CIRCULAR DATED 1 JUNE 2016

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**IF YOU ARE IN DOUBT ABOUT ITS CONTENTS OR THE ACTION THAT YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

If you have sold or transferred all your common shares in the capital of Joyas International Holdings Limited (the "**Company**") represented by physical share certificate(s), you should forward this Circular together with the Notice of Special General Meeting and the enclosed Proxy Form immediately to the purchaser or the transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, 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 Circular.

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

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65)6229 8088.

# JOYAS INTERNATIONAL HOLDINGS LIMITED

(Company Registration No.: 38991)
(Incorporated in Bermuda with limited liability)

## CIRCULAR TO SHAREHOLDERS

**in relation to**

**(1) THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE THE BUSINESS OF THE PROVISION OF FINANCING SERVICES;**

**(2) THE PROPOSED NON-RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 2,429,236,398 NEW COMMON SHARES IN THE CAPITAL OF THE COMPANY (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S$0.0035 FOR EACH RIGHTS SHARE, ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) EXISTING COMMON SHARE IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS OF THE COMPANY AS AT A BOOKS CLOSURE DATE TO BE DETERMINED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED;**

**(3) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHT OF THE INDEPENDENT SHAREHOLDERS OF THE COMPANY (AS DEFINED HEREIN) TO RECEIVE A MANDATORY GENERAL OFFER FROM THE JIGL GROUP (AS DEFINED HEREIN) FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THE JIGL GROUP, AS A RESULT OF THE RIGHTS ISSUE; AND**

**(4) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHT OF THE INDEPENDENT SHAREHOLDERS OF THE COMPANY TO RECEIVE A MANDATORY GENERAL OFFER FROM RWL GROUP (AS DEFINED HEREIN) FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THE RWL GROUP, AS A RESULT OF THE RIGHTS ISSUE.**

**Independent Financial Adviser in relation to the JIGL Whitewash Resolution and RWL Whitewash Resolution**

SAC Capital

**SAC CAPITAL PRIVATE LIMITED**
(Company Registration No.: 200401542N)
(Incorporated in the Republic of Singapore)

**IMPORTANT DATES AND TIMES:**

| | | |
|---|---|---|
| Last date and time for lodgement of Proxy Form | : | 15 June at 09.30 a.m. |
| Date and time of Special General Meeting | : | 17 June at 09.30 a.m. |
| Place of Special General Meeting | : | 1 Robinson Road #18-00 AIA Tower, Singapore 048542 |

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The following definitions apply throughout this Circular unless otherwise stated:

***Companies within the Group***

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|---|---|---|
| "**Company**" | : | Joyas International Holdings Limited |
| "**Group**" | : | The Company and its subsidiaries collectively |
| "**Subsidiary**" | : | A company which is for the time being a subsidiary of the Company, as defined by Section 5 of the Companies Act |

***Other Corporations and Agencies***

| | | |
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| "**Authority**" | : | The Monetary Authority of Singapore |
| "**CDP**" | : | The Central Depository (Pte) Limited |
| "**HKEx**" | : | Hong Kong Exchanges and Clearing Limited |
| "**HKMA**" | : | The Hong Kong Monetary Authority |
| "**IFA**" | : | SAC Capital Private Limited, the independent financial adviser to the Recommending Directors in relation to the JIGL Whitewash Resolution and the RWL Whitewash Resolution |
| "**SGX-ST**" | : | Singapore Exchange Securities Trading Limited |
| "**Share Registrar**" | : | Boardroom Corporate & Advisory Services Pte. Ltd. |
| "**SIC**" | : | Securities Industry Council |
| "**Sponsor**" | : | PrimePartners Corporate Finance Pte. Ltd., the sponsor of the Company |

***General***

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| **"2015 Warrants Issue"** | : | As defined in **Section 3.9.1** of this Circular |
| "**AGM**" | : | Annual general meeting of the Company |
| "**ARE**" | : | Application and acceptance form for Rights Shares and excess Rights Shares to be issued to Entitled Depositors in respect of their provisional allotments of Rights Shares under the Rights Issue |
| "**ATM**" | : | Automated teller machine of a Participating Bank |
| "**Associate**" | : | (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:<br><br>(i) his immediate family;<br><br>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and<br><br>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and |

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| | | (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more |
| "**Banking Ordinance**" | : | The Banking Ordinance (Chapter 155 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "**Board**" or "**Directors**" | : | The board of Directors of the Company as at the date of this Circular |
| "**Books Closure Date**" | : | The time and date to be determined by the Directors and to be announced by the Company in due course, at and on which the Register of Members and Share Transfer Books of the Company will be closed to determine the provisional allotments of Rights Shares of Entitled Shareholders under the Rights Issue |
| "**Business Day**" | : | A day on which the banks in Singapore are open for business (excluding Saturdays, Sundays and gazetted public holidays) |
| "**Bye-Laws**" | : | The bye-laws of the Company as amended, supplemented or modified from time to time |
| "**CAGR**" | : | Compound average growth rate |
| "**Catalist**" | : | The sponsor-supervised listing platform of the SGX-ST |
| "**Catalist Rules**" | : | The SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time |
| "**Circular**" | : | This circular to Shareholders dated 1 June 2016 |
| "**Closing Date**" | : | The time and date to be determined by the Directors and announced by the Company in due course, being the last time and date for acceptance and/or excess application of the Rights Shares under the Rights Issue through CDP or the Share Registrar; or the last time and date for acceptance and/or excess application and payment of the Rights Shares under the Rights Issue through an Electronic Application |
| "**Code**" | : | The Singapore Code on Take-overs and Mergers, as amended or modified from time to time |
| "**Companies Act**" | : | The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time |
| "**Companies Ordinance**" | : | The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |

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| "**Controlling Shareholder**" | : | A Shareholder who:<br>(a) holds directly or indirectly 15% or more of the nominal amount of the Shares in the Company; or<br>(b) in fact exercises control over the Company |
| "**Convertible Bonds Issue**" | : | As defined in **Section 3.9.2** of this Circular |
| "**Electronic Application**" | : | Acceptance of the Rights Shares and (if applicable) application for excess Rights Shares made through an ATM of a Participating Bank in accordance with the terms and conditions of the Offer Information Statement and the relevant procedures for electronic application at ATMs as set out in the Offer Information Statement or on the ATM screens |
| "**Entitled Depositors**" | : | Shareholders with Shares entered against their names in the Depository Register maintained by CDP as at the Books Closure Date and whose registered addresses with the CDP are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents |
| "**Entitled Scripholders**" | : | Shareholders whose share certificates have not been deposited with CDP and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents |
| "**Entitled Shareholders**" | : | Entitled Depositors and Entitled Scripholders |
| "**EPS**" | : | Earnings per Share |
| "**Existing Share Capital**" | : | The existing issued share capital of the Company comprising 404,872,733 Shares as at the Latest Practicable Date |
| "**Financing Business**" | : | The business of providing loans to corporate and individual borrowers in Hong Kong |
| "**FY**" | : | Financial year ended or ending 31 December, as the case may be, unless otherwise stated |
| "**Foreign Shareholders**" | : | Shareholders whose registered addresses with the Company or CDP are outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior to the Books Closure Date, provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents |
| "**GDP**" | : | Gross domestic product |

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| "**Hong Kong**" | : | Hong Kong Special Administrative Region of the PRC |
| **"IFRS"** | : | International Financial Reporting Standards |
| "**Independent Directors**" | : | The independent directors of the Company, namely, Cheung King Kwok and Lim Siang Kai |
| "**Independent Shareholders**" | : | Shareholders who are deemed to be independent for the purposes of the proposed JIGL Whitewash Resolution and the proposed RWL Whitewash Resolution, as the case may be |
| "**Investment Committee**" | : | The investment committee of the Company for the time being, which comprises of Ong Chor Wei and Kwok Chin Phang |
| "**JIGL**" | : | Joyas Investments Group Limited |
| "**JIGL Group**" | : | JIGL and its controlling shareholder, Lau Chor Beng Peter |
| **"JIGL SIC Conditions"** | : | Conditions imposed by the SIC to which the Whitewash Waiver granted to JIGL Group is subject, details of which are set out in **Section 4.4.1** of this Circular |
| "**JIGL Whitewash Resolution**" | : | The proposed resolution which requires approval by way of a poll by a majority of the Independent Shareholders present and voting at the SGM to waive their rights to receive a mandatory general offer for the Company from the JIGL Group pursuant to Rule 14 of the Code and the Whitewash Waiver, further details of which are found in **Section 4** of this Circular |
| "**Issue Price**" | : | S$0.0035 for each Rights Share |
| "**Latest Practicable Date**" | : | The latest practicable date prior to the printing of this Circular, being 20 May 2016 |
| "**Market Day**" | : | A day on which the SGX-ST is open for trading in securities |
| "**Maximum Issue Size**" | : | The maximum issue size for the proposed Rights Issue, which is arrived based on the assumption that none of the existing convertible securities enumerated below:<br><br>(i) 18,173,980 warrants (issued on 23 February 2015) outstanding as at the Latest Practicable Date;<br><br>(ii) S$3,503,459.68 in aggregate principal amount of convertible bonds (issued on 23 February 2015) outstanding as at the Latest Practicable Date; and<br><br>(iii) 9,000,000 outstanding share options granted pursuant to Joyas share option scheme as at the Latest Practicable Date;<br><br>(iv) 12,000,000 outstanding share options as payment of introducer fee (see Company's announcements on 17 February 2015 and 13 April 2015)<br><br>are or will be exercised or converted (as the case may be) prior to the Books Closure Date, on the basis that the above-mentioned convertible securities are out-of-the-money as at the Latest Practicable Date |

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| "**Maximum Scenario**" | : | The scenario for the subscription of the Rights Issue that describes the allotment and issue of up to 2,429,236,398 Rights Shares based on the Maximum Issue Size and the Rights Issue is fully subscribed by all Shareholders |
| "**Minimum Scenario**" | : | The scenario for the subscription of the Rights Issue that describes the allotment and issue of up to 1,207,329,828 Rights Shares based on Maximum Issue Size and the assumption that only JIGL, RWL and Ong Chor Wei subscribe for the Rights Shares pursuant to the Undertakings |
| "**Money Lenders Ordinance**" | : | The Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| **"Money Lenders License"** | : | The money lenders' license(s) issued by the Licensing Court of Hong Kong pursuant to the Money Lenders Ordinance and Money Lenders Regulations for carrying out lending businesses in Hong Kong |
| "**Money Lenders Regulations**" | : | The Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "**NTA**" | : | Net tangible assets |
| "**NTL**" | : | Net tangible liabilities |
| "**Offer Information Statement**" | : | The offer information statement referred to in Section 277 of the SFA, together with the PAL, the ARE and all other accompanying documents (where applicable, including any supplementary or replacement document thereof) to be issued by the Company and to be lodged with the Authority in connection with the Rights Issue |
| "**PAL**" or "**Provisional Allotment Letter**" | : | The provisional allotment letter to be issued to Entitled Scripholders, setting out their provisional allotments of Rights Shares under the Rights Issue |
| "**Participating Banks**" | : | The banks that will be participating in the Rights Issue by making available their ATMs to Entitled Depositors for acceptances of the Rights Shares and/or applications for excess Rights Shares |
| "**Placement**" | : | The placement exercise undertaken by the Company in relation to the issue and allotment of 50,000,000 new Shares at an issue price of S$0.032 per Share and completed on 12 June 2015 |
| "**PRC**" | : | The People's Republic of China |
| "**Proposed Diversification**" | : | The proposed diversification of the Group's business to include the Financing Business |
| "**Proposed Resolutions**" | : | The resolutions as set out in the Notice of SGM from pages 80 to 82 of this Circular for which the Directors are seeking Shareholders' approval |

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| "**Proxy Form**" | : | The proxy form in respect of the SGM enclosed in this Circular |
| "**Recommending Directors**" | : | Directors who are regarded as independent in relation to the JIGL Whitewash Resolution and the RWL Whitewash Resolution, namely, Kwok Chin Phang, Cheung King Kwok and Lim Siang Kai |
| "**Record Date**" | : | In relation to any dividends, rights, allotment or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or the Securities Account of Shareholders must be credited with Shares, as the case may be, in order to participate in such dividends, rights, allotments or other distributions |
| "**Rights Announcement**" | : | The announcement made by the Company on 8 March 2016 relating to the Rights Issue |
| "**Rights Issue**" | : | The proposed non-renounceable non-underwritten rights issue of up to 2,429,236,398 Rights Shares at the Issue Price, on the basis of six (6) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded |
| "**Rights Shares**" | : | Up to 2,429,236,398 new Shares to be allotted and issued by the Company pursuant to the Rights Issue, each a "**Rights Share**" |
| **"Risk Management Committee"** | : | The risk management committee of the Company for the time being, which comprises of Cheung King Kwok and Lim Siang Kai |
| "**RWL**" | : | Reach Win Limited |
| "**RWL Group**" | : | RWL and its controlling shareholders, Delton Group Limited, Cavendish Limited, Ong Chor Wei and Yung Fung Ping. Delton Group Limited is a controlling shareholder of RWL, and Ong Chor Wei in turn owns 100% shareholding interest in Delton Group Limited. Cavendish Limited is a controlling shareholder of RWL, and Yung Fung Ping in turn owns 100% shareholding interest in Cavendish Limited |
| **"RWL SIC Conditions"** | : | Conditions imposed by the SIC to which the Whitewash Waiver granted to RWL Group is subject, details of which are set out in **Section 4.4.2** of this Circular |
| **"RWL Whitewash Resolution"** | : | The proposed resolution which requires approval by way of a poll by a majority of the Independent Shareholders present and voting at the SGM to waive their rights to receive a mandatory general offer for the Company from the RWL Group pursuant to Rule 14 of the Code and the Whitewash Waiver, further details of which are found in **Section 4** of this Circular |
| "**Scripholders**" | : | Shareholders whose Shares are registered in their own names and whose share certificates are not deposited with CDP |
| "**Securities Account**" | : | Securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent |

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| "**SFA**" | : | The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time |
| "**SGM**" | : | The special general meeting of the Company, to be held on 17 June 2016 at 09.30 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the Proposed Resolutions |
| "**Shareholders**" | : | Registered holders of Shares in the register of Members of the Company or, where CDP is the registered holder, the term "**Shareholders**" shall, in relation to such Shares and where the context admits, mean the Depositors whose Securities Accounts are credited with those Shares |
| "**Shareholders' Approval**" | : | The approval of the Shareholders for any or all the Proposed Resolutions, as the case may be |
| "**Shares**" | : | Common shares of par value HK$0.01 each in the capital of the Company |
| "**SMEs**" | : | Small-and-medium enterprises |
| "**Substantial Shareholder**" | : | A person who has an interest in the voting Shares (excluding Treasury Shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than 5.0% of all the voting Shares |
| "**Treasury Shares**" | : | "**Treasury Shares**" shall have the meaning ascribed to it in Section 4 of the Companies Act |
| "**Undertakings**" | : | The irrevocable undertakings dated 8 March 2016 given by each of JIGL, RWL and Ong Chor Wei to the Company as disclosed in **Section 3.7** of this Circular |
| "**Whitewash Waivers**" or "**SIC Waivers**" | : | The waivers granted by the SIC of the obligations of JIGL Group and/or RWL Group respectively to make mandatory offers under Rule 14 of the Code for Shares not held by them and/or parties acting in concert with them in connection with the acquisition of Rights Shares pursuant to their respective Undertakings. The waiver granted to the JIGL Group is subject to the satisfaction of the JIGL SIC Conditions, further details of which are set out in **Section 4.4.1** of this Circular. The waiver granted to the RWL Group is subject to the satisfaction of the RWL SIC Conditions, further details of which are set out in **Section 4.4.2** of this Circular. |

***Currencies, Units and Others***

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|---|---|---|
| "**S$**" and "**cents**" | : | Singapore dollars and cents, respectively, being the lawful currency of Singapore |
| "**HK$**" and "**HK cents**" | : | Hong Kong dollars and cents, respectively, being the lawful currency of Hong Kong |
| "**%**" or "**per cent.**" | : | Per centum or percentage |

The term "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

The term "**subsidiary**" shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. A "**person**" shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to the time of day or date in this Circular shall be a reference to Singapore time and dates unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the SFA or the Catalist Rules or such statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, SFA, or the Catalist Rules or such statutory modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in figures included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

**Cautionary Note on Forward-Looking Statements**

**All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "expect", "anticipate", "believe", "estimate", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" and "might". These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements. Further, the Company and the Sponsor disclaim any responsibility to update or revise any forward-looking statements for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.**

# JOYAS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Company Registration No.: 38991)

**Directors:**

Lau Chor Beng, Peter (Chairman and Managing Director)
Ong Chor Wei (Deputy Chairman and Non-Executive Director)
Kwok Chin Phang (Non-Executive Director)
Cheung King Kwok (Independent Non-Executive Director)
Lim Siang Kai (Independent Non-Executive Director)

**Registered Office:**

Canon's Court,
22 Victoria Street
Hamilton HM12
Bermuda

1 June 2016

To: The Shareholders of Joyas International Holdings Limited

Dear Sir/Madam,

## 1. INTRODUCTION

### 1.1. Overview

The Directors are convening an SGM to be held on 17 June 2016 to seek Shareholders' approval in relation to:

(1) the proposed diversification of the Company's business to include the Financing Business (Ordinary Resolution 1);

(2) the proposed non-renounceable non-underwritten rights issue of an aggregate of up to 2,429,236,398 new Shares at the Issue Price, on the basis of six (6) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded (Ordinary Resolution 2);

(3) the proposed JIGL Whitewash Resolution for the waiver of the rights of the Independent Shareholders to receive a mandatory general offer from the JIGL Group for all the Shares not already owned or controlled by the JIGL Group as a result of the Rights Issue (Ordinary Resolution 3); and

(4) the proposed RWL Whitewash Resolution for the waiver of the rights of the Independent Shareholders to receive a mandatory general offer from the RWL Group for all the Shares not already owned or controlled by the RWL Group as a result of the Rights Issue (Ordinary Resolution 4),

(collectively, the "**Proposed Resolutions**").

### 1.2. Inter-conditionality

Shareholders should note that the passing of Ordinary Resolution 3 and Ordinary Resolution 4 are conditional upon the passing of Ordinary Resolution 2. If Ordinary Resolution 2 is not passed at the SGM, Ordinary Resolution 3 and Ordinary Resolution 4 will not be tabled.

Shareholders should also note that the passing of Ordinary Resolution 2 is conditional upon the passing of Ordinary Resolution 3 and Ordinary Resolution 4. If either Ordinary Resolution 3 or Ordinary Resolution 4 is not passed at the SGM, Ordinary Resolution 2 shall not be carried.

**1.3. Circular to Shareholders**

The purpose of this Circular is to provide Shareholders with information relating to, and to seek Shareholders' approval for the Proposed Resolutions to be tabled at the SGM, the notice of which is set out on pages 80 to 82 of this Circular. This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) nor for any other purpose.

The SGX-ST and Sponsor assume no responsibility for the accuracy, completeness or correctness of any information, statements or opinions made, or reports contained in this Circular.

**2. THE PROPOSED DIVERSIFICATION**

**2.1. Introduction**

On 15 May 2015, the Company announced the setting up of a new business unit for the provision of loans to corporate and individual borrowers in Hong Kong (the "**Financing Business**"). On 29 February 2016, the Company further announced that the Group was planning to acquire a company with an existing Money Lenders License for the purposes of the Financing Business in order to lower the setup cost of the Financing Business (collectively, the "**Financing Business Announcements**"). As at the Latest Practicable Date, the Company is in the midst of negotiations with several parties to evaluate such companies with an existing Money Lenders License.

In view of the use of proceeds of the Rights Issue as set out in **Section 3.6** below, the scale of the Financing Business may increase significantly resulting in a change in the risk profile of the Group. In view of the above, the Company is seeking Shareholders' approval for the Proposed Diversification at the SGM.

**2.2. Rationale**

The Group is primarily engaged in the business of the design, manufacturing, packaging and sale of metal gift products, jewellery products (of which the Group subcontracts the manufacturing to independent third parties) as well as packaging and other items ("**Jewellery and Metal Gift Business**"). In FY2015, the Group has diversified its businesses into nickel distribution and trading business. The Group operates out of Hong Kong and the PRC.

FY2015 has proven to be challenging for the Group's Jewellery and Metal Gift Business. The Group recorded an increase in sales of jewellery products by approximately HK$0.4 million to approximately HK$22.1 million in FY2015. However, this increase was offset by a decrease in sales of metal gift products by approximately HK$16.9 million from HK$60.3 million in FY2014 to approximately HK$4.4 million in FY2015. This was mainly due to a decrease in sales in the PRC (including Hong Kong) by approximately HK$12.4 million as well as weaker demand from customers in other geographical locations.

The Board believes that business conditions in the existing Jewellery and Metal Gift Business will remain challenging in the near future due to uncertain global economic conditions which would continue to affect the Group's financial condition. Although there are signs of recovery in the global economy and the Group has taken further steps to diversify its business into the nickel distribution and trading business, the Board believes that the entry into the Financing Business is beneficial to further diversify the Group's business in order for the Group to remain competitive in the global market and to better utilise any surplus of capital.

The Board believes that the Proposed Diversification can add value to the Company and bring benefit to Shareholders in the long run, because it allows the Group to participate in the growth prospects from the improving macroeconomic and business conditions for the Financing Business in Hong Kong. The Board believes that the current economic conditions in Hong Kong are favourable for the Proposed Diversification. Further, the Group has been operating in Hong Kong since 1991 and thus has built up business networks in Hong Kong which it can tap on to source for potential borrowers. After assessment and given the attractive market conditions and the Group's business network in Hong Kong, the Investment Committee and the Board is of the view that the Proposed Diversification is in the best interests of the Group.

**2.3. Description of the Proposed Diversification**

2.3.1 Proposed Business Activities of the Financing Business

There are two main types of legal lenders in Hong Kong, namely, the authorised institutions regulated by the Hong Kong Monetary Authority ("**HKMA**") and governed under the Banking Ordinance ("**HKMA Authorised Institutions**"), and licensed lenders which are subject to the Money Lenders Ordinance.

As disclosed in the Financing Business Announcements, the Group is in the process of discussions relating to the acquisition of a company (the "**NewCo**") to operate as a licensed lender in Hong Kong to provide corporate and individual loans.

(i) Corporate loans

The Group intends for the NewCo to provide loans to corporate borrowers, of the following nature:

(a) short-term loans for working capital requirements, in the form of revolving credit lines, overdraft loans, bridging loans and term loans with fixed instalment payment terms; and

(b) expansion and acquisition financing in the form of mezzanine loans. Mezzanine loans are a hybrid of debt and equity financing and it provides the Group the right to convert or acquire a minority equity stake in the borrower in addition to interest income.

Corporate loans described above may be secured by floating or fixed charge over certain assets of the borrower or, in the case of mezzanine loans, by the shares of the borrower. In certain cases, personal guarantees from major shareholders of the borrower may also be required. Such corporate loans usually have maturities ranging between six (6) to twenty-four (24) months.

(ii) Individual loans

It is also intended for the NewCo to provide loans to individuals, which will typically be secured by a first or second mortgage charge on the properties provided by the borrower or third party.

For corporate and individual loans which are secured, the amount of loans granted and the tenure of the loans will depend on multitude of factors, such as the value of the underlying security, which will be assessed based on the valuation provided by external professional valuation firms. Nevertheless, the NewCo may also grant loans with longer terms or higher percentage of the assessed value of the underlying security (if any) if the NewCo is satisfied with the assessment of the risks associated with these loans. Please refer to **Section 2.3.6** for the proposed review procedures of the Financing Business.

Interest income from such corporate and individual loans will be the key source of revenue for the Financing Business. The effective interest rate to be charged will be determined based on a number of factors which includes funding costs and risk assessments. Risk assessments normally include past records of borrowers, the value of the security provided, if any, and market conditions. Please refer to **Sections 2.3.6** and **2.3.7** for further details on the risk assessment procedures.

