

Joyas International Holdings Limited

(Incorporated in Bermuda)
(Company Registration Number 38991)

Update on Deposit paid to Supplier

Introduction

The Board of Directors (the “**Board**”) of Joyas International Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to:

- i. the announcements made by the Company on 9 October 2019, 22 November 2019 and 29 November 2019 titled “*Update on Deposit paid to a Supplier*”;
- ii. the unaudited half year financial statements issued by the Company on 13 August 2018, 14 August 2019, 14 August 2020 and 13 August 2021 for HY2018, HY2019, HY2020 and HY2021, respectively;
- iii. the unaudited third quarter financial statements issued by the Company on 11 November 2021 for 3Q2021;
- iv. the unaudited full year financial statements issued by the Company on 27 February 2018, 1 March 2019, 29 February 2020, 27 February 2021 and 25 February 2022 for FY2017, FY2018, FY2019, FY2020 and FY2021, respectively;
- v. the announcements made by the Company on 7 June 2017 and 3 April 2018 relating to the joint auditors’ opinion on the financial statements for FY2016 and FY2017, respectively;
- vi. the announcements made by the Company on 4 April 2019, 9 April 2020 and 7 April 2021 relating to the disclaimer of opinion by the auditor on the financial statements for FY2018, FY2019 and FY2020, respectively;
- vii. the announcements made by the Company on 24 April 2019 and 29 April 2019 titled “*Response to SGX Queries on the Announcement of the Company dated 4 April 2019 relating to the Disclaimer of Opinion by the Auditors on the Financial Statements for the Financial Year ended 31 December 2018*”;
- viii. the announcement made by the Company on 22 April 2020 titled “*Responses to Queries raised by the SGX-ST*”; and
- ix. the annual reports issued by the Company on 4 April 2016 for FY2015, 12 June 2017 for FY2016, 9 April 2018 for FY2017, 9 April 2019 for FY2018, 15 April 2020 for FY2019 and 7 April 2021 for FY 2020,

(collectively, the “**Previous Announcements**”).

Background

The Previous Announcements disclosed, *inter alia*, that:

- i. An unsecured interest-free deposit (the “**Deposit**”) of HK\$24.4 million was paid by Hong Kong Silver Basic Group Limited (“**HK Silver**”) in 2015 to a supplier in Philippines (the “**Supplier**”) for the purchase of nickel ore. The Deposit was funded by Asiapac Growth Holdings Ltd (“**Asiapac**”), a wholly-owned direct subsidiary of the Company, which holds a 70% direct shareholding interest in HK Silver.
- ii. Asiapac entered into a facility agreement dated 18 March 2015 (the “**Facility Agreement**”) with HK Silver pursuant to which Asiapac agreed to extend funds (hereinafter referred to as “**Funds**”) of up to US\$3 million to HK Silver. The Funds were secured by:

- a. A personal guarantee from Mr Wang De Zhou (who is a minority shareholder of HK Silver and who is the owner of the Supplier), and personal guarantees from Mr Wang De Wei and Madam Wang Jun Zhe (who are minority shareholders of HK Silver and who are family members of Mr Wang De Zhou), (collectively the “**Personal Guarantees**”); and
- b. A pledge of shares (the “**Share Pledge**”) in PT Shenniu Mining Indonesia, a mining company which owns nickel ore mining concessions in Indonesia and which is majority owned by Mr Wang De Zhou.

Pursuant to the terms of the Facility Agreement, Asiapac is also entitled to 20% per annum (net of any applicable withholding tax) of the amount of Funds (in the form of interest of dividends) in accordance with the payment schedule stipulated in the Facility Agreement (hereinafter referred to as the “**Minimum Cost of Funding**”). The Minimum Cost of Funding is also secured by the Personal Guarantees and the Share Pledge.

