

Company's Response

Based on the latest management accounts of the Group for the month ended 31 March 2020, the respective balances as at 31 March 2020 are set out below:

- (i) Total cash and cash equivalent: HK\$7.5 million.
- (ii) Trade and other receivables: HK\$9.6 million.
- (iii) Net current assets: HK\$9 million.
- (iv) Net assets (total equity): HK\$9 million.

Query 7

It was stated that the 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.

- (a) How much profits did the financing business generate for FY2019?
- (b) What are the pipeline plans/projects that would generate revenues for the financing business in FY2020?

Company's Response

In FY2019, the financing business segment generated approximately HK\$1.52 million in operating profits.

The pipeline plans/projects will include new loans to new and existing borrowers. The estimated amount of loans is up to approximately HK\$11 million. Management is currently approaching possible investors to raise this amount, as mentioned in the response to Query 5(a) above.

Query 8

It was stated that 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. How much is the amount due from the associate? Please provide AC's views as to whether the Deposit is material to the Group.

Company's Response

The amount due from associate as at 31 December 2019 was approximately HK\$10.7 million.

The Group has made full provision of approximately HK\$10.7 million when it became clear that the associate was unable to start domestic shipment of nickel ore due mainly to lack of funding from the major shareholder to support its operations.

As stated earlier in the response to Query (3) above, the AC is of the view that the Deposit is material to the Group.

Query 9

What efforts were taken by the Group prior to making full provision for this amount?

Company's Response

No efforts were considered necessary and therefore undertaken by the Group prior to making full provision for this amount as the associate was previously a subsidiary and funding to the subsidiary was made as working capital to support the nickel operations.

After the subsidiary company became an associate in FY2018, the new major shareholder of the associate had advanced money to the associate as working capital. The understanding was that the associate company could repay amounts advanced by its shareholders (including the amount due from associate) after it can generate cash flows from shipments of nickel ore. As mentioned in query 8 above, the shipment of nickel ore was not forthcoming.

Query 10

It was stated that 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):

(ii)(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.

(ii)(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.

(a) Please detail what happened such that the assurance from the management of Hong Kong Silver that the new majority shareholder PTGLI will provide financial support to PTGLI is no longer valid?

(b) What is PTGLI's expectation of domestic shipment of nickel ores moving forward?

Company's Response

The new majority shareholder of PTGLI provided funding of approximately USD1 million in end of FY2018 to PTGLI for its operations. Based on information provided to the Management by the management of Hong Kong Silver ("HKS"), no further support was provided due to disagreement between the management of PTGLI, being Mr Wang, and the new majority shareholder of PTGLI on the business plan and strategy as well as operational issues of PTGLI.

Based on information provided to the Group by the management of HKS, the operations of PTGLI is currently in a standstill until the major shareholder of PTGLI can resolve the disputes with the management of PTGLI. The management of PTGLI is exploring other options to raise the required working capital for PTGLI.

Query 11

How much is the balance of amount due from subsidiaries that arose from advances to various subsidiaries engaging in (1) financing business and (2) nickel ore trading activities?

Company's Response

The balance due from subsidiaries that arose from advances to various subsidiaries engaging in the respective segments are set out below:

- (i) Financing business - Amount of approximately HK\$26 million.
- (ii) Nickel ore trading activities - Amount of approximately HK\$25 million.

Query 12

What is the total impairment recorded for FY2019?

Company's Response

The total impairment for FY2019 is approximately HK\$38.4 million, as set out below:

- (i) Impairment losses on investment in an associated company: approximately HK\$3.3 million.
- (ii) Impairment losses on amount due from associated company: approximately HK\$10.7 million.
- (iii) Impairment losses on deposits: approximately HK\$24.4 million.

Query 13

Given the amount of impairment and non-recoverability of balances, and the auditor's disclaimer of opinion, and statements "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.”:

- (a) Please elaborate on the underlined and bold statement.
- (b) How is the AC comforted that the Company is able to continue as a going concern given that the auditors are unable to ascertain the reliability of management's cash flows projections nor assess the feasibility of their plans? How is the AC assured that the assumptions put into the management's cash flows projections are reasonable?

Company's Response

The external auditor had clarified that the insufficient appropriate evidence relates to certain assumptions relating to the forecast, in particular relating to the new funds proposed to be raised of HK\$11 million, as no agreement has been signed prior to the issuance of the external auditor's report.

- (i) In assessing the going concern of the Group in the next 12 months, the AC reviewed the Group's financial position at 31 December 2019 (net current assets of approximately HK\$9.4 million), the cash flow of the financing business based on existing loans (about HK\$1 million in FY 2020) and the overheads of the Group for FY 2020 (around HK\$3 to 4 million).

The Company has interest income and loan repayment from its financing segment to cover for any shortfall in cash flow.

Based on the review and the presumption that there will be no collection problems in the financing business in FY 2020, the AC is of the view that the Company will be able to continue as a going concern in the next 12 months.

- (ii) The AC has not considered the going concern of the Group further than the next 12 months as it would depend on injection of new funding and /or recoverability of the Deposit , the prospects of both of which cannot be reviewed with any degree of certainty at this juncture.

Query 14

Please confirm the Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion.

Company's Response

The Board of Directors are of the view that trading of the Company's shares should not be suspended under Listing Rule 1303(3) (Going Concern) as the Company will be able to continue as a going concern for the next 12 months for reasons explained in 13 (b). In addition, the Board has been informed by management that it is also in negotiation with potential investors to raise additional funds for the Group to expand the capital base of the Group and explore new possible businesses to expand the Group's revenue base.

By Order of the Board of
Joyas International Holdings Limited

Mr Lau Chor Beng, Peter
Executive Director and Managing Director

22 April 2020

This announcement has been prepared by Joyas International Holdings Limited (the "Company") and its contents have been reviewed by the Company's sponsor, 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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