

CIRCULAR DATED 2 DECEMBER 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about the contents of this Circular (as defined herein) 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 shares in the capital of Joyas International Holdings Limited (the “**Company**”), you should immediately forward this Circular, the Notice of Special General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for listing and quotation of the Warrants, the New Shares, the Convertible Bonds and the Conversion Shares (all as defined herein) on the Main Board of the SGX-ST, subject to certain conditions. The Warrants and Convertible Bonds will be admitted to the Official List of the SGX-ST and official quotation will commence after all conditions imposed by the SGX-ST have been satisfied, including the Warrants certificates and Bond certificates having been respectively issued and the notification letters from The Central Depository (Pte) Limited having been despatched.

The approval in-principle granted by the SGX-ST for listing and quotation of the Warrants, the New Shares, the Convertible Bonds and the Conversion Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Warrants Issue (as defined herein), the Warrants, the New Shares, the Convertible Bonds and the Conversion Shares, the Company, its subsidiaries and their securities. The SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



JOYAS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Company registration no. 38991)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO:

- (1) THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP INTO THE NICKEL DISTRIBUTION AND TRADING BUSINESS (AS DEFINED HEREIN) (THE “PROPOSED DIVERSIFICATION”);**
- (2) THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 354,670,733 WARRANTS BY THE COMPANY (THE “WARRANTS”) AT AN ISSUE PRICE OF S\$0.01 FOR EACH WARRANT (THE “WARRANTS ISSUE PRICE”) AND CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW COMMON SHARE IN THE CAPITAL OF THE COMPANY (THE “NEW SHARE”) AT THE EXERCISE PRICE OF S\$0.10 FOR EACH NEW SHARE, ON THE BASIS OF ONE (1) WARRANT FOR EVERY ONE (1) EXISTING COMMON SHARE IN THE CAPITAL OF THE COMPANY (THE “SHARE”) HELD BY SHAREHOLDERS OF THE COMPANY (THE “SHAREHOLDERS”) AS AT THE BOOKS CLOSURE DATE (AS DEFINED HEREIN) (THE “WARRANTS ISSUE”);**
- (3) PROPOSED 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 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 HELD BY SHAREHOLDERS AS AT THE BOOKS CLOSURE DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (THE “CONVERTIBLE BONDS ISSUE”); AND**
- (4) THE PROPOSED AMENDMENTS TO THE JOYAS SHARE OPTION SCHEME (THE “PROPOSED SCHEME AMENDMENTS”).**

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	6 January 2015 at 10.00 a.m.
Date and time of Special General Meeting	:	8 January 2015 at 10.00 a.m.
Place of Special General Meeting	:	1 Robinson Road #18-00 AIA Tower Singapore 048542

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DEFINITIONS

In this Circular and the Appendices hereto, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

“Act”	:	The Companies Act, Chapter 50, of Singapore, as amended or modified from time to time or re-enactment thereof for the time being in force
“Announcement”	:	The announcement made by the Company on 16 December 2013 relating to, <i>inter alia</i> , the Warrants Issue and the Convertible Bonds Issue
“ARE”	:	The application and acceptance form for Convertible Bonds to be issued to Entitled Depositors in respect of their provisional allotments of Convertible Bonds under the Convertible Bonds Issue
“ARS”	:	The application and acceptance form for Convertible Bonds to be issued to Convertible Bond Purchasers
“ATM”	:	Automated teller machine of a Participating Bank
“Authority”	:	The Monetary Authority of Singapore
“Asiapac”	:	Asiapac Growth Holdings Limited, a wholly owned subsidiary of the Company incorporated in the BVI on 15 August 2013
“Bermuda Companies Act”	:	The Companies Act 1981 of Bermuda as amended from time to time
“Bermuda Laws”	:	The Bermuda Companies Act and every other act, order, regulation or other instrument having statutory effect (as amended from time to time) for the time being in force in Bermuda applying to or affecting the Company, the Memorandum and/or the Bye-Laws
“Board”	:	The board of Directors of the Company, as at the date of this Circular or from time to time, as the case may be
“Bondholders”	:	Registered holders of the Convertible Bonds, except that where CDP is the registered holder, the term “Bondholders” shall, in relation to such Convertible Bonds and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Convertible Bonds
“Bonds Issue Price”	:	The issue price of the Convertible Bonds, being S\$0.015 for each Convertible Bond
“Books Closure Date”	:	The time and date, to be determined by the Directors and announced by the Company, at and on which the Register of Members and Share Transfer Books of the Company will be closed to determine the provisional allotments of Entitled Shareholders under the Convertible Bonds Issue and the Warrants Issue
“Business Day”	:	A day on which the banks in Singapore are open for business (excluding Saturdays, Sundays and gazetted public holidays)

DEFINITIONS

“BVI”	:	British Virgin Islands
“Bye-Laws”	:	The bye-laws of the Company as amended, supplemented or modified from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 2 December 2014 in relation to the Proposed Diversification, the Warrants Issue, the Convertible Bonds Issue and the Proposed Scheme Amendments
“Closing Date”	:	The time and date to be determined by the Directors, being the last time and date for acceptance and/or excess application and payment, and renunciation and payment of, the Warrants under the Warrants Issue and the Convertible Bonds under the Convertible Bonds Issue
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Company”	:	Joyas International Holdings Limited
“Committee”	:	A committee comprising directors of the Company duly authorised and appointed by the Board to administer the Scheme
“Controlling Shareholder”	:	A person who (a) holds directly or indirectly 15.0% or more of the total number of issued Shares excluding treasury shares in the Company (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder), or (b) in fact exercises control over the Company
“Conversion Shares”	:	The new Shares to be issued by the Company, credited as fully paid, upon the conversion of the Convertible Bonds subject to the Terms and Conditions
“Convertible Bonds”	:	Up to S\$5,320,060.99 in aggregate principal amount of 7.0 per cent. convertible bonds due 2020, in the denomination of S\$0.015 for each Convertible Bond, to be issued by the Company pursuant to the Convertible Bonds Issue, each Convertible Bond capable of being converted into Conversion Shares, subject to the Terms and Conditions
“Convertible Bonds Issue”	:	The proposed renounceable non-underwritten rights issue by the Company of up to S\$5,320,060.99 in aggregate principal amount of 7.0 per cent. convertible bonds due 2020, at the Bonds Issue Price, on the basis of one (1) Convertible Bond for every one (1) existing Share held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded, on the terms and conditions of the Offer Information Statement
“Convertible Bond Purchasers”	:	Persons purchasing the provisional allotments of Convertible Bonds under the Convertible Bonds Issue traded on the Main Board of the SGX-ST through the book-entry (scripless) settlement system

DEFINITIONS

“Deed Poll”	:	The deed poll to be executed by the Company, constituting the Warrants (as the same may be amended or supplemented from time to time) and containing, <i>inter alia</i> , provisions for the protection of the rights and interests of the Warrantholders
“Deed Poll Terms and Conditions”	:	The terms and conditions of the Warrants to be set out in the Deed Poll
“Directors”	:	The directors of the Company, as at the date of this Circular or from time to time, as the case may be
“Distribution Agreements”	:	Exclusive distribution agreements (one agreement between HK Silver and Shenniu Indonesia and one agreement between HK Silver and Sinophil) which will be entered by the parties upon completion of the proposed acquisition of HK Silver by Asiapac.
“Entitled Depositors”	:	Shareholders with Shares standing to the credit of their Securities Accounts as at the Books Closure Date and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least five (5) Market Days prior to the Books Closure, provided CDP with addresses in Singapore for the service of notices and documents, in respect of the Warrants Issue and the Convertible Bonds Issue respectively
“Entitled Scripholders”	:	Shareholders whose share certificates have not been deposited with CDP and who have tendered to the Share Transfer Agent 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 five (5) Market Days prior to the Books Closure Date, provided the Share Transfer Agent with addresses in Singapore for the service of notices and documents, in respect of the Warrants Issue and the Convertible Bonds Issue respectively
“Entitled Shareholders”	:	Entitled Depositors and Entitled Scripholders
“EPS”	:	Earnings per Share
“Excess Warrants”	:	The provisional allotments of Warrants which are not taken up as at the close of the Warrants Issue, and which may be applied and subscribed for by Entitled Shareholders which are in excess of the number of Warrants provisionally allotted to such Entitled Shareholders
“Executive Director”	:	A director of any member of the Group who performs an executive function
“Exercise Period”	:	The period during which the Warrants may be exercised commencing on and including the first (1 st) anniversary of the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the sixth (6 th) anniversary of the date of issue of the Warrants, but excluding such period(s) during which the Register of Warrantholders may be closed pursuant to the terms and conditions of the Warrants as set out in the Deed Poll

DEFINITIONS

“Exercise Price”	:	The sum payable in respect of each New Share to which a Warrantholder will be entitled to subscribe upon the exercise of a Warrant, subject to certain adjustments in accordance with the terms and conditions of the Warrants as set out in the Deed Poll, such exercise price being S\$0.10 at issuance of the Warrant
“Existing Business”	:	The existing business of the Group, which includes the business of the design, manufacture, 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
“Foreign Purchasers”	:	Purchasers of the provisional allotments of Warrants whose registered addresses with CDP are outside Singapore at the time of purchase through the book-entry (scripless) settlement system
“Foreign Shareholders”	:	Shareholders with registered addresses outside Singapore as at the Books Closure Date and the Books Closure Date (as the case may be) and who have not, at least five (5) Market Days prior to the Books Closure Date, and the Books Closure Date (as the case may be) provided CDP or the Company, as the case may be, addresses in Singapore for service of notices and documents
“FY”	:	Financial year ended or ending on 31 December
“Group”	:	The Company and its subsidiaries collectively
“HK Silver”	:	Hong Kong Silver Basic Group Limited, a company incorporated in Hong Kong and principally engaged in the distribution and trading of nickel
“HK Counsel”	:	N.K. Tsang and Co., a firm of solicitors engaged by the Company to conduct legal due diligence of HK Silver
“Hong Kong”	:	Hong Kong Special Administrative Region of the PRC
“Independent Adviser”	:	A reputable independent investment bank or an independent auditor (acting as an expert), selected by the Company and approved in writing by the Trustee (of the Convertible Bonds).
“Independent Director”	:	An independent director of the Company
“Investment Committee”	:	The investment committee of the Company for the time being, unless otherwise stated
“Latest Practicable Date”	:	24 November 2014, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended from time to time
“LPS”	:	Loss per Share
“Market Day”	:	A day on which the SGX-ST is open for trading in securities

DEFINITIONS

“Memorandum”	:	The memorandum of association of the Company, as amended or modified from time to time
“New Shares”	:	The new Shares to be issued by the Company, credited as fully paid, upon the exercise of the Warrants in accordance with the Deed Poll, including where the context admits, such new Shares arising from the exercise of any further Warrants which may be issued pursuant to the terms and conditions of the Warrants as set out in the Deed Poll
“Nickel Distribution and Trading Business”	:	The business of buying of nickel from suppliers in South East Asia and selling of nickel to customers in Hong Kong and the PRC
“Non-Executive Director”	:	A director of the Group and any member of the Group other than an Executive Director but including an Independent Director
“Notice of SGM”	:	The notice of SGM which is on page 86 of this Circular
“NTA”	:	Net tangible assets
“Offer Information Statement”	:	The offer information statement referred to in Section 277 of the Securities and Futures Act, together with the PALs, the WEWAF, the WAF, the ARE, the ARS and all other accompanying documents (where applicable, any amendments to it or any supplementary or replacement document thereof) to be issued by the Company and to be lodged with the Authority, in connection with the Warrants Issue and the Convertible Bonds Issue
“Ordinary Resolutions”	:	The ordinary resolutions in relation to the Proposed Diversification, the Warrants Issue, the Convertible Bonds Issue, and the Proposed Scheme Amendments as set out in the Notice of SGM on page 86 of this Circular
“PAL”	:	The provisional allotment letters to be issued to Entitled Scripholders, setting out the provisional allotment of Warrants of such Entitled Scripholders under the Warrants Issue and the provisional allotment of Convertible Bonds of such Entitled Scripholders under the Convertible Bonds Issue
“Participating Banks”	:	The banks that will be participating in the Warrants Issue and/or the Convertible Bonds Issue by making available their ATMs to Entitled Depositors and persons purchasing provisional allotments of Warrants and/or Convertible Bonds through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore, for acceptances of the Warrants and/or Convertible Bonds and applications for Excess Warrants and/or excess Convertible Bonds, as the case may be, to be made under the Warrants Issue and/or the Convertible Bonds Issue
“PRC”	:	The People’s Republic of China
“Proposed Diversification”	:	The proposed diversification of the Company’s business to include the Nickel Distribution and Trading Business
“Proposed Resolutions”	:	The Ordinary Resolutions as set out in the Notice of SGM on page 86 of this Circular for which the Directors are seeking Shareholders’ approval

DEFINITIONS

“Proposed Scheme Amendments”	:	The proposed amendments to the Scheme as set out in the Appendix to this Circular
“Record Date”	:	In relation to any dividends, rights, allotments 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 with CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
“Scheme”	:	The Joyas Share Option Scheme adopted by the Company on 21 December 2007
“Scheme Rules”	:	The rules of the Scheme as may be amended or modified from time to time
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“Securities and Futures Act” or “SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time or re-enactment thereof for the time being in force
“SGM”	:	The special general meeting of the Company, to be convened for the purposes of considering and, if thought fit, passing with or without modifications, the Proposed Resolutions set out in the Notice of SGM
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of Shares in the Register of Members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares
“Shares”	:	Common shares of par value HK\$0.01 each in the capital of the Company
“Share Transfer Agent”	:	Boardroom Corporate & Advisory Services Pte. Ltd.
“Shenniu Indonesia”	:	PT Shenniu Mining Indonesia, a company incorporated in Indonesia and principally engaged in the business of mining and distribution of natural resources
“Sinophil”	:	Sinophil Mining and Trading Corporation, a company incorporated in the Philippines and principally engaged in the business of mining and distribution of natural resources including nickel
“Subsidiaries”	:	The subsidiaries of the Company as at the date of this Circular
“Substantial Shareholder”	:	A person who has an interest directly and/or indirectly in the voting Shares in the Company representing not less than 5.0% of all the voting Shares

DEFINITIONS

“Terms and Conditions”	:	The terms and conditions of the Convertible Bonds to be set out in the Trust Deed
“Trust Deed”	:	The Trust Deed to be executed by the Company to constitute the Convertible Bonds and containing, <i>inter alia</i> , provisions for the protection of the rights and interests of Bondholders
“WAF”	:	The application and acceptance form for the Warrants to be issued to the Warrants Purchasers
“Warrantholders”	:	Registered holders of the Warrants, except that where CDP is the registered holder, the term “Warrantholders” shall, in relation to such Warrants and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Warrants
“Warrants”	:	The warrants in registered form to be issued at the Warrants Issue Price by the Company pursuant to the Warrants Issue, and where the context so admits, such additional warrants as may be required or permitted to be issued by the Company pursuant to the terms and conditions of the Deed Poll (any such additional warrants to rank <i>pari passu</i> with the warrants issued pursuant to the Warrants Issue and for all purposes to form part of the same series), each such warrant entitling its holder to subscribe for one (1) New Share at the Exercise Price, subject to the terms and conditions of the Deed Poll, being up to 354,670,733 warrants at issuance
“Warrant Agent”	:	Boardroom Corporate & Advisory Services Pte. Ltd.
“Warrants Issue”	:	The proposed renounceable non-underwritten rights issue of up to up to 354,670,733 Warrants at the Warrants Issue Price for each Warrant, each Warrant carrying the right to subscribe for one (1) New Share at the Exercise Price on the basis of one (1) Warrant for every one (1) existing Share held by Entitled Shareholders as at the Books Closure Date, on the terms and conditions of the Offer Information Statement
“Warrants Issue Price”	:	The issue price of the Warrants, being S\$0.01 per Warrant
“Warrants Purchasers”	:	Persons purchasing the provisional allotments of Warrants under the Warrants Issue traded on the Main Board of the SGX-ST through the book-entry (scripless) settlement system
“Warrant Register”	:	The register maintained by the Warrant Agent containing the particulars of the Warrantholders (other than Warrantholders who are Depositors) and such other information relating to the Warrants as the Company may require
“WEWAF”	:	The application and acceptance form for Warrants to be issued to Entitled Depositors in respect of their provisional allotments of the Warrants under the Warrants Issue
“USA”	:	The United States of America

DEFINITIONS

“Vendor”	:	Ms Wang Jun Zhe. Ms Wang Jun Zhe is the owner of 9,000 ordinary shares of HK Silver, amounting to 90% of the issued and paid up share capital of HK Silver
“HK\$” or “HK dollar” and “HK cents”	:	Hong Kong dollars and cents respectively, being the lawful currency of Hong Kong
“S\$” and “cents”	:	Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore
“%” or “per cent.”	:	Per centum or percentage

The term “associate”, “associated company” and “subsidiary” shall have the meanings ascribed to them respectively in the Fourth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 and the Act.

The terms “Depositor”, “Depository”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act.

Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise stated.

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

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 Act, the Bermuda Companies Act, the SFA or the Listing Manual or such statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Act, the Bermuda Companies Act, SFA, or the Listing Manual or such statutory modification thereof, as the case may be, unless otherwise provided.

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. References to persons shall, where applicable, include corporations.

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

LETTER TO SHAREHOLDERS

JOYAS INTERNATIONAL HOLDINGS LIMITED

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

Board of Directors:

LAU Chor Beng, Peter (Managing Director)
CHEUNG Wai Hung, Danny (Executive Director)¹
KWOK Chin Phang (Non-executive Director)
ONG Chor Wei (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

2 December 2014

To: The Shareholders of Joyas International Holdings Limited

Dear Sir/Madam,

1. INTRODUCTION

1.1 Overview

The Directors are convening a Special General Meeting ("SGM") to be held on 8 January 2015 at 10.00 a.m. at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542 to seek Shareholders' approval for the following:

- (a) the proposed diversification of the Company's business to include the Nickel Distribution and Trading Business (Resolution 1);
 - (b) the Warrants Issue (Resolution 2);
 - (c) the Convertible Bonds Issue (Resolution 3); and
 - (d) the Proposed Scheme Amendments (Resolution 4),
- (a) to (d) collectively, the "**Proposed Resolutions**".