- iii. Mr Wang De Zhou had proposed to the Group a repayment plan (the “**Repayment Plan**”) pursuant to which an instalment of US\$50,000 (equivalent to approximately HK\$390,000) would be repaid by August 2019 and subsequent instalments (of increasing quantum) would be repaid over a period of time. Given that the viability of the Repayment Plan depended on the domestic and/or export sales of nickel ore mines owned by Mr Wang De Zhou, the Management and the Board decided that if there was no material progress on the domestic and/or export sales of nickel ore by 30 September 2019, the Management and the Board would evaluate their options in relation to recoverability of the Funds and the Minimum Cost of Funding, including taking steps to enforce the Personal Guarantees and the Share Pledge.
- iv. Given that no payment was received by the Group from Mr Wang De Zhou as at 9 October 2019, the Management and the Board then decided to take immediate steps to enforce the Personal Guarantees and the Share Pledge which were the securities provided to secure, *inter alia*, the obligation to repay the Funds and the Minimum Cost of Funding.
- v. The Group’s Singapore legal advisers had issued a letter of demand dated 31 October 2019 to HK Silver on behalf of Asiapac for full payment of the outstanding Funds and the outstanding Minimum Cost of Funding.
- vi. The Group’s Indonesia legal advisers had issued:
 - a. A warning letter dated 18 November 2019 to HK Silver on behalf of Asiapac for full payment of the outstanding Funds and the outstanding Minimum Cost of Funding, failing which, the Share Pledge will be enforced against Mr Wang De Zhou; and
 - b. A notification letter dated 18 November 2019 to Mr Wang De Zhou to notify him that the Share Pledge will be enforced against him if HK Silver fails to make full payment of the outstanding Funds and the outstanding Minimum Cost of Funding.
- vii. The Singapore legal advisers had issued three separate letters of demand dated 28 November 2019 to Mr Wang De Zhou, Mr Wang De Wei and Madam Wang Jun Zhe respectively on behalf of Asiapac for full payment of the outstanding Funds and the outstanding Minimum Cost of Funding pursuant to the Personal Guarantees.
- viii. Mr Wang De Zhou had proposed to the Group to defer further legal action and the Management is negotiating with Mr Wang De Zhou on the terms of the possible deferment of legal action. Mr Wang De Zhou had proposed to the Group to settle the outstanding sums by way of a transfer of ownership of certain nickel ore mining concessions in Indonesia (the “**Proposed Settlement**”). However, due to COVID-19 related travel restrictions, the Management is unable to meet with

Mr Wang De Zhou to discuss the terms of the Proposed Settlement and to visit the nickel ore mining sites in Indonesia to understand the operations of the nickel ore mining concessions in Indonesia owned or managed by Mr Wang De Zhou which are part of the terms of the Proposed Settlement. The Management is also considering and evaluating the issues relating to the listing rules, and legal, accounting and operational issues in connection with the Proposed Settlement.

- ix. Before providing the funds required to proceed with the arbitration proceedings, which the Management considered material given the financial condition of the Group then, the Group engaged a professional firm to conduct a financial check on Mr Wang De Zhou, Mr Wang De Wei and Madam Wang Jun Zhe to assess the possibility of recovery from such individuals. In addition, 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 Share Pledge whether in full or partially even if it is favourable judgement as there may not be a ready buyer for the pledged shares.
- x. Up to the date of the last financial results announcement dated 25 February 2022, there was no material update except that Mr Wang De Zhou has made some repayment of approximately HK\$117,000 and will continue to do so when he has surplus funds. The Group will continue to pursue the repayment while considering the various course of action which includes a) arranging the funds required to continue with the legal course of action and b) continue to work on the Proposed Settlement. The Board is of the opinion that the approach by the management then is in the best interest of the Company under the circumstances then.