2.3.2 Industry Prospects

Macroeconomic Factors Influencing the Financing Business

The main factors affecting the lending market in Hong Kong are government policies and regulations, economic conditions and the changing living standards. Following the global financial crisis of 2008, Hong Kong's economy rebounded in 2009. The GDP value in Hong Kong grew from approximately HK$1,659 billion in 2009 to approximately HK$2,403 billion in 2015[1] and the projected GDP growth is expected to be between 1.9% to 3.2% from 2016 until 2020[2], which will be backed by economic growth in the PRC and the continuing recovery of the global economy. The demand for loans is also correlated to consumer sentiment on expenditure and purchase of real estate properties for residential or investment purposes, which can be reflected in the household disposable income and consumption expenditure. From 2009 to 2016, the annual average household disposable income grew at a CAGR of approximately 3.71%, to approximately HK$674,700 by 2016[3].

The demand for corporate loans is also affected by the number and growth of SMEs. SMEs in Hong Kong are defined as manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees. According to Hong Kong's Trade and Industry Department, currently SMEs accounted for over 98% of the total business units in Hong Kong and provided 50% of total employment, forming the backbone of Hong Kong's economy[4]. The number of SMEs has grown at a CAGR of 3.5% from 2008 onwards[5], which can be attributed to Hong Kong's position as a main trading hub in Asia Pacific with a supportive business environment and extensive trade links with the PRC. The Hong Kong government has committed to support the continuous development of SMEs through various SME financing and loan guarantee schemes[6]. However, SMEs which attempt to obtain funding from HKMA Authorised Institutions tend to be deterred by the stringent and long-drawn approval process. Depending on how urgently the funding is required, SMEs may still turn to licensed lenders for funding despite the higher interest rates[7].

The demand for mortgage loans is correlated to the real estate property market. Despite property cooling measures introduced by the Hong Kong government (such as the Special Stamp Duty ("**SSD**") in 2010 and the Buyer's Stamp Duty ("**BSD**") in 2012 and the increase in the minimum down payment on properties valued at less than HK$7 million in 2015) which decreased the total number of sales and purchases of residential properties, overall real estate property price indices

1 Source: Website of the Census and Statistics Department of the Government of Hong Kong Special Administrative Region (http://www.censtatd.gov.hk/hkstat/sub/sp250.jsp?tableID=030&ID=0&productType=8). Census and Statistics Department of the Government of Hong Kong Special Administrative Region has not consented to the inclusion of the above information in this Circular and is therefore not liable for such information. The Company has included the above information in their proper form and context in this Circular and has not verified the accuracy of the above information.

2 Ibid.

3 The information disclosed is based on the Company's in-house market and industry analysis.

4 Source: Website of the Trade and Industry Department of the Government of Hong Kong Special Administrative Region (https://www.tid.gov.hk/english/smes_industry/smes/smes_content.html). Trade and Industry Department of the Government of Hong Kong Special Administrative Region has not consented to the inclusion of the above information in this Circular and is therefore not liable for such information. The Company has included the above information in their proper form and context in this Circular and has not verified the accuracy of the above information.

5 Source: Website of Support and Consultation Centre for SMEs, Trade and Industry Department of the Government of Hong Kong Special Administrative Region (http://www.success.tid.gov.hk/english/aboutus/sme/service_detail_6863.html). Support and Consultation Centre for SMEs, Trade and Industry Department of the Government of Hong Kong Special Administrative Region has not consented to the inclusion of the above information in this Circular and is therefore not liable for such information. The Company has included the above information in their proper form and context in this Circular and has not verified the accuracy of the above information.

6 Op Cit, see (3) above.

7 The information disclosed is based on the Company's in-house market and industry analysis.

in the private sector, including the indices for residential buildings, offices, retail spaces and industrial factories in Hong Kong, still increased from 2009 to 2015, indicating that the demand for real estate property remained strong[8]. The principal cause of increasing real estate property prices and demand in Hong Kong from 2009 to 2015 was the low interest rates which led to more buyers entering the market despite the property cooling measures. However, in February 2015, Hong Kong Monetary Authority capped loans at 60 percent of the value of a property costing less than HK$7 million, down from 70 percent[9]. Tightening of bank mortgage requirements coupled with the increasing real estate property prices has driven demand for non-bank mortgage lending.

Subject to there being no unforeseen macroeconomic shocks, the Board expects the prospects of the Financing Business to persist in the short to medium term.

Market Overview of the Licensed Lending Industry in Hong Kong

HKMA Authorised Institutions, such as banks, account for the majority of the total outstanding balance of loans and advances in Hong Kong; however, licensed lenders enjoy greater autonomy in operational options such as loan size, loan to value ratio, type of collateral and income proof. Licensed lenders also offer sophisticated products and services and are therefore well-positioned to cater to the urgent needs of corporations or individuals which are unable to access capital markets. Such corporations turn to licensed lenders for an alternative source of funding. These corporate borrowers may be newly established or lack established financial records, and hence are unable to meet income requirements of the banks. Loan to value ratios offered by licensed lenders are more attractive than those of the banks and such loans are shorter-term in view of the higher interest rates incurred.

Since corporate and individual loans granted by the licensed lenders may provide more flexibility to borrowers with shorter approval periods and fewer restrictions, they are strongly preferred by corporations and individuals who are unable to fully meet the loan requirements of banks. Loans offered by the licensed lenders have thus become a useful tool for corporations to address any unexpected cash flow needs and for individuals to fulfil any short-term financial needs. As a whole, the convenient and flexible nature of financing offered by the licensed lenders has reduced the barriers for borrowing significantly and provided alternative means to corporations and individuals to address urgent financial needs.

As mentioned in **Section 2.3.1**, the NewCo intends to operate as a licensed lender focusing on the provision of corporate and individual loans. Although there is no minimum capital requirement for licensed lenders in Hong Kong, strong cash flow and financial stability is fundamental for the continuing operations of the NewCo.

Licensed lenders typically offer loans at annual interest rate ranging from approximately 10% to 20% on average, with rates varying depending on the types of assets used to secure the loans[10]. Although interest rates charged by the licensed lenders vary across service providers and products, interest rates exceeding 60% annually is illegal under the Money Lenders Ordinance. Other than that, licensed lenders have relatively lenient requirements for the application and approval of loans.

8 The information disclosed is based on the Company's in-house market and industry analysis.

9 Source: Website of Hong Kong Monetary Authority (http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150227e2.pdf). Hong Kong Monetary Authority has not consented to the inclusion of the above information in this Circular and is therefore not liable for such information. The Company has included the above information in their proper form and context in this Circular and has not verified the accuracy of the above information.

10 Bloomberg online article: http://www.bloomberg.com/news/articles/2015-03-08/nonbank-lending-jumps-as-hong-kong-prices-hit-record. Bloomberg.com has not consented to the inclusion of the above information in this Circular and is therefore not liable for such information. The Company has included the above information in their proper form and context in this Circular and has not verified the accuracy of the above information.

2.3.3 Management and Human Resources

Mr. Ong Chor Wei and Mr. Kwok Chin Pang, the Non-Executive Directors of the Company, will be appointed as the directors of NewCo. Further, NewCo will be managed by Mr. Ma Nam Shing and Mr. Cheung Chun Wai, Vincent (the "**Management**"), who will be responsible for the day-to-day operations of the Financing Business. Mr. Ma Nam Shing and Mr. Cheung Chun Wai, Vincent are both highly experienced in the finance industry in Hong Kong and will provide valuable leadership, expertise and knowledge to the management of the Financing Business. The resume of Mr. Ma Nam Shing and Mr. Cheung Chun Wai are as follows:

Mr. Ma Nam Shing

Mr. Ma Nam Shing graduated with a Bachelor of Business from Curtin University of Technology, Australia and holds a Postgraduate Diploma in Corporate Administration from Hong Kong Polytechnic University. He is also a Certified Public Accountant in Hong Kong and Australia. Mr. Ma Nam Shing has over 20 years commercial experience in the financial services industry. He also has a broad range of experience in business development, business advisory, corporate finance, accounting, compliance & corporate governance, financial analysis. Prior to joining the Group, Mr. Ma Nam Shing was the Chief Financial Officer and Credit Board Member in China Yinsheng Finance (Holding) Limited from 2011 to 2014. During his tenure at China Yinsheng Finance (Holding) Limited, he was responsible for, *inter alia*, the implementation and monitoring of credit and loan policies and procedure. Prior to joining China Yinsheng Finance (Holding) Limited, Mr. Ma Nam Shing was the Chief Financial Officer of Modern Beauty Salon Holdings Limited, a HKEx-listed company, from 2008 to 2009. Mr. Ma Nam Shing has been the Senior Vice President of Conpak Mgmt Consultants Limited since 2010.

Mr. Cheung Chun Wai, Vincent

Mr. Cheung Chun Wai, Vincent holds a Master degree in Business Administration (Executive Management) from the Royal Roads University. He is also an Accredited Mediator of the Hong Kong Mediation Center. Mr. Cheung Chun Wai, Vincent has over 15 years commercial experience in the financial services industry. He also has a broad range of experience in sales & marketing of financial products, accounting, compliance and reporting. Prior to joining the Group, Mr. Cheung Chun Wai, Vincent was the Assistant General Manager at AEON Credit Service (Asia) Co., Ltd from 2006 to 2015. During his tenure at AEON Credit Service (Asia) Co., Ltd, he oversaw the sales and marketing department, business development department and accounts control department. He was responsible for, *inter alia*, the creation of new loan products (secured or unsecured) and setting up collection policies and procedures. Prior to joining AEON Credit Service (Asia) Co., Ltd, Mr. Cheung Chun Wai, Vincent worked in the financial services industry with companies such as AIA and JCG Finance Co., Ltd.

As announced in the Financing Business Announcements, Mr. Ma Nam Shing and Mr. Cheung Chun Wai, Vincent will enter into service agreements with the Company for period of three (3) years. Pursuant to the service agreements, the Management will undertake not to compete with the Company while they are in the employment of the Company and for a further duration of six (6) months after they terminate their service agreements with the Company for whatever reason without prior consent from the Company.

The Management will be primarily responsible for the identification and networking with potential clients, as well as approval of loans which are below a pre-determined threshold ("**Threshold**"), according to a loan policy ("**Approval Policy**"). The Threshold and Approval Policy will be determined by a credit committee to be set up by the Company in relation to the Financing Business (the "**Credit Committee**"). Please refer to **Section 2.3.6** for further details on the Credit Committee. The Credit Committee will also be responsible for approving loans which are beyond the Threshold. The Credit Committee will report to and act in consultation with the Risk Management Committee. The Risk Management Committee will be responsible for the overall risk management of the Financing Business. Please refer to **Section 2.3.7** for further details on the role of the Risk Management Committee in the Financing Business.

2.3.4 Funding for the Financing Business

The Proposed Diversification will be funded by the proceeds from the Rights Issue. The Group may consider bank borrowings, loans from independent third party private lenders and/or tapping funds from the equity market as and when more funds are required to fuel the growth and expansion of the Financing Business.

2.3.5 Approvals, Licenses and Government Regulations

Under the Money Lender's Ordinance in Hong Kong, a Money Lenders License must be obtained for the operation of a lending business in Hong Kong. The Money Lenders License is required for companies which are engaged in the business of making loans, or which advertises or announces itself or holds itself out in any way as carrying on that business.

The Company will ensure that the NewCo has the Money Lenders License to fulfil the required regulations.

2.3.6 Review Procedures and the Credit Committee

For loans secured by properties or other assets, the market value of the properties provided by borrowers, such as real estate properties, shares or other assets will be assessed based on valuations performed by external professional survey firms where possible.

Further, pursuant to the Approval Policy, potential corporate and individual borrowers will be required to submit the title documents or other supporting documents for the security or their businesses for ownership checks and credit assessment purposes. In the case of individual borrowers, they will be required to submit their Hong Kong identity cards and valid proof of their addresses. In the case of corporate borrowers, relevant secretarial and financial records will also be required. Furthermore, the borrowers will have to provide information on their existing loans (if any) which include repayment records and income proof. For loans that exceed the Threshold, further approval by the Credit Committee will be required, after reporting to and acting in consultation with the Risk Management Committee, prior to granting of the loans.

The Credit Committee will take into account all factors in deciding whether or not to approve an application, such as whether or not security has been provided, net assets of the borrower, repayment ability of the borrower, general economic environment, on a case-by-case basis. The Credit Committee will then make necessary adjustments and/or impose additional safeguards, such as imposing a higher interest rate, as compensation for additional risks that may arise. Nevertheless, if the Credit Committee considers that the relevant risk is beyond an acceptable level, they will reject the relevant loan application.

The Credit Committee comprises of the Executive Director of the Company, Mr. Lau Chor Beng, Peter, and the Non-Executive Directors of the Company, Mr. Ong Chor Wei and Mr. Kwok Chin Phang.

2.3.7 Internal Control Procedures and Risk Management Committee

The Directors are aware that the Financing Business is exposed primarily to (i) credit risks in respect of loan portfolios; (ii) operational risks relating to internal processes; (iii) market risks in respect of the Group's financial and property assets and liabilities; (iv) liquidity risks in respect of working capital and (v) legal and regulatory risks. For more details of the risks arising in the ordinary course of business of the Financing Business, please refer to the **Section 2.4**.

The Risk Management Committee has been tasked with the overall responsibility of overseeing the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies as well as the identification and management of business risks of the Group. The Credit Committee will report to and act in consultation with the Risk Management Committee. The Risk Management Committee currently comprises all the Independent Directors of the Company, namely Mr. Cheung King Kwok and Mr. Lim Siang Kai.

The Company will also be carrying out an internal audit of NewCo periodically to evaluate the NewCo's internal controls and risk management and the Management will ensure that all the internal controls and weaknesses will be addressed.

### 2.4. Risk Factors

To the best of the Directors' knowledge and belief, all risk factors which are material in making an informed decision in relation to the Proposed Diversification have been set out below.

If any of the factors and/or uncertainties described below develops into actual events affecting the Financing Business, this may have a material and adverse impact on the Financing Business and consequently, the overall results of operations, financial condition and prospects of the Group could be similarly affected.

The risks declared below are not intended to be exhaustive. New risk factors may emerge from time to time and it is not possible for the management to predict all risk factors, nor can the Group assess the impact of all factors on the Financing Business or the extent to which any factor or combination of factors may affect the Financing Business.

There may be also other risks associated with the entry into the Financing Business which are not presently known to the Group, or that the Group may currently deem immaterial and as such, have not been included in the discussion below.

***The Group may not be able to effectively manage the credit risk and maintain the quality of the loans and receivables portfolio of its Financing Business***

As a financial services provider, the Group will face the risk of impairment loss primarily due to non-performing credit and the sustainability of the growth of the Financing Business will depend largely on its ability to effectively manage its credit risk and maintain the quality of its loans and receivables portfolio. The Group may also face contingent liabilities including credit commitments, credit support and financial guarantees issued. In order to minimise and effectively manage the risk of non-performing credit, the Group intends to implement measures to assess the creditworthiness of borrowers, as set out in **Sections 2.3.6 and 2.3.7**. However, these proposed credit risk management measures may not be successful in effectively managing the Group's risk. Failure of the Group's credit risk management measures may result in an increase in the level of non-performing credit and adversely affect the quality of its loans and receivables portfolio. In addition, the quality of the Group's loans and receivables portfolio may also deteriorate due to various other reasons, such as decline in property and stock market prices, weak business environment and other general economic factors. If such deterioration occurs, the Financing Business may be materially and adversely affected.

***The Group may not have the ability or sufficient expertise to execute the Proposed Diversification***

The Group has embarked on a diversification strategy with a view to achieving long term sustainable growth. This strategy also exposes the Group to additional businesses and operating risks and uncertainties. The Financing Business may also be influenced by various factors such as the Group's networks, marketing plans and efficient usage of its management and financial resources.

Furthermore, the Group does not have a proven track record in carrying out the Financing Business. There is no assurance that the Financing Business will be commercially successful and that the Group will be able to derive sufficient revenue to offset the initial costs of investment and operating costs arising from the Financing Business. The Financing Business requires a large amount of cash in order to finance the loans provided by the Group efficiently. In the event the Group fails to manage its diversification strategy effectively and efficiently, its business and financial performance will be materially and adversely affected.

***Changes in the political and economic conditions, business environment and real estate property market of Hong Kong may affect the Financing Business***

As the Financing Business is based in and income would be derived from Hong Kong, the Hong Kong economic and political conditions and business environment and their corresponding development in Hong Kong will have a direct impact on the property market and subsequently the financial performance of the Financing Business. In addition, Hong Kong's economy and business environment are open to influences from conditions and developments in the global economy as well as economic and business environment of other territories relevant to Hong Kong such as the PRC. A slowdown in the Hong Kong economy and any changes in laws, regulations and policies relating to the property market may lower the value of the mortgaged properties and their liquidity. There is no assurance that such macroeconomic developments will remain positive in relation to the Financing Business and the Group's operating margins and profitability may therefore be adversely affected.

***The value of the security provided by borrowers may not be sufficient to pay off loans***

The loans advanced to corporate and individual borrowers may, from time to time, be secured by a mortgage, charge or lien on the assets provided by borrowers. The value of such security may be adversely affected by conditions such as damage, loss, devaluation or over-supply of the underlying assets. If the value of the asset or the residual value of the mortgaged assets declines, the safety margin of the loan will be reduced and the Group risks not being able to recover the full amount of their loans in the event of default. If the full amount of loans is not recoverable, the Group's financial condition and results of operations may be materially and adversely affected.

***Competition from other lenders (including HKMA Authorized Institutions and/or banks) may affect the market share of the Group in the Financing Business***

The lending market in Hong Kong is highly fragmented due to the large number of players competing within a relatively small territory. Given the relatively low entry barrier to the lending business in Hong Kong, the Financing Business will face competition from diverse competitors including both licensed lenders and authorized institutions in different ways, whether through diverse loan products, low interest rates or quick loan approval procedures. Consequently, NewCo will need to streamline the corporate structure, ensure operational efficiency and offer competitive interest rates after assessment to ensure that the Financing Business is competitive. Failure to do so may adversely affect the business, financial performance and operational results of the Financing Business.

***The financial performance of the Financing Business may be adversely affected if the net interest margin erodes because of increases in interest costs and/or competition***

Apart from equity financing and internal sources of financing, the Group intends to fund the Financing Business through loans and advances from independent third parties. The operational results and profitability of the Financing Business hinges on the net interest margin, being the difference between the average effective interest of our loan products and the effective interest rate of our borrowings. There is no assurance that our net interest margin will be maintained. In the event that our net interest margin of the loans to borrowers narrows due to the intense competition in the industry, the financial performance of the Financing Business may be materially and adversely affected.

***The Financing Business relies on borrowings from other parties and thus there may be a net operating cash outflow***

Due to the nature of the Financing Business, other than through internal sources of financing, the NewCo may have to obtain funding from independent third parties in order to grow its loan portfolio. External funding may be required if there is net cash outflow in NewCo required to grant further loans or to service interests or repayments of the third party's loans exceeds the cash inflow from borrowers' repayments. In the event NewCo is unable to obtain sufficient borrowings to finance the Financing Business on a timely basis, the NewCo may have to reduce the number of loans granted to maintain liquidity may have to be slowed, which may materially and adversely affect the financial results and business prospects of the Financing Business.

***The Group may not have adequate financing for its Financing Business and may require additional funding for future growth***

The Financing Business is capital intensive in nature and the NewCo may require a substantial amount of capital for its operations and future expansion. As the Group establishes and grows its Financing Business, its working capital requirements may increase. To the extent that funds generated from operations and internal funds have been exhausted, the Group may have to raise additional funds to meet new financing requirements. These additional funds may be raised by way of a placement or by a further rights offering or by way of borrowings.

In the event that new Shares are issued, Shareholders who are unwilling or unable to participate in such fund raising will suffer a dilution in his investment. Further, if the Group fails to utilise the new equity to generate a commensurate increase in earnings, the Group's EPS will be diluted and this could lead to a decline in Share price. Any additional debt financing may, apart from increasing the interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters. If the Group is unable to procure the additional funding that may be required, the growth or financial performance of the Financing Business may be adversely affected.

***The Group's risk management systems and policies may not be effective in mitigating the Group's risk exposure, and the Group may be exposed to unidentified or unanticipated risks, which may materially and adversely affect its results of operations and financial condition***

The Group's risk management systems, policies and other risk management techniques may not be effective in mitigating the Group's risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated. Any failure of the Group's risk management procedures or any failure to identify any applicable risks may have a material adverse effect on the Group's results of operations and financial condition.

***The Group is dependent on Hong Kong as its only market for the Financing Business***

The Financing Business will operate entirely within Hong Kong and there are currently no plans to expand the Financing Business outside of Hong Kong. Accordingly, the Financing Business is entirely reliant to the macroeconomic and industry factors of Hong Kong. Such undiversified country risk may adversely and materially affect the financial performance of the Financing Business.

***Mezzanine loans provided as part of the Group's Financing Business may carry higher risks***

The Group will be providing mezzanine loans as one of its products in the Financing Business. The risks relating to such loans are generally higher because mezzanine loans are usually subordinated and not secured by real assets of the borrower, and capital of the Company may be locked in with the borrower for a longer period of time in the event that the loan is converted into an equity stake. In the event that the shares of companies granted mezzanine loans by the Group do not perform as expected or if such companies become financially distressed, the Group may lose part or all of the mezzanine loans granted to such companies. In such an event, the Group's results of operations and financial condition will be adversely affected.

***Second mortgage loans are subject to higher ranked mortgage(s) and therefore have higher credit risk than first mortgage loans***

With respect to the individual loans which are secured by a second mortgage, in the event that (i) the borrower increases the first loan amount with the first mortgagee; (ii) the borrower sells the assets for early repayment of the outstanding loan to the first mortgagee below market price; or (iii) the first mortgagee enforces its first mortgagee right by demanding the borrower to make repayment and by selling the mortgaged asset, the sale of the mortgaged asset may not generate sufficient proceeds to repay the second mortgage loan after the outstanding loan of the first mortgagee has been repaid in full. If these loans are not recoverable, the Group's financial condition and results of operations may be materially and adversely affected.

***Implementation of further cooling measures by the Hong Kong government in the real estate property market may affect loan-to-value ratios for our loans secured by real estate property***

The Hong Kong government implemented cooling measures in the form of BSD and SSD to curb speculation in the real estate property market in 2010. There is no assurance that the Hong Kong government will not announce further cooling measures that would affect the loan-value-ratios for Hong Kong real estate properties. The liquidity of the real estate property market may be affected due to such cooling measures further implemented and the value or the residual value of the mortgaged real estate property for our loans may also decline. Therefore, for our second mortgage loans, the safety margin of second mortgage loans secured against real estate properties may be reduced and there is a risk that the Company may not recover the full amount of the loan from the sale of such properties. If the second mortgage loans are not recoverable, the Group's financial condition and results of operations may be materially and adversely affected.

***Real estate property cooling measures by the Hong Kong government to curb speculation in the property market may reduce the demand for mortgage loans***

As mentioned above, the imposition of BSD and SSD, and the potential imposition of further cooling measures have increased transaction costs of buying residential properties and may deter potential buyers from acquiring residential properties. This may result in a decrease in the demand for mortgage loans for the purchase of residential properties. Accordingly, the performance and expansion of the mortgage loans industry may be adversely affected, which would in turn adversely and materially affect the financial performance of the Financing Business.

***The business operations in the Financing Business depends on the expertise and continuing performance of its key management personnel***

The Financing Business relies on the experience and expertise of our Directors, the Group's key management personnel in the Financing Business and their continuous service to our Group. We will need to retain and motivate our key management and operational staff to ensure effective and steady performance of the Financing Business. There is no assurance the Group can retain the continuous services of such key personnel. The operational and financial condition of the Group may be materially and adversely affected if the key management personnel (in the Financing Business) are not retained.

***The Group may be subject to claims arising from disputes over the interpretation or enforceability of loan or investment documentation and the Group may not be able to successfully enforce its rights to the underlying contract***

In respect of the Financing Business, the Group may enter into loan contracts or investment agreements with customers from time to time. In this regard, the Group will face risks of disputes over interpretation or enforceability of the documentation and may be subject to claims arising from disputes by customers or other counterparts. If the claims are successful, the Group may be required to compensate the claimant. Furthermore, even though the Group may from time to time take security over assets under its financing contracts, there is no absolute assurance that upon default under the terms of the contract, the Group would be entitled to the security in the event of a dispute. In the event of successful claims against the Group or if the Group is unable to bring an enforcement action on the security, the Group's financial condition and results of operations may be adversely affected.