1.2 This Circular

The purpose of this Circular is to provide Shareholders with information relating to the Proposed Resolutions and to seek Shareholders' approval in respect of the same at the SGM, the notice of which is set out on page 86 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 takes no responsibility for the accuracy or correctness of any statements or opinions made, or reports contained in this Circular.

1.3 Resolution 1 – The Proposed Diversification of the Company's Business to include the Nickel Distribution and Trading Business

The Company is proposing to diversify its business to include the Nickel Distribution and Trading Business. For further details, please refer to Section 2 of this Circular entitled "The Proposed Diversification of Business to include the Nickel Distribution and Trading Business". The approval of Shareholders by way of an ordinary resolution is sought for the proposed diversification into the Nickel Distribution and Trading Business.

¹ Cheung Wai Hung, Danny is not related to Cheung King Kwok

LETTER TO SHAREHOLDERS

Your attention is drawn to Section 2.3.7 of this Circular entitled “Risk Factors relating to the Proposed Diversification into the Nickel Distribution and Trading Business” which you should review carefully.

1.4 Resolution 2 and Resolution 3 – The Warrants Issue and the Convertible Bonds Issue

In order to raise additional funds for the business activities of the Nickel Distribution and Trading Business and its general corporate and working capital requirements, the Company had also announced on 16 December 2013 and 3 November 2014 that it is proposing to undertake the Warrants Issue and the Convertible Bonds Issue, subject to, *inter alia*:

- (a) the receipt of the approval in-principle from the SGX-ST for the dealing in, listing of and quotation for the Warrants and the New Shares for the Warrants Issue and the Convertible Bonds and the Conversion Shares for the Convertible Bonds Issue on the Main Board of the SGX-ST;
- (b) the Warrants Issue and the Convertible Bonds Issue being approved by Shareholders at the SGM as ordinary resolutions; and
- (c) the lodgement of the Offer Information Statement in respect of the Warrants Issue and the Convertible Bonds Issue with the Authority.

On 31 October 2014, the Company received the approval in-principle from the SGX-ST for the listing and quotation of the Warrants and the New Shares as well as the Convertible Bonds and the Conversion Shares on the Main Board of the SGX-ST, subject to certain conditions, details of which are set out under Section 3.3 and Section 4.4 of this Circular. The approval in-principle granted by the SGX-ST for the listing and quotation of the Warrants and the New Shares as well as the Convertible Bonds and the Conversion Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Warrants Issue, the Warrants, the New Shares, the Convertible Bonds, the Conversion Shares, the Company, its subsidiaries and their securities.

The approval of Shareholders by way of ordinary resolutions is sought for the Warrants Issue and the Convertible Bonds Issue respectively.

1.5 Resolution 4 – The Proposed Scheme Amendments

The Board proposes that the Scheme Rules of the Joyas Share Option Scheme, approved by the Company at a general meeting on 21 December 2007, be amended to, *inter alia*, allow for Executive Directors and Non-Executive Directors (including Independent Directors) of the Company to be eligible to participate in the Scheme, in addition to full-time employees of the Group. The Board also proposes that consequential amendments, as well as amendments designed to bring clarification to the Scheme Rules, be made.

The approval of Shareholders by way of an ordinary resolution is sought for the Proposed Scheme Amendments.

LETTER TO SHAREHOLDERS

1.6 Indicative Timetable of Key Events (Tentative dates/times)

Shares trade ex-rights	: 21 January 2015 from 9.00 a.m.
Book Closure Date	: 23 January at 5.00 p.m.
Despatch of Offer Information Statement, ARE, ARS, WEWAF, WAF and PAL (as the case may be) to Entitled Shareholders	: 28 January 2015
Commencement of trading of “nil-paid” Warrants and Convertible Bonds entitlements	: 28 January 2015 from 9.00 a.m.
Last date and time for splitting Warrants and Convertible Bonds entitlements	: 5 February 2015 at 5.00 p.m.
Last date and time for trading of “nil-paid” Warrants and Convertible Bonds entitlements	: 5 February 2015 at 5.00 p.m.
Last date and time for acceptance and payment of Warrants and/or Convertible Bonds	: 11 February 2015 at 5.00 p.m. (9.30 p.m. for Electronic Applications)
Last date and time for renunciation of and payment of Warrants	: 11 February 2015 at 5.00 p.m.
Last date and time for application and payment of Excess Warrants and/or Excess Convertible Bonds	: 11 February 2015 at 5.00 p.m. (9.30 p.m. for Electronic Applications)
Expected date for issuance of Warrants and Convertible Bonds	: 23 February 2015
Expected date for crediting of Warrants and Convertible Bonds	: 23 February 2015
Expected date for refund of unsuccessful applications (if made through CDP)	: 24 February 2015
Expected date for commencement of trading of the Warrants	: 25 February 2015
Expected date for commencement of trading of the Convertible Bonds	: 25 February 2015

2. THE PROPOSED DIVERSIFICATION OF BUSINESS TO INCLUDE THE NICKEL DISTRIBUTION AND TRADING BUSINESS

2.1 Introduction

As part of the Group’s strategy to pursue diversification to introduce more income streams to the Group, to enhance the Group’s business sustainability and to increase Shareholders’ value, the Group intends to diversify into the Nickel Distribution and Trading Business (the “**Proposed Diversification**”) which will involve the buying of nickel from suppliers in South East Asia and the selling of nickel to customers in Hong Kong and the PRC.

LETTER TO SHAREHOLDERS

Pursuant to the Proposed Diversification, the Company's wholly-owned subsidiary, Asiapac Growth Holdings Limited ("**Asiapac**") will enter into an investment agreement (the "**Investment Agreement**") with Ms Wang Jun Zhe (the "**Vendor**") to acquire 70% equity interests in Hong Kong Silver Basic Group Limited (the "**HK Silver**") (the "**Proposed Acquisition**"). The consideration for the Proposed Acquisition will be HK\$700,000 in cash ("**Consideration**"), to be paid six (6) months after completion of the Investment Agreement. The factors that were taken into consideration in arriving at the Consideration are disclosed in Section 2.3.2 of the Circular. The remaining 30% of HK Silver will remain with the existing shareholders, namely, the Vendor, Mr Wang De Wei and Ms Zhao Yan Hui. For further details of the shareholdings of HK Silver, please refer to Section 2.3.1 of this Circular. The net assets value of HK Silver as at 31 December 2013 is HK\$409,000 and 70% of the net assets value of HK Silver is approximately HK\$286,300. Asiapac was incorporated in British Virgin Island on 15 August 2013.

The Proposed Acquisition will be subject to (a) the obtaining of approval from the relevant authorities and (b) the obtaining of approvals from the Board of Directors and/or Shareholders. Upon Shareholders' approval and completion of the Proposed Acquisition, the Company intends to utilise HK Silver as the vehicle through which the Group will engage in the Nickel Distribution and Trading Business in Hong Kong and the PRC.

The Directors are seeking Shareholders' approval for the Proposed Diversification at the SGM. Shareholders' approval in relation thereto and as set out as Resolution 1 in the Notice of SGM on page 86 of this Circular will be sought at the SGM. This Section 2 is therefore intended to provide Shareholders with information relating to, and explain the rationale for the Proposed Diversification.

SHAREHOLDERS ARE TO NOTE THAT APPROVAL IS SOUGHT IN THIS CIRCULAR FOR THE PROPOSED DIVERSIFICATION INTO THE NICKEL DISTRIBUTION AND TRADING BUSINESS AND NOT FOR THE PROPOSED ACQUISITION. SHOULD THE COMPANY INTEND TO PROCEED WITH THE PROPOSED ACQUISITION, IT SHALL OBTAIN ALL NECESSARY REGULATORY APPROVALS AND SHAREHOLDERS' APPROVAL IN A SEPARATE GENERAL MEETING, IF NECESSARY, FOR THE PROPOSED ACQUISITION.

SHAREHOLDERS ARE TO NOTE THAT THE COMPANY WILL SEEK REGULATORY APPROVALS AND SHAREHOLDERS' APPROVAL FOR THE FIRST MAJOR TRANSACTION (AS DEFINED IN RULE 1014 OF THE LISTING MANUAL) IN RELATION TO THE NICKEL DISTRIBUTION AND TRADING BUSINESS.

2.1 Rationale

2.2.1 Existing Business of the Group

The Group is primarily engaged in the business of the design, manufacture, 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. The Group operates out of Hong Kong and the PRC.

FY2012 and FY2013 have proven to be challenging for the Group. In FY2013, the Group recorded a lower revenue of approximately HK\$91.6 million (compared to the revenue of FY2012 amounting to approximately HK\$110.4 million), largely attributable to loss of certain major customers and lower orders from the existing customers due to weak markets in particular Europe.

The Board believes that the business conditions in the Existing Business will remain challenging in the near future due to uncertain global economic conditions which could materially and adversely affect the Group's financial condition. The Board proposes to diversify the Group's business to include the Nickel Distribution and Trading Business as it believes that the Proposed Diversification presents new and potentially profitable business segments for the Group. For further information on the profitability of HK Silver, please refer to Section 2.3.1 of this Circular (Information on HK Silver). For further information on the industry prospects and key players, please refer to Section 2.3.3 of this Circular (Industry Prospects and Key Players).

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The intention of the Company is to continue with its existing business with a view of downsizing its operation if the market remains unfavourable for a prolonged period of time.

2.2.2 Rationale for the Proposed Diversification

The Company believes that the Proposed Diversification can add value to the Company and bring benefits to Shareholders in the long run as the Nickel Distribution and Trading Business has good growth potential.

The Company is of the view that the Nickel Distribution and Trading Business presents niche markets which will provide suitable investment opportunities for the Group. This is because the global demand and consumption of nickel will outpace supply in the long term and this will lead to a sustainable and long term value proposition in the Nickel Trading and Distribution Business. Further, the Company is tying up with an established player.

In order to take advantage of the value and opportunities provided by the mineral distribution related businesses, the Company intends to, through HK Silver, gain a good understanding of and build up its knowledge on mineral distribution business in South East Asia, Hong Kong and the PRC. If there are other resources-related business opportunities available to the Company, the Company would be well-equipped and ready to take up these opportunities.

The purchase price of nickel is determined based on confirmed sales orders² and is expected to be lower than the sale price that the Company expects to sell the nickel at. Accordingly, the Nickel Distribution and Trading Business is expected to be profitable and to improve the financial condition of the Company. For further information on the profitability of HK Silver, please refer to Section 2.3.1 of this Circular in the segment relating to information on HK Silver.

The Company is of the view that the returns on investment and future funding (if any) will be attractive. Even though trading companies have lower gross profit margins compared to for example a manufacturing company, their return on equity will still be attractive as the lower gross profit margin is compensated by shorter funding cycle. As part of the funding arrangement, Mr Wang De Zhou will undertake a minimum mark up on the costs of sales and also a minimum cost of funding payable to the Company (please refer to Section 2.3.2 of this Circular on the funding arrangement). The Company is of the view that such an arrangement will ensure the profitability of HK Silver and a fair return to the Company.

The Investment Committee is of the view that the Proposed Diversification is in the best interest of the Company.

2.3 **Proposed Business Activities of the Nickel Distribution and Trading Business**

2.3.1 Plans for and Scope of the Nickel Distribution and Trading Business

Upon receipt of Shareholders' approval for the proposed diversification into the Nickel Distribution and Trading Business, the Group intends to expand its core business to include the Nickel Distribution and Trading Business as part of the Group's strategy to strengthen its operations and financial position.

Subject to the completion of the Proposed Acquisition, the Group intends to utilise HK Silver as the vehicle through which the Group will engage in the Nickel Distribution and Trading Business in South East Asia, Hong Kong and the PRC. South East Asia includes Indonesia and the Philippines which are the key supplying countries to the Group as well as leading nickel exporting countries in the world. The Group is also planning for HK Silver to actively source for nickel supplies from other

² Confirmed sales orders means binding sales orders or contracts and these contracts are entered into prior to the sales taking place. When the purchase order is made with the confirmed sales order at about the same time, the margins between the sale and purchase price are fixed. Accordingly, there are less risks of incurring lower margins or losses due to price fluctuation.

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independent suppliers in South East Asia where appropriate and where the opportunities arise. Hong Kong and the PRC are where the customers and operations of HK Silver are currently located.

The Group will also set up a subsidiary and an office in Labuan, Malaysia to help manage the administrative and tax-related functions of the Nickel Distribution and Trading Business. This will help to improve tax efficiency of the Group as Labuan has a lower tax rate compared to Hong Kong.

Information on the Proposed Business Activities under the Nickel Distribution and Trading Business

The proposed business activities of the Nickel Distribution and Trading Business will include the following:

- (a) Obtaining confirmed sales orders from customers (including but not limited to customers in Hong Kong and the PRC);
- (b) Purchasing of nickel supplies from suppliers (including but not limited to suppliers in Indonesia and the Philippines);
- (c) Shipping of the nickel supplies from the port of origin to the port of destination (typically from ports in Indonesia or the Philippines to ports in Hong Kong or the PRC); and
- (d) Distributing the nickel supplies to the customers. For the avoidance of doubt, distribution is one of the activities in the trading business. After nickel supplies are transported to the port of destination, the Company will distribute the supplies to its customers.

HK Silver will first obtain confirmed sales orders from its customers before proceeding to place purchase orders to its suppliers. Confirmed sales orders means binding sales orders or contracts and these contracts are entered into prior to the sales taking place. When the purchase order is made with the confirmed sales order at about the same time, the margins between the sale and purchase price are fixed. Accordingly, there are less risks of incurring lower margins or losses due to price fluctuation.

Upon placing their orders, HK Silver's customers will proceed to issue a letter of credit (covering about 95% of the purchase price³). When the letter of credit is received, HK Silver draws a bank loan based on the letter of credit to pay for any deposit and the remaining balance to its suppliers⁴. The remaining balance is usually fully payable upon shipment of the nickel supplies from the port of origin, for example from the ports located in Indonesia and in the Philippines. The nickel supplies will be in transit for about 30 days. When the shipment of nickel supplies arrive in Hong Kong or China, HK Silver will draw on the letter of credit. HK Silver will receive the remaining 5% of the purchase price three (3) months after the delivery of the nickel supplies to its customers⁵. The Group intends to address any short term cash flow shortfall which may arise while the nickel supplies are in transit by securing adequate banking facilities (for bridging loan) and to build sufficient reserves of working capital to support the operation of HK Silver.

³ It is the industry norm in Hong Kong and the PRC for a letter of credit from the customers to cover 95% of the purchase price.

⁴ The credit terms given by HK Silver's suppliers in Indonesia and the Philippines are as follows: 30% deposit to be paid up-front upon placement of the order to the suppliers and the remaining 70% balance to be paid upon shipment of the nickel supplies from the port of origin. The above credit terms are consistent with the industry norm in Indonesia and the Philippines.

⁵ The purpose of the retention of 5% balance of the purchase price is to account for any risk of discrepancy between the actual quality of nickel delivered to the customers and the quality of nickel as specified in the contract. Assuming that there is no such discrepancy, there is no assurance that the customers will be able to repay the remaining 5% balance to HK Silver if the customers run into a cash-flow problem in the intervening 3-months period.

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HK Silver does not and will not keep any stock of nickel supplies in the warehouse. Stocks are only kept while the nickel supplies are in transit during the transportation and distribution of such supplies to HK Silver's customers. Further, the risks involved in shipping of the nickel supplies from the port of origin to the port of destination and further inland distribution of such supplies (for example, the risk of losing the supplies while it is in transit) are and will be covered by insurances which are paid either by HK Silver or its customers.

Information on HK Silver

HK Silver is a company incorporated in Hong Kong on 25 September 2007 with an issued share capital of HK\$10,000 and is principally engaged in the distribution and trading of nickel in Hong Kong and the PRC. Prior to 2009, HK Silver also traded in iron ore. For the last three years, nickel accounted for 100% of HK Silver's bottom line. Nickel is one of the key minerals used in the manufacturing of stainless steel. HK Silver is currently owned by three (3) PRC citizens who are unrelated third parties to the Company, its Directors (or their associates) and substantial shareholders (or their associates), namely Ms Wang Jun Zhe, Mr Wang De Wei and Ms Zhao Yan Hui (the "**Existing Shareholders**"). The Chief Executive Officer of HK Silver is Mr Wang De Zhou. The Existing Shareholders of HK Silver are all related to Mr Wang De Zhou. Ms Wang Jun Zhe is the daughter of Mr Wang De Zhou; Mr Wang De Wei is the brother of Mr Wang De Zhou and Ms Zhao Yan Hui is the wife of Mr. Wang De Zhou.

The Existing Shareholders hold the entire issued and paid up share capital of HK Silver, with Ms Wang Jun Zhe holding 9,000 shares, amounting to 90% of the issued and paid up share capital of HK Silver and both Mr Wang De Wei and Ms Zhao Yan Hui holding 500 shares each amounting to a total of 10% of the issued and paid up share capital of HK Silver.

HK Silver's customers are mainly based in Hong Kong and the PRC and its suppliers are mainly based in Indonesia and the Philippines. None of the customers accounted for more than 30% of HK Silver's total sales in FY2013. The contract value of confirmed sales order between HK Silver and its customers varies between US\$500,000 to US\$3,000,000. Major customers of HK Silver are:

1. Yankuang Group (Yankuang Group Boyang Foreign Economic and Trade Co., Ltd);
2. Shandong Jinmaosheng;
3. 头彤方冶炼有限责任公司;
4. 天津市众泰集团有限公司;
5. 石嘴山市惠义冶金工贸有限公司;
6. 扬州一川镍业有限公司;
7. 辽宁国润金属集团有限公司; and
8. 辽宁国润金属集团有限公司.

Among the customers from the list above, customer 1 to 6 each accounts for more than 5% of HK Silver's total sales.

HK Silver will usually enter into the confirmed sales orders with its customers before or about the same time purchase orders are made with its suppliers and it is expected that the sale price of nickel supplies should be higher than its purchase price when HK Silver fixed both contracts.

For the last three years, HK Silver has been operating at a profit. According to the audited accounts of HK Silver, for the year ended 31 December 2013, the turnover of HK Silver was approximately HK\$206.5 million and its net profit was approximately HK\$187,000. The industry gross profit margin varies from 10% to 43%. The profits were low in the past due to low nickel prices and high

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operational costs. It is expected that following the Group's involvement, the profit margin of HK Silver can be improved by implementing a more effective cost control procedure and to expand the operation of HK Silver to reach economies of scale. In addition, the overall market price of nickel is expected to improve because⁶: (1) Pent-up demand by China in 2014 because of utilisation of its nickel ore stockpile in 2012 and 2013; (2) Economic recovery in the USA and Europe will further increase demand for nickel and (3) General growth in the world nickel consumption because of increases in the global stainless steel production to meet demand from construction sector, particularly in the emerging economies such as China. All the above are expected to contribute to the profit of HK Silver in the future.