Update

Further to the Previous Announcements, the Board wishes to update shareholders of the Company that:

- i. On 11 August 2020, a notice of arbitration was issued by Asiapac to HK Silver, Mr Wang De Zhou, Mr Wang De Wei and Madam Wang Jun Zhe and the Singapore International Arbitration Centre (the “**SIAC**”) issued its formal commencement letter to all parties on 14 August 2020.
- ii. On 16 November 2020, the SIAC requested that parties pay the first tranche deposit of the SIAC fees and costs of S\$87,367.19. However, as no payment was made by any party (including Asiapac), the arbitration proceedings were deemed withdrawn by the Registrar on 19 July 2021 pursuant to Rule 34.6(b) of the SIAC rules. The Group did not proceed further even though the Group commenced the notice of proceedings as the Group was required to pay the deposit on behalf of the other party to proceed further as the other party failed to pay its share. Such payment was not planned by the Group when the notice of proceedings was served and is considered to be material given the financial condition of the Group then. In addition, the Group also engaged a professional firm to conduct a financial check on Mr Wang De Zhou, Mr Wang De Wei and Madam Wang Jun Zhe to assess the possibility of recovery from such individuals. Based on the feedback from the professional firm, and taking into consideration the terms of the Proposed Settlement and the funds required to proceed with the arbitration proceedings, the Board was of the view that negotiation with Mr Wang De Zhou was the most appropriate course of action for the Group for recovery of the Funds and the Minimum Cost of Funding.
- iii. Shareholders should note that the withdrawal of the arbitration proceedings is without prejudice to Asiapac reintroducing the same claims in another proceeding in the future.
- iv. No separate disclosure in respect of events under (i) to (iii) was made in the past as the management was of the view that the previous disclosures which include (a) the Group pursuing

legal course of action (b) there is no material update since the last financial results announcement dated 25 February 2022 and (c) there is no further update arranging the funds required to continue with the legal course of action covers the scenarios (i) to (iii) as it was not considered in the Group's interest to provide detailed disclosure of the legal action and its plans so as to avoid other side being aware of the Group's legal strategy. In addition, the withdrawal of the arbitration proceeding is without prejudice to Asiapac reintroducing the same claims in another proceeding in the future when funds are available.

- v. Based on the feedback from the professional firm mentioned in paragraph ix of the Background section, there are no substantial assets held by Mr Wang De Zhou, Mr Wang De Wei and Madam Wang Jun Zhe in Hong Kong and Singapore, other than shareholding in PT Shenniu Mining Indonesia.
- vi. Up to the date of this announcement, there is no material update since the last results announcement dated 25 February 2022 except that Mr Wang De Zhou has made some repayment of approximately HK\$156,000 in total as at the date of this announcement and will continue to do so when he has surplus funds. The Group will continue to pursue the repayment while considering the various course of action which includes a) arranging the funds required to continue with the legal course of action and b) continue to work on the Proposed Settlement. Based on the regular update from Mr Wang De Zhou on the shipments of nickel from the nickel ore mining concessions owned and managed by Mr Wang De Zhou, discussions with Mr Frankie Ma, an ex-employee of HK Silver, and public information regarding the prospects of nickel industry, the status of Mr Wang De Zhou's ownership of certain mining concessions in Indonesia and its operations, subject to the resolution of the issues and the terms and conditions of the Proposed Settlement, the management is not aware of reasons that would deem the Proposed Settlement an unviable option.
- vii. Taking into consideration the Group's current financial condition and cashflow, the uncertainty in recovery in pursuing legal action, the need to negotiate and resolve the terms and issues of the Proposed Settlement, the need to conduct further understanding of the operations of the nickel ore mining concessions and the funds required to proceed with the arbitration proceedings, the Board is of the opinion that the current approach by the management is in the best interest of the Company under the current circumstances.
- viii. As at the date of this announcement, based on the Group's information, the outstanding Funds and the outstanding Minimum Cost of Funding (excluding default interest), in aggregate, amount to approximately US\$6.2 million. The Group has made full provision for the outstanding amount.

By Order of the Board
Joyas International Holdings Limited

Vincent Cheung Chun Wai
Executive Director and Chief Executive Officer

18 March 2022

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 document, including the correctness of any of the statements or opinions made or reports contained in this document.

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