***NewCo may fail to renew the Money Lenders License on its expiration***

Money Lenders License is usually valid for a period of one (1) year. There is no assurance that the Money Lenders License can be renewed in a timely manner, which will materially and adversely affect the operations of the Financing Business. In case of non-compliance with the Money Lenders Ordinance, NewCo may be subject to penalty charges and breaches, which may constitute a criminal offence, and thereafter may lead to suspension or revocation of the Money Lenders License, resulting in a termination of the Financing Business.

***The Company may not be able to comply with the changes in laws and rules applicable to the lending industry in Hong Kong***

The Financing Business will be regulated under the Money Lenders Ordinance, and compliance with such regulation and all applicable laws in Hong Kong is essential for NewCo to carry on with the Financing Business. Notwithstanding this, the relevant regulatory authorities may from time to time amend existing laws and regulations or adopt new laws and regulations applicable to licensed lenders to Hong Kong. The operations, financial performance and business prospects will be adversely affected if NewCo is not able to comply with any of the new changes and/or requirements.

***The Company may be affected by force majeure and other events beyond the control of the Group***

Since the general macroeconomic conditions and business environment of Hong Kong may affect the Financing Business, diverse factors such as natural disasters, epidemics, pandemics or acts of terrorism and international disputes that affect the economic and business conditions of Hong Kong and the livelihood of its people may disrupt the operation of the Financing Business. The costs of funding, revenue, financial performance and business prospects of the Group may thereby be materially and adversely affected.

**2.5. Changes to the Board of Directors arising from the Proposed Diversification**

There will be no new appointment to the Board of Directors arising from the Proposed Diversification.

**2.6. Financial Effects of the Proposed Diversification**

As at the Latest Practicable Date, the Company is unable to determine the financial impact from the Proposed Diversification on the Group's net profits, NTA per Share or EPS for the current financial year as the Proposed Diversification has yet to be effected.

Should there be any material impact on the Group's NTA per Share and EPS for FY2016 as a result of the Proposed Diversification, the Company will make the necessary announcements at the appropriate time.

**2.7. Disclosure of Financial Results of the Financing Business**

The Financing Business will be accounted for as a new business segment in the Group's financial statements in line with the IFRS and accordingly, the Group will disclose the financials results of Financing Business as part of the Group's financial statements. The financial results of the Financing Business together with the Group's financial statements will be periodically announced pursuant to the requirements as set out in Chapter 7 of the Catalist Rules. In these periodic results announcements, the Group may provide segmented financial results relating to the Financing Business where appropriate or if required under any applicable accounting standards and Catalist Rules.

**3. THE RIGHTS ISSUE**

**3.1. Introduction**

On 8 March 2016, the Company announced the proposed Rights Issue which is subject to, *inter alia*:

(a) The Whitewash Waivers having been granted;

(b) Shareholders' approval for the Rights Issue being obtained at the SGM;

(c) Independent Shareholders' approval for the JIGL Whitewash Resolution and the RWL Whitewash Resolution being obtained at the SGM;

(d) The listing and quotation notice having been granted by the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the closing date of the offer of the Rights Shares under the Rights Issue) for the listing of and quotation for the Rights Shares on the SGX-ST and, if such approval is granted subject to conditions, such conditions being acceptable to the Company; and

(e) The lodgement of the Offer Information Statement together with all other accompanying documents (if applicable) pursuant to the SFA with the SGX-ST acting as agent on behalf of Authority.

The Rights Issue proposed to be undertaken by the Company will be on a non-underwritten and non-renounceable basis and will be subscribed for by JIGL, RWL and Ong Chor Wei under the terms of the Undertakings.

As the fulfilment by JIGL, RWL and Ong Chor Wei of each of their obligations under the Undertakings may result in JIGL Group and/or RWL Group, being obliged to make a mandatory general offer for the Company pursuant to Rule 14 of the Code, an application was made to the SIC for the Whitewash Waivers, which were subsequently granted on 12 April 2016, subject to, *inter alia*, the JIGL SIC Conditions and/or RWL SIC Conditions (as the case may be).

On 21 April 2016, the Company, through the Sponsor, obtained the listing and quotation notice from the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST. The listing and quotation notice granted by SGX-ST is not an indication of the merits of proposed Rights Issue, Rights Shares, the Company, its subsidiaries and their securities.

### 3.2. Basis of the Rights Issue

As at the Latest Practicable Date, the total issued and paid-up share capital of the Company is HK$4,048,727.33, comprising 404,872,733 Shares (the "**Existing Share Capital**").

Assuming that the share capital of the Company as at the Books Closure Date is the Existing Share Capital, based on the Maximum Scenario, up to 2,429,236,398 Rights Shares are proposed to be offered on a non-renounceable basis to Entitled Shareholders at the Issue Price of S$0.0035 for each Rights Share, on the basis of six (6) Rights Shares for every one (1) existing Share held by Entitled Shareholders, fractional entitlements to be disregarded.

The Rights Shares are payable in full upon acceptance and/or application, and when allotted and issued, will be credited as fully paid and rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares.

After taking into consideration the cost of engaging an underwriter and having to pay commission in relation to the underwriting, the Directors decided that it is not feasible and practicable for the Rights Issue to be underwritten by a financial institution.

Entitled Shareholders will be entitled to participate in the Rights Issue and receive the Offer Information Statement together with the appropriate application forms and accompanying documents at their respective Singapore addresses. Please see **Section 3.5** of this Circular for further information on eligibility to participate in the Rights Issue.

Entitled Shareholders will be at liberty to accept (in full or in part) or decline their provisional allotments of Rights Shares and will be eligible to apply for excess Rights Shares under the Rights Issue. Provisional allotments of Rights Shares which would otherwise have been made to Foreign Shareholders will be dealt with in the manner described in **Section 3.5** of this Circular. In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots and the Directors and Substantial Shareholders (including JIGL, RWL and Ong Chor Wei) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

The Rights Issue will be undertaken by the Company on a non-underwritten basis. The Company has received the respective Undertakings from each of JIGL, RWL and Ong Chor Wei that each of them will, *inter alia*, irrevocably subscribe and pay in full for, and/or procure the subscription and payment in full for, their respective entitlements under the Rights Issue. The details of the Undertakings are set out in **Section 3.7** of this Circular.

### 3.3. Principal Terms of the Rights Issue

| | | |
|---|---|---|
| **Basis of provisional allotment** | : | Six (6) Rights Shares for every one (1) existing Share standing to the credit of the Securities Accounts of Entitled Depositors or held by Entitled Scripholders, as the case may be, as at the Books Closure Date, fractional entitlements to be disregarded. |
| **Number of Rights Shares to be issued** | : | Assuming that the share capital of the Company as at the Books Closure Date is the Existing Share Capital, based on the Maximum Scenario, up to 2,429,236,398 Rights Shares will be issued assuming full subscription under the Rights Issue. |
| **Issue Price** | : | S$0.0035 for each Rights Share, payable in full on acceptance and/or application.<br><br>The Issue Price represents: (i) a discount of approximately 61.11% to the closing price of S$0.009 per Share on the Catalist on 8 March 2016, being the last Market Day on which the Shares were traded on the Catalist immediately preceding the Rights Announcement; (ii) a discount of approximately 41.67% to the closing price of S$0.006 per Share as at the Latest Practicable Date**;** and (iii) a discount of approximately 35.714% based on the theoretical ex-rights trading price of S$0.003857 per Share. |
| **Status of Rights Shares** | : | The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date for which falls before the date of issue of the Rights Shares. |
| **Eligibility to participate in the Rights Issue** | : | Please see **Section 3.5** of this Circular. |
| **Restrictions** | : | **As the Rights Issue is made on a non-renounceable basis, Entitled Shareholders should note that they will not be able to trade or renounce their provisional allotments of the Rights Shares.** |

| | | |
|---|---|---|
| **Trading of the Rights Shares** | : | Upon the listing and quotation of the Rights Shares on the Catalist, the Rights Shares will be traded on the Catalist under the book-entry (scripless) settlement system. For the purposes of trading on the Catalist, each board lot of Shares will comprise 100 Shares. |
| **Non-underwritten** | : | The Rights Issue will not be underwritten in view of the Irrevocable Undertakings and cost savings in respect of underwriting fees. |
| **Irrevocable Undertakings** | : | JIGL, RWL and Ong Chor Wei have given Undertakings that they will, *inter alia*, irrevocably subscribe and pay in full for, and/or procure the subscription and payment in full for, their respective entitlements under the Rights Issue. The details of the Undertakings are set out in **Section 3.7** of this Circular. |
| **Acceptance, excess application and payment procedures** | : | Entitled Shareholders will be at liberty to accept (in full or in part) or decline their provisional allotments of the Rights Shares and will be eligible to apply for Rights Shares in excess of their provisional allotments under the Rights Issue ("**excess Rights Shares**" and each such application, an "**excess application**").<br><br>Fractional entitlements to the Rights Shares will be disregarded in arriving at the entitlements of the Entitled Shareholders and will, together with entitlements not allotted or taken up for any reason, be aggregated and used to satisfy applications for excess Rights Shares (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the best interests of the Company subject to applicable laws and the Catalist Rules.<br><br>In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots, Directors and Substantial Shareholders (including JIGL Group and RWL Group) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.<br><br>The procedures for acceptance, payment and excess application by Entitled Depositors and the procedures for acceptance, payment, splitting and excess application by Entitled Scripholders will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course, subject to, *inter alia*, the Rights Issue and the JIGL Whitewash Resolution and the RWL Whitewash Resolution being approved by Shareholders at the SGM. |

**Governing law** : Laws of the Republic of Singapore.

The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the Rights Issue and the JIGL Whitewash Resolution and the RWL Whitewash Resolution being approved by Shareholders at the SGM.

**3.4. Conditions for the Rights Issue**

Shareholders should note that the Rights Issue is subject to, *inter alia*, the following conditions:

(a) The Whitewash Waivers granted by the SIC on 12 April 2016 not having been withdrawn or revoked as at the date of completion of the Rights Issue;

(b) The Rights Issue, including the allotment and issue of the Rights Shares, being approved by Shareholders at the SGM;

(c) The JIGL Whitewash Resolution and the RWL Whitewash Resolution being approved by the Independent Shareholders at the SGM;

(d) The listing and quotation notice of the Rights Shares on the SGX-ST having been obtained (and such approval not having been withdrawn or revoked on or prior to the closing date of the offer of the Rights Shares under the Proposed Share Issuance), and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company; and

(e) The lodgement of the Offer Information Statement together with all other accompanying documents (if applicable) pursuant to the SFA with the SGX-ST acting as agent on behalf of the Authority.

On 21 April 2016, the Company, through the Sponsor, had obtained the listing and quotation notice from the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST. The listing and quotation notice is subject to Shareholders' approval being obtained at the forthcoming SGM for the Rights Issue and compliance with the SGX-ST's listing requirements. The listing and quotation notice is not an indication of the merits of the Rights Issue, Rights Shares, the Company, its subsidiaries and their securities.

The Whitewash Waivers granted by the SIC on 12 April 2016 are subject to the satisfaction of the JIGL SIC Conditions and/or RWL SIC Conditions (as the case may be), details of which are set out in **Section 4.4** of this Circular.

**3.5. Eligibility of Shareholders to Participate in the Rights Issue**

Entitled Shareholders

The Company proposes to provisionally allot the Rights Shares to Entitled Shareholders (comprising Entitled Depositors, Entitled Scripholders and excluding Foreign Shareholders, as defined below) under the Rights Issue:

(a) Entitled Depositors

Shareholders whose securities accounts with CDP are credited with Shares as at the Books Closure Date and whose registered addresses with CDP are in Singapore as at the Books Closure Date (the "**Entitled Depositors**") will be provisionally allotted the Rights Shares on the basis of the number of Shares standing to the credit of their securities accounts with CDP as at the Books Closure Date.

To be Entitled Depositors, depositors must have registered addresses in Singapore with CDP as at the Books Closure Date, or if they have registered addresses outside Singapore, they must provide CDP at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588 with registered addresses in Singapore for the service of notices and documents, not later than 5.00 p.m. (Singapore Time) on the date being three (3) Market Days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares entitlements.

(b) Entitled Scripholders

Shareholders whose Shares are not registered in the name of CDP but whose names appear in the Register of Members of the Company with registered addresses in Singapore as at the Books Closure Date (the "**Entitled Scripholders**") will be provisionally allotted Rights Shares on the basis of the number of Shares held by them as stated in the Register of Members of the Company as at the Books Closure Date.

To be Entitled Scripholders, Scripholders must have registered addresses in Singapore with the Company as at the Books Closure Date, or if they have registered addresses outside Singapore, must provide the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 with their registered addresses in Singapore for the service of notices and documents, not later than 5.00 p.m. (Singapore Time) on the date being three (3) Market Days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares entitlements.

Duly completed and stamped transfers (in respect of Shares not registered in the name of CDP), together with all relevant documents of title, so as to be received up to 5.00 p.m. on the Books Closure Date by the Share Registrar, will be registered to determine the transferee's provisional allotments of Rights Shares entitlements.

Entitled Shareholders will be entitled to participate in the Rights Issue and to receive the Offer Information Statement together with the ARE or PAL, as the case may be, and other accompanying documents, at their respective Singapore addresses.

Entitled Depositors who do not receive the Offer Information Statement and the ARE may obtain them from CDP or the Share Registrar during the period up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PAL may obtain them from the Share Registrar during the period up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Rights Shares under the Rights Issue based on their shareholdings as at the Books Closure Date. Entitled Shareholders are at a liberty to accept (in full or in part) or decline their provisional allotments of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

Entitled Depositors, who wish to accept their provisional allotments of Rights Shares and (if applicable) apply for excess Rights Shares, may only do so through CDP and/or by way of an Electronic Application.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the entitlements of the Entitled Shareholders and will, together with entitlements not allotted or taken up for any reason, be aggregated and used to satisfy applications for excess Rights Shares (if any) or disposed or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the best interests of the Company subject to applicable laws and the Catalist Rules.

In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots, Directors and Substantial Shareholders (including JIGL Group and RWL Group) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

Full details of the Rights Issue, including an indicative timetable of the key events, will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course, subject to, *inter alia*, the Rights Issue, the JIGL Whitewash Resolution and the RWL Whitewash Resolution being approved by Shareholders at the SGM.

**All dealings in and transactions of the provisional allotments of Rights Shares through the Catalist will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs to be issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the Catalist.**

Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP. Entitled Depositors are reminded that any request to effect any change in address must reach CDP not later than three (3) Market Days before the Books Closure Date.

Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit such share certificates with CDP at least twelve (12) Market Days before the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and the provisional allotments of Rights Shares. Entitled Shareholders should note that their Securities Accounts will only be credited with the Shares on the twelfth ($12^{th}$) Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.

Foreign Shareholders

The Offer Information Statement and its accompanying documents relating to the Rights Issue have not been and will not be registered or filed in any jurisdiction other than Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than in Singapore, the Rights Issue is only made in Singapore and the Rights Shares will not be offered to Foreign Shareholders. The Offer Information Statement relating to the Rights Issue and its accompanying documents will not be mailed outside Singapore.

**Foreign Shareholders will not be entitled to participate in the Rights Issue. Accordingly, no provisional allotment of Rights Shares will be made to Foreign Shareholders and no purported acceptance thereof or application despatched by Foreign Shareholders will be valid.**

The Offer Information Statement and its accompanying documents will also not be despatched to persons purchasing the provisional allotments of Rights Shares through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore ("**Foreign Purchasers**"). Foreign Purchasers who wish to accept the provisional allotments of Rights Shares credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore.

The Company reserves the right to reject any acceptances of the Rights Shares and/or applications for excess Rights Shares where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction.

The Company further reserves the right to treat as invalid any ARE or PAL or decline to register such application or purported application which (a) appears to the Company or its agent to have been executed in any jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction, (b) provides an address outside Singapore for the receipt of the share certificate(s) for the Rights Shares or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore, or (c) purports to exclude any deemed representation or warranty.

Depositors (including Foreign Shareholders) who wish to be eligible to participate in the Rights Issue must notify and provide CDP at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588 in writing with an address in Singapore ("**Rights Mailing Address**") for the purpose of receiving documents relating to the Rights Issue. Depositors are reminded that any request to CDP to register a Rights Mailing Address or to effect any change in address must reach CDP at least three (3) Market Days prior to the Books Closure Date.

Scripholders (including Foreign Shareholders) who do not presently have an address in Singapore for the service of notices and documents and who wish to be eligible to participate in the Rights Issue should provide such an address in Singapore not later than three (3) Market Days prior the Books Closure Date by notifying Joyas International Holdings Limited, c/o Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

**Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without compliance with any regulatory or legal requirements in those territories.**

**AS THE RIGHTS ISSUE IS MADE ON A NON-RENOUNCEABLE BASIS, ENTITLED SHAREHOLDERS SHOULD NOTE THAT THEY WILL NOT BE ABLE TO TRADE OR RENOUNCE THEIR PROVISIONAL ALLOTMENTS OF THE RIGHTS SHARES.**

The procedures for, and the terms and conditions applicable to, the acceptance of the provisional allotments of Rights Shares and the application for excess Rights Shares pursuant to the Rights Issue, including the different modes of acceptance or excess application and payment, will be set out in the Offer Information Statement and its accompanying documents to be despatched by the Company to Entitled Shareholders in due course.

### 3.6. Rationale of the Rights Issue and Use of Proceeds

On 15 May 2015, the Company announced the setting up of a new financing business unit for its Financing Business. Together with the Proposed Diversification, the Company intends to undertake the Rights Issue to strengthen its cash position, statement of financial position and use the net proceeds of the Rights Issue (the "**Net Proceeds**") for the Financing Business as well as for general working capital purposes. The Directors believe that the proposed Rights Issue will strengthen the balance sheet and provide flexibility as the Group pursues its growth strategies.

Based on the Issue Price and assuming the Maximum Scenario, the Rights Issue will raise approximately S$8.50 million and the Net Proceeds, after deducting estimated expenses of approximately S$0.34 million, will amount to approximately S$8.16 million.

Based on the Issue Price and assuming the Minimum Scenario, the Rights Issue will raise approximately S$4.23 million and the Net Proceeds of the Rights Issue, after deducting estimated expenses of approximately S$0.21 million, will amount to approximately S$4.01 million.

It is intended that the Net Proceeds be utilised in the proportions set out in the table below, the scenarios for the proposed utilisation of the Net Proceeds by the Company, based on two different assumptions: (A) Maximum Scenario and (B) Minimum Scenario, based on the Existing Share Capital are as follows:

**Based on Existing Share Capital**

| **Use of Proceeds** | **Maximum Scenario** | | **Minimum Scenario** | |
|---|---|---|---|---|
| | **Amount (S$'000)** | **Percentage of Proceeds** | **Amount (S$'000)** | **Percentage of Proceeds** |
| To fund the Financing Business of the Company | 6,530 | 80% | 3,211 | 80% |
| To fund the working capital of the Group | 1,632 | 20% | 803 | 20% |
| **Total** | 8,162 | 100% | 4,014 | 100% |

Pending the deployment of the Net Proceeds for the purposes mentioned above, such proceeds may be deposited with banks or financial institutions, invested in short-term money markets or marketable securities or used for any other purpose on a short-term basis as the Directors may deem fit.

The Directors are of the opinion that, after taking into consideration the present bank facilities and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

After taking into consideration the cost of engaging an underwriter and having to pay commission in relation to the underwriting, the Directors decided that it is not feasible and practicable for the Rights Issue to be underwritten by a financial institution.

The Company will make periodic announcements on the utilisation of the proceeds of the Rights Issue, as and when the funds from the Rights Issue are materially disbursed or utilised. Where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report.

**3.7. Undertakings**

The Rights Issue will be supported by the substantial shareholders of the Company, namely JIGL, RWL and Ong Chor Wei. For this purpose, (i) JIGL and its controlling shareholder, Lau Chor Beng Peter shall collectively be referred to as the "**JIGL Group**" (as also defined in the definitions section above); and (ii) RWL and its controlling shareholders, Delton Group Limited, Cavendish Limited, Ong Chor Wei and Yung Fung Ping shall collectively be referred to as the "**RWL Group**" (as also defined in the definitions section above).

As at the Latest Practicable Date, the respective shareholdings of the JIGL Group and the RWL Group are as follows:

(a) the JIGL Group:

| | Direct Interest | | Deemed Interest | | Total |
|---|---|---|---|---|---|
| | **Number of Shares** | **%[1]** | **Number of Shares** | **%[1]** | **%[1]** |
| Joyas Investments Group Limited[2] | 120,421,638 | 29.74% | | | 29.74% |
| Lau Chor Beng, Peter[2] | – | – | 120,421,638 | 29.74% | 29.74% |
| **Total** | **120,421,638** | **29.74%** | | | |

**Notes:**

(1) Based on the Existing Share Capital of the Company.

(2) Lau Chor Beng, Peter is deemed interested in the Shares held by JIGL of which Lau Chor Beng, Peter is a controlling shareholder and director.

As at the date hereof, the JIGL Group holds an aggregate of 29.74% of the voting rights (as defined in the Code) of the Company.

(b) the RWL Group:

| | Direct Interest | | Deemed Interest | | Total |
|---|---|---|---|---|---|
| | **Number of Shares** | **%[1]** | **Number of Shares** | **%[1]** | **%[1]** |
| Reach Win Limited[2][3] | 80,000,000 | 19.76% | – | – | 19.76% |
| Delton Group Limited[2] | – | – | 80,000,000 | 19.76% | 19.76% |
| Cavendish Limited[3] | – | – | 80,000,000 | 19.76% | 19.76% |
| Ong Chor Wei[2] | 800,000 | 0.20% | 80,000,000 | 19.76% | 19.96% |
| Yung Fung Ping[3] | – | – | 80,000,000 | 19.76% | 19.76% |
| **Total** | **80,800,000** | **19.96%** | | | |

**Notes:**

(1) Based on the Existing Share Capital of the Company.

(2) Delton Group Limited is deemed interested in the Shares held by RWL of which Delton Group Limited is a controlling shareholder. Ong Chor Wei is deemed interested in the Shares held by RWL, of which Ong Chor Wei is a director, and he holds 100% shareholding interest in Delton Group Limited.

(3) Cavendish Limited is deemed interested in the Shares held by RWL of which Cavendish Limited is a controlling shareholder. Yung Fung Ping is deemed interested in the Shares held by RWL, of which Yung Fung Ping is a director and she holds 100% shareholding interest in Cavendish Limited.

As at the date hereof, the RWL Group holds an aggregate of 19.96% of the voting rights (as defined in the Code) of the Company.

To show their support for the Rights Issue and to demonstrate their commitment to and confidence in the prospects of the Group, JIGL, RWL and Ong Chor Wei have given the Undertakings, pursuant to which each of JIGL, RWL and Ong Chor Wei has irrevocably undertaken to the Company that, *inter alia*:

(a) they will apply and subscribe for and/or procure applications and subscription for and pay for and/or procure the payment for the whole of their *pro rata* beneficial entitlement under the Rights Issue;

(b) they shall not, without the prior written consent of the Company, sell, transfer or otherwise dispose of all or any of the beneficial interest in the Shares that they currently legally and beneficially own;

(c) they shall provide evidence in writing that they have sufficient financial resources to fulfil their obligations as set out in paragraph (a) above;

(d) they shall vote (in respect of all Shares legally and beneficially owned by each of them at the SGM) in person or by representative or proxy, in favour of all resolutions which will be proposed at the SGM;

(e) they shall warrant and represent that (i) each of them has the full capacity to make the representations, warranties and undertakings contained in the Undertakings; (ii) the representations, warranties and undertakings contained in the Undertakings constitute valid, binding and enforceable obligations on each of them in accordance with its terms; (iii) the making of the representations, warranties and undertakings contained in the Undertakings does not contravene any law, regulation or authorisation binding on each of them; and (iv) each of them shall not circulate the Undertakings to any third parties without the Company's prior consent;

(f) they acknowledge that the Company is not obliged to proceed with the Rights Issue and the Company shall have the right to vary any of the terms of the Rights Issue and that the Undertakings will remain in force notwithstanding such variation and that the final terms and conditions of the Rights Issue will be set out in the Offer Information Statement and the accompanying documents to be issued in connection with the Rights Issue, and confirm that the Undertakings will remain in full force and effect notwithstanding such variation;

(g) they acknowledge and accept that no representation or warranty is given by the Company or any company in the Group or the Sponsor in relation to, or in connection with the merits or otherwise of the Rights Issue or timing thereof, the Rights Shares, the subscription thereof, or as to the Shares, the Company and its subsidiaries (including their respective financial or other conditions);

(h) they shall procure the doing of all such acts, provide all such information, confirmations, undertakings and certificates and execute or procure the execution of all such documents as may be necessary and/or pursuant to any requirements of the SGX-ST, the Authority, the Accounting and Corporate Regulatory Authority, the SIC and/or any other regulatory authorities in Singapore, (in each case) in relation to the Rights Issue and all the matters set out in paragraphs (a) and (b) above; and

(i) they shall indemnify and hold harmless the Company from and against any and all losses, liabilities, damages, costs, charges, expenses (including legal fees on a full indemnity basis) and taxes, claims, actions, demands or judgment which are suffered or incurred by or which are instituted, made or alleged against the Company by reason of or in connection with any breach or default of their obligations set out in paragraphs (a) to (b) above (excluding any breach or default of their obligations in paragraph (h) above which has been rectified within three (3) business days from the date of written notification of such breach or default to them), and shall pay to the Company on demand an amount equal to all costs, charges and expenses (including legal fees on a full indemnity basis) which the Company may pay or incur in connection with investigating, disputing or defending any such claims or losses (whether actual, pending or threatened and whether or not the Company is or may be a party to any such claims).