The expected profit margin of Nickel Distribution and Trading Business going forward will be at least 10%. The expected profit margin takes into account credit ratings of the customers and any mismatches in term of timing between the payments to HK Silver's suppliers and the receipt of payments from HK Silver's customers. HK Silver does not expect to incur a loss since a purchase order will only be issued shortly after (or about the same time) a confirmed sales order is obtained by HK Silver (with a knowledge what would be the purchase price, terms and conditions of the supplies from the suppliers).

Upon completion of the Proposed Acquisition, HK Silver will enter into new exclusive distribution agreements with Shenniu Indonesia and Sinophil (the **"Distribution Agreements"**), whereby it will be an exclusive distributor for Shenniu Indonesia's and Sinophil's nickel resources globally. The term of the Distribution Agreements will commence from the date of completion of the Proposed Acquisition and last for a period of five (5) years. Further, HK Silver will not be obliged to take up any minimum level of nickel production by Shenniu Indonesia and/or Sinophil. The price that HK Silver will have to pay to Shenniu Indonesia and Sinophil under the Distribution Agreements is based on the market sale price less at least 10% margin.

Shenniu Indonesia is mainly engaged in owning mining concessions and in the extraction of nickel. Shenniu Indonesia currently owns two (2) mining concessions (the **"Sulawesi Concessions"**), encompassing a total area of more than 12,000 hectares in Sulawesi, Indonesia. Based on the engineering technical report commissioned by Shenniu Indonesia in July and September 2012, the Sulawesi Concessions have estimated recoverable probable reserves of more than 400 million metric tonnes of nickel ore. The Sulawesi Concessions have been producing nickel ore since 2010 and the nickel production volume from the Sulawesi Concessions is approximately 150,000 tonnes annually. The Chief Executive Officer of HK Silver, Mr Wang De Zhou, is also a major shareholder of Shenniu Indonesia. Mr Wang De Zhou owns 90% equity interests in Shenniu Indonesia while Mr Cheung Chun Sung owns the remaining 10% equity interests. Mr Cheung Chun Sung is not related to Mr Wang De Zhou. Shenniu Indonesia has been one of the key suppliers of HK Silver. Transactions between HK Silver and Shenniu Indonesia represented around 30% of HK Silver's purchase amount in 2013.

Sinophil is mainly engaged in owning mining concessions and in the extraction of nickel. Sinophil currently owns a mining concession (the **"Davao Concession"**) encompassing a total area of approximately 2,365 hectares located in the Municipalities of Mati and Governor Generoso, Davao Oriental, the Philippines. Based on the engineering technical report commissioned by Sinophil in June 2009, the Davao Concession has estimated recoverable probable reserves of more than 50 million metric tonnes of nickel ore. The Davao Concession has been producing nickel ore since early 2014 and the nickel production volume from the Davao Concession is expected to be 130,000 tonnes annually from 2014. In July 2014, the Chief Executive Officer of HK Silver, Mr Wang De Zhou and Mr Pete O. Tan, an independent third party not related to Mr Wang De Zhou, have entered into a sale and purchase agreement with the existing shareholders of Sinophil to acquire the entire equity interests of Sinophil. The acquisition of Sinophil will be done in stages and will be fully completed at latest by January 2015. Following the completion, Mr Wang De Zhou shall hold 40% equity interests in Sinophil while Mr Pete O. Tan shall hold the remaining 60% equity interests.

⁶ The information disclosed is based on the Company's in-house market and industry analysis.

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The above Distribution Agreements were negotiated by the Group to secure its interests in securing reliable suppliers for its Nickel Distribution and Trading Business. The Distribution Agreements will commence following the completion of the Proposed Acquisition. HK Silver did not conclude such agreements in the past since the major shareholders of HK Silver and Shenniu Indonesia were related parties.

For the avoidance of doubt, the Distribution Agreements will not prevent HK Silver from procuring supplies from other suppliers and there is no obligation by HK Silver to take up any minimum level of nickel production by Shenniu Indonesia and/or Sinophil. The Group expects steady growth of demand for nickel in the medium term and since the Group is planning to expand the operation of HK Silver, HK Silver will also actively source for nickel supplies from other independent third party suppliers in South East Asia where appropriate and where the opportunities arise.

Wang De Zhou is not an “interested person” (as defined in the Listing Manual) because he will be a director of a subsidiary of the Company and not a director of the Company. However, the Company has proposed the following safeguards in relation to the reporting and accounting of transactions between HK Silver and Shenniu Indonesia and/or Sinophil:

- (a) Asiapac will have a director seat at HK Silver. He or she will be involved in the signing of outgoings from the bank accounts of HK Silver;
- (b) Wang De Zhou shall undertake to procure that the purchase orders to be issued by HK Silver to its suppliers shall be based on confirmed orders or indicative orders basis and the subsequent sale price of the Nickel shall be at least 10% above the total costs of sales (being the aggregate of the cost of materials, transportation and other related costs);
- (c) Asiapac shall have the right to appoint its accountant⁷ in HK Silver to implement internal control procedures on financial matters deemed necessary by Asiapac;
- (d) All instructions in respect of HK Silver’s bank accounts, including instructions for deposits and withdrawals, shall be made jointly by the authorised representative of Asiapac and the Vendor; and
- (e) The Company will also review the confirmed sales orders to ensure the margins are reasonable and within the undertakings.

⁷ The Company intends to appoint Ms. Lui Mui Ching, BCom, CPA (Aust.), CPA as its accountant in HK Silver. Ms Lui Mui Ching is currently the Company’s accounting manager and deputy Company secretary. Ms Lui joined the group in September 2006. Ms. Lui is responsible for the overall accounting and financial reporting matters of the Group, including financial accounting, management accounting, budgeting and forecasting, statutory reporting of the Group companies, internal controls and tax planning and as the deputy Company secretary, she is also responsible for the compliance affairs of the Group. Prior to joining the Group, she worked as an accountant in various companies in different industrial sections. She was the accountant for a listed company, listed on the GEM of the SEHK, between 2004 and 2006 and a publishing company between 1995 and 2003. Ms. Lui holds a Bachelor of Commerce (Major in Accounting) from Curtin University of Technology, Western Australia, 1994, and has been a member of CPA Australia since 1996. She is also a member of the Hong Kong Institute of Certified Public Accountants.

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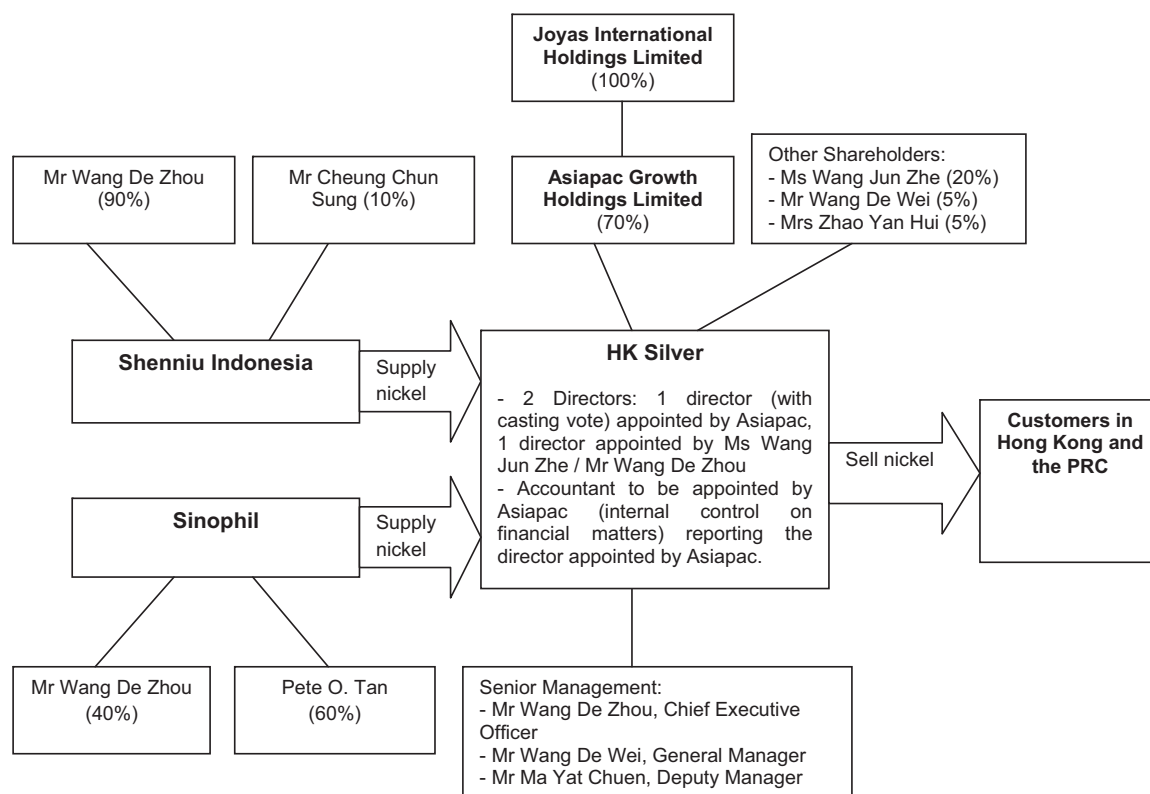


Figure 1. Post-Acquisition ownership structure and transactions between relevant parties

Mr Wang De Zhou and the Existing Shareholders of HK Silver were introduced to the Company by Mr Chan Ka Leung in 2013. Mr Chan Ka Leung is a business associate of Mr Ong Chor Wei. Mr Chan Ka Leung is a director of Nuada Limited, a corporate finance company based in Hong Kong, since November 2009. Mr. Chan Ka Leung has over 18 years of corporate finance experience and has participated in a number of initial public offerings and corporate finance transactions in Hong Kong. Mr Chan Ka Leung was introduced to Mr Wang De Zhou by Mr Ma Yat Chuen whom he acquainted in social functions. Mr Wang De Zhou and the Existing Shareholders of HK Silver are not related, whether directly or indirectly, to the Company or any of the Directors or substantial shareholders. Numerous rounds of negotiation between the Company and Mr Wang De Zhou together with the Existing Shareholders culminated in the Proposed Acquisition of 70% of the issued and paid up share capital of HK Silver by the Company from one of the Existing Shareholders, Ms Wang Jun Zhe (the “**Vendor**”).

The Company will grant options to Mr Chan Ka Leung to subscribe for 12,000,000 new ordinary shares in the capital of the Company (“**Option Shares**”) at the exercise price which is to be determined based on the market price of the Company’s shares upon the grant of such options as the payment of Mr Chan Ka Leung’s introducer’s fees upon completion of the Proposed Acquisition. The Option Shares represents approximately 3.3% of the issued and paid-up share capital of the Company as at the Latest Practicable Date. The Board is unable to determine the market value of such options, however, the Board is of opinion that grant of such options are reasonable in the circumstances since the exercise price of the options will be based on the market price of the Company’s Shares upon the grant of the options. The grant of the share options is subject to the terms and conditions of the option agreement to be entered between the Company and Mr Chan Ka Leung.

It is intended that the Option Shares will be issued under the share issue mandate (the “**Share Issue Mandate**”) approved at the Annual General Meeting of the Company held on 29 April 2014, the results of which were announced on 29 April 2014. Pursuant to the Share Issue Mandate, the Directors are authorised to, *inter alia*, make or grant options that might or would require the Shares to be issued at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit, provided that

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the aggregate number of Shares in the Company to be issued pursuant to such authority other than on a pro-rata basis to the shareholders of the Company shall not exceed 20% of the issued share capital of the Company (excluding treasury shares) at the date of approval of the Share Issue Mandate.

Accordingly, the Company will not be seeking specific approval from Shareholders to issue the Option Shares, as the basis to issue the Option Shares would fall within the limit of the Share Issue Mandate. Upon granting of the options to Mr Chan Ka Leung, the Company will make an appropriate announcement and an application will be made to the SGX-ST by the Company for permission to deal in, and for the listing of and quotation of the Option Shares. An announcement on the outcome of the application will also be made in due course.

Subject to the completion of the Proposed Acquisition and periodic evaluation of HK Silver's business, the Group may consider expanding, both upstream and downstream activities, in the nickel mining business value chain by co-investing with Shenniu Indonesia and/or Sinophil. An example of upstream activities would be the extraction of nickel ore while an example of downstream activities would be the processing of nickel ore. The Group is of the view that it is not appropriate at the moment to invest directly in Shenniu Indonesia and/or Sinophil because of the following reasons: (a) The Group does not have the financial resources to meet the concessions value of Shenniu Indonesia and/or Sinophil and (b) the Group requires more time to understand the operational, financial and legal matters relating to Shenniu Indonesia and/or Sinophil, which are invariably more complex compared to those relating to HK Silver. The Company will be providing further updates and will obtain shareholders' approval, if required, when such opportunities arise.

Due Diligence of HK Silver

The Company has engaged Hong Kong solicitors, N.K. Tsang and Co. (the "**HK Counsel**")⁸, to conduct legal due diligence on HK Silver.

The HK Counsel has confirmed that the result of its due diligence had been satisfactory and that HK Silver has obtained all relevant permits, licences, consents and other authorisations necessary for it to carry on its business in Hong Kong.

In relation to its distribution and trading business, HK Silver is not required to obtain import or export licenses in the countries that it operates. This is because the parties responsible to obtain such import or export licenses are the customers and suppliers of HK Silver respectively.

Due Diligence of Shenniu Indonesia and Sinophil

The Company has conducted its in-house due diligence into Shenniu Indonesia and Sinophil. So far, the results of its due diligence have been satisfactory and no exception issues have been noted.

2.3.2 The Investment Agreement

Upon Shareholders' approval of the Proposed Diversification, the Company's wholly-owned subsidiary, Asiapac, will enter into an investment agreement with the Vendor to acquire 70% of HK Silver on, *inter alia*, the following terms:

1. Asiapac will purchase 7,000 shares of HK Silver from the Vendor, comprising 70% of the total issued and paid up share capital of HK Silver (the "**Sale Shares**"). The consideration for the Sale Shares will be HK\$700,000 in cash, to be paid six (6) months after completion of the Investment Agreement;

⁸ The HK Counsel has track record in general corporate matters and not specific to the mining industry. However, given the nature of the distribution and trading business, the HK Counsel is not required to have track record and expertise in the mining industry.

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2. After completion of the Investment Agreement, Asiapac shall in its absolute discretion and subject to the approval of its board of directors and satisfactory financial performance of HK Silver (including but not limited to the following considerations: the net profit margin, gross profit margin, return on funding, return on equity, comparison with comparables, receivables turnover ratio, stock turnover ratio, gearing ratio), procure or provide additional funding in stages for the operations of HK Silver (the “**Funding**”) and where required, source for strategic operators and managers and oversee the financial operation of HK Silver. The Funding is intended to be used to increase the working capital of HK Silver in order to expand HK Silver’s operations. The working capital will be used for the purpose of payment to the suppliers for the purchase of nickel supplies and payment of operational expenses such as the shipping costs and inland distribution costs. Asiapac may also require additional securities for such funding, for example, by taking share pledges on Shenniu Indonesia’s and/or Sinophil’s shares;
3. Wang De Zhou shall undertake to ensure that the minimum cost of Funding payable to Asiapac shall be equivalent to 20% per annum⁹ (net of any applicable withholding tax) of the Funding provided and/or procured by Asiapac (“**Minimum Cost of Funding**”). In the event of any shortfall in the Minimum Cost of Funding to be paid by HK Silver to Asiapac in any particular relevant year, Wang De Zhou shall pay to Asiapac such shortfall so as to enable Asiapac to be in receipt of an amount equivalent to the Minimum Cost of Funding. HK Silver and/or Wang De Zhou shall pay 60% of the Minimum Cost of Funding to Asiapac on monthly basis in arrears after the provision of Funding and 40% of the Minimum Cost of Funding shall be paid by HK Silver and/or Wang De Zhou to Asiapac on accrual basis after three (3) years from the provision of Funding;
4. Wang De Zhou shall undertake to procure that the purchase orders to be issued by HK Silver to its suppliers shall be based on confirmed orders or indicative orders basis and the subsequent sale price of the Nickel shall be at least 10% above the total costs of sales (being the aggregate of the cost of materials, transportation and other related costs) (“**Minimum Profit Margin**”). In negotiating the sale and purchase prices, Mr Wang De Zhou and his team will need to ensure that HK Silver can meet the Minimum Profit Margin before they commit to the transactions;
5. After completion of the Investment Agreement, Asiapac shall have the right to appoint any person to be the accountant of HK Silver necessary to implement internal control procedures on financial matters deemed necessary by Asiapac. Such accountant will report directly to the director of HK Silver, who will be appointed by Asiapac. All instructions in respect of HK Silver’s bank accounts, including instructions for deposits and withdrawals, shall be made jointly by the authorised representative of Asiapac and the Vendor. The accountant will also review the confirmed sales orders to ensure the margins are reasonable and within the undertakings;
6. After completion of the Investment Agreement, the Board of Directors of HK Silver shall consist of two (2) directors. One (1) director will be appointed by Asiapac and one (1) director will be appointed by the Vendor. In the event of a deadlock, the director appointed by Asiapac shall have the casting vote. Either Asiapac or the Vendor shall be entitled by notice in writing to HK Silver to appoint and to remove or replace any director appointed by it or her.

The Proposed Acquisition is subject to, *inter alia*: (a) the obtaining of approval from relevant authorities, (b) the obtaining of approval from Board of Directors and/or Shareholders and (c) the execution of service agreements between HK Silver with Wang De Zhou, Wang De Wei and Ma Yat Chuen on such terms and conditions satisfactory to Asiapac.

⁹ 12% (being 60% of 20%) of the Minimum Cost of Funding will be paid on monthly basis. Meanwhile, 8% (being 40% of 20%) of the Minimum Cost of Funding will be accrued and paid to Asiapac after 3 years.

