

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 2018

Pursuant to Rule 704(4) of the Listing Manual (Section B: Rules of Catalist) 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 (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 2018 (“**FY2018**”) (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 FY2018, 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 2017 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 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 deposits was 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 has recently 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.

As the deposit has been long overdue, in terms of the recoverability of the said deposit, the Board reckons that provision for impairment losses may be required but a reliable estimate cannot be made at the present moment due to lack of updated information on the market value of the Mining Company. The Board has previously been informed by management of HK Silver (which includes Mr Wang and another senior staff) that the value of the mining concession in Indonesia owned by the Mining Company was last estimated at more than USD 10 million based on estimated reserves x gross profit or indication of value from potential purchasers.

The management of the Company has been instructed to provide updated information pertaining to the estimated realizable value of the collaterals for the deposit, recovery options and repayment performance of the Repayment Plan by 30 September 2019, collectively referred to as (“**Factors**”). The Board will review and make the decision on the amount of provision to be made as and when necessary, taking into account the Factors.

Confirmation procedures for the deposit paid to and trade payables owing

It was mentioned in the Independent Auditors’ Report that the auditors are unable to satisfactorily perform confirmation procedures for the deposits paid to and trade payables owing to Mr Wang.

Based on the information available to the Board and the Management of the Company, the confirmation procedures refer to audit procedures to obtain third party confirmation from the supplier on the balance outstanding for both the deposit and trade payables owing. However, as the auditors were unable to verify the correspondence address of the supplier in order to deliver the third party confirmation letter, they have requested Mr Wang (being the shareholder and director of the supplier) to arrange for a meeting in person. The arrangement was not successful as Mr Wang was of the view that the separate physical meeting with the auditors for the purposes of such confirmation procedures was not meaningful as he felt that he had provided sufficient official documents (including passport and specimen signature) as well as email confirmation to the auditors to facilitate the confirmation of the balance outstanding.

iii) Going concern

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

“For the financial year ended 31 December 2018, the Group incurred net losses and had net operating cash inflow/outflows of HK4,442,000 (2017- HK\$7,194,000) and HK\$923,000 (inflow) (2017 - HK\$21,704,000 (outflow)), respectively. The Group is in loss making position continuously for the last three years. In addition, the Group and the Company has a convertible bond due in February 2020 of S\$3,503,459 (HK\$21,187,000).

These matters may 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 Company. We were 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:

- a) As at 31 December 2018, the Group had net current assets and net assets of HK\$53,988,000 and HK\$35,722,000, respectively, while the Company had net current assets and net assets of HK\$54,744,000 and HK\$33,546,000 respectively;
- b) Financing business is profitable and operating losses are mainly due to Group's overheads which are relatively limited; and
- c) Receipt of sales consideration receivables relating to disposal of subsidiaries (Metal and Jewellery business) by the Group during the previous year ended 31 December 2017.

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

Additionally, the Board

- (i) is in 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

The opening balances of the sales consideration receivable amounting to HK\$12 million of the Group as at 1 January 2018 were disclaimed for reasons previously disclosed in FY2017 Independent Auditors' report.

As at the date of this Announcement, the total sales consideration of HK\$15 million has been received by the Group.

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

The opening balances of investment in an associate (previously a subsidiary) were disclaimed for reasons previously disclosed in FY2017 Independent Auditors' report and Company's announcement dated 3 April 2018 in relation to the Disclaimer of Opinion in the Independent Auditors' Report for the financial year ended 31 December 2017.

It was mentioned in the Independent Auditors' Report that the auditors are unable to obtain sufficient appropriate evidence that certain balances recorded by the associate are not materially misstated

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.

Separately, the auditors have yet to receive the bank confirmation from the bank in Indonesia and unable to obtain sufficient appropriate evidence of recoverability for certain balances which are dependent on shipment of nickel ores.

In relation to the recoverability of amount due from associate of approximately HK\$10.6 million as at 31 December 2018, the Board and the Management of the Company is of the view that no provision is required because of the assurance from the management of HK Silver and PTGL that the new majority shareholder of PTGLI, Fill Stone International Mining Corporation, which is an independent third party has been providing financial support to PTGL. The latter is expected to start domestic shipment of nickel ores in the next few months and PTGL should be able to generate positive cash flows of not less than USD 200,000 a month once shipments reach the expected level of USD 2-5 million a month. Management of the Company will monitor the performance of PTGL closely and provision will be, reviewed, assessed and decided by the Board as and when necessary.

vi) Impairment of amount due from subsidiaries

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

The Management is of the view that the advances to subsidiaries in financing business can be fully recovered. As for nickel ore, most of the balances relate to deposit paid to supplier. For recoverability, please refer to previous paragraph.

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 FY2018 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
4 April 2019

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") 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 the 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.

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