The Undertakings are conditional upon the following:

(a) The Whitewash Waivers granted by the SIC on 12 April 2016 not having been withdrawn or revoked as at the date of completion of the Rights Issue;

(b) The Rights Issue, including the allotment and issue of the Rights Shares, being approved by Shareholders at the SGM;

(c) The JIGL Whitewash Resolution and the RWL Whitewash Resolution being approved by the Independent Shareholders at the SGM;

(d) The listing and quotation notice having been granted by the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the closing date of the offer of the Rights Shares under the Rights Issue) for the listing of and quotation for the Rights Shares on the SGX-ST having been obtained, and if such approval is granted subject to conditions, such conditions being acceptable to the Company; and

(e) The lodgement of the Offer Information Statement together with all other accompanying documents (if applicable) pursuant to the SFA with the SGX-ST acting as agent on behalf of the Authority.

(the "**Undertaking Conditions**").

### 3.8. Financial Effects of the Rights Issue

The financial effects of the Rights Issue under the Minimum Scenario and the Maximum Scenario as presented herein:

(a) are for illustrative purposes only and are not a projection of the actual future financial performance or financial position of the Group immediately after the completion of the Rights Issue;

(b) are based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015 ("**FY2015**");

(c) assume that there is no return earned from the Rights Proceeds;

(d) take into account the Placement having taken place and been completed in FY2015;

(e) assume that the Rights Issue was completed on 31 December 2015 for the purposes of computing the financial effects on the share capital, NAV and gearing; and

(f) assume that the Rights Issue was completed on 1 January 2015, for the purposes of computing the financial effects on the EPS.

3.8.1 Share Capital

| | Based on Existing Share Capital | | | |
|---|---|---|---|---|
| | Minimum Scenario | | Maximum Scenario | |
| | No. of Shares | HK$'000 | No. of Shares | HK$'000 |
| **Audited FY2015** | | | | |
| Issued share capital as at 31 December 2015 | 404,670,733 | 4,047 | 404,670,733 | 4,047 |
| Add: Rights Shares to be issued | 1,207,329,828 | 12,073 | 2,429,236,398 | 24,292 |
| Issued share capital after the Rights Issue | 1,612,000,561 | 16,120 | 2,832,695,131 | 28,327 |

3.8.2 NAV

| | Based on Existing Share Capital | |
|---|---|---|
| | Minimum Scenario | Maximum Scenario |
| **As at 31 December 2015** | | |
| NAV before the Rights Issue (HK$'000) | 23,233 | 23,233 |
| Number of Shares before the Rights Issue | 404,872,733 | 404,872,733 |
| NAV per Share before the Rights Issue (HK cents) | 5.74 | 5.74 |
| Add: Net proceeds from the Rights Issue (HK$'000) | 21,838 | 44,403 |
| NAV after the Rights Issue (HK$'000) | 45,071 | 67,636 |
| Number of Shares after the Rights Issue | 1,612,202,561 | 2,834,109,131 |
| NAV per Share after the Rights Issue (HK cents) | 2.80 | 2.39 |

3.8.3 Gearing

| | Based on Existing Share Capital Minimum Scenario | Maximum Scenario |
|---|---|---|
| **As at 31 December 2015** | | |
| Total borrowings & Convertible Bonds before the Rights Issue (HK$'000) | 32,706 | 32,706 |
| Shareholders' equity before the Rights Issue (HK$'000) | 23,233 | 23,233 |
| Gearing before the Rights Issue (times) | 1.41 | 1.41 |
| Total borrowings & Convertible Bonds after the Rights Issue (HK$'000) | 32,706 | 32,706 |
| Shareholders' equity after the Rights Issue (HK$'000) | 45,071 | 67,636 |
| Gearing after the Rights Issue (times) | 0.73 | 0.48 |

3.8.3 LPS

| | Based on Existing Share Capital Minimum Scenario | Maximum Scenario |
|---|---|---|
| **FY2015** | | |
| Net loss attributable to Shareholders (HK$'000) | (14,730) | (14,730) |
| Weighted average number of Shares before the Rights Issue | 382,478,952 | 382,478,952 |
| Weighted average number of Shares before the Rights Issue on fully diluted basis | 382,478,952 | 382,478,952 |
| Weighted average number of Shares after the Rights Issue | 1,589,808,780 | 2,811,715,350 |
| Weighted average number of Shares after the Rights Issue on fully diluted basis | 1,589,808,780 | 2,811,715,350 |
| LPS before the Rights Issue (HK cents) | | |
| – Basic | (3.85) | (3.85) |
| – Diluted | (3.85) | (3.85) |
| LPS after the Rights Issue (HK cents) | | |
| – Basic | (0.93) | (0.52) |
| – Diluted | (0.93) | (0.52) |

### 3.9. Adjustments to Convertible Securities

3.9.1 Adjustment to the Warrants

In 2015, the Company undertook a renounceable non-underwritten rights issue of warrants, where it would issue up to 354,670,733 warrants ("**2015 Warrants**") at the issue price of S$0.01 for each warrant, carrying the right to subscribe for one (1) new Share for each new warrant at an exercise price of S$0.10 for each new Share, on the basis of one (1) warrant for every one (1) Share (the "**2015 Warrants Issue**").

(a) As at the Latest Practicable Date, there are 18,173,980 outstanding 2015 Warrants, which are exercisable into 18,173,980 new Shares and the terms are as follows:

| No. of new Shares which will be issued on exercise of the outstanding 2015 Warrants | Exercise price | Exercise period |
|---|---|---|
| 18,173,980 | S$0.10 | 23 February 2016 to 22 February 2021 |

(b) Pursuant to the deed poll dated 15 January 2015 ("**2015 Warrants Deed Poll**") constituting the 2015 Warrants, the exercise price and the number of outstanding 2015 Warrants held by the warrant holders ("**2015 Warrant Holders**") shall be adjusted pursuant to the Rights Issue in accordance with the following formula:

$$\text{New exercise price of 2015 Warrants} = \frac{C - D}{C} \times X$$

$$\text{Adjusted number of 2015 Warrants} = \frac{C}{(C\text{-}D)} \times W$$

where:

C is the Current Market Price (as defined herein) on the Market Day immediately preceding the date on which the Rights Issue is announced on the SGX-ST.

"Current Market Price" in relation to each Share for any relevant Market Day shall be the average of the last dealt prices (rounded down to the nearest S$0.01 per Share) of Shares quoted on the SGX-ST for the five (5) consecutive Market Days (on each of which trading of the Shares on the SGX-ST has been transacted) immediately preceding that Market Day.

D is the value of rights attributable to one (1) Share. The "value of the rights attributable to one (1) Share" shall be calculated in accordance with the following formula:

$$\frac{C - E}{F + 1}$$

Where:

C = as in C above;

E = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares under the terms of such offer or invitation; and

F = the number of Share(s) which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) Share.

Any adjustment to the exercise price of 2015 Warrants will be rounded upwards to the nearest one cent and no adjustment will be made to the exercise price in any case in which the amount by which the same would be adjusted would be less than one cent but any such adjustment which would otherwise then be required will be carried forward and taken into account appropriately in any subsequent adjustment. Any adjustment to the number of 2015 Warrants will be rounded downwards to the nearest whole warrant.

X is the existing exercise price of 2015 Warrants.

W is the existing number of outstanding 2015 Warrants.

Based on the above formulae, the computations arrived at by the Company resulted the following adjustments:

New exercise price = S$0.07 (as rounded off to the nearest one cent)

Adjusted number of outstanding 2015 Warrants = 26,924,415

The auditors of the Company have also confirmed and certified that the adjustments to the outstanding 2015 Warrants is in accordance with the formulae stated in Condition 5(B) of the Terms and Conditions of the 2015 Warrants.

The adjustments to the outstanding 2015 Warrants are in accordance with the provisions of the 2015 Warrants Deed Poll and will take effect (if appropriate, retroactively) from the commencement of the Market Day next following the record date for the Rights Issue. The Company will in due course make timely announcement of (i) the effective date of such adjustments; (ii) the allotment of the additional warrants; and (iii) the financial effects of such adjustments.

3.9.2 Adjustment to the Convertible Bonds

In 2015, the Company undertook a renounceable non-underwritten rights issue of up to S$5,320,060.99 in aggregate principal amount of 7.0 per cent convertible bonds due in 2020 (the "**Convertible Bonds**") in the denomination of S$0.015 for each Convertible Bond, on the basis of one (1) Convertible Bond for every one (1) Share (the "**Convertible Bonds Issue**")

(a) As at the Latest Practicable Date, there are 233,563,979 outstanding Convertible Bonds with aggregate principal amount of S$3,503,459.68, which are exercisable into 35,034,596.80 new Shares and the terms are as follows:

| No. of new Shares which will be issued on exercise of the outstanding Convertible Bonds | Conversion price | Conversion period |
|---|---|---|
| 35,034,596.80 | S$0.10 | 23 February 2016 to 14 February 2020 |

(b) Pursuant to the convertible bond trust deed dated 19 January 2015 ("**Convertible Bond Trust Deed**") constituting the Convertible Bonds, the conversion price shall be adjusted pursuant to the Rights Issue by multiplying the conversion price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before the announcement of the Rights Issue.

B is the number of Shares which the aggregate amount (if any) payable for the Rights Shares and for the total number of Shares comprised therein would purchase at such Current Market Price.

"Current Market Price" means, in respect of a Share at a particular time on a particular date, the average of the closing prices quoted on the SGX-ST for one Share for the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date.

"Trading Day" means a day when the SGX-ST is open for dealing business, provided that if no closing price is reported in respect of the relevant Shares on the SGX-ST for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

On any adjustment, the relevant conversion price shall be rounded down to the nearest S$0.001. No adjustment shall be made to the conversion price where such adjustment (rounded down if applicable) would be less than 1% of the conversion price unless the Company deems it necessary. Any adjustment not made, and any amount by which the conversion price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment.

Based on the above formulae, the computations arrived at by the Company resulted the following adjustment:

New conversion price = S$0.046 (as rounded down to the nearest S$0.001).

The auditors of the Company have also confirmed that the adjustments to the conversion price of the outstanding Convertible Bonds is in accordance with the formulae stated in Condition 7(c)(iv) of the Terms and Conditions of the Convertible Bonds.

(c) The adjustments to the conversion price of the outstanding Convertible Bonds are in accordance with the provisions of the Convertible Bond Trust Deed and will take effect on the date of issue of the Rights Shares. The Company will in due course make timely announcements of (i) the effective date of such adjustment; and (ii) the financial effects of any such adjustment.

3.9.3 <u>Adjustments to the options granted to Mr Chan Ka Leung</u>

The Company granted 12,000,000 options to Mr Chan Ka Leung (the "**Grantee**") in May 2015 as a payment for the Grantee's introducer's fee in relation to diversification of the Company's business into the Nickel and Trading Business in 2015. Each option gives the Grantee a right to subscribe to one new Share at the exercise price of S$0.021 per new Share. The Company does not intend to make any adjustments in relation to the options granted to Mr Chan Ka Leung a result of the Rights Issue.

## 4. THE JIGL WHITEWASH RESOLUTION AND THE RWL WHITEWASH RESOLUTION

### 4.1. Interests of JIGL Group and RWL Group

As at the Latest Practicable Date, the interests of the JIGL Group and RWL Group in the Company are as follows:

| | No. of Shares held | % of issued share capital |
|---|---|---|
| <u>JIGL Group</u> | | |
| JIGL | 120,421,638 | 29.74 |
| Lau Chor Beng, Peter[(1)] | 120,421,638 | 29.74 |
| **Total** | **120,421,638** | **29.74** |

**Note:**

(1) Lau Chor Beng, Peter is deemed interested in the Shares held by JIGL of which Lau Chor Beng, Peter is a controlling shareholder and director.

| | No. of Shares held | % of issued share capital |
|---|---|---|
| <u>RWL Group</u> | | |
| RWL | 80,000,000 | 19.76 |
| Delton Group Limited[(1)] | 80,000,000 | 19.76 |
| Cavendish Limited[(2)] | 80,000,000 | 19.76 |
| Ong Chor Wei[(1)] | 80,800,000 | 19.96 |
| Yung Fung Ping[(2)] | 80,000,000 | 19.76 |
| **Total** | **80,800,000** | **19.96** |

**Notes:**

(1) Delton Group Limited is deemed interested in the Shares held by RWL of which Delton Group Limited is a controlling shareholder. Ong Chor Wei is deemed interested in the Shares held by RWL, of which Ong Chor Wei is a director, and he holds 100% shareholding interest in Delton Group Limited. In addition, Ong Chor Wei holds 800,000 Shares directly.

(2) Cavendish Limited is deemed interested in the Shares held by RWL of which Cavendish Limited is a controlling shareholder. Yung Fung Ping is deemed interested in the Shares held by RWL, of which Yung Fung Ping is a director and she holds 100% shareholding interest in Cavendish Limited.

### 4.2. Mandatory General Offer Requirement under the Code

Under Rule 14 of the Code, except with the SIC's consent, where (a) any person acquires, whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of the Company; or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of the voting rights, he is required to make a mandatory general offer for all the remaining Shares in the Company which he does not already own or control.

As at the Latest Practicable Date:

(a) the JIGL Group holds in aggregate approximately 29.74% of the Existing Share Capital, representing 29.74% of the voting rights of the Company; and

(b) the RWL Group holds in aggregate approximately 19.96% of the Existing Share Capital, representing 19.96% of the voting rights of the Company.

Each of JIGL, RWL and Ong Chor Wei will subscribe for their respective pro-rata entitlements to the Rights Shares pursuant to the Undertakings. The tables below show the effects of the Rights Issue where JIGL, RWL and Ong Chor Wei subscribe for their respective Rights Shares pursuant to the Undertakings under the Minimum Scenario and the Maximum Scenario and based on the Existing Share Capital.

| | **Based on Existing Share Capital Minimum Scenario** | | | |
|---|---|---|---|---|
| | **Before the Rights Issue** | | **After the Rights Issue** | |
| | **No. of Shares held** | **% of Existing Share Capital** | **No. of Shares held** | **% of Enlarged Share Capital** |
| JIGL | 120,421,638 | 29.74 | 842,951,466 | 52.29 |
| Lau Chor Beng Peter[1] | 120,421,638 | 29.74 | 842,951,466 | 52.29 |
| **JIGL Group** | **120,421,638** | **29.74** | **842,951,466** | **52.29** |
| RWL | 80,000,000 | 19.76 | 560,000,000 | 34.74 |
| Delton Group Limited[2] | 80,000,000 | 19.76 | 560,000,000 | 34.74 |
| Cavendish Limited[3] | 80,000,000 | 19.76 | 560,000,000 | 34.74 |
| Ong Chor Wei[2] | 80,800,000 | 19.96 | 565,600,000 | 35.08 |
| Yung Fung Ping[3] | 80,000,000 | 19.76 | 560,000,000 | 34.74 |
| **RWL Group** | **80,800,000** | **19.96** | **565,600,000** | **35.08** |
| Other Shareholders | 203,651,095 | 50.30 | 203,651,095 | 12.63 |
| **Total** | 404,872,733 | 100.00 | 1,612,202,561 | 100.00 |

| | Based on Existing Share Capital Maximum Scenario | | | |
|---|---|---|---|---|
| | Before the Rights Issue | | After the Rights Issue | |
| | No. of Shares held | % of Existing Share Capital | No. of Shares held | % of Enlarged Share Capital |
| JIGL | 120,421,638 | 29.74 | 842,951,466 | 29.74 |
| Lau Chor Beng Peter[(1)] | 120,421,638 | 29.74 | 842,951,466 | 29.74 |
| **JIGL Group** | **120,421,638** | **29.74** | **842,951,466** | **29.74** |
| RWL | 80,000,000 | 19.76 | 560,000,000 | 19.76 |
| Delton Group Limited[(2)] | 80,000,000 | 19.76 | 560,000,000 | 19.76 |
| Cavendish Limited[(3)] | 80,000,000 | 19.76 | 560,000,000 | 19,76 |
| Ong Chor Wei[(2)] | 80,800,000 | 19.96 | 565,600,000 | 19.96 |
| Yung Fung Ping[(3)] | 80,000,000 | 19.76 | 560,000,000 | 19.76 |
| **RWL Group** | **80,800,000** | **19.96** | **565,600,000** | **19.96** |
| Other Shareholders | 203,651,095 | 50.30 | 1,425,557,065 | 50.30 |
| **Total** | 404,872,733 | 100.00 | 2,834,109,131 | 100.00 |

**Notes:**

(1) Lau Chor Beng, Peter is deemed interested in the Shares held by JIGL of which Lau Chor Beng, Peter is a controlling shareholder and director.

(2) Delton Group Limited is deemed interested in the Shares held by RWL of which Delton Group Limited is a controlling shareholder. Ong Chor Wei is deemed interested in the Shares held by RWL, of which Ong Chor Wei is a director, and he holds 100% shareholding interest in Delton Group Limited. In addition, Ong Chor Wei holds 800,000 Shares directly.

(3) Cavendish Limited is deemed interested in the Shares held by RWL of which Cavendish Limited is a controlling shareholder. Yung Fung Ping is deemed interested in the Shares held by RWL, of which Yung Fung Ping is a director and she holds 100% shareholding interest in Cavendish Limited.

As shown above, in the event of the Minimum Scenario and where the share capital of the Company as at the Books Closure Date is the Existing Share Capital:

(a) the aggregate shareholding interests of the JIGL Group will increase from approximately 29.74% to approximately 52.29% based on the enlarged issued share capital of the Company of 1,612,202,561 Shares following the allotment and issue of 1,207,329,828 Rights Shares under the Rights Issue; and

(b) the aggregate shareholding interests of the RWL Group will increase from approximately 19.96% to approximately 35.08% based on the enlarged issued share capital of the Company of 1,612,202,561 Shares following the allotment and issue of 1,207,329,828 Rights Shares under the Rights Issue.

The fulfilment of JIGL's obligations under the Undertakings may result in the JIGL Group increasing their shareholding and voting rights in the Company to more than 30% of the enlarged share capital and voting rights of the Company. In such event, the JIGL Group would incur an obligation to make a mandatory general offer for the Company pursuant to Rule 14 of the Code unless such obligation is waived by the SIC.

The fulfilment of RWL's and Ong Chor Wei's obligations under the Undertakings may result in the RWL Group increasing their shareholding and voting rights in the Company to more than 30% of the enlarged share capital and voting rights of the Company. In such event, the RWL Group would incur an obligation to make a mandatory general offer for the Company pursuant to Rule 14 of the Code unless such obligation is waived by the SIC.

Accordingly, an application was made by the Company to the SIC for, *inter alia*, waivers of the JIGL Group's and the RWL Group's obligation to make a mandatory offer for the Company under Rule 14 of the Code for Shares not held by them and/or parties acting in concert with them in connection with their respective subscription of Rights Shares under the Rights Issue in accordance with the Undertakings.

On 12 April 2016, the SIC granted the Whitewash Waivers subject to the satisfaction of the JIGL SIC Conditions and/or RWL SIC Conditions (as the case may be) set out in **Section 4.4** of this Circular.

### 4.3. Potential Dilution

As a result of the Rights Issue and the Undertakings, the collective shareholding interests of Shareholders (other than the JIGL Group and RWL Group) may be diluted from 50.30% to 12.63% under the Minimum Scenario assuming that the share capital of the Company as at the Books Closure Date is the Existing Share Capital. Further details of the potential dilution are set out as follows:

**Before the Rights Issue Based on Existing Share Capital**

| | No. of Shares held | % of Existing Share Capital |
|---|---|---|
| JIGL | 120,421,638 | 29.74 |
| Lau Chor Beng, Peter(1) | 120,421,638 | 29.74 |
| **JIGL Group** | **120,421,638** | **29.74** |
| RWL | 80,000,000 | 19.76 |
| Delton Group Limited(2) | 80,000,000 | 19.76 |
| Cavendish Limited(3) | 80,000,000 | 19.76 |
| Ong Chor Wei(2) | 80,800,000 | 19.96 |
| Yung Fung Ping(3) | 80,000,000 | 19.76 |
| **RWL Group** | **80,800,000** | **19.96** |
| **Other Shareholders** | **203,651,095** | **50.30** |
| **Total** | 404,872,733 | 100.00 |

**Notes:**

(1) Lau Chor Beng, Peter is deemed interested in the Shares held by JIGL of which Lau Chor Beng, Peter is a controlling shareholder and director.

(2) Delton Group Limited is deemed interested in the Shares held by RWL of which Delton Group Limited is a controlling shareholder. Ong Chor Wei is deemed interested in the Shares held by RWL, of which Ong Chor Wei is a director, and he holds 100% shareholding interest in Delton Group Limited. In addition, Ong Chor Wei holds 800,000 Shares directly.

(3) Cavendish Limited is deemed interested in the Shares held by RWL of which Cavendish Limited is a controlling shareholder. Yung Fung Ping is deemed interested in the Shares held by RWL, of which Yung Fung Ping is a director and she holds 100% shareholding interest in Cavendish Limited.

**After the Rights Issue Based on Existing Share Capital**

| | No. of Shares held | % of Enlarged Share Capital |
|---|---|---|
| JIGL | 842,951,466 | 52.29 |
| Lau Chor Beng, Peter[(1)] | 842,951,466 | 52.29 |
| **JIGL Group** | **842,951,466** | **52.29** |
| RWL | 560,000,000 | 34.74 |
| Delton Group Limited[(2)] | 560,000,000 | 34.74 |
| Cavendish Limited[(3)] | 560,000,000 | 34.74 |
| Ong Chor Wei[(2)] | 565,600,000 | 35.08 |
| Yung Fung Ping[(3)] | 560,000,000 | 34.74 |
| **RWL Group** | **565,600,000** | **35.08** |
| **Other Shareholders** | **203,651,095** | **12.63** |
| **Total** | 1,612,202,561 | 100.00 |

**Notes:**

(1) Lau Chor Beng, Peter is deemed interested in the Shares held by JIGL of which Lau Chor Beng, Peter is a controlling shareholder and director.

(2) Delton Group Limited is deemed interested in the Shares held by RWL of which Delton Group Limited is a controlling shareholder. Ong Chor Wei is deemed interested in the Shares held by RWL, of which Ong Chor Wei is a director, and he holds 100% shareholding interest in Delton Group Limited. In addition, Ong Chor Wei holds 800,000 Shares directly.

(3) Cavendish Limited is deemed interested in the Shares held by RWL of which Cavendish Limited is a controlling shareholder. Yung Fung Ping is deemed interested in the Shares held by RWL, of which Yung Fung Ping is a director and she holds 100% shareholding interest in Cavendish Limited.