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In order to ensure that the Company will receive its Minimum Cost of Funding and to ensure that HK Silver achieves its Minimum Profit Margin, the Company will put in place the following safeguards in order to protect its interests:

- (a) Mr Wang De Zhou shall be severally and personally liable to pay any shortfall in the payment by HK Silver. The Company has done background checks on Mr Wang De Zhou and based on the information available to the Company, Mr Wang De Zhou has satisfactory financial standings and reputation in Indonesia and China. In particular he is a majority shareholder of Shenniu Indonesia which owns nickel mining concessions in Indonesia;
- (b) Parties related to Mr Wang De Zhou (i.e. the current shareholders of HK Silver) will continue to have a 30% interest in the HK Silver. This will help to ensure that Mr Wang De Zhou's interest is aligned with the Company. Further, shareholders of HK Silver who are related to Mr Wang De Zhou will also undertake to pledge their shares in HK Silver to secure Mr Wang De Zhou's performance.
- (c) The representative of the Company will be a joint authorised signatory of the bank accounts of HK Silver; and
- (d) The Company may require additional securities for any additional funding, for example, to obtain share pledges on Shenniu Indonesia's or Sinophil's shares.

The Company also expects HK Silver's profit margin to improve post-acquisition. The profits were low in the past due to low nickel prices and high operational costs. It is expected that following the Group's involvement, the profit margin of HK Silver can be improved by implementing a more effective cost control procedure and to expand the operation of HK Silver to reach economies of scale

The proposed consideration for the Sale Shares was arrived at on a willing-buyer, willing-seller basis after arms length negotiations with the Vendor. In arriving at the consideration for the Sale Shares, the Company has taken into account the net assets value of HK Silver (HK\$409,000 as at 31 December 2013, 70% of the net assets value of HK Silver is approximately HK\$286,300) and also HK Silver's goodwill.

Upon completion of the Proposed Acquisition, HK Silver will become a subsidiary of the Company.

2.3.3 Industry Prospects and Key Players

Nickel is used in many specific and recognizable industrial and consumer products, including stainless steel, alnico magnets, coinage, rechargeable batteries, electric guitar strings, microphone capsules, and special alloys. Nickel is pre-eminently an alloy metal, and it is mainly used in the production of stainless steel (globally about 65% first use of nickel is to make stainless steel). Because of its chief usage as an alloy metal, the key players in the nickel industry can be categorized into the following:

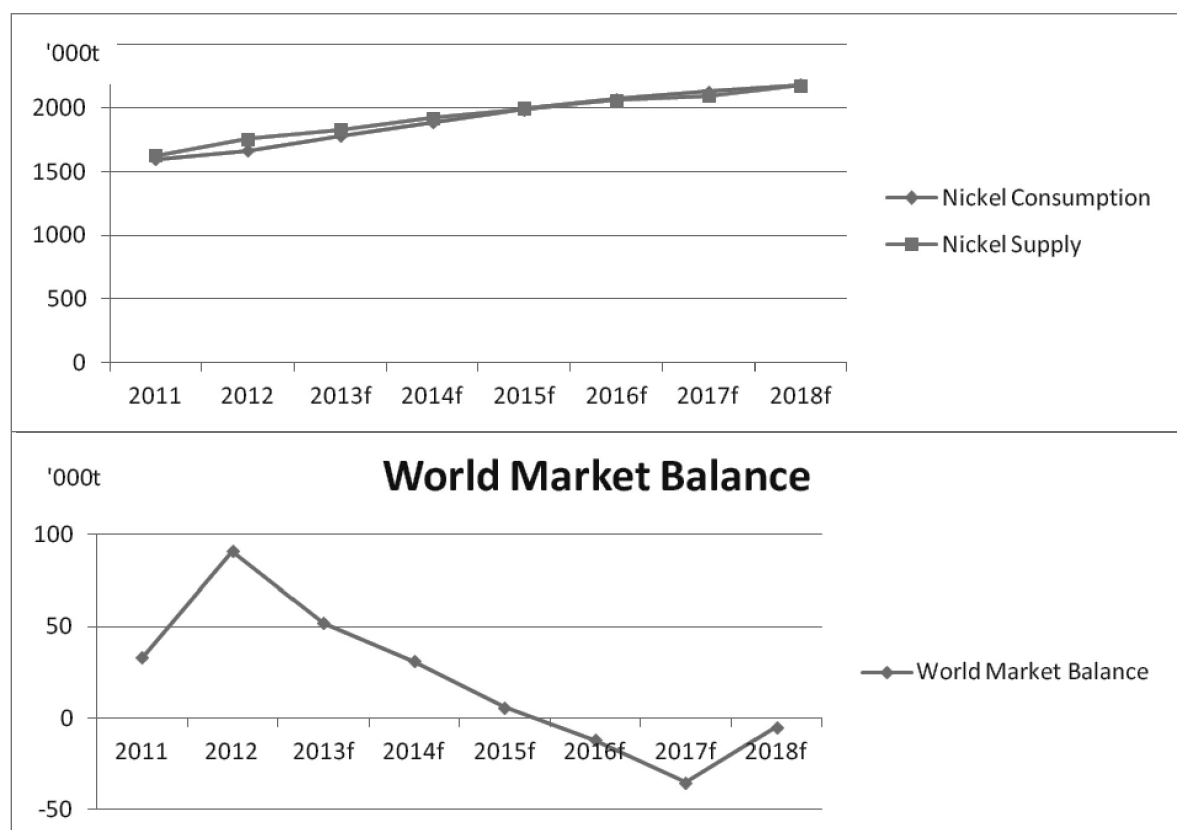
- (a) Companies which focus on the extraction and processing of metals and which include nickel as part of its portfolio. Examples of such companies are Anglo American, Xstrata, First Quantum, Vale and BHP Billiton.
- (b) Companies which focus on the processing of nickel (nickel smelting and refining). Examples of such companies are Sumitomo Metal Mining and Jinchuan.
- (c) Companies which focus on the nickel ore extraction, sales of nickel ore and first level processing of nickel ore. Examples of such companies are PT Aneka Tambang, Nickel Asia Corporation and Oriental Peninsular Resources.
- (d) Companies with broad range extraction and industrial business related to nickel. Examples of such companies are Eramet, Sheritt and Votorantim.

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All of the companies in the categories described above have some level of trading activities (as intermediaries) related to nickel. HK Silver is mainly involved in the sourcing and sales of nickel ore and therefore is similar to the companies which fall into category (c) above.

In 2014, global nickel consumption is forecasted to grow around 2.1% - 8% in 2014 (as compared to 2013) to 1.81 million tonnes – 1.91 million tonnes. This growth is expected to be supported by global increases in global stainless steel production to meet demand from the construction sector, particularly in emerging Asian economies and China (residential sector construction). Europe is anticipated to witness a gradual demand recovery with positive consumption growth expected in 2014 and 2015. Similarly, the USA, which is the second largest consumer of nickel after China, is expected to have solid growth in consumption in 2014 and 2015 if its economy maintains its growth trajectory.

The supply of Nickel depends on factors such as governmental legislation, available reserves that can be extracted commercially, progress of development of new mines as well as inventory level. Based on current industry projections, the world consumption of nickel will continue to grow and likely to exceed supply beyond 2016 - this will have upward pressure on the prices of nickel.



Source: Industry Association and public industry data

The main nickel producing countries in Asia are Indonesia and the Philippines. Indonesia has been one of the leading exporters of nickel ore in the last few years. China has been the world's largest importer of nickel ore which is used to feed the demand of the stainless steel manufacturing industry fuelled by strong growth of its industrial output.

The price of nickel had rallied strongly since January 2014 on increased supply tightness following the Indonesian ban on the export of unprocessed mineral ore starting on 1 January 2014 and potential sanctions on Russian's mineral exports due to its involvement in the geopolitical tensions in Crimea region. In the medium term, the Indonesian export ban is expected to continue to create market uncertainty on supplies of nickel ore. With the ban imposed by Indonesia, the Philippines is expected to overtake Indonesia as the world's leading exporter of nickel ore. In order to hedge its

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risk and diversify its source of supply of nickel ore, the Company has increased its efforts to source for alternative supplies from the Philippines. Based on industry estimates, with continued world industrialisation and economic growth, the global demand and consumption of nickel is expected to outpace supply in the medium term—and this will lead to a sustainable and long term value proposition in the Nickel Trading and Distribution Business¹⁰.

In relation to the Company's distributorship agreement with Shenniu Indonesia, Shenniu Indonesia is currently negotiating with Indonesian regulators to obtain export permit which will enable Shenniu Indonesia to export nickel ore regardless of the Indonesian export ban. The Company does not expect the Indonesian export ban to have any material impact on the HK Silver's supply since HK Silver has secured an alternative supplier in the Philippines i.e. Sinophil.

The Company also expects HK Silver's profit margin to improve post-Acquisition. The profits were low in the past due to low nickel prices and high operational costs (examples of the operational costs are transportation costs, sub-contracting costs and travelling costs). It is expected that following the Group's involvement, the profit margin of HK Silver can be improved by implementing a more effective cost control procedure and to expand the operation of HK Silver to reach economies of scale. The Group will assist HK Silver to better control its costs by introducing alternative service providers and more effective payment control procedures.

Barring unforeseen circumstance, the Directors are of the view that the Nickel Trading and Distribution Business will be profitable as HK Silver has access to nickel supplies from two of the world's leading nickel ore exporting countries, Indonesia and the Philippines, and its cost of supplies are competitive.

2.3.4 Management and Manpower

The Company intends to hire new personnel depending on the level of the business activities of the Nickel Distribution and Trading Business. The Company intends for the new personnel to work under the senior management of HK Silver. With the exception of the personnel hired for the purpose of implementing the internal control procedures on financial matters (who will report to the director appointed by Asiapac), all other personnel are expected to work closely with the senior management of HK Silver and are involved in day-to-day operations. Personnel hired for operational purposes will be paid by HK Silver. However, the personnel hired for the purpose of implementing the internal control procedures on financial matters will be employed and paid by Asiapac.

Subject to the completion of the Proposed Acquisition, the management of the Nickel Distribution and Trading Business of the Group shall be undertaken by Mr Wang De Zhou, Mr Wang De Wei and Mr Ma Yat Chuen. Mr Wang De Zhou, Mr Wang De Wei and Mr Ma Yat Chuen have extensive experience in the minerals industry with a combined experience of 15 years, and in particular, the mining, processing and sale of nickel.

They will each enter into a service agreement with HK Silver and will further ensure that relevant existing staff members of HK Silver remain with the Group post completion of the Investment Agreement. Pursuant to the service agreements, Mr Wang De Zhou, Mr Wang De Wei and Mr Ma Yat Chuen shall undertake not to compete with HK Silver while they are in the employment of HK Silver and for duration of six (6) months after they terminate their service agreement with HK Silver for whatsoever reason.

Mr Ma Yat Chuen does not have any business with similar operation mode as HK Silver i.e. import of nickel products from overseas into China.

Mr Wang De Zhou and Mr Wang De Wei have interests in companies in the PRC which are engaged in the import of minerals products from overseas. They intend to divest their interest in such companies or wind down its operations in order to fulfil their non-competition undertaking

¹⁰ The information disclosed in this paragraph is based on the Company's in-house market and industry analysis.

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pursuant to the service agreements to be entered by them with HK Silver. For the avoidance of doubt, Shenniu Indonesia and/or Sinophil are mainly engaged in owning mining concessions and in the extraction of minerals. Therefore Shenniu Indonesia and/or Sinophil are not operating in the same business space as HK Silver.

Mr Wang De Zhou

Mr Wang De Zhou is the Chief Executive Officer of HK Silver. He is also a major shareholder of Shenniu Indonesia and will be a shareholder of Sinophil. He is mainly involved in the technical and procurement activities of HK Silver. His role includes, *inter alia*, purchasing minerals for HK Silver, assessing the quality of the minerals and overseeing the finances. Moving forward, in order to ensure good corporate governance, Mr Wang De Zhou's role in overseeing the finances of HK Silver will be taken over by Mr Ma Yat Chuen. Further, Asiapac shall have the right to appoint its representative as the accountant, joint signatory for all banks' accounts of HK Silver and other relevant officers necessary to implement internal control procedures deemed necessary by Asiapac.

He graduated from 中南政法学院成人高考大专文凭 (South China Adult Political Institute University) with a degree in law.

Prior to setting up the Shenniu Indonesia, he was the general manager of 河南省南阳星伟炼铁有限公司 (Henan Nanyang Xingwei Ironmaking Ltd.) from 2004 to 2007 where his role included management, sales and marketing of iron ore products, and Managing Director of 宁夏石嘴山市盛港煤焦化公司 (Ningxia Shizuishan Shenggang Coking Company) from 2002 to 2003, where his role included management, sales and marketing of coal products. From 1997 to 2002, he worked as general manager in 中外运郑州公司 and deputy general manager of 河南省中外运储运公司.

Mr Wang De Zhou has over ten years' experience in the resource industry and over five years' experience in the logistics industry.

Mr Wang De Wei

Mr Wang De Wei is the general manager and director of HK Silver, and is mainly involved in the strategic management and sourcing activities of HK Silver. His role includes identifying, developing new suppliers for minerals, handling existing suppliers, evaluating suppliers, negotiating and concluding purchase contracts.

Having graduated from 南阳理工大学 (Nan Yang Polytechnic University), he worked as a manager in an international logistics company in Henan, the PRC. His role included handling client relations and supervising the provision of shipping services. Mr Wang De Wei joined HK Silver in 2007, during which he has been involved in sourcing for and setting up of supplies and mineral extraction from Indonesia and the Philippines.

Prior to joining HK Silver, he was involved in the resources industry in the Philippines for more than two years. His role included identifying, developing new suppliers for minerals and handling existing suppliers.

Mr Wang De Wei is the younger brother of Mr Wang De Zhou.

Mr Ma Yat Chuen

Mr Ma Yat Chuen is the deputy manager of HK Silver. He is involved in the sales and operation activities of HK Silver. His role includes handling new and existing client relationships, negotiating and concluding sales contracts. Moving forward, Mr Ma Yat Chuen will also be overseeing the finances of HK Silver.

He joined HK Silver in 2012, prior to which he was the general manager of Y.S.H Limited from 2007 to 2012, a company principally engaged in the resources trading business in Asia, in particular iron ore. His role included management, sales and marketing of mineral resources such as iron ore,

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coal and nickel. Prior to his employment at Y.S.H Limited, he worked as general manager of Trump Smart International Limited, a general trading company, from 2002 to 2007. Prior to his employment at Trump Smart International Limited, he worked as general manager of Great Up Garment Limited, a garment company, from 1993 to 2001.

Management Structure

The management structure of HK Silver and the Group will be as follows:

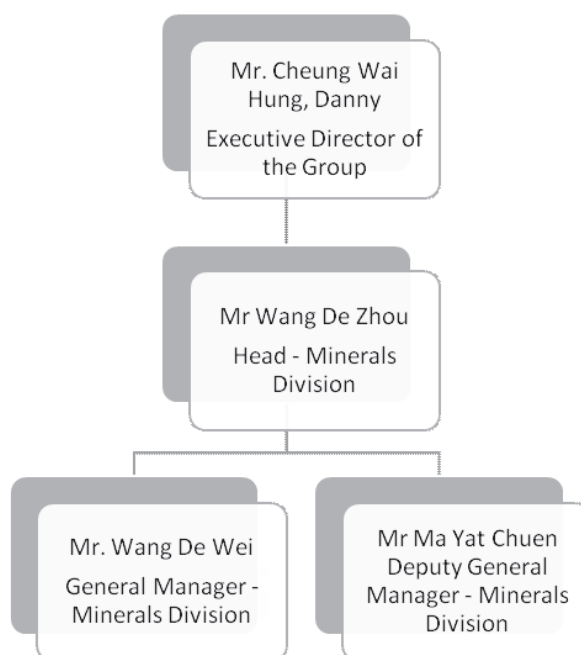


Figure 2. Post-Acquisition management structure of HK Silver and the Group

2.3.5 Funding for the Nickel Distribution and Trading Business

The consideration to be paid by the Company for the Proposed Acquisition under the Investment Agreement is HK\$700,000. This amount will be paid only after the Company has obtained shareholders' approval for the Proposed Diversification.

Following the initial stage of entry into the Nickel Distribution and Trading Business through the Proposed Acquisition, the Company intends to provide additional funding in stages into HK Silver pursuant to the Investment Agreement. In making further investments and before investing or procuring investments in HK Silver, the Group will remain prudent and take into account the financial condition of the Group and potential returns of such investments. Any further disbursement of funds pursuant to the Investment Agreement will be at the sole and absolute discretion of the Company.

The Group intends to finance the Nickel Distribution and Trading Business from internal resources, bank borrowings and/or to tap funds from the equity market as and when more funds are required to fuel the growth and expansion of the Nickel Distribution and Trading Business.

As such, as at the Latest Practicable Date, the Company has adequate financial resources (including both internally generated resources and available credit facilities from banks and financial institutions) to embark and venture into the Nickel Distribution and Trading Business.

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2.3.6 Financial Information of HK Silver

- (i) Audited Balance Sheet and Income Statement of HK Silver

HONG KONG SILVER BASIC GROUP LIMITED

AUDITED INCOME STATEMENT

	Audited Year ended 31 Dec 2013 HK\$'000	Audited Year ended 31 Dec 2012 HK\$'000	Audited Year ended 31 Dec 2011 HK\$'000
TURNOVER	206,504	258,557	131,855
Cost of sales	(199,354)	(251,911)	(120,546)
Gross profit	7,150	6,646	11,309
Other revenue ⁽¹⁾	1,872	–	–
Selling and distribution expenses	(2,504)	(1,988)	(5,087)
Administrative expenses	(6,331)	(4,537)	(6,171)
PROFITS FROM OPERATING ACTIVITIES	187	121	51
Finance costs	–	–	–
PROFIT BEFORE TAX	187	121	51
Tax	–	–	–
NET PROFIT FOR THE YEAR	187	121	51

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HONG KONG SILVER BASIC GROUP LIMITED

AUDITED BALANCE SHEET

As at

	31 Dec 2013 HK\$'000	31 Dec 2012 HK\$'000	31 Dec 2011 HK\$'000
CURRENT ASSETS			
Inventories	13,455	–	–
Accounts receivable	16,355	21,147	19,241
Amount due from directors	3,023	1,334	1,736
Prepayments, deposits and other receivables	17,432	278	18,396
Tax recoverable	–	–	–
Cash and bank balances	4,363	9,792	799
	54,628	32,551	40,172
CURRENT LIABILITIES			
Accounts payable	22,298	7,281	18,843
Accrued liabilities and other payables	20,436	25,049	21,228
Bank loan	11,485	–	–
	54,219	32,330	40,071
NET CURRENT ASSETS	409	221	101
TOTAL ASSETS LESS CURRENT LIABILITIES	409	221	101
	409	221	101
CAPITAL AND RESERVES			
Issued capital	10	10	10
Retained profits	399	213	91
	409	223	101

Note:

- (1) Other revenue consists mainly of commission from the sale of the products.