### 4.4. Whitewash Waiver

4.4.1 Waiver granted to the JIGL Group

On 12 April 2016, the SIC granted a waiver to the JIGL Group from the requirement to make a mandatory general offer for the Company under Rule 14 of the Code in the event the JIGL Group increases its aggregate shareholding in the Company to 30% or more based on the Company's enlarged issued capital as a result of the JIGL Group subscribing for its entitlement of 722,529,828 Rights Shares, subject to the following conditions:

(i) a majority of holders of voting rights of the Company approve at a general meeting, before the Rights Issue, the JIGL Whitewash Resolution by way of a poll;

(ii) the JIGL Whitewash Resolution is separate from other resolutions;

(iii) the JIGL Group and its concert parties, as well as parties not independent of them abstain from voting on the JIGL Whitewash Resolution;

(iv) the JIGL Group and its concert parties did not acquire and are not to acquire any shares in the Company or instruments convertible into and options in respect of shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in this Circular);

A. during the period between the date of the announcement on 8 March 2016 and the date Shareholders' approval is obtained for the JIGL Whitewash Resolution; and

B. the 6 months prior to the date of the announcement on 8 March 2016, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the proposed Rights Issue;

(v) the Company appoints an independent financial adviser to advise its independent Shareholders on the JIGL Whitewash Resolution;

(vi) the Company sets out clearly in the Circular:

A. details of the Rights Issue;

B. the possible dilution effect to existing holders of voting rights of the Company upon the subscription of the Rights Shares by the JIGL Group;

C. the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares in the Company held by the JIGL Group and its concert parties as at the Latest Practicable Date;

D. the number and percentage of voting rights to be acquired by JIGL Group pursuant to its subscription of its entitlements to the Rights Shares;

E. specific and prominent reference to the fact that the subscription by the JIGL Group of the Rights Shares might result in the JIGL Group and its concert parties holding shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the JIGL Group and its concert parties would thereafter be free to acquire further shares in the Company without incurring any obligation under Rule 14 to make a mandatory general offer; and

F. that Shareholders, by voting for the JIGL Whitewash Resolution, are waiving their rights to a general offer from the JIGL Group at the highest price paid by JIGL Group and its concert parties for the Company's shares in the past 6 months preceding the commencement of the offer;

(vii) this Circular states that the waiver granted by SIC to the JIGL Group from the requirement to make a general offer under Rule 14 is subject to the conditions stated in sub-paragraphs (A) to (F) above;

(viii) the Company obtains SIC's approval in advance for those parts of this Circular that refer to the JIGL Whitewash Resolution; and

(ix) to rely on the JIGL Whitewash Resolution, the acquisition of the Rights Shares by the JIGL Group must be completed within three (3) months of the approval of the JIGL Whitewash Resolution.

(collectively, the "**JIGL SIC Conditions**").

As at the Latest Practicable Date, save for the conditions set out in **Sections 4.4.1(i)** and **(ix)**, all the other JIGL SIC Conditions set out above have been satisfied.

4.4.2 Waiver granted to the RWL Group

On 12 April 2016, the SIC granted a waiver to the RWL Group from the requirement to make a general offer for the Company under Rule 14 of the Code in the event the RWL Group increases its aggregate shareholding in the Company to 30% or more based on the Company's enlarged issued capital as a result of the RWL Group subscribing for its entitlement of 484,800,000 Rights Shares, subject to the conditions stated in paragraphs (i) to (xi) (other than sub-paragraph (vi)(E)) in **Section 4.4.1**, above. In this connection, references to the "JIGL Group" should refer to the "RWL Group",

(collectively, the "**RWL SIC Conditions**").

As at the Latest Practicable Date, save for the conditions set out in **Sections 4.4.2(i)** and **(ix)**, all the other RWL SIC Conditions set out above have been satisfied.

**4.5. JIGL Whitewash Resolution and RWL Whitewash Resolution**

Independent Shareholders are requested to vote on the JIGL Whitewash Resolution by the way of poll. By voting for the JIGL Whitewash Resolution (Ordinary Resolution 3) set out in the Notice of SGM, Independent Shareholders are waiving their rights to receive a mandatory general offer from the JIGL Group for the remaining Shares not already owned or controlled by the JIGL Group at the highest price paid by JIGL Group and its concert parties for the Company's shares in the past six (6) months preceding the commencement of the offer.

Independent Shareholders are requested to vote on the RWL Whitewash Resolution by the way of poll. By voting for the RWL Whitewash Resolution (Ordinary Resolution 4) set out in the Notice of SGM, Independent Shareholders are waiving their rights to receive a mandatory general offer from RWL Group for the remaining Shares not already owned or controlled by the RWL Group at the highest price paid by RWL Group and its concert parties for the Company's shares in the past six (6) months preceding the commencement of the offer.

**4.6. Advice to Independent Shareholders**

**Independent Shareholders should note that:**

**(a) by voting in favour of the JIGL Whitewash Resolution (Ordinary Resolution 3), they will be waiving their rights to receive a general mandatory offer from the JIGL Group at the highest price paid by the JIGL Group and its concert parties for the Shares in the six (6) months preceding the commencement of the offer;**

**(b) by voting in favour of the RWL Whitewash Resolution (Ordinary Resolution 4), they will be waiving their rights to receive a general mandatory offer from the RWL Group at the highest price paid by the RWL Group and its concert parties for the Shares in the six (6) months preceding the commencement of the offer; and**

(c) **that the acquisition of the 722,529,828 Rights Shares by the JIGL Group might result in JIGL Group and its concert parties holding shares carrying over 49% of the voting rights of the Company based on its enlarged share capital and that the JIGL Group and its concert parties would thereafter be free to acquire further Shares in the Company without incurring any obligation under Rule 14 of the Code to make a mandatory general offer.**

### 4.7. Advice from the Independent Financial Adviser

SAC Capital Private Limited has been appointed as the independent financial adviser to the Recommending Directors in relation to the JIGL Whitewash Resolution and the RWL Whitewash Resolution.

The IFA Letter, setting out its advice in full, is reproduced in **Appendix B** of this Circular.

Taking into consideration the factors set out in the IFA Letter, the information available to the IFA as at the Latest Practicable Date and subject to the qualifications and assumptions set out in the IFA Letter, the IFA is of the opinion that the JIGL Whitewash Resolution and the RWL Whitewash Resolution, when considered in the context of the Rights Issue (which terms are fair and reasonable), are not prejudicial to the interests of the Independent Shareholders. Accordingly, the IFA has advised the Recommending Directors to recommend that the Independent Shareholders vote in favour of the JIGL Whitewash Resolution and the RWL Whitewash Resolution.

**Shareholders are advised to read and consider the IFA Letter in its entirety as reproduced in Appendix B of this Circular and consider carefully the recommendations of the Recommending Directors for the JIGL Whitewash Resolution and the RWL Whitewash Resolution set out in Sections 11.3 and 11.4 of this Circular respectively.**

SAC Capital Private Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter reproduced in **Appendix B** of this Circular and all references thereto, in the form and context in which they appear in this Circular.

## 5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the Shares of the Company as at the Latest Practicable Date are as follows:

| | Direct Interest | | Deemed Interest | | Total Interest | |
|---|---|---|---|---|---|---|
| | No. of Shares | % (1) | No. of Shares | % (1) | No. of Shares | % (1) |
| **Directors** | | | | | | |
| Lau Chor Beng Peter (2) | – | – | 120,421,638 | 29.74 | 120,421,638 | 29.74 |
| Ong Chor Wei (3) | 800,000 | 0.20 | 80,000,000 | 19.76 | 80,800,000 | 19.96 |
| Kwok Chin Phang | 13,538,000 | 3.34 | – | – | 13,538,000 | 3.34 |
| **Substantial Shareholders (other than Directors)** | | | | | | |
| Joyas Investments Group Limited | 120,421,638 | 29.74 | – | – | 120,421,638 | 29.74 |
| Reach Win Limited | 80,000,000 | 19.76 | – | – | 80,000,000 | 19.76 |
| Delton Group Limited (3) | – | – | 80,000,000 | 19.76 | 80,000,000 | 19.76 |
| Cavendish Limited (4) | – | – | 80,000,000 | 19.76 | 80,000,000 | 19.76 |
| Yung Fung Ping (4) | – | – | 80,000,000 | 19.76 | 80,000,000 | 19.76 |

**Notes:**

(1) Based on the Existing Share Capital.

(2) Lau Chor Beng, Peter is deemed interested in the Shares held by JIGL of which Lau Chor Beng, Peter is a controlling shareholder and director.

(3) Delton Group Limited is deemed interested in the Shares held by RWL of which Delton Group Limited is a controlling shareholder. Ong Chor Wei is deemed interested in the Shares held by RWL, of which Ong Chor Wei is a director, and he holds 100% shareholding interest in Delton Group Limited.

(4) Cavendish Limited is deemed interested in the Shares held by RWL of which Cavendish Limited is a controlling shareholder. Yung Fung Ping is deemed interested in the Shares held by RWL, of which Yung Fung Ping is a director and she holds 100% shareholding interest in Cavendish Limited.

The interests of the Directors and Substantial Shareholders in other securities of the Company as at the Latest Practicable Date were as follows:

| | Number of Warrants[1] | | Number of Convertible Bonds[2] | | Number of Share Options | |
|---|---|---|---|---|---|---|
| | Direct Interest | Deemed Interest | Direct Interest | Deemed Interest | Direct Interest | Deemed Interest |
| **Directors** | | | | | | |
| Lau Chor Beng Peter (2) | – | – | – | – | – | – |
| Ong Chor Wei (3) | – | – | – | 167,472,000 | 3,000,000 | – |
| Kwok Chin Phang | 769,000 | – | – | 3,500,000 | 3,000,000 | – |
| Cheung King Kwok | – | – | – | – | 1,500,000 | – |
| Lim Siang Kai | – | – | – | – | 1,500,000 | – |
| **Substantial Shareholders (other than Directors)** | | | | | | |
| Joyas Investments Group Limited | – | – | – | – | – | – |
| Reach Win Limited | – | – | – | – | – | – |
| Delton Group Limited(3) | – | – | – | – | – | – |
| Cavendish Limited(4) | – | – | – | – | – | – |
| Yung Fung Ping(4) | – | – | – | – | – | – |

**Notes:**

(1) Each warrant carries the right to subscribe for one new Share.

(2) The nominal value for each convertible bond is S$0.015 and the conversion price is S$0.10. The number of new Shares to be issued on the conversion of convertible bonds is determined by dividing the principal amount of the convertible bonds by the conversion price.

## 6. FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

The profit and loss statements, the balance sheets, the cashflow statements and the working capital position of the Group for the last three financial years ended 31 December as well as the financial review of past performance are set out in **Appendix C** of this Circular.

## 7. CASH RAISED BY THE COMPANY FROM THE ISSUE OF SECURITIES IN THE PAST TWO YEARS

The amount of cash raised from issues of securities by the Company in the past two years was approximately S$4.8 million, comprising:

(a) The net proceeds from the 2015 Warrants Issue was *nil*, after deducting professional fees and related expenses;

(b) approximately S$3.3 million in net proceeds from the Convertible Bonds Issue, which was intended for (i) exploration of and investment in business opportunities in the nickel distribution and trading business; and (ii) general working capital purposes, including the general purchase of inventories and payment of operating expenses; and

(c) approximately S$1.5 million in net proceeds from the placement of an aggregate of 50,000,000 new Shares via the placement agent, KGI Fraser Securities Pte Ltd at the issue price of S$0.0294 ("**2015 Placement**"), which was intended for: (i) general working capital; and (ii) potential investments and acquisitions.

For further details on the use of the proceeds, please refer to the announcements made by the Company on the SGXNET dated 14 August 2015, 29 February 2016 and 19 May 2016 in respect of the use of proceeds from Convertible Bonds Issue and 2015 Placement.

## 8. BOOKS CLOSURE DATE

The Register of Members and the Register of Transfers of the Company will be closed as at a time and date to be determined by the Directors and announced by the Company in due course, for the purpose of determining the entitlements of Shareholders under the Rights Issue.

## 9. LISTING AND TRADING

On 21 April 2016, the Company, through the Sponsor, obtained the listing and quotation notice from the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST. The listing and quotation notice is subject to Shareholders' approval being obtained at the forthcoming SGM for the Rights Issue and compliance with the SGX-ST's listing requirements. The listing and quotation notice is not an indication of the merits of the Rights Issue, Rights Shares, the Company, its subsidiaries and their securities.

The Offer Information Statement will be lodged with the SGX-ST acting as agent for and on behalf of the Authority and despatched to Entitled Shareholders in due course, subject to, *inter alia*, the Rights Issue and the JIGL Whitewash Resolution and the RWL Whitewash Resolution being approved by Shareholders at the SGM.

## 10. ABSTENTION FROM VOTING

### 10.1. Proposed JIGL Whitewash Resolution

Pursuant to the Code and JIGL SIC Conditions, the JIGL Group and parties not independent of them shall abstain, and shall procure their associates to abstain, from voting on the resolution approving the proposed JIGL Whitewash Resolution. The JIGL Group and its concert parties, as well as parties not independent of them shall also refrain from accepting nomination as proxy or otherwise vote at the SGM in respect of Ordinary Resolution 3 (in relation to the proposed JIGL Whitewash Resolution) unless Independent Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the said resolution.

### 10.2. Proposed RWL Whitewash Resolution

Pursuant to the Code and RWL SIC Conditions, the RWL Group and parties not independent of them shall abstain, and shall procure their associates to abstain, from voting on the resolution approving the proposed RWL Whitewash Resolution. The RWL Group and its concert parties, as well as parties not independent of them shall also refrain from accepting nomination as proxy or otherwise vote at the SGM in respect of Ordinary Resolution 4 (in relation to the proposed RWL Whitewash Resolution) unless Independent Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the said resolution.

## 11. DIRECTORS' RECOMMENDATIONS

### 11.1. Resolution 1: the Proposed Diversification (as Ordinary Resolution)

The Directors, having considered, *inter alia*, the rationale for the Proposed Diversification, as set out in **Section 2.2** of this Circular, are of the opinion that the Proposed Diversification is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

### 11.2. Resolution 2: the Proposed Rights Issue (as Ordinary Resolution)

The Directors, having considered, *inter alia*, the terms and rationale for the Rights Issue, as set out in **Section 3** of this Circular, are of the opinion that the Rights Issue is in the best interests of the Company, and accordingly recommend that Shareholders vote *in favour* of the ordinary resolution relating thereto to be proposed at the SGM.

### 11.3. Resolution 3: the Proposed JIGL Whitewash Resolution (as Ordinary Resolution)

The Recommending Directors in respect of the proposed JIGL Whitewash Resolution, having considered, *inter alia*, the rationale for the Rights Issue as set out in **Section 3** of this Circular and the advice of the IFA as set out in the IFA Letter in **Appendix B** of this Circular, are of the opinion that the proposed JIGL Whitewash Resolution is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, they recommend that the Shareholders vote *in favour* of the ordinary resolution relating thereto to be proposed at the SGM.

### 11.4. Resolution 4: the Proposed RWL Whitewash Resolution (as Ordinary Resolution)

The Recommending Directors in respect of the proposed RWL Whitewash Resolution, having considered, *inter alia*, the rationale for the Rights Issue as set out in **Section 3** of this Circular and the advice of the IFA as set out in the IFA Letter in **Appendix B** of this Circular, are of the opinion that the proposed RWL whitewash Resolution is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, they recommend that the Shareholders vote *in favour* of the ordinary resolution relating thereto to be proposed at the SGM.

## 12. SPECIAL GENERAL MEETING

An SGM will be held at 1 Robinson Road, #18-00, AIA Tower, Singapore 048542 on 17 June 2016 at 09.30 a.m. for the purpose of considering, and, if thought fit, passing, with or without any modifications, the Proposed Resolutions set out in the Notice of SGM on pages 80 to 82 of this Circular.

## 13. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the SGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form which is attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01 Singapore 048623, not less than forty-eight (48) hours before the time appointed for the SGM. Completion and return of the Proxy Form by a Shareholder will not preclude him from attending and voting in person at the SGM in place of his proxy if he so wishes.

Depositors who wish to attend and vote at the SGM, and whose names are shown in the records of CDP as at a time not earlier than forty-eight (48) hours before the time appointed for the SGM supplied by CDP to the Company, may attend as CDP's proxies. Depositors who are individuals and who wish to attend the SGM in person need not take any further action and can attend and vote at the SGM without the lodgement of any proxy form.

Depositors who are not individuals and Depositors who are unable to attend personally and wish to appoint a nominee to attend and vote on his behalf, will find attached to this Circular a Depositor proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., not less than forty-eight (48) hours before the time appointed for the SGM. Completion and return of the Depositor Proxy Form by a Depositor who is an individual will not preclude him from attending and voting in person at the SGM in place of his nominee if he so wishes.

**14. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Resolutions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the address of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 during normal business hours from the date of this Circular up to and including the time and date of the SGM:-

(a) the Annual Reports of the Company containing the audited financial statements of the Company and the Group for FY2013, FY2014 and FY2015;

(b) the Memorandum and Bye-Laws of the Company.

(c) the IFA Letter;

(d) the letter of consent by the IFA;

(e) the Undertakings referred to in **Section 3.7** of this Circular; and

(f) the material contracts referred to in **Section 2** of **Appendix A** of this Circular.

Yours faithfully
For and behalf of the Board of Directors of
**Joyas International Holdings Limited**

Lau Chor Beng, Peter
Managing Director

## 1. MATERIAL LITIGATION

The Directors are not aware of any legal or arbitration proceedings pending or threatened against the Company or any of its Subsidiaries during the twelve (12) months preceding the date of this Circular which might have or have had a significant effect on the financial position of the Group or of any facts likely to give rise to any such litigation or arbitration claim.

## 2. MATERIAL CONTRACTS

Save as disclosed below, the Group has not entered into any material contracts outside the ordinary course of business for the period of two (2) years prior to the Latest Practicable Date:

(a) sale and purchase agreement dated 16 May 2014 entered into between Company's wholly-owned subsidiary, Joyas Group Limited and Wong Chau Mui for the disposal of the Harrison Court Flat on 19th Floor and Car Parking Space No. 509 on Lower Ground Floor, Harrison Court V, No. 8 Man Wan Road, Homantin, Kowloon, Hong Kong;

(b) provisional sale and purchase agreement dated 4 June 2014 entered into between Company's wholly-owned subsidiary, Joyas Group Limited and Chan Chi Wai and Koo Sui Fei for the disposal of Hop Hing Workshop on 11$^{th}$ Floor and Car Parking Space No. 28 on Ground Floor, Hop Hing Industrial Building, No. 704 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong;

(c) investment agreement dated 16 February 2015 entered into between the Company's wholly-owned subsidiary Asiapac Growth Holdings Limited and Hong Kong Silver Basic Group Limited, Ms Wang Jun Zhe and Mr Wang De Zhou for the acquisition of 70% of the total issued and paid up share capital in Hong Kong Silver Basic Group Limited, for a total consideration of HK$700,000 in cash ("**Acquisition**"). The Acquisition was completed on 11 March 2015;

(d) share options agreement dated 16 February 2015 entered into between the Company and Mr Chan Ka Leung to grant options to Mr Chan Ka Leung to subscribe for 12,000,000 new Shares in the capital of the Company upon fulfilment of certain conditions, as payment for Mr Chan Ka Leung's introducer's fees in relation to the investment agreement between Asiapac Growth Holdings Limited and Hong Kong Silver Basic Group Limited; and

(e) placement agreement dated 28 May 2015 with KGI Fraser Securities Pte. Ltd. for the issue of an aggregate of up to 50,000,000 new Shares ("**Placement Shares**") on a best endeavour basis, at the issue price of S$0.032 per Placement Share (the "**Placement**"). The Placement was completed on 12 June 2015.

## 3. OFFER INFORMATION STATEMENT

An Offer Information Statement will be despatched by the Company to Entitled Shareholders subject to, *inter alia*, the approval of Shareholders of the Rights Issue and the approval of the Independent Shareholders of the JIGL Whitewash Resolution and the RWL Whitewash Resolution being obtained at the SGM. Acceptances and applications under the Rights Issue can only be made on the following (all of which will form part of the Offer Information Statement):

(a) the PAL, in the case of Entitled Scripholders; and

(b) the ARE or through the ATMs of the Participating Banks, in the case of Entitled Depositors.

1 June 2016

To: The Recommending Directors of Joyas International Holdings Limited
(in relation to the JIGL Whitewash Resolution and the RWL Whitewash Resolution)

Kwok Chin Phang
Cheung King Kwok
Lim Siang Kai

Dear Sirs

**THE PROPOSED WHITEWASH RESOLUTIONS FOR THE WAIVER OF THE RIGHT OF THE INDEPENDENT SHAREHOLDERS OF THE COMPANY TO RECEIVE A MANDATORY GENERAL OFFER FROM THE JIGL GROUP AND/OR THE RWL GROUP FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THE JIGL GROUP AND RWL GROUP RESPECTIVELY, AS A RESULT OF THE RIGHTS ISSUE**

*Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meanings herein.*

## 1. INTRODUCTION

On 8 March 2016, the board of directors (the "**Directors**") of Joyas International Holdings Limited (the "**Company**") announced (the "**Announcement**"), *inter alia*, that the Company proposed to undertake a non-renounceable, non-underwritten rights issue of up to 2,429,236,398 new common shares in the capital of the Company (the "**Rights Shares**") at an issue price of S$0.0035 (the "**Issue Price**") for each Rights Share, on the basis of six (6) Rights Shares for every one (1) existing common share in the capital of the Company (the "**Shares**") held by the shareholders of the Company (the "**Shareholders**") as at the Books Closure Date, fractional entitlements to be disregarded (the "**Rights Issue**").

The Rights Issue will be supported by the substantial shareholders of the Company, namely Joyas Investments Group Limited ("**JIGL**"), Reach Win Limited ("**RWL**") and Ong Chor Wei. For this purpose, (i) JIGL and its controlling shareholder, Lau Chor Beng Peter shall be collectively referred to as the "**JIGL Group**"; and (ii) RWL and its controlling shareholders, namely Delton Group Limited, Cavendish Limited, Ong Chor Wei and Yung Fung Ping shall collectively be referred to as the "**RWL Group**".

As at the Latest Practicable Date, the JIGL Group holds an aggregate of 120,421,638 Shares, representing approximately 29.74% of the Existing Share Capital (as defined in paragraph 3.1 below). As at the Latest Practicable Date, the RWL Group holds an aggregate of 80,800,000 Shares, representing approximately 19.96% of the Existing Share Capital.

To show their support for the Rights Issue and to demonstrate their commitment to and confidence in the prospects of the Group, JIGL, RWL and Ong Chor Wei had on 8 March 2016 irrevocably undertaken (the "**Undertakings**") to the Company that, *inter alia*, (i) they will apply and subscribe for and/or procure applications and subscriptions for and pay for and/or procure payment for the whole of their *pro rata* beneficial entitlement under the Rights Issue and (ii) they shall vote (in respect of all Shares legally and beneficially owned by each of them at the SGM) in person or by representative or proxy, in favour of all resolutions which will be proposed at the SGM.

Consequently, as the fulfilment by JIGL, RWL and Ong Chor Wei of each of their obligations under the Undertakings, the JIGL Group and/or the RWL Group may be required to make a mandatory general offer for the Company pursuant to Rule 14 of The Singapore Code of Take-overs and Mergers (the "**Code**").

The Code states that where (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more the voting rights of the company, or (b) any person who, together with all parties acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights, such person must make a mandatory general offer for all the shares which he does not already own or control in accordance with Rule 14 of the Code, unless such obligation to make a mandatory general offer is waived by the Securities Industry Council (the "**SIC**").

An application was made by the Company to the SIC for, *inter alia*, waivers of the JIGL Group's and the RWL Group's obligations to make a mandatory general offer for the Company under Rule 14 of the Code in the event that the shareholdings of the JIGL Group and/or the RWL Group exceeds 30% of the Company's enlarged issued share capital as a result of the JIGL Group and the RWL Group subscribing for or acquiring Rights Shares pursuant to the Rights Issue (the "**Whitewash Waivers**"), and the SIC had on 12 April 2016 waived the obligation for the JIGL Group and the RWL Group from the requirement under Rule 14 of the Code to make a mandatory general offer for the Shares of the Company as a result of subscribing for their pro-rata entitlements of the Rights Shares, subject to, *inter alia*, a majority of the holders of voting rights of the Company approve at a general meeting, held before the issue of the Rights Shares, a resolution by way of a poll, to waive their rights to receive a general offer from the JIGL Group and the RWL Group (the "**JIGL Whitewash Resolution**" and the "**RWL Whitewash Resolution**" respectively) and the appointment of an independent financial adviser to advise the Shareholders who are deemed to be independent for the purposes of the proposed JIGL Whitewash Resolution and the proposed RWL Whitewash Resolution, as the case may be (the "**Independent Shareholders**") on the JIGL Whitewash Resolution and the RWL Whitewash Resolution.