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(ii) Relative figures under Rule 1006 of Listing Manual

For illustrative purposes only, and based on the latest audited financial statements of the Group for the financial year ended 31 December 2013, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006(a)	The net asset value of the assets to be disposed of compared with the Group's net asset value.	Not Applicable
Rule 1006(b)	The net profits attributable to the assets acquired or disposed of compared with the Group's net profits.	6.35%
Rule 1006(c)	The Aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	0.71%
Rule 1006(d)	The number of equity securities issued as consideration for the acquisition, compared with the number of equity securities previously issued.	Not Applicable
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of compared with the aggregate of the group's proved probable reserves.	Not Applicable

As the applicable relative figures computed above exceed 5%, the investment in the Nickel Distribution and Trading Business is classified as a discloseable transaction pursuant to Chapter 10 of the Listing Manual.

(iii) Financial effects of the Proposed Diversification into the Nickel Distribution and Trading Business

Assumptions

The pro forma financial effects below have been prepared based on the audited financial statements of the Group as at 31 December 2013 and are strictly for illustration purposes.

NTA per share

Assuming the diversification had been effected on 31 December 2013 and based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2013, the pro forma financial effects which the diversification would have on the NTA per Share are as follows:

	Before Diversification	After Diversification
NTA (S\$'000)	19,818	20,227
Number of Shares ('000)	354,671	354,671
NTA per Share (HK cents)	5.59	5.70

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EPS

Assuming the diversification had been effected on 1 January 2013 and based on the audited consolidated financial statements of the Group for financial year ended 31 December 2013, the pro forma financial effects which the diversification would have on the EPS are as follows:

	Before Diversification	After Diversification
Profit attributable to Shareholders (S\$'000)	1,119	1,306
Number of Shares ('000)	354,671	354,671
Earnings per Share (HK cents)	0.33	0.37

Gearing

Assuming the diversification had been effected on 1 January 2013 and based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2013, the pro forma financial effects which the diversification would have on the gearing ratio are as follows:

	Before Diversification	After Diversification
Net debt (HK\$'000)	6,897	14,019
Capital and net debt (HK\$'000)	26,715	41,143
Gearing ratio	25.8%	34.1%

2.3.7 Risk Factors relating to the Proposed Diversification into the Nickel Distribution and Trading Business

To the best of the Directors' knowledge and belief, all risk factors which are material to Shareholders 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 Nickel Distribution and Trading Business, this may have a material and adverse impact on the Nickel Distribution and Trading Business and consequently, the overall results of operations, financial condition and prospects of the Group could be similarly impacted.

The risks described below are not intended to be exhaustive. New risk factors 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 Nickel Distribution and Trading Business or the extent to which any factor, or combination of factors, may affect the Nickel Distribution and Trading Business.

There may also be other risks associated with the entry into the Nickel Distribution and Trading 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 experience short term cash flow shortfall while the nickel supplies are in transit

HK Silver will generally receive payment from its customers (by drawing upon the letter of credit issued when such customers placed their orders) when nickel supplies arrive in the port of destination (i.e. Hong Kong or China). However, HK Silver may be required to pay for deposits to its suppliers in advance when placing purchase orders and to pay for the remaining balance

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immediately after the nickel supplies are being shipped by its suppliers in the port of origin (i.e. Indonesia or the Philippines). In the event that HK Silver is unable to secure appropriate financing in the intervening period (approximately 30 days while the nickel supplies are in transit) in order to meet its working capital requirements, the Group's business, results of operations, financial position and prospects could be materially and adversely affected.

The Group does not have any proven track record and operating history in the Nickel Distribution and Trading Business

The Group does not have a proven track record in carrying out the Nickel Distribution and Trading Business. There is no assurance that the Nickel Distribution and Trading Business will be commercially successful and that the Group will be able to derive sufficient revenue to offset the initial costs of capital investment as well as operating costs arising from the Nickel Distribution and Trading Business. The Nickel Distribution and Trading Business is a capital intensive business (in the sense that it will involve significant amount of working capital to grow the operation of the Nickel Distribution and Trading Business and the working capital will be used for the purpose of payment to the suppliers for the purchase of nickel supplies and payment of operational expenses such as the shipping costs and inland distribution costs) and may expose the Group to unforeseen liabilities or risks associated with its entry into new markets or new businesses. If the Group does not derive sufficient revenue from or does not manage the costs of the Nickel Distribution and Trading Business effectively, the overall financial position and profitability of the Group may be adversely affected.

The Group may not have the ability nor sufficient expertise to execute the proposed diversification into the Nickel Distribution and Trading Business

The Group's ability to successfully diversify into the Nickel Distribution and Trading Business is dependent upon its ability to adapt its existing knowledge and expertise and harness the experience and knowledge of its Directors to understand and navigate the Nickel Distribution and Trading Business, as well as to efficiently leverage on the experience and expertise of Wang De Zhou, Wang De Wei and Ma Yat Chuen. There is no assurance that the Group's existing experience and expertise will be sufficient for the Nickel Distribution and Trading Business, or that the Group will be able to hire employees with the relevant experience and knowledge when necessary. The Group may not be able to successfully implement the Nickel Distribution and Trading Business and this may adversely affect the Group's financial performance and profitability.

The Group will be affected by the demand for stainless steel products

As nickel is one of the main components for making stainless steel, the Group will be affected by the demand for stainless steel products in general. Stainless steel products are often used in the oil and gas and petrochemical, marine, construction, food processing and other industries.

From time to time, different industries experience slowdowns due to cyclical fluctuations or decline in general economic conditions. A downturn in these industries will lead to a decrease in the demand for stainless steel products in general, which may in turn lead to a decrease in the demand of nickel which may affect the Group's revenue and financial performance.

The Group will be exposed to commodity price fluctuations

The current and expected future price of commodities such as nickel and other resources can change rapidly and significantly and this may have a substantial effect on the Group's business, financial performance, financial condition and results of operations. The pricing of such commodities are affected by numerous factors beyond the Group's control. These factors include but are not limited to market fluctuations, world demand, forward selling by producers, production cost levels in major mining regions, processing equipment and government regulations such as those relating to taxation, royalties, allowable production, importing and exporting and environmental protection. Prices may also be affected by macro-economic factors such as expectations regarding inflation, interest rates and global and regional demand and supply as well as general global economic conditions.

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The demand for, and price of, commodities (including nickel) are highly dependent on a variety of factors including but not limited to international supply and demand, the level of consumer product demand, weather conditions, distribution problems, labour disputes, the price and availability of alternatives, actions taken by governments and international cartels, and global economic and political developments.

Fluctuations and, in particular, a decline in the prices of nickel may adversely affect the Group's business, financial performance, financial condition and results of operations due to a direct impact on the Group's revenue derived from the Nickel Distribution and Trading Business.

The Group does not have long term contracts with its customers and the Group's customers may source directly from other distributors

HK Silver does not have long term contracts with its customers. In the event that its customers decide to scale down their operations, not to purchase from HK Silver, or terminate a product line that utilises nickel, the Group's business and financial performance may be adversely affected.

HK Silver currently has a diversified customer base of over 10 active customers from various industries, many of whom are repeat customers. In the event a significant portion of the HK Silver's customers decide to source their stainless steel products directly from other distributors, the Group's revenue and financial performance may be adversely affected.

The Group may be exposed to credit risks of its suppliers

In line with industry practices, the Group is required to pay deposits to its suppliers when orders are placed. Any deterioration in the financial position or disputes with the Group's suppliers may materially and adversely affect the Group's profits and cash flows as these suppliers may experience difficulties in the delivering the nickel supplies in time. This impact may be greater in an economic downturn, as more suppliers may experience cash flow difficulties. As a result of the Group's suppliers defaulting on their performance, we would have to make provisions for doubtful debts or debt write-offs, which may adversely affect our financial performance. There was no bad debt incurred by HK Silver due to default of its suppliers for FY2011, FY2012 and FY2013.

As mentioned at Section 2.3.1 of this Circular above, HK Silver will enter into exclusive distribution agreements with Shenniu Indonesia and Sinophil upon completion of the Proposed Acquisition. Since HK Silver has sourced and will continue to source majority of its supply (at least for the duration of the Distribution Agreements) from Shenniu Indonesia and/or Sinophil, the Group may be exposed to any deterioration in the financial position of Shenniu Indonesia and/or Sinophil or dispute with Shenniu Indonesia and/or Sinophil.

The Group may be exposed to customer claims for rejected shipments

For each shipment, HK Silver commissions a testing by an independent third party to ensure the quality of the nickel supplies being shipped from the port of origin (for example, in Indonesia or in the Philippines). However, there might be occasions where the testing result conducted in the port of origin differs from the testing result of the nickel supplies actually received by the customer and/or HK Silver.

If HK Silver and/or the customers found the nickel supplies shipments to be sub-standard, the Group may be required to compensate its customers. Claims may also be made against the Group by its customers. For FY2011, FY2012 and FY2013, such claims were not significant.

In the event that any complaint is received for sub-standard shipments which results in legal proceedings against the Group, there may be an adverse effect on the Group's financial performance and market reputation.

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The Group will be reliant on the exclusive distribution agreements with Shenniu Indonesia and Sinophil

The Group will be reliant on the exclusive distribution agreements with Shenniu Indonesia and Sinophil. A change in policy in Indonesia and the Philippines (the “**Exporting Countries**”) such as export restrictions and increase in duties and taxation, occurrences of natural disaster or other catastrophic events in the Exporting Countries, unforeseen problems or delay in the mining operations and unexpected losses of Shenniu Indonesia and/or Sinophil may affect the viability of nickel supply from Shenniu Indonesia and/or Sinophil. Further, the Group may be exposed to any deterioration in the financial position of Shenniu Indonesia and/or Sinophil or dispute with Shenniu Indonesia and/or Sinophil. In the event that Shenniu Indonesia and/or Sinophil is unable to cater to the Group’s demand for nickel and the Group is not able to secure alternative sources of supply to fulfill its sales orders, the Group’s revenue and financial performance may be adversely affected.

The Group is largely dependent on Hong Kong and PRC as its major market

HK Silver’s major markets to which it distributes its products are Hong Kong and the PRC. Hong Kong and the PRC accounted for of the entire revenue of HK Silver for FY2011, FY2012 and FY2013 respectively.

There is no assurance that the Group will be able to increase its sales to other countries or successfully expand into other new markets. Accordingly, should there be a reduction in demand for nickel in Hong Kong and the PRC and the Group is unable to increase its sales in other countries or successfully expand into new markets, the Group’s revenue and financial performance may be adversely affected.

The Group may be affected by political, social, economic and regulatory conditions in the countries in which the Group does business

HK Silver currently distributes nickel in Hong Kong and the PRC. Demand for nickel depends on the political, economic, regulatory and social conditions in these countries. A change in policy in these countries such as import restrictions and increase in duties and taxation, and any slowdown in the respective economies may affect the Group’s sales in these countries. This may then adversely affect the Group’s business and financial performance.

Financing for future needs of the Nickel Distribution and Trading Business may be difficult to raise or have to be raised under unfavourable terms

Should the Group require more funds than anticipated to finance the Nickel Distribution and Trading Business, the Group may have to seek additional equity or debt financing to obtain the necessary funds to complete its future development activities. Uncertainty in the credit market could materially affect the Group’s ability to obtain financing on favourable terms. The failure to obtain such financing may result in the Group forfeiting its interest in certain properties, missing certain acquisition opportunities or reducing or terminating operations. If the Group faces difficulty in raising sufficient capital or raise capital under unfavourable terms in order to meet its working capital requirements, the Group’s business, results of operations, financial position and prospects could be materially and adversely affected.

The Nickel Distribution and Trading Business will be subject to risks in relation to interest rate movements

Risks arising from interest rate movements, particularly as a result of the debts that may be undertaken to finance the Nickel Distribution and Trading Business, such as to provide expansion capital and financing for resource and logistics, management and services relating to the natural resource industry, may affect the Group’s Nickel Distribution and Trading Business. Changes in interest rates could have a material and adverse effect on the Group’s ability to service loans and its ability to raise and service long term debt.

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The Group is dependent on certain key personnel for the success of the Nickel Distribution and Trading Business

The Group's success and growth in the Nickel Distribution and Trading Business will depend, to a large extent, on its ability to retain the services of Wang De Zhou, Wang De Wei and Ma Yat Chuen. The loss of services of Wang De Zhou, Wang De Wei and Ma Yat Chuen without suitable and timely replacement, or the inability to attract and retain other qualified personnel, would have an adverse impact on the Group's prospects, operations and financial performance.

Further, the Group is also reliant upon the ability of Mr Wang De Zhou to honour his undertaking to procure the payment of Minimum Cost of Funding to the Group and to satisfy the Minimum Profit Margin Requirement from the operation of HK Silver post-completion of the Proposed Acquisition.

The Group will be exposed to the risk of loss and/or disruption to its operations from unexpected events

The Group properties and inventory are exposed to the risks arising from unexpected events, such as, fire and flooding which may cause damage to its properties and inventory, and theft of the Group's inventory which may adversely affect its financial performance and position. In addition, any of these events may cause disruptions to the Group's nickel distribution operations which may be interrupted, delayed or curtailed. This may result in delayed delivery or failure to deliver to our customers, which may result in the loss of business or claims against us and may adversely affect our business and financial performance. The Group does not maintain any insurance against business interruption.

2.3.8 Review Procedures for Investments in the Nickel Distribution and Trading Business

The Group will adhere to the following procedures before undertaking any future investments in the Nickel Distribution and Trading Business:

(a) Board Representation

The Group will use its best endeavours to secure at least one board seat in the target entity.

(b) Investment Committee

An investment committee of the Company ("**Investment Committee**") had been established on 19 May 2014 and comprises Cheung Wai Hung, Danny (Chairman), Ong Chor Wei and Kwok Chin Phang. The Investment Committee will be enlarged to include additional persons as the Directors deem appropriate once the Group has recruited persons who have extensive experience and expertise in the mining industry in Hong Kong. The working experience, business experience and areas of responsibility of Cheung Wai Hung, Danny, Ong Chor Wei and Kwok Chin Phang are set out below:

Cheung Wai Hung, Danny, Executive Director, a co-founder of the Group, was appointed to the Board on 4 October 2006. Mr. Cheung is responsible for the overall operation and sales of the Group. Mr. Cheung has over 16 years of experience in the metal gift industry. Prior to joining the Group in 1991, he was the plating-plant manager of Charlene Manufacturing Limited from 1988 to 1990, where he was responsible for the operation of the plant. From 1985 to 1987, he was a director at Redco Garments Ltd where he was responsible for the overall operation of the company. From 1981 to 1984, Mr. Cheung was the assistant to managing director at Tai Po Tsai Development Ltd where he was responsible for providing administrative support. From 1980 to 1981, he was an account executive at Trade Media Limited where he was responsible for sales of advertising space in magazines. Mr. Cheung holds a Master degree in Business Administration from the Lincoln University. He is a Fellow of Business Administration of Asian Knowledge Management Association of the City University of Hong Kong

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Ong Chor Wei, Non-executive Director, was appointed to the Board on 21 December 2007. Mr Ong is currently an executive director of Net Pacific Financial Holdings Limited, a company listed on the SGX-ST and Zibao Metals Recycling Holdings Plc, a company listed on the AIM, a market operated by the London Stock Exchange. He is a non executive director of Hong Wei (Asia) Holdings Company Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**HKSE**”). He is also an independent non-executive director of Man Wah Holdings Limited and O-Net Communications (Group) Limited, both companies listed on the main board of the HKSE. Mr Ong has over 22 years of experience in finance and accounting. Mr Ong holds a Bachelor of Laws degree from The London School of Economics and Political Science, University of London. He also holds a Master of Business Administration degree that was jointly awarded to him by the University of Wales and the University of Manchester. Mr Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Kwok Chin Phang, Non-executive Director, was appointed to the Board on 13 May 2011. Mr Kwok is currently an executive director of Net Pacific Financial Holdings Limited, a company listed in Singapore and the director of Net Pacific Capital Pte Limited. He is also an independent non-executive director of Zibao Metals Recycling Holdings Plc, a company listed on the AIM, a market operated by the London Stock Exchange. He was in Investment Banking with Nomura Singapore Limited from 1994 to 2009 and has more than 20 years’ experience in the investment banking and finance industry. He has extensive experience in the areas of capital market, corporate advisory and mergers and acquisitions. Mr Kwok graduated from King’s College, University of London, with Bachelor of Engineering Degree (First Class Honours) in Electrical and Electronic Engineering.

Prior to the acquisition of any businesses or assets related to the Nickel Distribution and Trading Business, the Investment Committee will undertake both legal and financial due diligence investigations in respect of such businesses, and the appropriate level of such due diligence investigations will be determined by the Investment Committee on a case-by-case basis depending on, among other things, the nature of such businesses.

In addition, a proposal will be prepared and presented to the Investment Committee for review and approval. The proposal will contain, among other things, the purchase price and payment terms of the proposed investment, the information on the history and background of the target entity, the joint venture partner’s background and experience, the findings from the legal and financial due diligence (such as the types of licences, the permits and approvals owned by the target entity, any environmental and safety compliance issues and results of review of the financial and taxation position of the target entity), the potential customers and sales channels and the available valuation reports and research reports. The Investment Committee will collectively assess and evaluate all investment opportunities in the Nickel Distribution and Trading Business.

The Investment Committee will evaluate each opportunity in the Nickel Distribution and Trading Business based on the following:

- (i) the quality of the joint venture partner (if any);
- (ii) the value of the proposed investment or acquisition, the growth potential, the projected rate of return, the potential costs (including the borrowing costs) involved, the funding requirements and the prevailing market conditions;
- (iii) the possession of the relevant permits, licences and approvals by the target entity and the conditions and limitations attached thereto;

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- (iv) research report(s) on, among other things, the projected demand and supply of nickel; and
- (v) the findings from the legal and financial due diligence exercises.