The Company has appointed us as the independent financial adviser to advise the Directors who are regarded as independent in respect of the JIGL Whitewash Resolution and the RWL Whitewash Resolution (the "**Recommending Directors**") on whether the JIGL Whitewash Resolution and the RWL Whitewash Resolution are prejudicial to the interests of the Independent Shareholders.

This letter, which sets out our advice and evaluation, from a financial point of view, has been prepared for the use of the Recommending Directors in connection with their consideration of the JIGL Whitewash Resolution and the RWL Whitewash Resolution and their recommendation to the Independent Shareholders arising thereof.

## 2. TERMS OF REFERENCE

We have been appointed as the independent financial adviser to advise the Recommending Directors in respect of the JIGL Whitewash Resolution and the RWL Whitewash Resolution.

We are not and were not involved in any aspect of the negotiations entered into by the Company and its subsidiaries (the "**Group**") in connection with the JIGL Whitewash Resolution and the RWL Whitewash Resolution or in the deliberations leading up to the decision by the Directors to undertake the Rights Issue. Accordingly, we do not, by this letter, warrant the merits of the Rights Issue, other than to advise on whether the JIGL Whitewash Resolution and the RWL Whitewash Resolution, from a financial point of view, are prejudicial to the interests of the Independent Shareholders.

We have not conducted a comprehensive review of the business, operations or financial condition of the Group. We have also not evaluated the strategic or commercial merits or risks of the Rights Issue or the future growth prospects or earnings potential of the Group after the completion of the Rights Issue. Accordingly, we do not express any view as to the prices at which the Shares may trade upon completion of the Rights Issue or on the future financial performance of the Group after the completion of the Rights Issue.

In the course of our evaluation, we have held discussions with the Directors and the management of the Company (the "**Management**") and have relied on the information and representations, whether written or verbal, provided to us by the Directors and the Management, including the information contained in the Circular. The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, (a) all material information available to them in connection with the Rights Issue and the JIGL Whitewash Resolution and the RWL Whitewash Resolution has been disclosed in the Circular; (b) such information is true and accurate in all material respects; and (c) there is no other information or fact, the omission of which would cause any information disclosed in the Circular to be inaccurate, incomplete or misleading in any material respect. We have not independently verified such information or representations and accordingly cannot and do not warrant or accept responsibility for the accuracy, completeness or adequacy of these information or representations. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information or facts. We have, however, made reasonable enquiries and exercised our judgment (as deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on.

Save as disclosed, all information relating to the Group that we have relied upon in arriving at our advice has been obtained from the Circular, publicly available information, the Directors and/or the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Group at any time or as at the Latest Practicable Date. We have also not made any independent evaluation or appraisal of the assets and liabilities of the Group.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position and earnings potential of the Group. We have not been provided with, nor do we have access to, any business plan or financial projections of the future performance of the Group and we did not conduct any discussions with the Directors and the Management on any such business plan or financial projections of the Group.

Our advice, as set out in this letter, is based on the market, economic, industry and other applicable conditions prevailing on, and the information made available to us as of, the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our advice in the light of any subsequent development after the Latest Practicable Date that may affect our views contained herein.

In arriving at our advice, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.

**Our advice in relation to the JIGL Whitewash Resolution and the RWL Whitewash Resolution should be considered in the context of the entirety of this letter and the Circular.**

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter). We have had no role or involvement and have not provided any advice, financial or otherwise, in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this letter).

## 3. THE RIGHTS ISSUE

### 3.1. Basis of the Rights Issue

As at the Latest Practicable Date, the total issued and paid-up capital of the Company is HK$4,048,727.33, comprising 404,872,733 Shares (the "**Existing Share Capital**").

Assuming that the share capital of the Company as at the Books Closure Date is the Existing Share Capital, based on the Maximum Scenario, up to 2,429,236,398 Rights Shares are proposed to be offered on a non-renounceable basis to Entitled Shareholders at the Issue Price of S$0.0035 for each Rights Share, on the basis of six (6) Rights Shares for every one (1) existing Share held by Entitled Shareholders, fractional entitlements to be disregarded.

The Rights Shares are payable in full upon acceptance and/or application, and when allotted and issued, will be credited as fully paid and rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares.

### 3.2. Rationale of the Rights Issue and Use of Proceeds

Further details of the rationale of the Rights Issue and use of proceeds are set out in section 3.6 of the Circular, and Shareholders are advised to read the information carefully.

### 3.3. Conditions for the Rights Issue

The Rights Issue is subject to, *inter alia,* the approval from the Independent Shareholders on the JIGL Whitewash Resolution and the RWL Whitewash Resolution at the SGM. Further details of the other conditions are set out in section 3.4 of the Circular, and Shareholders are advised to read the information carefully.

### 3.4. Undertakings

The Rights Issue will be supported by the substantial shareholders of the Company, namely JIGL, RWL and Ong Chor Wei.

As at the Latest Practicable Date, the JIGL Group holds an aggregate of 120,421,638 Shares, representing approximately 29.74% of the Existing Share Capital. As at the Latest Practicable Date, the RWL Group holds an aggregate of 80,800,000 Shares, representing approximately 19.96% of the Existing Share Capital.

To show their support for the Rights Issue and to demonstrate their commitment to and confidence in the prospects of the Group, JIGL, RWL and Ong Chor Wei have given the Undertakings, pursuant to which each of JIGL, RWL and Ong Chor Wei has irrevocably undertaken to the Company that, *inter alia*, (i) they will apply and subscribe for and/or procure applications and subscriptions for and pay for and/or procure payment for the whole of their *pro rata* beneficial entitlement under the Rights Issue and (ii) they shall vote (in respect of all Shares legally and beneficially owned by each of them at the SGM) in person or by representative or proxy, in favour of all resolutions which will be proposed at the SGM.

### 3.5. Abstention from making Recommendation and Voting

Pursuant to the Code and the JIGL SIC Conditions, the JIGL Group and parties not independent of them shall abstain, and shall procure their associates to abstain, from voting on the resolution approving the proposed JIGL Whitewash Resolution. The JIGL Group and its concert parties, as well as parties not independent of them shall also refrain from accepting nomination as proxy or otherwise vote at the SGM in respect of Ordinary Resolution 3 (in relation to the proposed JIGL Whitewash Resolution) unless Independent Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the said resolution.

Pursuant to the Code and the RWL SIC Conditions, the RWL Group and parties not independent of them shall abstain, and shall procure their associates to abstain, from voting on resolution approving the proposed RWL Whitewash Resolution. The RWL Group and its concert parties, as well as parties not independent of them shall also refrain from accepting nomination as proxy or otherwise vote at the SGM in respect of Ordinary Resolution 4 (in relation to the proposed RWL Whitewash Resolution) unless Independent Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the said resolution.

## 4. THE JIGL WHITEWASH RESOLUTION AND THE RWL WHITEWASH RESOLUTION

Under Rule 14 of the Code, except with the SIC's consent, where any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company, he is required to make a mandatory general offer for all the remaining shares in the company which he does not already own or control.

As at the Latest Practicable Date, the JIGL Group holds an aggregate of 120,421,638 Shares, representing approximately 29.74% of the Existing Share Capital, and the RWL Group holds an aggregate of 80,800,000 Shares, representing approximately 19.96% of the Existing Share Capital.

In the event of the Minimum Scenario and where the share capital of the Company as at the Books Closure Date is the Existing Share Capital:

(a) the aggregate shareholding interests of the JIGL Group will increase from approximately 29.74% to approximately 52.29%, based on the enlarged issued share capital of the Company of 1,612,202,561 Shares following the allotment and issue of 1,207,329,828 Rights Shares under the Rights Issue; and

(b) the aggregate shareholding interests of the RWL Group will increase from approximately 19.96% to approximately 35.08%, based on the enlarged issued share capital of the Company of 1,612,202,561 Shares following the allotment and issue of 1,207,329,828 Rights Shares under the Rights Issue.

The fulfilment of JIGL's and RWL's and Ong Chor Wei's obligations under the Undertakings respectively may result in the JIGL Group and/or RWL Group (as the case may be) increasing their shareholding and voting rights in the Company to more than 30% of the enlarged share capital and voting rights of the Company. In such event, the JIGL Group and/or the RWL Group (as the case may be) would incur an obligation to make a mandatory general offer for the Company pursuant to Rule 14 of the Code unless such obligation is waived by the SIC.

Accordingly, an application was made by the Company to the SIC for the Whitewash Waivers, and the SIC had on 12 April 2016 waived the obligations for the JIGL Group and the RWL Group from the requirement under Rule 14 of the Code to make a mandatory general offer for the Shares of the Company in the event that the JIGL Group and/or the RWL Group (as the case may be) increases their respective aggregate shareholdings in the Company to 30% or more based on the Company's enlarged issued capital as a result of the JIGL Group and/or the RWL Group (as the case may be) subscribing for their *pro-rata* entitlements of the Rights Shares, subject to the satisfaction of certain conditions. Further details of the other conditions precedents are set out in section 4.4 of the Circular, and Shareholders are advised to read the information carefully.

**INDEPENDENT SHAREHOLDERS SHOULD NOTE THAT:**

**(a) by voting in favour of the JIGL Whitewash Resolution (Ordinary Resolution 3), they will be waiving their rights to receive a general mandatory offer from the JIGL Group at the highest price paid by the JIGL Group and its concert parties for the Shares in the six (6) months preceding the commencement of the offer;**

**(b) by voting in favour of the RWL Whitewash Resolution (Ordinary Resolution 4), they will be waiving their rights to receive a general mandatory offer from the RWL Group at the highest price paid by the RWL Group and its concert parties for the Shares in the six (6) months preceding the commencement of the offer; and**

**(c) that the acquisition of the 722,529,828 Rights Shares by the JIGL Group might result in JIGL Group and its concert parties holding shares carrying over 49% of the voting rights of the Company based on its enlarged share capital and that the JIGL Group and its concert parties would thereafter be free to acquire further Shares in the Company without incurring any obligation under Rule 14 of the Code to make a mandatory general offer.**

## 5. EVALUATION OF THE JIGL WHITEWASH RESOLUTION AND THE RWL WHITEWASH RESOLUTION

In our evaluation of the JIGL Whitewash Resolution and the RWL Whitewash Resolution, we have given due consideration to the following key factors:

(a) the rationale of the Rights Issue and use of proceeds;

(b) the Rights Shares being offered to Entitled Shareholders on a *pro-rata* basis;

(c) the historical financial performance of the Group;

(d) an assessment of the Issue Price; and

(e) other relevant considerations.

### 5.1. <u>Rationale of the Rights Issue and Use of Proceeds</u>

The rationale of the Rights Issue and use of proceeds, as set out in section 3.6 of the Circular is reproduced in italics below:

*On 15 May 2015, the Company announced the setting up of a new financing business unit for its Financing Business. Together with the Proposed Diversification, the Company intends to undertake the Rights Issue to strengthen its cash position, statement of financial position and use the net proceeds of the Rights Issue (the "**Net Proceeds**") for the Financing Business as well as for general working capital purposes. The Directors believe that the proposed Rights Issue will strengthen the balance sheet and provide flexibility as the Group pursues its growth strategies.*

*Based on the Issue Price and assuming the Maximum Scenario, the Rights Issue will raise approximately S$8.50 million and the Net Proceeds, after deducting estimated expenses of approximately S$0.34 million, will amount to approximately S$8.16 million.*

*Based on the Issue Price and assuming the Minimum Scenario, the Rights Issue will raise approximately S$4.23 million and the Net Proceeds of the Rights Issue, after deducting estimated expenses of approximately S$0.21 million, will amount to approximately S$4.01 million.*

*It is intended that the Net Proceeds be utilised in the proportions set out in the table below, the scenarios for the proposed utilisation of the Net Proceeds by the Company, based on two different assumptions: (A) Maximum Scenario and (B) Minimum Scenario, based on the Existing Share Capital are as follows:*

***Based on Existing Share Capital***

| ***Use of Proceeds*** | ***Maximum Scenario*** | | ***Minimum Scenario*** | |
|---|---|---|---|---|
| | ***Amount (S$'000)*** | ***Percentage of Proceeds*** | ***Amount (S$'000)*** | ***Percentage of Proceeds*** |
| *To fund the Financing Business of the Company* | *6,530* | *80%* | *3,211* | *80%* |
| *To fund the working capital of the Group* | *1,632* | *20%* | *803* | *20%* |
| ***Total*** | ***8,162*** | ***100%*** | ***4,014*** | ***100%*** |

**5.2. Rights Shares being offered to Entitled Shareholders on a *pro-rata* basis**

Entitled Shareholders will be at liberty to accept (in full or in part) or decline their provisional allotments of the Rights Shares and will be eligible to apply for excess Rights Shares under the Rights Issue. Provisional allotments of Rights Shares which would otherwise have been made to Foreign Shareholders will be dealt with in the manner described in Section 3.5 of the Circular.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the entitlements of the Entitled Shareholders and will, together with entitlements not allotted or taken up for any reason, be aggregated and used to satisfy applications for excess Rights Shares (if any) or disposed or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the best interests of the Company subject to applicable laws and the Catalist Rules.

In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots and the Directors and Substantial Shareholders (including JIGL, RWL and Ong Chor Wei) who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

Accordingly, the Independent Shareholders will not be disadvantaged or prejudiced relative to JIGL, RWL and Ong Chor Wei in the allocation of their application for their entitlements of Rights Shares and excess Rights Shares pursuant to the Rights Issue.

In the event that the Rights Shares are fully subscribed for by the Shareholders, the current shareholding structure of the Company will remain unchanged.

**As the Rights Issue is made on a non-renounceable basis, Entitled Shareholders should note that they will not be able to renounce their Rights Shares and/or trade their provisional allotments of the Rights Shares.**

**5.3. Historical Financial Performance of the Group**

The salient historical financial information of the Group for the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 ("**FY2013**", "**FY2014**" and "**FY2015**" respectively) is set out below:

| **Consolidated Statement of Comprehensive Income (HK$'000)** | | **Audited** | |
|---|---|---|---|
| | **FY2013** | **FY2014** | **FY2015** |
| Revenue | 91,618 | 81,930 | 93,577 |
| Gross profit | 19,272 | 6,256 | 5,572 |
| Profit/(Loss) before income tax | 2,947 | 6,832 | (14,533) |
| Profit/(Loss) attributable to the owners of the Company | 1,119 | 6,566 | (14,730) |

| **Consolidated Statement of Financial Position (HK$'000)** | | **Audited** | |
|---|---|---|---|
| | **31 December 2013** | **31 December 2014** | **31 December 2015** |
| Current assets | 65,938 | 49,805 | 72,329 |
| Current liabilities | 67,591 | 35,929 | 37,370 |
| Working capital | (1,653) | 13,876 | 34,959 |
| Equity attributable to the owners of the Company | 19,818 | 26,386 | 23,233 |

| **Consolidated Statement of Cash Flows (HK$'000)** | | **Audited** | |
|---|---|---|---|
| | **FY2013** | **FY2014** | **FY2015** |
| Net cash used in operating activities | (10,091) | (6,436) | (24,311) |
| Net cash flows generated from/ (used in) investing activities | (752) | 24,537 | (2,298) |
| Net cash flows generated from/(used in) financing activities | 14,454 | (16,876) | 24,532 |
| Net increase/(decrease) in cash and cash equivalents | 3,611 | 1,225 | (2,077) |
| Cash and cash equivalents at end of financial year | 14,698 | 15,923 | 13,846 |

*Source: Annual reports of the Company for FY2013, FY2014 and FY2015.*

We note the following:

(a) the Group's revenue decreased by HK$9.7 million, or 10.6%, from HK$91.6 million in FY2013 to HK$81.9 million in FY2014. The decline was mainly due to lower sales in metal gift products arising from lower demand from a major customer and lower orders from customers due to a weak market, in particular, the U.S.A. Gross profit decreased by HK$13.0 million or 67.5% from HK$19.3 million in FY2013 to HK$6.3 million in FY2014 as a result of a drop in sales in metal gift products and lower gross profit margins. The gross profit margin decreased from 21.0% in FY2013 to 7.6% in FY2014 mainly due to the sale of aged inventories to a former subsidiary at lower profit margin. Profit before income tax however, increased HK$3.9 million, from HK$2.9 million in FY2013 to HK$6.8 million in FY2014 mainly due to gain on disposals of property, plant and equipment and investment properties;

(b) the Group's revenue increased by HK$11.6 million, or 14.2%, from HK$81.9 million in FY2014 to HK$93.6 million in FY2015, mainly due to (i) the increase in sales of the nickel ore in the People's Republic of China (including Hong Kong) (the "**PRC (including HK)**") and (ii) the increase in sales of jewellery products due to the increase in demand from existing and new customers from the Group's principal markets in the PRC (including HK). Gross profit decreased by HK$0.7 million, from HK$6.3 million in FY2014 to HK$5.6 million in FY2015 mainly due to lower profit margin of the metal gift business and the jewellery business, offset by the profit margin from the newly acquired nickel ore trading business. The Group recorded a loss before income tax of HK$14.5 million in FY2015, as compared to a profit before income tax of HK$6.8 million in FY2014, mainly due to (i) higher write down of inventories arising from the decrease in net realisable value of certain raw materials and finished goods as a result of changes in consumer preference, (ii) higher legal and professional fees in relation to the various fund raising activities by the Company in FY2015, (iii) loss on disposals of property, plant and equipment in particular machineries and moulds in the metal gift operations as they were no longer in use, and (iv) the absence of gains on disposal of investment properties and property, plant and equipment that was generated in FY2014;

(c) the Group had negative working capital of HK$1.7 million as at 31 December 2013, and positive working capital of HK$13.9 million and HK$35.0 million as at 31 December 2014 and 31 December 2015 respectively. The improvement from negative working capital of HK$1.7 million in FY2013 to positive working capital of HK$13.9 million in FY2014 was mainly due to a decrease in bank borrowings and other payables due to former subsidiaries. The increase in working capital to HK$35.0 million in FY2015 was mainly due to the increase in deposits, prepayments and other receivables of HK$23.4 million due mainly to deposit paid for purchases of nickel ore;

(d) the Group's total equity attributable to the owners of the Company had generally been increasing from HK$19.8 million as at 31 December 2013 to HK$23.2 million as at 31 December 2015;

(e) the Group has experienced net cash outflow from operating activities amounting to HK$10.1 million in FY2013, HK$6.4 million in FY2014, and HK$24.3 million in FY2015. Net cashflow used in operating activities decreased from HK$10.1 million in FY2013 to HK$6.4 million in FY2014 mainly due to lower operating losses before working capital changes and increase in trade payables in FY2014. Net cashflow used in operating activities increased from HK$6.4 million in FY2014 to HK$24.3 million in FY2015, mainly due to (i) the decrease in trade payables, (ii) the decrease in other payables and accruals, and (iii) the increase in inventories; and

(f) the Group recorded cash and cash equivalents of HK$14.7 million at the end of FY2013, HK$15.9 million as at the end of FY2014, and HK$13.8 million as at the end of FY2015.

We also note the following commentary in relation to factors or events that may affect the Group in 2016 as set out in the Annual Report of the Company for FY2015.

"*Metal gift products and jewellery products*

*With flagging economic recovery in the United States and in the Euro zone, the Group expects sales to remain weak in the next 12 months.*

*The Group will continue its efforts to promote sales, downsizing to cut costs and develop new and innovative designs of its products to enhance competitiveness.*

*Nickel ore*

*As at 31 December 2015, the Group has received 1.0 million tons (equivalent to approximately USD50.0 million, based on the market price of nickel ore as at 31 December 2015) of orders on hand for nickel ore.*

*As disclosed in the Company's announcement dated 20 January 2016, there had been unforeseen delays experienced by its nickel ore supplier (the "**Supplier**") in receiving relevant approvals for exporting from the relevant authorities in relation to the Group's shipments of nickel ore (the "**Export Approvals**").*

*In view of the unforeseen delays of the Supplier receiving such Export Approvals, the Group's shipments of its nickel ore orders (the "**Nickel Ore Orders**") are consequently expected to be delayed. The Supplier has indicated that it may receive the Export Approvals from the relevant authorities within the next three months. Save for the delivery schedule, the Group does not expect the Group's Nickel Ore Orders to be affected by the abovementioned delays.*

*The Group expects the nickel distribution and trading business to be a major contributor to its revenues and profit for the coming year due to the demand for nickel ore from the PRC and the limited number of countries in Asia which can supply nickel ore.*

*Financing business*

*Further to the Company's announcement dated 15 May 2015, the Group is in the process of acquiring a company with a money lenders' license instead of applying the money lenders' license for the financing business in order to lower costs. The Group plans to acquire the company in the next three months.*

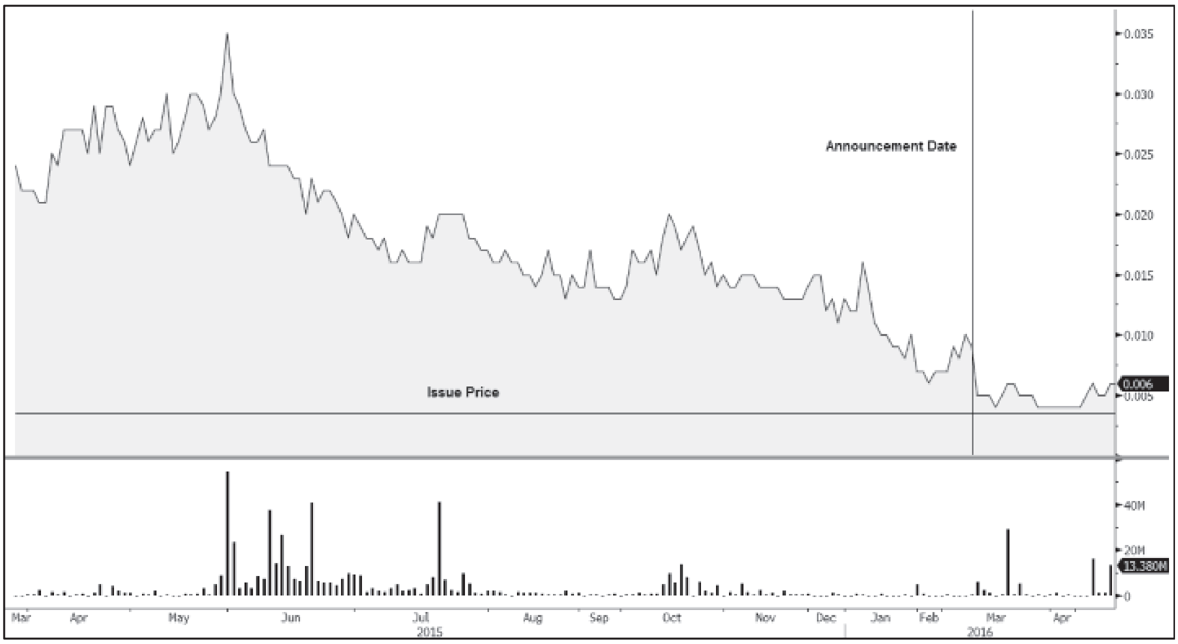
*The Group expects the financing business to be able to contribute to the Company's revenue in the next 6-12 months."*

**5.4. <u>Assessment of the Issue Price</u>**

In evaluating whether the Issue Price of S$0.0035 for each Rights Share is reasonable, we have considered the following factors:

**5.4.1 Share price performance**

The trend of the daily closing prices of the Shares for the period commencing 12 months prior to the Announcement and ending on the Latest Practicable Date is set out in the chart below:




*Source: Bloomberg*

The trading statistics of the Shares during the 12-month period prior to the date of the Announcement and up to the Latest Practicable Date are set out below:

| | Lowest closing price (S$) | Highest closing price (S$) | Volume-weighted average price ("VWAP") (S$) | Discount of Issue Price to VWAP (%) |
|---|---|---|---|---|
| **Periods prior to Announcement** | | | | |
| Last 12 months | 0.006 | 0.035 | 0.023 | 84.78 |
| Last 6 months | 0.006 | 0.020 | 0.016 | 78.13 |
| Last 3 months | 0.006 | 0.016 | 0.008 | 56.25 |
| Last one month | 0.007 | 0.010 | 0.008 | 56.25 |
| Last Market Day prior to Announcement (1) | 0.009 | 0.009 | 0.009 | 61.11 |
| **Period after Announcement and up to Latest Practicable Date** | | | | |
| After Announcement and up to Latest Practicable Date | 0.004 | 0.006 | 0.006 | 41.67 |
| Latest Practicable Date | 0.006 | 0.006 | 0.006 | 41.67 |

*Source: Bloomberg*

**Notes**:

(1) This refers to 8 March 2016, being the last Market Day on which the Shares were traded prior to the Announcement which was released on the SGXNET on 8 March 2016 at 9.02 p.m.

We note the following:

(a) during the 12-month period prior to the Announcement, the closing prices of the Shares ranged between a low of S$0.006 and a high of S$0.035. The Issue Price represents a discount of 41.67% over the lowest closing price of the Shares of S$0.006 and a discount of 90.00% to the highest closing price of S$0.035 over the 12-month period prior to the Announcement;

(b) the Issue Price represents a discount of 84.78%, 78.13%, 56.25% and 56.25% to the VWAP of the Shares for the 12-, 6-, 3- and one-month periods prior to the Announcement respectively;

(c) the Issue Price represents a discount of 61.11% to the closing price of the Shares of S$0.009 on 8 March 2016, being the last Market Day prior to the Announcement;

(d) the Issue Price represents a discount of 41.67% to the VWAP of the Shares of S$0.006 for the period after the Announcement and up to the Latest Practicable Date; and

(e) the Issue Price represents a discount of 41.67% to the closing price of the Shares of S$0.006 as at the Latest Practicable Date.

### 5.4.2 NTA of the Group

Based on the latest audited financial statements of the Group as at 31 December 2015, the audited NTA attributable to owners of the Company amounted to HK$22.8 million (or S$4.2 million based on the closing exchange rate of S$1:HKD5.4647 on 31 December 2015) and is equivalent to HK$0.056 per Share (or S$0.010 per Share based on the closing exchange rate of S$1:HKD5.4647 on 31 December 2015) based on 404,670,733 Shares as at 31 December 2015. Accordingly, the Issue Price represents a discount of 65.00% to the audited NTA per Share as at 31 December 2015.

The Directors have confirmed that, to the best of their knowledge and belief, (a) they are not aware of any circumstances which may cause the NTA of the Group as at the Latest Practicable Date to be materially different from that as at 31 December 2015; and (b) there are no contingent liabilities or impairment losses which are likely to have a material impact on the audited NTA of the Group as at 31 December 2015.

### 5.4.3 Market statistics of selected rights issues

In assessing the reasonableness of the Issue Price, we have reviewed the salient terms of selected rights issues of shares (excluding rights issues with warrants attached) by companies listed on the SGX-ST (the "**Comparable Transactions**") and announced during the 12-month period prior to the Announcement and which were completed prior to the Latest Practicable Date. The table below summarises the salient statistics of the Comparable Transactions:

| Company | Date of announcement | Terms of rights issue | Issue price of rights shares (S$) | Discount to last transacted price (%) | Theoretical ex-rights price (S$)[1] | Discount to theoretical ex-rights price (%) |
|---|---|---|---|---|---|---|
| OUE Hospitality Trust | 7 March 2016 | 33 for 100 | 0.5400 | 29.41 | 0.7092 | 23.86 |
| HLH Group Limited | 23 December 2015 | 1 for 2 | 0.0060 | 40.00 | 0.0087 | 31.03 |
| Moya Holdings Asia Limited | 27 November 2015 | 5 for 4 | 0.0330 | 5.71 | 0.0339 | 2.65 |
| Viva Industrial Trust | 18 November 2015[2] | 1 for 7 | 0.7150 | 2.72 | 0.7325 | 2.39 |
| ARA Asset Management Limited | 11 November 2015 | 18 for 100 | 1.0000 | 29.58 | 1.3559 | 26.25 |
| Croesus Retail Trust | 28 September 2015 | 22 for 100 | 0.6100 | 29.07 | 0.8149 | 25.14 |
| Heeton Holdings Limited | 12 August 2015 | 1 for 3 | 0.4930 | 15.00 | 0.5583 | 11.70 |
| IREIT Global | 30 June 2015 | 45 for 100 | 0.4680 | 41.86 | 0.7004 | 33.18 |
| Serrano Limited | 29 June 2015 | 1 for 1 | 0.0700 | 61.11 | 0.1250 | 44.00 |
| OUE Commercial REIT | 29 June 2015 | 9 for 20 | 0.5550 | 31.48 | 0.7309 | 24.07 |

| Company | Date of announcement | Terms of rights issue | Issue price of rights shares (S$) | Discount to last transacted price (%) | Theoretical ex-rights price (S$)[1] | Discount to theoretical ex-rights price (%) |
|---|---|---|---|---|---|---|
| Blumont Group Ltd. | 25 June 2015 | 1 for 2 | 0.0020[3] | 77.78 | 0.0067 | 70.15 |
| Luzhou Bio-Chem Technology Limited | 18 June 2015 | 1 for 2 | 0.0300 | 9.09 | 0.0320 | 6.25 |
| Jardine Cycle & Carriage Ltd | 18 June 2015 | 1 for 9 | 26.0000 | 27.90 | 35.0540 | 25.83 |
| Krisenergy Ltd. | 15 June 2015 | 42 for 100 | 0.3850 | 13.48 | 0.4273 | 9.90 |
| Yamada Green Resources Limited | 8 June 2015 | 1 for 2 | 0.0700 | 44.00 | 0.1067 | 34.40 |
| Ezra Holdings Limited | 30 May 2015[4] | 190 for 100 | 0.1050 | 73.08 | 0.2033 | 48.35 |
| Cityneon Holdings Limited | 2 April 2015 | 1 for 1 | 0.1800 | 30.77 | 0.2200 | 18.18 |
| IEV Holdings Limited | 27 March 2015 | 1 for 2 | 0.0700 | 36.36 | 0.0967 | 27.61 |
| Edition Ltd. | 12 March 2015 | 8 for 1 | 0.0100 | 56.52 | 0.0114 | 12.28 |
| | | | **High** | **77.78** | | **70.15** |
| | | | **Mean** | **29.65**[5] | | **22.62**[6] |
| | | | **Median** | **29.58**[5] | | **24.61**[6] |
| | | | **Low** | **2.72** | | **2.39** |
| **Company** | **8 March 2016** | **6 for 1** | **0.0035** | **61.11** | **0.0043** | **18.60** |

*Sources: Bloomberg, announcements, circulars and/or offer information statements of the respective companies and SAC Capital's computations*

**Notes:**

(1) Computed based on the respective last transacted price immediately prior to the announcement of the rights issue.

(2) On 28 August 2015, Viva Industrial Trust announced that it is considering a non-renounceable preferential offering of new stapled securities as part of its equity fund raising exercise to raise gross proceeds of S$110.0 million. However, the terms of the preferential offering of the new stapled securities has not been announced.

(3) Blumont Group Ltd. announced a revision of its issue price on 7 September 2015 from S$0.00675 to S$0.002.

(4) On 30 May 2015, Ezra Holdings Limited announced that it is undertaking a renounceable right issue at an issue price which represents a discount of not more than 50% to the theoretical ex-price for each rights shares, on the basis of up to 200 rights shares for every 100 existing shares. Subsequently on 22 June 2015, it was announced that the issue price for each rights share is at S$0.105, on the basis of 190 rights shares for every 100 existing shares.

(5) Excludes Blumont Group Ltd. and Ezra Holdings Limited as they are statistical outliers.

(6) Excludes Blumont Group Ltd. as it is a statistical outlier.

We note that the discount of the Issue Price to the theoretical ex-rights price of the Shares of 18.60% is:

(a) within the range of corresponding discounts for the Comparable Transactions of between 2.39% and 70.15%; and

(b) below the corresponding mean and median discounts for the Comparable Transactions of 22.62% and 24.61% respectively.

Shareholders should note that the terms of the Comparable Transactions are unique and that these companies may not be identical to the Group in terms of business activities, size of operations, market capitalisation, asset base, risk profile, track record, future prospects and other relevant criteria. Further, the list of Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, any comparison between the terms of the Rights Issue and the Comparable Transactions serves as an illustrative guide only.

**5.5. <u>Other Relevant Considerations</u>**

**5.5.1 The Rights Issue being conditional on the approval of the JIGL Whitewash Resolution and the RWL Whitewash Resolution**

Shareholders should note that the Rights Issue is conditional upon, *inter alia*, the passing of the JIGL Whitewash Resolution and the RWL Whitewash Resolution by the Independent Shareholders. Accordingly, if the JIGL Whitewash Resolution or the RWL Whitewash Resolution is not passed by a majority of the Independent Shareholders, the Rights Issue will not take place.

**5.5.2 Financial effects of the Rights Issue**

The financial effects of the Rights Issue on the Group have been set out in section 3.8 of the Circular for illustrative purposes only and are based on the audited consolidated financial statements of the Group for FY2015 and certain assumptions as detailed in section 3.8 of the Circular.

We note the following in both the Minimum Scenario and Maximum Scenario:

(a) the number of issued Shares and the issued and paid-up share capital of the Group would increase pursuant to the Rights Issue;

(b) the NAV per Share would decrease pursuant to the Rights Issue mainly due to the issue of six (6) Rights Shares for every one (1) existing Share and the Issue Price being lower than the NAV per Share prior to the Rights Issue;

(c) there would be an improvement in the gearing of the Group pursuant to the Rights Issue; and

(d) the Rights Issue would have a dilutive impact on the EPS of the Group.

**5.5.3 Potential dilution effect on the Independent Shareholders arising from the Rights Issue**

The Rights Issue will not result in any shareholding dilution of the Independent Shareholders in the Company if all Independent Shareholders subscribe for their full entitlements of Rights Shares under the Rights Issue. A dilution impact will only occur for the Independent Shareholders who do not subscribe for their full entitlements of Rights Shares under the Rights Issue.

As at the Latest Practicable Date, the JIGL Group holds an aggregate of 120,421,638 Shares, representing approximately 29.74% of the Existing Share Capital, and the RWL Group holds an aggregate of 80,800,000 Shares, representing approximately 19.96% of the Existing Share Capital.

The potential changes in the shareholding structure of the Company, based on the Existing Share Capital arising from the Rights Issue assuming (i) the Minimum Scenario, and (ii) the Maximum Scenario, are set out below:

| | Before the Rights Issue | | After the Rights Issue | | | |
|---|---|---|---|---|---|---|
| | As at the Latest Practicable Date | | Minimum Scenario | | Maximum Scenario | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| JIGL[(1)] | 120,421,638 | 29.74 | 842,951,466 | 52.29 | 842,951,466 | 29.74 |
| RWL[(2)] | 80,000,000 | 19.76 | 560,000,000 | 34.74 | 560,000,000 | 19.76 |
| Ong Chor Wei[(2)] | 800,000 | 0.20 | 5,600,000 | 0.34 | 5,600,000 | 0.20 |
| Other Shareholders | 203,651,095 | 50.30 | 203,651,095 | 12.63 | 1,425,557,665 | 50.30 |
| **Total** | **404,872,733** | **100.00** | **1,612,202,561** | **100.00** | **2,834,109,131** | **100.00** |

**Notes:**

(1) The JIGL Group consists of JIGL and Lau Chor Beng, Peter. Lau Chor Beng, Peter is deemed interested in the Shares held by JIGL of which Lau Chor Beng, Peter is a controlling shareholder and director. As at the Latest Practicable Date, the JIGL Group holds an aggregate of 120,421,638 Shares, representing approximately 29.74% of the Existing Share Capital.

(2) The RWL Group consists of RWL, Delton Group Limited, Cavendish Limited, Ong Chor Wei and Yung Fung Ping. Delton Group Limited is deemed interested in the Shares held by RWL of which Delton Group Limited is a controlling shareholder. Ong Chor Wei is deemed interested in the Shares held by RWL, of which Ong Chor Wei is a director, and he holds 100% shareholding interest in Delton Group Limited. In addition, Ong Chor Wei holds 800,000 Shares directly. Cavendish Limited is deemed interested in the Shares held by RWL of which Cavendish Limited is a controlling shareholder. Yung Fung Ping is deemed interested in the Shares held by RWL, of which Yung Fung Ping is a director and she holds 100% shareholding interest in Cavendish Limited. As at the Latest Practicable Date, the RWL Group holds an aggregate of 80,800,000 Shares, representing approximately 19.96% of the Existing Share Capital.

Pursuant to the Rights Issue, the JIGL Group and the RWL Group may potentially hold up to an aggregate of approximately 52.29% and 35.08% respectively of the enlarged issued share capital of the Company. Correspondingly, the aggregate shareholding interests of the Independent Shareholders' could potentially be diluted to 12.63% from 50.30% as at the Latest Practicable Date following the completion of the Rights Issue.

Such an event may result in the Company being in a relatively less favourable position in the context of interest from potential parties seeking control of the Company or who may have intentions to acquire a significant interest or control of the Company, by virtue of the aggregate controlling interest held by the JIGL Group and/or the RWL Group after the Rights Issue.

**5.5.4 Implications of approval of the JIGL Whitewash Resolution and the RWL Whitewash Resolution**

Independent Shareholders should note that:

(a) by voting in favour of the JIGL Whitewash Resolution (Ordinary Resolution 3), they will be waiving their rights to receive a mandatory general offer from the JIGL Group at the highest price paid by the JIGL Group and its concert parties for the Shares in the six (6) months preceding the commencement of the Rights Issue, which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code;

(b) by voting in favour of the RWL Whitewash Resolution (Ordinary Resolution 4), they will be waiving their rights to receive a mandatory general offer from the RWL Group at the highest price paid by the RWL Group and its concert parties for the Shares in the six (6) months preceding the commencement of the Rights Issue, which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code; and

(c) that the acquisition of the 722,529,828 Rights Shares by the JIGL Group might result in the JIGL Group and its concert parties holding shares carrying over 49% of the voting rights of the Company based on its enlarged share capital and that the JIGL Group and its concert parties would thereafter be free to acquire further Shares in the Company without incurring any obligation under Rule 14 of the Code to make a mandatory general offer.

**5.5.5 No material changes to the existing management of the Group**

We understand from the Company that following the completion of the Rights Issue, it is not envisaged that there will be material changes to the existing management of the Group which may affect the operation of the Group's business activities.

**5.5.6 Support from the JIGL, RWL and Ong Chor Wei**

As at the Latest Practicable Date, the JIGL Group holds an aggregate of 120,421,638 Shares, representing approximately 29.74% of the Existing Share Capital. As at the Latest Practicable Date, the RWL Group holds an aggregate of 80,800,000 Shares, representing approximately 19.96% of the Existing Share Capital.

To show their support for the Rights Issue and to demonstrate their commitment to and confidence in the prospects of the Group, JIGL, RWL and Ong Chor Wei had on 8 March 2016 irrevocably undertaken to the Company that, *inter alia*, (i) they will apply and subscribe for and/or procure applications and subscriptions for and pay for and/or procure payment for the whole of their *pro rata* beneficial entitlement under the Rights Issue and (ii) they shall vote (in respect of all Shares legally and beneficially owned by each of them at the SGM) in person or by representative or proxy, in favour of all resolutions which will be proposed at the SGM.

We believe that the above Undertakings from JIGL, RWL and Ong Chor Wei underscores their support for the Rights Issue and demonstrates their commitment to and confidence in the prospects of the Group.

**5.5.7 Alternative fund-raising options**

We understand from the Company that the Directors have considered other fund-raising options prior to proceeding with the Rights Issue. Having considered its current gearing of 1.41, and that further bank borrowings from financial institutions or debt issuance will further increase the Group's gearing and incur additional interest expenses, the Rights Issue would be a more suitable funding solution that would strengthen the financial position and capital base of the Group, and allow Shareholders an opportunity to participate further in the equity of the Company on a pro-rata basis.

## 6. OUR ADVICE

In arriving at our advice in respect of the JIGL Whitewash Resolution and the RWL Whitewash Resolution, we have taken into account the following key considerations:

(a) the rationale for the Rights Issue is to strengthen its cash position and statement of financial position;

(b) the proposed use of proceeds from the Rights Issue, mainly being for the Financing Business as well as for general working capital purposes;

(c) the Rights Shares being offered to Entitled Shareholders on a *pro-rata* basis;

(d) the historical financial performance of the Group, as set out in paragraph 5.3 of this letter;

(e) an assessment of the Issue Price of the Rights Shares as follows:

(i) the Issue Price represents a discount of 41.67% over the lowest closing price of the Shares of S$0.006 and a discount of 90.00% to the highest closing price of S$0.035 over the 12-month period prior to the Announcement;

(ii) the Issue Price represents a discount of 84.78%, 78.13%, 56.25% and 56.25% to the VWAP of the Shares for the 12-, 6-, 3- and one-month periods prior to the Announcement respectively;

(iii) the Issue Price represents a discount of 61.11% to the closing price of the Shares of S$0.009 on 8 March 2016, being the last Market Day prior to the Announcement;

(iv) the Issue Price represents discount of 41.67% to the VWAP of the Shares of S$0.006 for the period after the Announcement and up to the Latest Practicable Date; and

(v) the Issue Price represents a discount of 41.67% to the closing price of the Shares of S$0.006 as at the Latest Practicable Date;

(f) a comparison with the audited NTA of the Group, namely, that the Issue Price represents a discount of 65.00% to the audited NTA per Share of S$0.010 as at 31 December 2015;

(g) a comparison with the market statistics of selected rights issues, namely, that the discount of the Issue Price to the theoretical ex-rights price of the Shares of 18.60% is (i) within the range of corresponding discounts of the Comparable Transactions of between 2.39% and 70.15%; and (ii) below the corresponding mean and median discounts for the Comparable Transactions of 22.62% and 24.61% respectively; and

(h) other relevant considerations as follows:

(i) the Rights Issue being conditional on the approval of the JIGL Whitewash Resolution and the RWL Whitewash Resolution;

(ii) the financial effects of the Rights Issue, namely, that (aa) the issued share capital of the Group would increase pursuant to the Rights Issue, (bb) the NAV per Share of the Group would decrease pursuant to the Rights Issue, (cc) the improvement in the gearing of the Group pursuant to the Rights Issue, and (dd) the Rights Issue having a dilutive impact on the EPS of the Group, in both the Maximum Scenario and the Minimum Scenario;

(iii) the potential dilution effect on the Independent Shareholders arising from the Rights Issue;

(iv) the implications of approval of the JIGL Whitewash Resolution and the RWL Whitewash Resolution;

(v) no material changes to the existing management of the Group following the Rights Issue;

(vi) the Undertakings from JIGL, RWL and Ong Chor Wei that underscores their support for the Rights Issue and their commitment to and confidence in the prospects of the Group; and

(vii) alternative fund-raising options considered by the Directors.

Having considered the above, from a financial point of view, we are of the opinion that the JIGL Whitewash Resolution and the RWL Whitewash Resolution, when considered in the context of the Rights Issue (which terms are fair and reasonable), are not prejudicial to the interests of the Independent Shareholders. Accordingly, we advise the Recommending Directors to recommend the Independent Shareholders to vote in favour of the JIGL Whitewash Resolution and the RWL Whitewash Resolution.

Our advice is addressed to the Recommending Directors for their benefit and for the purposes of their consideration of the JIGL Whitewash Resolution and the RWL Whitewash Resolution. The recommendation to be made by them to the Independent Shareholders shall remain the responsibility of the Recommending Directors. Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of SAC Capital Private Limited in each specific case, except for the forthcoming SGM and for the purposes of the JIGL Whitewash Resolution and the RWL Whitewash Resolution.

Our advice is governed by, and construed in accordance with, the laws of Singapore. Our advice is strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours faithfully
For and on behalf of
**SAC CAPITAL PRIVATE LIMITED**

Bernard Lim
Executive Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1. The consolidated audited comprehensive income statements of the Group for FY2013, FY2014, and FY2015 are set out below:

| | FY2013 HK$'000 (Audited) | FY2014 HK$'000 (Audited) | FY2015 HK$'000 (Audited) |
|---|---|---|---|
| Revenue | 91,618 | 81,930 | 93,577 |
| Cost of sales | (72,346) | (75,674) | (88,005) |
| **Gross profit** | 19,272 | 6,256 | 5,572 |
| Other income | 9,283 | 15,907 | 1,443 |
| Selling and distribution costs | (4,449) | (2,904) | (1,960) |
| Administrative expenses | (19,598) | (11,369) | (14,276) |
| Other operating expenses | (475) | (23) | (3,322) |
| Finance costs | (1,086) | (1,035) | (1,990) |
| **Profit/(loss) before income tax** | 2,947 | 6,832 | (14,533) |
| Income tax expenses | (1,828) | (266) | (60) |
| **Profit/(loss) for the year** | 1,119 | 6,566 | (14,593) |
| **Profit/(loss) for the year attributable to the owners of the Company** | 1,119 | 6,566 | (14,730) |
| **Other comprehensive income** | | | |
| Exchange gains on translation of financial statements of foreign operations | 349 | – | – |
| Reclassification adjustment for translation reserve upon disposal of a subsidiary | (6,810) | – | – |
| Total other comprehensive income | (6,461) | – | – |
| **Total comprehensive income/(loss) for the year attributable to the owners of the Company** | (5,342) | 6,566 | (14,730) |
| **Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the year** | | | |
| – Basic and diluted (HK cents) | 0.33 | 1.85 | (3.85) |

*Source: Annual reports of the Company for FY2013, FY2014 and FY2015.*

## PROFIT AND LOSS REVIEW

### FY2015 compared to FY2014

*Revenue*

The Group's revenue increased by approximately 14.2% from HK$81.9 million in FY2014 to approximately HK$93.6 million in FY2015.

The increase in sales was attributable to (a) the sale of nickel ore amounted to approximately HK$28.1 million in the People's Republic of China (including Hong Kong) (the "**PRC (including HK)**"); and (b) increase in sales of jewellery products by approximately HK$0.4 million or 2.0% to approximately HK$22.1 million in FY2015. The increase in sales of jewellery products was mainly due to increase in demand from existing and new customers from the Group's principal markets in the PRC (including HK).

The increase in sales of jewellery products and nickel ore was partially offset by a decrease in sales of metal gift products by approximately HK$16.9 million or 28.0% from approximately HK$60.3 million in FY2014 to approximately HK$43.4 million in FY2015. This was mainly due to decrease in sales in the PRC (including HK) by approximately HK$12.4 million or 44.2% as well as weaker demand from customers of other geographical locations.

*Cost of sales and gross profit*

Cost of sales increased by 16.3% from approximately HK$75.7 million in FY2014 to approximately HK$88.0 million in FY2015. The higher cost of sales was mainly due to (a) purchases of nickel ore for approximately HK$25.2 million in FY2015; and (b) higher write-down of inventories of approximately HK$5.7 million in FY2015 (FY2014: HK$4.2 million) due to slow moving inventories. The increase was partly offset by a decrease in subcontracting charge of approximately HK$1.0 million in FY2015 due to reduced metal gift product sales and lower depreciation charges of approximately HK$656,000 as a result of the increase in fully depreciated fixed assets.

The decline in the overall gross profit margin of the Group from 7.6% in FY2014 to 6.0% in FY2015 was mainly attributable to lower profit margin of the metal gift business and the jewellery business, offset by the profit margin from the newly acquired nickel ore trading business. For similar reasons, the Group's gross profit decreased by 10.9% from approximately HK$6.3 million in FY2014 to approximately HK$5.6 million in FY 2015.

*Other income*

Other income decreased by 90.9% from approximately HK$15.9 million in FY2014 to approximately HK$1.4 million in FY2015. The decrease was mainly attributed to the absence of the gain on disposals of property, plant and equipment of approximately HK$7.7 million and investment properties of approximately HK$7.9 million that was generated in FY2014. The decrease is partly offset by the gain of fair value of warrants of approximately HK$692,000 and exchange gains, net of approximately HK$399,000.

*Selling and distribution costs*

Selling and distribution costs decreased by 32.5% from approximately HK$2.9 million in FY2014 to approximately HK$2.0 million in FY2015. The decrease was mainly attributed to the decrease in staff related expenses as a result of the downsizing of staff for the metal gift products sector and lower costs of advertising and exhibition due to the implementation of cost cutting measures.