If necessary, the Investment Committee may appoint consultants to advise the Investment Committee and/or consult with professionals such as valuers, engineers, experts, relevant government authorities and other such parties when evaluating opportunities in the Nickel Distribution and Trading Business.

The Investment Committee will make investment recommendations to the Board. The Board will then decide whether to proceed with any investment or acquisition. Upon approval by the Board, the management of the Group would then be authorised to perform all acts and take all measures necessary and required to implement the respective investment or acquisition.

In relation to the Proposed Acquisition, the senior management of HK Silver will be responsible for the success and failure of the HK Silver's businesses and they will personally oversee the operations of HK Silver. The senior management of HK Silver will report to the Board of Directors of the Group. At the Group level, the Board of Directors of the Group will do periodic review of the Nickel Distribution and Trading Business and be responsible collectively for the success and failure of the business. As disclosed above, the Group will be able to appoint a director on the board of HK Silver and such director will also have the casting vote to determine the strategic direction of HK Silver. As disclosed in the Circular, Mr Wang De Zhou shall report to an executive director of the Group, Mr Cheung Wai Hung, Danny and Mr Cheung Wai Hung, Danny will also sit on the board of HK Silver (and his alternate director will be Mr Ong Chor Wei).

2.3.9 Internal Control and Risk Management

The Board recognises the importance of internal control and risk assessment for the smooth running of the Group's business, including the Nickel Distribution and Trading Business. In order to better manage the Group's external and internal risks resulting from the proposed diversification into Nickel Distribution and Trading Business, the Group will implement a set of operations and compliance procedures.

The functions of the Audit Committee will be expanded to include (i) reviewing with the management, external and internal auditors of the adequacy and effectiveness of the Company's internal control procedures addressing financial, operational and compliance risks relating to the Nickel Distribution and Trading Business, and (ii) commissioning and reviewing the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. As and when projects or investments are proposed to be undertaken in new jurisdictions, such projects or investments will be reviewed by the Audit Committee before being undertaken by the Group.

The Board will also periodically review the internal control and risk management systems of the Company to ensure that there are sufficient guidelines and procedures in place to monitor its operations. The scope of the annual internal audit will be extended to include the review and evaluation of specific matters arising from the Nickel Distribution and Trading Business. The Board, together with the Audit Committee will also opine on an annual basis whether there are in place adequate controls within the Group addressing material financial, operational and compliance risks relating to the Nickel Distribution and Trading Business as at the end of each financial year.

2.4 **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.

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3. THE WARRANTS ISSUE

3.1 Basis of the Warrants Issue

Based on the issued share capital of the Company of 354,670,733 Shares as at the Latest Practicable Date, and assuming that there is no further change to the issued share capital of the Company as at the Books Closure Date, up to 354,670,733 Warrants are proposed to be offered on a renounceable non-underwritten basis to Entitled Shareholders at the Warrants Issue Price of S\$0.01 for each Warrant, each Warrant carrying the right to subscribe for one (1) New Share at the Exercise Price of S\$0.10 on the basis of one (1) Warrant for every one (1) Share held by Shareholders as at the Books Closure Date.

The Exercise Price represents a premium of approximately 244.8% to the closing price of S\$0.029 for each Share on 13 December 2013, being the latest date when the shares of the Company were traded on the Main Board of the SGX-ST prior to the date of the Announcement, and a premium of approximately 112.8% to the closing price of S\$0.047 for each Share on the Latest Practicable Date. The aggregate of the Warrants Issue Price and Exercise Price represents a premium of approximately 279.3% to the closing price of S\$0.029 for each Share on 13 December 2013, being the latest date when the shares of the Company were traded on the Main Board of the SGX-ST prior to the date of the Announcement, and a premium of approximately 134.0% to the closing price of S\$0.047 for each Share on the Latest Practicable Date.

For the avoidance of doubt, the Warrants will expire on the date immediately preceding the sixth (6th) anniversary of the date of issue of the Warrants.

The Warrants are payable in full upon acceptance and/or application. Each Warrant carries the right to subscribe for one (1) New Share at the Exercise Price. The New Shares will, when allotted and issued, rank *pari passu* in all respects with the existing Shares for any dividends, rights, allotments or other distributions, the Record Date for which falls on or after the date of the relevant exercise date of the Warrants, as the case may be.

Entitled Shareholders will be at liberty to accept (in full or in part), decline, renounce or otherwise trade their provisional allotments of Warrants during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for Excess Warrants under the Warrants Issue. Provisional allotments of Warrants which would otherwise have been made to Foreign Shareholders will be dealt with in the manner described in Section 3.4(b) entitled "Foreign Shareholders" of this Circular.

As at the Latest Practicable Date, approximately 39.7% of the total issued Shares are held by the public. In the event that the existing public Shareholders do not subscribe in full for their respective entitlements of Warrants and other Substantial Shareholders subscribe for their respective entitlements of Warrants and (if applicable) make applications for, and are allotted, Excess Warrants and/or existing public Shareholders make applications for, and are allotted Excess Warrants such that they become Substantial Shareholders, the Company's public float may fall to 19.8%. In the event that the Company's public float falls below 10.0%, Warrants and Excess Warrants will be allotted in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company subject to applicable laws and the Listing Manual (including the public float requirements).

As at the Latest Practicable Date, there are 107,343,448 warrants, which are convertible upon exercise to up to 107,343,448 new Shares in the Company.

The Company will issue to Mr Chan Ka Leung 12,000,000 options pursuant to the Proposed Acquisition. However, the grant of the options will be conditional upon the satisfaction of the conditions as set out in the Share Option Agreement to be entered by the Company with Mr Chan Ka Leung.

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As at the Latest Practicable Date, the Company has not entered into the Share Option Agreement with Mr. Chan Ka Leung (the “Grantee”), therefore the principle terms of the options have not been finalised by the parties. However, based on the current working draft negotiated by the parties, the options will expire 5 years after they are being granted and the Share Option Agreement will provide for parties to negotiate in good faith and use their best endeavors to agree on adjustments (if any) to the exercise price (of the options) prior to any exercise by the Grantee, in order to preserve as closely as reasonably possible, the economic result for the Grantee without the Grantee being required to make any additional payment, in the event that:

- (a) The Company issues new shares or rights to subscribe for shares (other than pursuant to an employee share option scheme) at an issue price less than the exercise price; or
- (b) There is any change in the capital structure of the Company as a result of any share consolidation, share split, declaration and payment of dividends, grant or issue of options or other securities linked to the shares or other changes such that the interest of the Grantee would be diluted.

The Company shall make further announcements (in relation to the grant of the options) as may be necessary or appropriate in due course when the Company enters into the Share Options Agreement with Mr Chan Ka Leung.

Assuming the 107,343,448 warrants and the 12,000,000 options of the Company are fully exercised by the recipient, the aggregate of the outstanding warrants and options will represent approximately 33.6% of the total existing number of issued shares in the capital of the Company as at the Latest Practicable Date.

3.2 Principal Terms of the Warrants

- | | | |
|---------------------------------------|---|--|
| Basis of provisional allotment | : | One (1) Warrant for every one (1) existing Share held by Entitled Shareholders as at the Books Closure Date. |
| Number of Warrants | : | Based on the issued share capital of the Company of 354,670,733 Shares as at the Latest Practicable Date and assuming the Warrants Issue is fully subscribed, up to 354,670,733 Warrants will be issued. |
| Warrants Issue Price | : | S\$0.01 for each Warrant, payable in full on acceptance and/or application. |
| Exercise Price | : | The amount payable for each New Share on the exercise of a Warrant, being S\$0.10 at issuance of the Warrant. |
| Exercise Period | : | The period during which the Warrants may be exercised commencing on and including the date of the first (1 st) anniversary of the date of issue of the Warrants and expiring at 5.00 p.m. (Singapore time) on the date immediately preceding the sixth (6 th) anniversary of the date of issue of the Warrants, but excluding such period(s) during which the Register of Members of the Company is closed pursuant to the terms and conditions of the Warrants to be set out in the Deed Poll. Unexercised Warrants at the expiry of the Exercise Period shall lapse and cease to be valid for any purpose. Notice of expiry of the Warrants shall be given to all Warrantholders at least 1 month before the expiration date, and the Company shall announce the same on the SGX-ST. |

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Listing of the Warrants and the New Shares : On 31 October 2014, the Company received the approval in-principle from the SGX-ST for the listing and quotation of the Warrants and the New Shares on the Main Board of the SGX-ST, subject to certain conditions, the details of which are set out under Section 3.3 of this Circular.

The approval in-principle granted by the SGX-ST for the listing and quotation of the Warrants and the New Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Warrants Issue, the Warrants, the New Shares, the Company and/or its subsidiaries.

In the event permission is not granted by the SGX-ST for the listing of and quotation for the Warrants on the Main Board of the SGX-ST due to an inadequate spread of holdings of the Warrants to provide for an orderly market in the trading of the Warrants, Warrantholders will not be able to trade their Warrants on the SGX-ST.

Trading of the Warrants and the New Shares : The Warrants will trade separately on the Main Board of the SGX-ST, under the book-entry (scripless) settlement system upon the listing of and quotation for the Warrants on the Main Board of the SGX-ST, subject to, *inter alia*, an adequate spread of holdings of the Warrants to provide for an orderly market in the Warrants. For the purpose of trading on the Main Board of the SGX-ST, each board lot of Warrants or New Shares (as the case may be) will consist of 1,000 Warrants or New Shares (as the case may be) or such other board lot size which the SGX-ST may require.

Form and Subscription Rights : The Warrants will be issued in registered form and will be constituted by the Deed Poll. Subject to the terms and conditions of the Warrants as set out in the Deed Poll, each Warrant will entitle the Warrantholder, at any time during the Exercise Period, to subscribe for one (1) New Share at the Exercise Price in force on the relevant exercise date. Warrants remaining unexercised at the expiry of the Exercise Period shall lapse and cease to be valid for any purpose.

Mode and payment for exercise of Warrants : Payment of the Exercise Price shall be made to the specified office of the Warrant Agent by way of a remittance in Singapore currency by banker's draft or cashier's order drawn on a bank operating in Singapore for the full amount of the Exercise Price payable in respect of the Warrants exercised.

Number of New Shares : Based on the issued share capital of the Company of 354,670,733 Shares as at the Latest Practicable Date and assuming that the Warrants Issue is fully subscribed and all the Warrants are exercised, up to 354,670,733 New Shares will be issued.

Status of New Shares : The New Shares 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, the Record Date for which is on or prior to the relevant exercise date of the Warrants.

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Adjustments

- : The Exercise Price and/or the number of Warrants to be held by each Warrantholder will, after the issue of the Warrants, be subject to adjustments under certain circumstances to be set out in the Deed Poll, including without limitation:
- (a) any consolidation, subdivision (including a subdivision by way of a bonus issue by the Company of Shares credited as fully paid without capitalisation of profits or reserves), or conversion of Shares; or
 - (b) an issue by the Company of Shares credited as fully paid-up by way of capitalisation of profits or reserves (whether of a capital or income nature and other than an issue of Shares to its Shareholders who had an option to take cash or other dividend in lieu of the relevant Shares); or
 - (c) a Capital Distribution (as defined in the Deed Poll Terms and Conditions) made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (d) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights; or
 - (e) an issue (otherwise than pursuant to a rights issue available to all Shareholders, requiring an adjustment under paragraph (d) above and other than an issue of Shares to Shareholders who had an option to take cash or other dividend in lieu of the relevant Shares) by the Company of Shares, if the Total Effective Consideration (as defined in the Deed Poll Terms and Conditions) for each Share is less than ninety per cent. (90.0%) of the Current Market Price (as defined in the Deed Poll Terms and Conditions) for each Share (calculated as provided in the Deed Poll Terms and Conditions).

Any additional Warrants issued shall rank *pari passu* with the Warrants issued under the Warrants Issue and will for all purposes form part of the same series.

Any such adjustments shall (unless otherwise provided under the rules of the SGX-ST from time to time) be announced by the Company on SGXNET.

Modifications of rights of Warrantholders

- : The Company may, without the consent of the Warrantholders but in accordance with the terms of the Deed Poll and subject to the approval of the SGX-ST, effect any modification to the terms of the Deed Poll including the terms and conditions of the Warrants which, in the opinion of the Company is:
- (a) not materially prejudicial to the interests of the Warrantholders; or
 - (b) of a formal, technical or minor nature; or

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- (c) to correct a manifest error or to comply with mandatory provisions of Singapore law; or
- (d) to vary or replace provisions relating to the transfer or exercise of the Warrants including the issue of New Shares arising from the exercise thereof or meetings of the Warrantholders in order to facilitate trading in or the exercise of the Warrants or in connection with the implementation and operation of the book-entry (scripless) settlement system in respect of trades of the Company's securities on the Main Board of the SGX-ST.

Any such modification shall be binding on all Warrantholders and all persons having an interest in the Warrants. Upon any modification of the terms of the Deed Poll and/or the terms and conditions of the Warrants, notice shall be given to the Warrantholders in accordance with the terms and conditions of the Warrants as set out in the Deed Poll as soon as practicable thereafter. Unless made pursuant to subparagraphs (a) to (d) above, any alteration to the terms of the Warrants to the advantage of the Warrantholders is subject to the approval of the Shareholders and the SGX-ST (if necessary).

Except where the modifications are made pursuant to the Deed Poll, the Company must not:

- (a) extend the exercise period of a Warrant;
- (b) issue a new Company warrant to replace a Warrant;
- (c) change the exercise price of a Warrant; and
- (d) change the exercise ratio of a Warrant.

Any material modifications to the terms of the Warrants to the advantage of the Warrantholders shall be approved by the Shareholders.

Transfer and transmission : For as long as the Shares and the Warrants are listed on SGX-ST, a Warrant may only be transferred in the manner prescribed in the terms and conditions of the Warrants as set out in the Deed Poll including, *inter alia*, the following:

- (a) Warrants not registered in the name of CDP

A Warrantholder whose Warrants are registered in the name of the Warrantholder ("**Transferor**") shall lodge, during normal business hours at the specified office of the Warrant Agent (as defined in the Deed Poll), the Transferor's warrant certificate(s) together with an instrument of transfer, in the form approved by the Company (the "**Transfer Form**"), duly completed and signed by or on behalf of the Transferor and the transferee and duly stamped in accordance with any law for the time being in force relating to stamp duty, provided that the Company and the Warrant Agent may

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dispense with requiring the Depository to sign as transferee any Transfer Form for the transfer of Warrants to it. A Transferor shall remain a holder of the Warrants until the name of the transferee is entered in the Register of Warrantholders by the Warrant Agent or the Depository Register by the Depository, as the case may be;

(b) Deceased Warrantholder

The executors or administrators (or trustees) of the estate of a deceased registered Warrantholder (not being one of several joint holders) and, in the case of the death of one or more of several joint holders, the survivor or survivors of such joint holders shall be the only person(s) recognised by the Company as having any title to the Warrants registered in the name of the deceased Warrantholder. Such persons shall, on producing to the Warrant Agent such evidence as may be required by the Warrant Agent to prove their title, and on the completion of a Transfer Form and payment of such fees and expenses required by the conditions of the Warrants to be set out in the Deed Poll, be entitled to be registered as a holder of the Warrants or to make such transfer as the deceased Warrantholder could have made; and

(c) Warrants registered in the name of CDP

Where the Warrants are registered in the name of the Depository and the Warrants are to be transferred between Depositors, such Warrants must be transferred in the Depository Register by the Depository by way of book-entry. A Depositor shall be deemed to remain a Warrantholder of the Warrants until the name of the transferee is entered in the Depository Register by CDP.

Winding-up

- : Subject to the Bermuda Laws and the Bye-Laws, where there is a member's voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them, shall have approved by way of a resolution passed at a meeting of the Warrantholders duly convened and held in accordance with the provisions contained in the Deed Poll, the terms of such scheme of arrangement shall be binding on all the Warrantholders.

If notice is given by the Company to its members to convene a general meeting for the purposes of considering a members' voluntary winding-up of the Company, every Warrantholder shall be entitled, no later than two (2) business days, being days (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks in Singapore, the SGX-ST, the CDP and the Warrant Agent are open for business, prior to the proposed general meeting, by irrevocable surrender of his Warrant certificate(s) to the Company with the notice for the exercise of the Warrants duly completed, together with all relevant payments payable, to elect to be

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treated as if he had exercised the Warrants to the extent of the number of Warrants exercised and had on such date been the holder of the New Shares. The New Shares will be allotted to such Warrantholder as soon as possible and in any event no later than the day immediately prior to the date of the proposed general meeting.

Subject to the foregoing, if the Company is wound up for any other reason, all Warrants which are not exercised shall lapse and cease to be valid for any purpose.

- Further issues** : Subject to the terms and conditions of the Warrants set out in the Deed Poll, Warrantholders shall not have any participation rights in such further issues of securities by the Company unless otherwise resolved by the Company in general meeting or in the event of a takeover offer to acquire Shares.
- Non-underwritten** : The Warrants Issue will not be underwritten.
- Warrant Agent** : Boardroom Corporate & Advisory Services Pte. Ltd.
- Governing law** : Laws of the Republic of Singapore.

The terms and conditions of the Warrants Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Warrants Issue will be set out in the Offer Information Statement to be lodged by the Company with the Authority, and to be despatched to Entitled Shareholders in due course, subject to, *inter alia*, the Warrants Issue being approved by Shareholders at the SGM.

3.3 Conditions for the Warrants Issue

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

- (a) the receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Warrants and the New Shares on the Main Board of the SGX-ST;
- (b) the Warrants Issue and the issue of the Warrants and the New Shares being approved by Shareholders at the SGM as an ordinary resolution; and
- (c) the lodgment of the Offer Information Statement with the Authority.

On 31 October 2014, the Company received the approval in-principle from the SGX-ST for the listing and quotation of the Warrants and the New Shares on the Main Board of the SGX-ST, subject to the following conditions:

- (a) Compliance with SGX-ST's listing requirements;
- (b) Shareholders' approval for the Warrants Issue;
- (c) A written undertaking from the Company that it will comply with Listing Rules 704(30), 815 and 1207(20) in relation to the use of the proceeds from the Warrants Issue and exercise of Warrants and 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;
- (d) A written confirmation from financial institution(s) as required under Listing Rule 877(9) that the shareholders who have given the irrevocable undertakings have sufficient financial resources to fulfill their obligations under its undertakings (if applicable);

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- (e) A written confirmation from the Company that there is a satisfactory spread of warrant holders (at least 100) to provide an orderly market for the Warrants in compliance with Listing Rule 826;
- (f) A written confirmation from the Company that the terms of the Warrants comply with Listing Rule 829(1);
- (g) A written confirmation from the Company that the terms of the Warrant Issue do not permit revision of the exercise price/ratio in any form, other than in compliance with Listing Rule 829(1);
- (h) A written confirmation from the Company that Listing Rule 877(10) will be complied with in relation to the allotment of any excess warrants; and
- (i) A written undertaking from the Company that Listing Rules 820, 830 and 831 will be complied with.

The approval in-principle granted by the SGX-ST for the listing and quotation of the Warrants and the New Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Warrants Issue, the Warrants, the New Shares, the Company and/or its subsidiaries.

3.4 Eligibility of Shareholders to Participate in the Warrants Issue

(a) Entitled Shareholders

Entitled Shareholders will be entitled to participate in the Warrants Issue and to receive the Offer Information Statement together with the WEWAFs or PALs, as the case may be, and its accompanying documents at their respective Singapore addresses. Entitled Depositors who do not receive the Offer Information Statement and the WEWAFs may obtain them from the CDP during the period up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PALs may obtain them from the Share Transfer Agent during the period up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Warrants under the Warrants Issue on the basis of their shareholdings as at the Books Closure Date. Entitled Shareholders are at liberty to accept, decline, renounce or trade their provisional allotments of Warrants on the Main Board of the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST, and will be eligible to apply for Excess Warrants under the Warrants Issue. Entitled Depositors who wish to accept their provisional allotments of Warrants and (if applicable) apply for Excess Warrants, may only do so through CDP or by way of an Electronic Application through an ATM of a Participating Bank. In the allotment of Excess Warrants, preference will be given to Shareholders for the rounding of odd lots, and Substantial Shareholders and Directors who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Warrants issue, or have representation (direct or through a nominee) on the Board, will rank last in priority.

Full details of the Warrants Issue will be set out in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.

For Entitled Shareholders who hold Shares through finance companies or Depository Agents, acceptances of the Warrants provisionally allotted to them and (if applicable) applications for Excess Warrants must be done through these intermediaries. Any acceptance and/or application of the Warrants by such Entitled Shareholders directly to CDP or through the ATMs will be rejected.

All dealings in and transactions of the provisional allotments of the Warrants through the Main Board of the SGX-ST 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 Main Board of the SGX-ST.

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Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit their share certificates with CDP prior to the Books Closure Date so as to enable CDP to credit their Securities Accounts with their Shares and the provisional allotments of Warrants. Entitled Scripholders should note that their Securities Accounts will only be credited with the Shares on the twelfth (12th) Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.

Entitled Depositors should note that all notices and documents will be sent to their last registered addresses with CDP. Entitled Depositors are reminded that any request to CDP to update their records or to effect any change in address must reach CDP at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588, no later than five (5) Market Days before the Books Closure Date.

The procedures for, and the terms and conditions applicable to, acceptances, splitting, renunciation and/or sales of the provisional allotments of Warrants and for the applications for Excess Warrants, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement to be despatched by the Company to the Entitled Shareholders in due course.

(b) Foreign Shareholders

The Offer Information Statement and its accompanying documents 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 Offer Information Statement and its accompanying documents will not be despatched to Foreign Shareholders or into any jurisdictions outside Singapore.

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

The Offer Information Statement and its accompanying documents will also not be despatched to Warrants Purchasers if their registered addresses with CDP are outside Singapore (the “**Foreign Purchasers**”). Foreign Warrants Purchasers who wish to accept the provisional allotments of Warrants credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore.

The Company reserves the right to treat as invalid any WEWAF, WAF or PAL which (a) appears to the Company or its agents 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 Warrants 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. The Company further reserves the right to reject any acceptances of the Warrants and/or applications for Excess Warrants where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction.

Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP. Entitled Scripholders should note that all correspondences and notices will be sent to their last registered addresses in the Register of Members of the Company.

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Shareholders (not being Depositors) 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 Warrants Issue should provide such an address in Singapore not later than five (5) Market Days before the Books Closure Date by notifying the Company (c/o the Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623).

Depositors whose registered addresses with CDP are not in Singapore and who wish to be eligible to participate in the Warrants Issue should provide an address in Singapore for the service of notices and documents not later than five (5) Market days before the Books Closure Date by notifying CDP at 9 North Buona Vista Drive #01-19/20 The Metropolis, Singapore 138588.

If it is practicable to do so, arrangements may, at the absolute discretion of the Company, be made for the provisional allotments of Warrants which would otherwise have been provisionally allotted to Foreign Shareholders to be sold “nil-paid” on the Main Board of the SGX-ST as soon as practicable after dealings in the provisional allotments of Warrants commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them at their own risk by ordinary post. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall be retained or dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Share Transfer Agent or CDP in connection therewith.

Where such provisional allotments of Warrants are sold “nil-paid” on the Main Board of the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Share Transfer Agent or CDP in respect of such sales or the proceeds thereof, the provisional allotments of Warrants or the Warrants represented by such provisional allotments.

If such provisional allotments of Warrants cannot be or are not sold on the Main Board of the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Warrants, the Warrants represented by such provisional allotments will be allotted and issued to satisfy applications for Excess Warrants or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Share Transfer Agent or CDP in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

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 Warrants unless such offer, invitation or solicitation could lawfully be made without violating any regulatory or legal requirements in those territories.

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3.5 No Undertaking and Underwriting

As at the Latest Practicable Date, the Company has not received undertakings from any Shareholder to subscribe for the Warrants pursuant to the Warrants Issue.

In view of the savings in costs in respect of underwriting fees, the Company has decided to proceed with the Warrants Issue on a non-underwritten basis. Accordingly, the Warrants Issue will not be underwritten by any financial institution.

3.6 Purpose of the Warrants Issue and use of proceeds

Assuming that the Warrants Issue is fully subscribed, and the Warrants are fully exercised, the gross proceeds will amount to approximately S\$39 million (comprising of approximately S\$3.5 million from the subscription of Warrants and S\$35.5 million from the exercise of Warrants), and the estimated net proceeds from the Warrants Issue will be approximately S\$37.1 million, after deducting professional fees as well as related expenses amounting to an aggregate of approximately S\$1.9 million (comprising legal fees, administrative expenses and other professional expenses) incurred in connection with the Warrants Issue (the “**Warrants Issue Proceeds**”). The Company intends to use the Warrants Issue Proceeds in the manner as follows:

	Intended Use of Warrants Issue Proceeds	Percentage allocation
(a)	Exploration of and investment in business opportunities in the Nickel Distribution and Trading Business	80%
(b)	General working capital purposes, including the general purchase of inventories and payment of operating expenses	20%

The details of the Proposed Diversification to include the Nickel Distribution and Trading Business is set out in Section 2 of this Circular.

The Exercise Period of the Warrants is five (5) years commencing on and including the date of the first (1st) anniversary of the date of the issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the sixth (6th) anniversary of the date of issue of the Warrants, but excluding such period(s) during which the Register of Members of the Company is closed pursuant to the terms and conditions of the Warrants to be set out in the Deed Poll. As Warrantholders are entitled to exercise the Warrants at any time during the Exercise Period, the Company is unable to ascertain the aggregate amount of proceeds raised from the exercise of the Warrants, when proceeds from the exercise of any Warrant(s) by any Warrantholder will be expected, or the amount of proceeds expected from any exercise of Warrant(s) at any time during the Exercise Period. Accordingly, the Company is unable to provide details as to the use of the aggregate proceeds raised from the Warrants Issue save in respect of that which is detailed in this Section.

The Directors believe that the Warrants Issue will provide Shareholders who are confident of the future prospects of the Company, with the opportunity to obtain further equity participation in the Company, by acquiring the Warrants and/or subscribing for the New Shares through the exercise of the Warrants.

The Directors are also of the opinion that:

- (i) after taking into consideration the Group’s present banking facilities, the working capital available to the Group is sufficient to meet its present requirements; and
- (ii) after taking into consideration the Group’s present banking facilities and the Warrants Issue Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

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As at 24 November 2014, the Group's banking facilities amounted to approximately HK\$23.7 million of which HK\$7.2 million was utilised. These facilities were secured by legal charges over certain of the Group's leasehold land and buildings, properties held for sale, and personal guarantee provided by Mr Lau Chor Beng, Peter, the managing director the Company.

In the reasonable opinion of the Directors, there is no minimum amount which must be raised from the Warrants Issue.

Pending the deployment of the Warrants Issue Proceeds, such proceeds may be deposited with banks and/or financial institutions or invested in short-term money market instruments and/or debt instruments, as the Directors may deem appropriate in the interests of the Group.

The Company will make an announcement via SGXNET on the specific use of the Warrants Issue Proceeds as and when such proceeds are materially disbursed, and further provide a status report on the specific use of such proceeds in its annual report.

After taking into consideration the costs 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 Warrants Issue to be underwritten by a financial institution.

3.7 Books Closure Date

Subject to Shareholders' approval of, *inter alia*, the Warrants Issue at the SGM, the Register of Members and the Share Transfer Books of the Company will be closed at 5.00 p.m. on 23 January 2015 based on an indicative timetable, or such other time and date as the Directors may determine for the purpose of determining the entitlements of Shareholders under the Warrants Issue.

3.8 Take-over Limits

The Code regulates the acquisition of interests in voting rights of public companies including the Company. Unless exempted, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting rights in the Company or if such person holds, either on his own or together with parties acting in concert with him, between 30.0% to 50.0% (both inclusive) of the voting rights in the Company, and acquires additional Shares representing more than 1.0% of the voting rights in the Company in any six-month period, must extend a take-over offer for the remaining Shares in the Company in accordance with the provisions of the Code.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Code as a result of the subscription of all or any of their respective entitlements of Warrants and New Shares under the Warrants Issue should consult the Securities Industry Council of Singapore and/or their professional advisers.

The Company may scale down any Shareholder's application to subscribe for any Warrants to avoid placing such Shareholder in the position of incurring an obligation to make a mandatory general offer for the Shares under the Code as a result of other Shareholders not taking up their entitlements of the Warrants and/or New Shares.

4. THE CONVERTIBLE BONDS ISSUE

4.1 Introduction to the Convertible Bonds Issue

This section of the Circular contains information pertaining to the Convertible Bonds Issue. The Warrants Issue and the Convertible Bonds Issue are separate and independent rights issues and are not inter-conditional on each other.

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4.2 Principal Terms of the Convertible Bonds Issue

The principal terms of the Convertible Bonds Issue, the Convertible Bonds and the Conversion Shares are summarised below.

The Convertible Bonds Issue

Basis of provisional allotment : The Convertible Bonds Issue is made on a renounceable basis to Entitled Shareholders on the basis of one (1) Convertible Bond for every one (1) existing Share standing to the credit of the Securities Accounts of the Entitled Depositors or held by the Entitled Scripholders, as the case may be, as at the Books Closure Date, fractional entitlements to be disregarded. Shareholders' entitlement to the Convertible Bonds is NOT conditional upon Shareholders accepting their rights to the Warrants Issue.

Eligibility to Participate : Please see Section 4.5 of this Circular.

Underwriting : The Convertible Bonds Issue will not be underwritten.

Acceptance, excess application and payment procedures : Entitled Shareholders will be at liberty to accept, decline or transfer their provisional allotments of Convertible Bonds and are eligible to apply for additional Convertible Bonds in excess of their provisional allotments under the Convertible Bonds Issue.

Fractional entitlements to the Convertible Bonds will be disregarded in arriving at the Shareholders' entitlements and will, together with the Convertible Bonds represented by the provisional allotments of (i) Entitled Shareholders who decline, do not accept, or elect not to transfer their provisional allotments of Convertible Bonds under the Convertible Bonds Issue; and/or (ii) ineligible Shareholders, be aggregated and used to satisfy excess Convertible Bonds applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess Convertible Bonds, preference will be given to the rounding of odd lots and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Convertible Bonds issue, or have representation (direct or through a nominee) on the Board, will rank last in priority.

The procedures for acceptance, excess application and payment by Entitled Depositors and the procedures for acceptance, splitting, renunciation, excess application and payment by Entitled Scripholders will be set out in the Offer Information Statement.

The Convertible Bonds and Conversion Shares

Issue Size : Up to S\$5,320,060.99 in aggregate principal amount of Convertible Bonds due in 2020.

Bonds Issue Price : S\$0.015 for each Convertible Bond. The nominal value for each Convertible Bond is S\$0.015.

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- Maturity Date** : The fifth anniversary of the date of issue of the Convertible Bonds (the “**Maturity Date**”).
- Interest** : The Convertible Bonds will bear interest from the date of issue of the Convertible Bonds up to the Maturity Date at the rate of seven (7) per cent per annum payable annually in arrears on the interest payment date (the “**Interest Payment Date**”). Subject to the Terms and Conditions, each Convertible Bond will cease to bear interest (i) from and including the Interest Payment Date last preceding the date of conversion of the Convertible Bond; or (ii) from the due date of redemption thereof unless upon surrender, payment of the full amount due is improperly withheld or refused or default is otherwise made in respect of any such payment.
- Form and Denomination** : The Convertible Bonds will be issued in registered form and in the denomination of S\$0.015 each and will be represented by a global bond certificate registered in the name of CDP, and deposited with CDP. Except in the limited circumstances described in the provisions of the global bond certificate, owners of interests in Convertible Bonds represented by the global bond certificate will not be entitled to receive definitive bond certificates in respect of their individual holdings of Convertible Bonds. Convertible Bonds which are represented by the global bond certificate will be transferable only in accordance with the rules and procedures for the time being of CDP.
- Conversion Terms** : Bondholders have the right to convert any Convertible Bond into validly issued, fully paid and unencumbered Conversion Shares, at any time on or after one (1) year after the date of issue of the Convertible Bonds up to the date falling seven (7) days prior to the Maturity Date.
- The number of Conversion Shares to be issued on the conversion of each Convertible Bond will be determined by dividing the principal amount of each Convertible Bond by the Conversion Price. If more than one Convertible Bond held by the same holder is converted at any one time by the same holder, the number of Conversion Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Convertible Bonds to be converted.
- Fractions of a common share will not be issued on conversion and no adjustment or cash payment will be made in respect of such fractions of shares.
- Conversion Price** : The Conversion Price will be S\$0.10 (subject to Adjustments to Conversion Price). Bondholders may convert any Convertible Bonds that he holds into Conversion Shares. For example:
- (i) If the Bondholder has 20 Convertible Bonds, he will be able to convert these Convertible Bonds into 3 Conversion Shares.

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- (ii) If the Bondholder has 10 Convertible Bond, he will only be able to convert these Convertible Bond into 1 Conversion Share only.
- (iii) If the Bondholder has 1 Convertible Bond, he will not be able to convert this Convertible Bond into any Conversion Shares.

In practice, an existing shareholder who owns 1000 Shares will be entitled to buy S\$15 Convertible Bonds (1000 * S\$0.015). The shareholder / the bondholder will have the right to convert the S\$15 Convertible Bonds into 150 Conversion Shares.

Adjustments to Conversion Price

: The Conversion Price will be subject to adjustments under certain circumstances, including the following:

- (a) any alteration to the number of issued Shares as a result of consolidation, subdivision or reclassification;
- (b) the issue of Shares by the Company credited as fully paid to Shareholders, by way of capitalisation of profits or reserves (including any share premium account, distributable profits or reserves and/or capital redemption reserve fund), including a free distribution or bonus issue of Shares, other than an issue of Shares paid-up out of profits or reserves and issued in lieu of the whole or part of a specifically declared cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received (a “**Scrip Dividend**”) and which would not have constituted a Capital Distribution (as defined in the Terms and Conditions);
- (c) the issue of Shares by way of a Scrip Dividend where the Current Market Price (as defined in the Terms and Conditions) of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution;
- (d) the payment or making of any Capital Distribution by the Company to the Shareholders;
- (e) the issue of Shares to all or substantially all Shareholders as a class by the Company by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than the Current Market Price;
- (f) the issue of any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class by the Company by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares);

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- (g) otherwise than as mentioned in sub-paragraph (e) above, the issue wholly for cash by the Company of any Shares or the issue or grant of options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than the Current Market Price
- (h) the issue wholly for cash by the Company or any Subsidiary (as defined in the Terms and Conditions) or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity of any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than the Current Market Price;
- (i) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in the preceding sub-paragraph (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than the Current Market Price;
- (j) the issue, sale or distribution by or on behalf of the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them; and
- (k) if the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not specified above, the Company shall at its own expense request an Independent Adviser (acting as an expert) to determine as soon as practicable what adjustment to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination.

No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted pursuant to any employee share scheme or pursuant to the conversion of the Convertible Bonds.

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- Conversion Shares** : Based on the issue size of S\$5,320,060.99 in aggregate principal amount of Convertible Bonds, the number of Conversion Shares to be allotted and issued by the Company pursuant to the full conversion of the Convertible Bonds, will be 53,200,610 Conversion Shares. This represents fifteen per cent. (15%) of the Company's existing share capital (on a fully diluted basis) as at the Latest Practicable Date.
- Conversion Period** : Subject to and upon compliance with the Terms and Conditions, the Convertible Bonds may be converted at the Conversion Price into validly issued, fully paid and unencumbered Conversion Shares, at the option of the Bondholder, at any time on or after one (1) year after the date of issue of the Convertible Bonds up to the date falling seven (7) days prior to the Maturity Date.
- Status of the Convertible Bonds** : The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all time rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.
- Status of the Conversion Shares** : The Conversion Shares 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, the record date for which precedes the registration date in respect of the Conversion Shares.
- Redemption at Maturity** : Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, the Company will redeem each Convertible Bond at 100% of its principal amount on the Maturity Date.
- Redemption at the Option of the Company or for Taxation Reasons** : If at any time the aggregate principal amount of the Convertible Bonds outstanding is less than 10.0 per cent. of the aggregate principal amount originally issued, the Company shall have the option to redeem such outstanding Convertible Bonds in whole but not in part at their principal amount together with accrued interest.