*Administrative expenses*

Administrative costs increased by 25.6% from approximately HK$11.4 million in FY2014 to approximately HK$14.3 million in FY2015. The increase was mainly attributed to increase of legal and professional fees of approximately HK$2.2 million in relation to the various fund raising activities by the Company during the year.

*Other operating expenses*

Other operating expenses increased by approximately HK$3.3 million from approximately HK$23,000 in FY2014 to approximately HK$3.3 million in FY2015. The increase was mainly due to the loss on disposal of property, plant and equipment in particular machineries and moulds in metal gift operations of approximately HK$3.2 million as they were no longer used.

*Finance costs*

Finance costs increased by 92.3% from approximately HK$1.0 million in FY2014 to approximately HK$2.0 million in FY2015 due to interest arising from the issue of convertible bonds in FY2015 and increase in bank and other borrowings in FY2015.

*(Loss)/Profit before income tax*

The Group had recorded a loss before income tax of approximately HK$14.5 million in FY2015 and a profit before income tax of approximately HK$6.8 million in FY2014. The loss was mainly attributed to (a) higher write down of inventories; (b) higher legal and professional fees; (c) disposals of property, plant and equipment; and (d) the absence of gains on disposal of investment properties and property, plant and equipment in FY2015 (FY2014: HK$15.6 million).

*Income tax expense*

Income tax expense of approximately HK$60,000 was provided for the Hong Kong subsidiaries in FY2015 (FY2014: HK$266,000).

**FY2014 compared to FY2013**

*Revenue*

The Group's revenue decreased by approximately HK$9.7 million or 10.6% from approximately HK$91.6 million in FY2013 to approximately HK$81.9 million in FY2014. The lower sales in metal gift products was due to lesser demand from a major customer and lower orders from customers due to weak markets in particular USA.

*Cost of sales and gross profit*

Cost of sales increased by approximately HK$3.4 million or 4.6% from approximately HK$72.3 million in FY2013 to approximately HK$75.7 million in FY2014. The higher cost of sales was mainly due to (a) increase in subcontracting charge of approximately HK$6.8 million in FY2014 as all production of metal gift products were outsourced; and (b) the reversal of write down of inventories of approximately HK$2.2 million in FY2014 (FY2013: HK$14.8 million). The increase was partly offset by a decrease in direct labour cost of approximately HK$11.0 million in FY2014 and manufacturing overhead for electricity and water of approximately HK$2.9 million in FY2014 as a result of the disposals of subsidiaries in FY2013, which were manufacturing function to the Group.

Decrease in overall gross profit margin from 21.0% in FY2013 to 7.6% in FY2014 was mainly due to sale of aged inventories to a former subsidiary at lower profit margin. The overall gross profit decreased by approximately HK$13.0 million or 67.5% from approximately HK$19.3 million in FY2013 to approximately HK$6.3 million in FY2014. The decrease was mainly due to drop in sales in metal gift products and lower gross profit margins.

*Other income*

Other income increased by approximately HK$6.6 million or 71.4% from approximately HK$9.3 million in FY2013 to approximately HK$15.9 million in FY2014. The increase was mainly attributed to gain on disposals of property, plant and equipment and investment properties. There were no such gains in FY2013.

*Selling and distribution costs*

Selling and distribution costs decreased by approximately HK$1.5 million or 34.7% from approximately HK$4.4 million in FY2013 to approximately HK$2.9 million in FY2014. The decrease was mainly attributed to downsizing of staff.

*Administrative expenses*

Administrative costs decreased by approximately HK$8.2 million or 42.0% from approximately HK$19.6 million in FY2013 to approximately HK$11.4 million in FY2014. The decrease was mainly attributed to reduction of expenses in the People's Republic of China (the "**PRC**") due to disposal of subsidiary located in the PRC in FY2013.

*Other operating expenses*

Other operating expenses decreased by approximately HK$452,000 or 95.2% from approximately HK$475,000 in FY2013 to approximately HK$23,000 in FY2014. The decrease was mainly attributed to less provision for impairment losses on trade receivables in FY2014 compared to FY2013.

*Finance costs*

Finance costs decreased by approximately HK$51,000 or 4.7% from approximately HK$1.1 million in FY2013 to approximately HK$1.0 million in FY2014 due to repayment of bank loans towards the end of the year.

*Profit before income tax*

The Group had recorded a profit before income tax of approximately HK$6.8 million in FY2014 (FY2013: approximately HK$2.9 million). The increase was mainly attributed to gain on disposals of property, plant and equipment and investment properties.

*Income tax expense*

Income tax expense of HK$266,000, of which approximately HK$260,000 was in respect of under provision in prior years, were provided for the Hong Kong subsidiaries in FY2014 (FY2013: HK$226,000).

For FY2013, HK$1.6 million in respect of additional estimated tax assessment for offshore claims on manufacturing operations and assessable profits in prior years for two former subsidiaries.

## 2. CONSOLIDATED BALANCE SHEETS

| | As at 31 December | | |
|---|---|---|---|
| | 2013<br>HK$'000<br>(Audited) | 2014<br>HK$'000<br>(Audited) | 2015<br>HK$'000<br>(Audited) |
| **Non-current assets** | | | |
| Property, plant and equipment | 17,547 | 12,510 | 8,242 |
| Investment Properties | 3,924 | – | – |
| Goodwill | – | – | 413 |
| | 21,471 | 12,510 | 8,655 |
| **Current assets** | | | |
| Inventories | 26,717 | 16,802 | 14,431 |
| Trade receivables | 17,630 | 15,765 | 14,024 |
| Deposits, prepayments and other receivables | 3,551 | 1,180 | 23,393 |
| Tax prepaid | – | 135 | 98 |
| Pledged time deposits | 2,241 | – | 6,537 |
| Cash and bank balances | 15,799 | 15,923 | 13,846 |
| | 65,938 | 49,805 | 72,329 |
| **Current liabilities** | | | |
| Trade payables | 7,125 | 14,448 | 10,427 |
| Other payables and accruals | 35,353 | 14,496 | 13,944 |
| Bank borrowings | 24,937 | 6,958 | 12,816 |
| Tax payables | 176 | 54 | 183 |
| | 67,591 | 35,929 | 37,370 |
| **Net current assets / (liabilities)** | (1,653) | 13,876 | 34,959 |
| **Total assets less current liabilities** | 19,818 | 26,386 | 43,614 |
| **Non-current liabilities** | | | |
| Convertible Bonds | – | – | 19,890 |
| Warrants | – | – | 319 |
| | – | – | 20,209 |
| **Net assets** | 19,818 | 26,386 | 23,405 |
| **Equity attributable to the owners of the Company** | | | |
| Share capital | 3,547 | 3,548 | 4,048 |
| Reserves | 16,271 | 22,838 | 19,185 |
| Non Controlling Interest | – | – | 172 |
| Total equity | 19,818 | 26,386 | 23,405 |

*Source: Annual reports of the Company for FY2013, FY2014 and FY2015*

## 3. BALANCE SHEET REVIEW

**FY2015 compared to FY2014**

*Non-current assets*

Non-current assets decreased by approximately HK$3.9 million from approximately HK$12.5 million as at 31 December 2014 to approximately HK$8.7 million as at 31 December 2015. The decrease was mainly due to disposals of property, plant and equipment in particular machineries and moulds in metal gift operation as they are no longer used.

*Non-current liabilities*

Non-current liabilities increased by approximately HK$20.2 million from nil as at 31 December 2014 to approximately HK$20.2 million as at 31 December 2015.The increase by approximately HK$20.2 million in FY2015 was mainly due to the issue of the convertible bonds and warrants during the year.

**FY2014 compared to FY2013**

*Non-current assets*

Non-current assets decreased by approximately HK$9.0 million from approximately HK$21.5 million as at 31 December 2013 to approximately HK$12.5 million as at 31 December 2014. The decrease in property, plant and equipment was mainly due to disposals of property, plant and equipment and investment properties.

There were no non-current liabilities in FY2014 and FY2013.

## 4. CONSOLIDATED STATEMENT OF CASH FLOWS

| | FY2013<br>HK$'000<br>(Audited) | FY2014<br>HK$'000<br>(Audited) | FY2015<br>HK$'000<br>(Audited) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/Profit before income tax | 2,947 | 6,832 | (14,533) |
| Adjustments for: | | | |
| Interest income | (30) | (3) | (98) |
| Bad debts recovered | (1,293) | (108) | (83) |
| Loss/(Gain) on disposals of property, plant and equipment | (82) | (7,740) | 3,200 |
| Gain on disposals of investment properties | – | (7,853) | – |
| Gain on disposals of subsidiaries | (6,305) | – | – |
| Fair value loss on convertible bonds | – | – | 122 |
| Reversal of impairment loss on other receivables | (791) | – | – |
| Fair value gain on warrants | – | – | (692) |
| Exchange gain on convertible bonds and warrants | – | – | (824) |
| Depreciation | 2,789 | 2,127 | 1,045 |
| Amortisation | 7 | – | – |
| Impairment losses on trade receivables | 412 | 7 | – |
| Write-off on property, plant and equipment | 63 | 15 | – |
| Write-down of inventories to net realisable value, net | (12,231) | 2,052 | 3,176 |
| Share option expenses | – | – | 1,041 |
| Interest expenses | 1,086 | 1,035 | 1,990 |
| Operating loss before working capital changes | (13,428) | (3,636) | (5,656) |
| (Increase)/Decrease in inventories | 6,842 | 7,863 | (805) |
| Decrease in trade receivables | (2,732) | 1,966 | 1,824 |

| | FY2013 HK$'000 (Audited) | FY2014 HK$'000 (Audited) | FY2015 HK$'000 (Audited) |
|---|---|---|---|
| Decrease in deposits, prepayments and other receivables | 2,312 | 1,491 | 3,458 |
| (Decrease)/Increase in trade payables | 984 | 7,323 | (4,021) |
| Decrease in other payables and accruals | (1,527) | (19,885) | (18,383) |
| Cash used in operations | (7,549) | (4,878) | (23,583) |
| Interest paid | (1,086) | (1,035) | (764) |
| Net income tax refunded/(paid) | (1,456) | (523) | 36 |
| Net cash used in operating activities | (10,091) | (6,436) | (24,311) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | (464) | (285) | (36) |
| Proceeds from disposals of property, plant and equipment | 82 | 10,670 | 100 |
| Proceeds from disposals of investment properties | – | 11,688 | – |
| Payment to acquire business, net of cash acquired | – | – | 333 |
| Net cash inflow from disposals of subsidiaries | (388) | 220 | – |
| Interest received | 30 | 3 | 98 |
| (Increase)/Decrease in pledged bank deposits | (12) | 2,241 | (2,793) |
| Net cash (used in)/generated from investing activities | (752) | 24,537 | (2,298) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 6,276 | 2 | 9,216 |
| Shares issue expense | (128) | – | (380) |
| Proceeds from issue of convertible bonds | – | – | 19,970 |
| Issuing cost of convertible bonds – debt components | – | – | (629) |
| Proceeds from issue of warrants | – | – | 1,036 |
| Capital contribution from non-controlling shareholders | – | – | 1,510 |
| Dividend paid to non-controlling shareholders | – | – | (817) |
| Proceeds from new bank and other borrowings | 69,436 | 27,408 | 66,661 |
| Repayments of bank and other borrowings | (60,804) | (44,286) | (72,035) |
| Capital element of finance lease rental payments | (326) | – | – |
| Net cash generated from/(used in) financing activities | 14,454 | (16,876) | 24,532 |
| Net (decrease)/increase in cash and cash equivalents | 3,611 | 1,225 | (2,077) |
| Cash and cash equivalents at the beginning of the year | 11,082 | 14,698 | 15,923 |
| Effect of foreign exchange rate changes | 5 | – | – |
| Cash and cash equivalents at the end of the year | 14,698 | 15,923 | 13,846 |

## 4. CASHFLOW REVIEW

**FY2015**

During FY2015, the Group's net cash used in operating activities was approximately HK$24.3 million. This was mainly attributed to decrease in trade payables of approximately HK$4.0 million and decrease in other payables and accruals of approximately HK$18.3 million.

During FY2015, the Group's net cash used in investing activities was approximately HK$2.3 million. This was mainly attributed to the proceeds from disposals of property, plant and equipment of approximately HK$100,000, payment to acquire business, net of cash acquired of approximately HK$333,000 and increase in pledged bank deposits of HK$2.8 million.

During FY2015, the Group's net cash generated from financing activities was approximately HK$24.5 million. This was mainly attributed to the issuance of new shares of approximately HK$9.2 million and issuance of the convertible bonds of approximately HK$20.0 million and proceeds from issue of warrants of approximately HK$1.0 million and capital contribution for non-controlling shareholders of approximately HK$1.5 million.

As a result of the above, the Group's net decrease in cash and cash equivalents was approximately HK$2.1 million.

As at 31 December 2015, the Group had cash and bank balances of approximately HK$13.8 million, and unutilised banking facilities of approximately HK$1.9 million.

During FY2015, the Group had raised funds from bank borrowings of approximately HK$62.5 million. Repayment of bank borrowings amounted to approximately HK$68.8 million.

**FY2014**

During FY2014, the Group's net cash used in operating activities was approximately HK$6.4 million. This was mainly attributed to decrease in other payables and accruals of approximately HK$19.9 million. The decrease was partly offset by increase in inventories of approximately HK$7.9 million and increase in trade payables of approximately HK$7.3 million.

During FY2014, the Group's net cash generated from investing activities was approximately HK$24.5 million. This was mainly attributed to the proceeds from disposals of property, plant and equipment of approximately HK$10.7 million, proceeds from disposals of investment properties of approximately HK$11.7 million and decrease in pledged bank deposits of approximately HK$2.2 million.

During FY2014, the Group's net cash used in financing activities was approximately HK$16.9 million. This was mainly attributed to repayments of bank and other borrowings of approximately HK$44.3 million. This wa partly offset by proceeds from new bank and other borrowings of approximately HK$27.4 million.

As a result of the above, the Group's net increase in cash and cash equivalents was approximately HK$1.2 million.

As at 31 December 2014, the Group had cash and bank balances of approximately HK$15.9 million and unutilised banking facilities of approximately HK$1.0 million.

**FY2013**

During FY2013, the Group's net cash used in operating activities was approximately HK$10.1 million. This was mainly attributed to decrease in other payables and accruals of approximately HK$1.5 million and increase in trade receivables of approximately HK$2.8 million. This was partly offset by a decrease in inventories of approximately HK$6.8 million and decrease in deposits, prepayments and other receivables of approximately HK$2.3 million.

During FY2013, the Group's net cash used in investing activities was approximately HK$0.7 million. This was mainly attributed to purchases of property, plant and equipment of approximately HK$0.5 million and net cash inflow from disposals of subsidiaries of approximately HK$0.4 million.

During FY2013, the Group's net cash generated from financing activities was approximately HK$14.4 million. This was mainly attributed to proceeds from new bank borrowings of approximately HK$69.4 million and proceeds from issue of shares of approximately HK$6.3 million. This was partly offset by repayments of bank of approximately HK$60.8 million.

As a result of the above, the Group's net increase in cash and cash equivalents was approximately HK$3.6 million.

As at 31 December 2013, the Group had cash and bank balances of approximately HK$15.8 million, bank overdrafts of approximately HK$1.1 million and unutilised banking facilities of approximately HK$3.4 million.

## 5. WORKING CAPITAL POSITION

The total current assets, total current liabilities and working capital of the Group for the last three financial years and unaudited FY2015 are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2013 HK$'000 (Audited) | 2014 HK$'000 (Audited) | 2015 HK$'000 (Audited) |
| Total current assets | 65,938 | 49,805 | 72,329 |
| Total current liabilities | 67,591 | 35,929 | 37,370 |
| Working capital | (1,653) | 13,876 | 34,959 |

**FY2015 compared to FY2014**

Current assets increased by approximately HK$22.5 million from approximately HK$49.8 million as at 31 December 2014 to approximately HK$72.3 million as at 31 December 2015. The increase was mainly due to (a) increase in deposits, prepayments and other receivables of approximately HK$22.2 million due mainly to deposit paid to a nickel ore suppliers of approximately HK$22.4 million; and (b) placement of pledged bank deposits of approximately HK$6.5 million mainly due to proceeds received from the various fund raising activities during FY2015. The increase was partly offset by a decrease in trade receivables of approximately HK$1.74 million mainly attributable to lower sales from the metal gift products and the decrease in cash and cash balances due to use of funds in working capital.

Current liabilities increased by approximately HK$1.5 million from HK$35.9 million as at 31 December 2014 to approximately HK$37.4 million as at 31 December 2015. The increase was mainly due to increase in bank and other borrowings by approximately HK$5.9 million mainly to finance the working capital for the trading of nickel ore. The increase was partly offset by a decrease in trade payables of approximately HK$4.0 million mainly due to lower sales for metal gift products.

**FY2014 compared to FY2013**

Current assets decreased by approximately HK$16.1 million from approximately HK$65.9 million as at 31 December 2013 to approximately HK$49.8 million as at 31 December 2014. The decrease was mainly due to (a) decrease in trade receivables of approximately HK$1.9 million as a result of lower turnover; and (b) decrease in inventories of approximately HK$9.9 million as a result of lower level of inventories kept by the Group.

Current liabilities decreased by approximately HK$31.7 million from approximately HK$67.6 million as at 31 December 2013 to approximately HK$35.9 million as at 31 December 2014. The decrease was mainly due to (a) decrease in bank borrowings; and (b) decrease in other payables due to settlement of other payables which comprised mainly of balance due to former subsidiaries.

# JOYAS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Company registration no. 38991)

**NOTICE IS HEREBY GIVEN** that a special general meeting (the "**SGM**") of Joyas International Holdings Limited (the "Company") will be held at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542, on 17 June 2016 at 09.30 a.m. (Singapore time) for the purpose of considering and, if thought fit, passing with or without modifications, the following ordinary resolutions:

**RESOLUTION 1: ORDINARY RESOLUTION**

**THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE FINANCING BUSINESS**

That:

(a) approval be and is hereby given for the diversification by the Company and its subsidiaries of its core business to include financing business that involve activities described in Section 2.3.1 of the Company's circular to the Shareholders dated 1 June 2016 (the "**Financing Business**"), and any other activities related to the Financing Business; and

(b) the Directors or any of them be and are hereby authorised to do any and all such acts (including approving, executing and delivering all such documents as may be required) as they may, in their absolute discretion deem fit, expedient or necessary to give effect to this ordinary resolution.

**RESOLUTION 2: ORDINARY RESOLUTION**

**THE RIGHTS ISSUE**

That contingent upon the passing of Ordinary Resolution 3 and 4 herein in this Notice of SGM, approval be and is hereby given as follows:

That the non-renounceable non-underwritten rights issue of up to 2,429,236,398 new common shares, credited as fully paid, in the capital of the Company (the "**Rights Shares**") at an issue price of S$0.0035 for each Rights Share (the "**Issue Price**"), on the basis of six (6) Rights Share for every one (1) existing common share (each, a "**Share**") in the capital of the Company held by shareholders of the Company (the "**Shareholders**") as at a time and date as the Directors may, in its absolute discretion, determine (the "**Books Closure Date**"), fractional entitlements to be disregarded (the "**Rights Issue**"), be and is hereby approved and authority be and is hereby given to the Directors or any of them to:

(a) allot and issue up to 2,429,236,398 Rights Shares at the Issue Price;

(b) provisionally allot and issue up to 2,429,236,398 Rights Shares at the Issue Price on the basis of six (6) Rights Shares for every one (1) existing Share held by Shareholders whose names appear in the Register of Members of the Company or the records of The Central Depository (Pte) Limited ("**CDP**") as at the Books Closure Date (the "**Entitled Shareholders**") with registered addresses in Singapore or who have, at least three (3) Market Days prior to the Books Closure Date provided to the CDP or the share registrar of the Company (the "**Share Registrar**"), as the case may be, addresses in Singapore for the service of notices and documents, fractional entitlements to be disregarded, on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may think fit:

   i. the provisional allotments of Rights Shares under the Rights Issue shall be made on a non-renounceable non-underwritten basis to Entitled Shareholders;

ii. no provisional allotment of Rights Shares shall be made in favour of, and no application form or other documents in respect thereof shall be issued or sent to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior thereto, provided to CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**");

iii. the entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders shall be dealt with by the Company in such manner and on such terms and conditions as the Directors may, in their absolute discretion, deem fit;

iv. provisional allotments of Rights Shares not taken up for any reason, or which represent fractional entitlements disregarded in accordance with the terms of the Rights Issue, shall be used to satisfy applications of excess Rights Shares or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and

v. the Rights Shares when issued and fully paid-up will rank *pari passu* in all respects with the then existing Shares save for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of issue of the Rights Shares;

(c) the Directors or any of them be and are hereby authorised to take such steps, enter into all such transactions, arrangements and agreements and approve, execute and deliver all such documents as may be advisable, necessary or expedient for the purposes of giving effect to the Rights Issue, with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors or any of them may deem fit or expedient or to give effect to this.

**RESOLUTION 3: ORDINARY RESOLUTION**

**THE JIGL WHITEWASH RESOLUTION**

That contingent upon the passing of Ordinary Resolution 2 herein in this Notice of SGM, approval be and is hereby given as follows:

That subject to the satisfaction of all the conditions set out in the Securities Industry Council's letter of 12 April 2016, Shareholders (other than JIGL Group - as defined in the Company's circular to the Shareholders dated 1 June 2016, its concert parties, as well as parties not independent of them) do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from JIGL Group in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**"), in the event the JIGL Group subscription of the 722,529,828 Rights Shares pursuant to the Rights Issue by the Company results in JIGL Group incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Code.

**RESOLUTION 4: ORDINARY RESOLUTION**

**THE RWL WHITEWASH RESOLUTION**

That contingent upon the passing of Ordinary Resolution 2 herein in this Notice of SGM, approval be and is hereby given as follows:

That subject to the satisfaction of all the conditions set out in the Securities Industry Council's letter of 12 April 2016, Shareholders (other than RWL Group - as defined in the Company's circular to the Shareholders dated 1 June 2016, its concert parties, as well as parties not independent of them) do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from RWL Group in accordance with Rule 14 of the Code, in the event that RWL Group's subscription of the 484,800,000 Rights Shares pursuant to the Rights Issue by the Company results in RWL Group incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Code.

BY ORDER OF THE BOARD

Lau Chor Beng, Peter
Managing Director

**Joyas International Holdings Limited**

1 June 2016

Notes:

(a) The Central Depository (Pte) Limited ("**CDP**") has appointed CDP's proxies to vote on behalf of CDP at the SGM. Each of the Depositors who are individuals and whose names are shown in the CDP's records as at a time not earlier than forty eight (48) hours before the time appointed for the SGM. Therefore, Depositors who are individuals can attend and vote at the SGM without the lodgement of any Depositor Proxy Form (as defined below).

(b) A Depositor registered and holding Shares through the CDP who is an individual but is unable to attend the SGM personally and wishes to appoint a nominee to attend and vote on his/her behalf must complete, sign and return the proxy form which is despatched together with this Circular to Depositors (the "**Depositor Proxy Form**") completed by CDP in accordance with the instructions printed thereon and deposit the duly completed Depositor Proxy Form at the office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623, not less than forty-eight (48) hours before the time appointed for the SGM. Similarly, a Depositor who is a corporation and who wishes to attend the SGM must submit the Depositor Proxy Form for the appointment of nominees(s) to attend and vote at the SGM on its behalf.

(c) If a Shareholder who is not a Depositor is unable to attend the SGM and wishes to appoint a proxy to attend and vote at the SGM in his/her stead, then he/she should complete and sign the proxy form despatched to Shareholders who are not Depositors (the "**Shareholder Proxy Form**") and deposit the duly completed Shareholder Proxy Form at the office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., not less than forty-eight (48) hours before the time appointed for the SGM. Such proxy need not be a member of the Company.

(d) To be effective, the Depositor Proxy Form or the Shareholder Proxy Form must be deposited by a Depositor or a Shareholder (as the case may be) at the office of the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., no later than 09.30 a.m. on 15 June 2016.

(e) The completion and return of the Depositor Proxy Form or the Shareholder Proxy Form will not prevent him/her from attending and voting in person at the SGM if he/she wishes to do so, in place of his/her proxy.