The Company also has the option to redeem the Convertible Bonds at any time after three (3) years of the date of issue of the Convertible Bonds and before the Maturity Date. Any such early redemption of the Convertible Bonds by the Company shall be made at 103% of the principal amount of the Convertible Bonds, together with any accrued interest.

Also, at any time, the Company may redeem the Convertible Bonds, subject to and in accordance with the Terms and Conditions, for taxation reasons.

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Delisting Put Right : In the event the Shares cease to be listed or admitted to trading on the SGX-ST (a “**Delisting**”), each Bondholder shall have the right (the “**Delisting Put Right**”), at such Bondholder’s option, to require the Company to redeem all (but not less than all) of such Bondholder’s Convertible Bonds on the 20th Business Day (as defined in the Terms and Conditions) after notice has been given to Bondholders regarding the Delisting at 100% of its principal amount together with accrued interest.

Purchases : The Company or any Subsidiary may at any time purchase Convertible Bonds at any price in the open market or otherwise. Such Convertible Bonds may, at the option of the Company or the relevant Subsidiary, be held, resold or cancelled. The Convertible Bonds so acquired, while held by or on behalf of the Company or any Subsidiary, shall not entitle the holders thereof to convert the Convertible Bonds in accordance with the Terms and Conditions nor exercise any voting rights with respect to such Convertible Bonds.

Clearing and Settlement : The Convertible Bonds will be cleared through CDP and are to be kept with CDP as authorised depository.

Listing : On 31 October 2014 , the SGX-ST granted its in-principle approval for the listing and quotation of the Convertible Bonds and the Conversion Shares on the Main Board of the SGX-ST, subject to certain conditions, details of which are set out in Section 4.4 of this Circular.

Approval in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Convertible Bonds, the Conversion Shares, the Company and/or its subsidiaries. The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained and opinions expressed in this Circular.

It should be noted that the Convertible Bonds may not be listed and quoted on the SGX-ST in the event of an insufficient spread of holdings of the Convertible Bonds to provide for an orderly market in the trading of the Convertible Bonds. Accordingly, in such event, holders of Convertible Bonds will not be able to trade their Convertible Bonds on the SGX-ST. However, if a Bondholder was to exercise his right, subject to the Terms and Conditions, to convert the Convertible Bonds into Conversion Shares, such Conversion Shares will be listed and quoted on the Main Board of the SGX-ST.

Trading ; Upon the listing of and quotation for the Convertible Bonds and Conversion Shares on the SGX-ST, the Convertible Bonds and Conversion Shares, when issued, will be traded on the SGX-ST under the book-entry (scripless) settlement system. All dealings in and transactions (including transfers) of the Convertible Bonds and Conversion Shares effected through the SGX-ST and/or CDP shall be made in accordance with the “Terms and Conditions for Operation of

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Securities Accounts with CDP” and the master depository services agreement, as the same may be amended from time to time.

- Taxation** : All payments of principal and/or interest made by the Company will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Singapore or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Company will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Convertible Bond in certain circumstances as set out in the Terms and Conditions.
- Events of Default** : Subject to the Terms and Conditions, upon the occurrence of any event of default, including the liquidation of the Company, the Convertible Bonds may be declared immediately due and repayable at their principal amount together with accrued interest. Please refer to Condition 11 of the Terms and Conditions of the Convertible Bonds under the Trust Deed. The draft Trust Deed is 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.
- Trustee** : Lion Trust (Singapore) Limited
- Principal Paying Agent** : Lion Trust (Singapore) Limited
- Conversion and Transfer Agent** : Boardroom Corporate & Advisory Services Pte. Ltd.
- Governing Law** : Laws of Singapore.

The terms and conditions of the Convertible Bonds Issue (including the Terms and Conditions of the Convertible Bonds) are subject to such changes as the Directors may deem fit. The final terms and conditions of the Convertible Bond 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 approval of the Shareholders for the Convertible Bond Issue at the SGM.

4.3 Conditions for the Convertible Bonds Issue

Shareholders should note that the Convertible Bond Issue is subject to the following:

- (a) the in-principle approval of the SGX-ST for the listing of and quotation for the Convertible Bonds and the Conversion Shares on the Main Board of the SGX-ST not having been withdrawn or revoked on or prior to the completion of the Convertible Bonds Issue;

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- (b) the Convertible Bonds Issue being approved by the Shareholders at the SGM; and
- (c) the lodgment of the Offer Information Statement with the Authority.

4.4 SGX-ST Conditions.

On 31 October 2014, the SGX-ST granted its in-principle approval for the listing of and quotation for the Convertible Bonds and the Conversion Shares on the Mainboard of the SGX-ST, subject to the following conditions:

- (a) Compliance with SGX-ST's listing requirements;
- (b) Shareholders' approval for the Convertible Bonds issue;
- (c) Announcement of the conditions under which the price of the Conversion Shares may be adjusted and the conditions under which the Convertible Bonds may be redeemed;
- (d) Submission of:
 - (i) A written confirmation from the Company that the terms of the Convertible Bonds comply with Listing Rule 829(1);
 - (ii) A copy of the signed subscription agreement, agent bank agreement, and fiscal agency agreement;
 - (iii) A written undertaking from the Company that it will comply with Listing Rules 704(30), 815 and 1207(20) in relation to the use of the proceeds from the Convertible Bonds Issue and 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;
 - (iv) A written confirmation from financial institution(s) as required under Listing Rule 877(9) that the shareholders who have given the irrevocable undertakings have sufficient financial resources to fulfill their obligations under its undertakings (if applicable);
 - (v) A written confirmation from the Company that the terms of the Convertible Bonds do not permit revision of the conversion price/ratio in any form, other than in compliance with Listing Rule 829(1);
 - (vi) A written confirmation from the Company that Listing Rule 877(10) will be complied with in relation to the allotment of any excess Convertible Bonds;
 - (vii) Adequate disclosure of all risks and material information in the Offer Information Statement to enable investors to make an informed investment decision on the Convertible Bonds;
 - (viii) A written undertaking from the Company for the Company to make periodic announcements as and when proceeds from the Convertible Bonds issue are materially deployed, and to provide a status report on the use of the proceeds in the annual report of the Company;
 - (ix) A written undertaking from the Company that the Company will comply with Rule 308(8)(d), Rule 308(8)(e) and Rule 308(8)(f) of the Listing Manual;
 - (x) A written confirmation from the directors of the Company that a suitable trustee has been appointed prior to the issue of debt securities as required under Rule 308(4) of the Listing Manual;

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- (xi) A written confirmation from the Company that the requirements in Rule 316 and Part VI of Chapter 7 of the Listing Manual will be complied with by the Company;
- (xii) A written undertaking from the Company in the format set out in Appendix 2.3.1 of the Listing Manual; and
- (xiii) Other documents, such as a deed poll, that may be applicable to the issue of debt securities as required under Rule 314(7) of the Listing Manual.

The approval in-principle granted by the SGX-ST for the listing and quotation of the Convertible Bonds and the Conversion Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Convertible Bonds, the Conversion Shares, the Company and/or its subsidiaries.

4.5 Eligibility of Shareholders to Participate in the Convertible Bonds Issue

4.5.1 Entitled Shareholders

Entitled Shareholders will be entitled to participate in the Convertible Bonds Issue and to receive the Offer Information Statement together with the AREs or the PALs, as the case may be, and its accompanying documents at their respective Singapore addresses. Entitled Depositors who do not receive the AREs may obtain them and the Offer Information Statement from CDP during the period up to the Closing Date. Entitled Scripholders who do not receive the PALs may obtain them and the Offer Information Statement from the Share Transfer Agent during the period up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Convertible Bonds under the Convertible Bonds Issue on the basis of their holdings of Shares as at the Books Closure Date. Entitled Shareholders will be at liberty to accept, decline or transfer their provisional allotments of Convertible Bonds and are eligible to apply for additional Convertible Bonds in excess of their provisional allotments under the Convertible Bonds Issue. Details of the Convertible Bonds Issue will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course.

All dealings in and transactions of the provisional allotments of the Convertible Bonds through the SGX-ST 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 SGX-ST.

In addition, the Convertible Bonds will be represented by a global bond certificate registered in the name of, and deposited with CDP and, except in the limited circumstances described in the provisions of the global bond certificate, owners of interests in Convertible Bonds represented by the global bond certificate will not be entitled to receive definitive bond certificates in respect of their individual holdings of Convertible Bonds. **Accordingly, Entitled Scripholders who wish to accept their provisional allotments of Convertible Bonds and apply for excess Convertible Bonds must open Securities Accounts if they have not already done so, and provide their Securities Account numbers in the forms comprised in their PALs. Entitled Scripholders who fail to provide their Securities Account numbers in the forms comprised in their PALs or who have given incorrect or invalid Securities Account numbers or whose Securities Account numbers provided are not otherwise accepted by CDP for the credit of their Convertible Bonds or whose particulars as provided in the forms comprised in the PALs differ from those given to CDP for the opening of their Securities Accounts will have their acceptances of their provisional allotments of Convertible Bonds and applications for excess Convertible Bonds rejected.**

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Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit their Share certificates with CDP prior to the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and their provisional allotments of Convertible Bonds. Entitled Scripholders should note that their Securities Accounts will only be credited with the Shares on the 12th Market Day from the date of lodgment of the Share certificates with CDP or such later date as CDP may determine.

The Company has not applied for inclusion of the Convertible Bonds under the CPF Investment Schemes. Accordingly, Entitled Shareholders under the CPF Investment Scheme – Ordinary Account CANNOT use their CPF Funds for the payment of the Bonds Issue Price in respect of the Convertible Bonds provisionally allotted to them. CPF members are NOT permitted to use their CPF Funds to (a) purchase the “nil-paid” rights entitlements of Convertible Bonds traded on the SGX-ST; (b) pay the Bonds Issue Price in respect of the Convertible Bonds; or (c) purchase the Convertible Bonds traded on the SGX-ST (the listing thereof subject to there being a sufficient spread of holdings).

Such members who wish to accept the provisional allotments of the Convertible Bonds and (if applicable) apply for excess Convertible Bonds will need to instruct their respective approved banks, where they hold their CPF Investment Accounts, to accept and (if applicable) apply for the Convertible Bonds on their behalf using cash and in accordance with the Offer Information Statement. The Convertible Bonds and, upon conversion of the Convertible Bonds, the Conversion Shares arising therefrom, will not be held through the CPF Investment Account.

4.5.2 Foreign Shareholders and Purchasers

The Offer Information Statement and its accompanying documents will not be registered or filed in any jurisdiction other than in 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 Singapore, the Convertible Bonds and the Conversion Shares will NOT be offered to Foreign Shareholders and the Offer Information Statement and its accompanying documents will not be despatched to Foreign Shareholders. **Accordingly, no provisional allotments of the Convertible Bonds will be made to Foreign Shareholders and no purported acceptance thereof or application therefore 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 Convertible Bonds 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 the Convertible Bonds credited by CDP to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore. The Company further reserves the right to reject any acceptances of the Convertible Bonds and/or applications for excess Convertible Bonds where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction. Depositors should note that all correspondence and notices will be sent to their last registered addresses with CDP.

Depositors who wish to maintain a mailing address (“**Rights Mailing Address**”) with CDP for the purpose of receiving documents relating to the Convertible Bonds Issue should inform CDP in writing at 9 North Buona Vista Drive #01-19/20 The Metropolis, Singapore 138588. 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 five (5) Market Days before the Books Closure Date.

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Shareholders (not being Depositors) 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 Convertible Bonds Issue should provide such an address in Singapore not later than five (5) Market Days before the Books Closure Date by notifying:

Joyas International Holdings Limited
c/o Boardroom Corporate Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Convertible Bonds, which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the provisional allotments of Convertible Bonds commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them at their own risk by ordinary post, provided that where the amount of net proceeds to be distributed to any single Foreign Shareholder is less than \$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP or the Share Transfer Agent in connection therewith.

Where such provisional allotments of Convertible Bonds are sold “nil-paid” on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP or the Share Transfer Agent in respect of such sales or the proceeds thereof, the provisional allotments of Convertible Bonds or the Convertible Bonds represented by such provisional allotments.

If such provisional allotments cannot be sold or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of the Convertible Bonds, the Convertible Bonds represented by such provisional allotments will be issued to satisfy excess applications or dealt with in such manner as the Directors may, in their absolute discretion, deem fit and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP or the Share Transfer Agent in connection therewith. Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

- 4.6 No Offer outside Singapore.** Notwithstanding the above, Shareholders or any other person having possession of the Offer Information Statement are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any jurisdiction outside Singapore receiving the Offer Information Statement may treat the same as an offer, invitation or solicitation to subscribe for any Convertible Bonds, Conversion Shares and/or Conversion Shares unless such offer, invitation or solicitation could lawfully be made without violating any regulatory or legal requirements in those jurisdictions.

LETTER TO SHAREHOLDERS

4.7 Offer Information Statement. The procedures for acceptance, excess application and payment by Entitled Depositors and the procedures for acceptance, splitting, renunciation, excess application and payment by Entitled Scripholders will be set out in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Shareholder for the Convertible Bonds Issue at the SGM.

4.8 Purpose of the Convertible Bonds Issue and Use of Proceeds

Assuming that the Convertible Bonds Issue is fully subscribed, the gross proceeds will amount to approximately S\$5.32 million, and the estimated net proceeds from the Convertible Bonds Issue will be approximately S\$5.06 million, after deducting professional fees as well as related expenses amounting to an aggregate of approximately S\$0.26 million incurred in connection with the Convertible Bonds Issue. The Company intends to use the net proceeds from the subscription of the Convertible Bonds Issue (the “**Bonds Proceeds**”) in the manner as follows:

	Intended Use of Bonds Proceeds	Percentage allocation
(a)	Exploration of and investment in business opportunities in the Nickel Distribution and Trading Business	80%
(b)	General working capital purposes, including the general purchase of inventories and payment of operating expenses	20%

The details of the Proposed Diversification to include the Nickel Distribution and Trading Business is set out in Section 2 of this Circular.

In the reasonable opinion of the Directors, there is no minimum amount which must be raised from the Convertible Bonds Issue.

The Directors are also of the opinion that:

- (i) after taking into consideration the Group’s present banking facilities, the working capital available to the Group is sufficient to meet its present requirements; and
- (ii) after taking into consideration the Group’s present banking facilities and the Bonds Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

The above opinion takes into consideration that the Convertible Bonds would have to be repaid if they are not converted into the Company’s Shares. As at 24 November 2014, the Group’s banking facilities amounted to approximately HK\$23.7 million of which HK\$7.2 million was utilised. These facilities were secured by legal charges over certain of the Group’s leasehold land and buildings, properties held for sale, and personal guarantee provided by Mr Lau Chor Beng, Peter, the managing director the Company.

Pending the deployment of the Bonds Proceeds, such proceeds may be deposited with banks and/or financial institutions or invested in short-term money market instruments and/or debt instruments, as the Directors may deem appropriate in the interests of the Group.

The Company will make an announcement via SGXNET on the specific use of the Bonds Proceeds as and when such proceeds are materially disbursed; and further provide a status report on the specific use of such proceeds in its annual report.

Where proceeds from the Convertible Bonds Issue are to be used for working capital purposes, the Company will disclose the breakdown with specific details on the use of proceeds for working capital in the Company’s announcements on use of proceeds.

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4.9 Books Closure Date for the Convertible Bonds Issue

Subject to Shareholders' approval of, *inter alia*, the Convertible Bonds Issue at the SGM, the Register of Members and the Share Transfer Books of the Company will be closed at 5.00 p.m. on 23 January 2015 based on an indicative timetable, or such other time and date as the Directors may determine for the purpose of determining the entitlements of Shareholders under the Convertible Bonds Issue.

4.10 Takeover Limits

The Code regulates the acquisition of common shares of public companies including the Company. Unless exempted, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting rights in the Company or if such person holds, either on his own or together with parties acting in concert with him, between 30.0% to 50.0% (both inclusive) of the voting rights in the Company, and acquires additional Shares representing more than 1.0% of the voting rights in the Company in any six-month period, must extend a take-over offer for the remaining Shares in the Company in accordance with the provisions of the Code.

In general, the acquisition of instruments convertible into securities which carry voting rights does not give rise to an obligation to make a mandatory take-over offer under the Code but the exercise of any conversion rights will be considered an acquisition of voting rights for the purposes of the Code.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Code as a result of any acquisition of and conversion of the Convertible Bonds into Conversion Shares pursuant to the Convertible Bonds Issue should consult the Securities Industry Council and/or their professional advisers.

5. SUMMARY OF PAST PERFORMANCE FOR THE PAST THREE (3) FINANCIAL YEARS

5.1 Profit and Loss Statement

The consolidated comprehensive income statements of the Group for FY2011, FY2012 and FY2013 are set out below:

	FY2011 HK\$'000 (Audited)	FY2012 HK\$'000 (Audited)	FY2013 HK\$'000 (Audited)
Continuing Operations			
Revenue	127,344	110,444	91,618
Cost of sales	(93,475)	(100,828)	(72,346)
Gross profit	33,869	9,616	19,272
Other income	3,549	4,375	9,283
Selling and distribution costs	(7,243)	(7,823)	(4,449)
Administrative costs	(25,518)	(19,746)	(19,598)
Other operating expenses	(264)	(17,527)	(475)
Finance costs	(1,491)	(606)	(1,086)
Profit/(loss) before income tax	2,902	(31,711)	2,947
Income tax expenses	–	(19,090)	(1,828)
Profit/(loss) for the year from continuing operations attributable to the owners of the Company	2,902	(50,801)	1,119
Discontinued Operations			
Profit for the year from discontinued operations	657	–	–

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	FY2011 HK\$'000 (Audited)	FY2012 HK\$'000 (Audited)	FY2013 HK\$'000 (Audited)
Profit/(loss) for the year attributable to the owners of the Company	3,559	(50,801)	1,119
Other comprehensive income			
Exchange gains on translation of financial statements of foreign operations	1,429	472	349
Reclassification adjustment for translation reserve upon disposal of a subsidiary	(3,976)	–	(6,810)
Total other comprehensive income	(2,547)	472	(6,461)
Total comprehensive income/(loss) for the year attributable to the owners of the Company	1,012	(50,329)	(5,342)
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the year			
– Basic and diluted (HK cents)	1.16	(15.75)	0.33

Source: Annual reports of the Company for FY2012 and FY2013.

A review of the past performance of the Group from FY2011 to FY2013 is set out below.

5.1.1 FY2012 compared to FY2011

Revenue

The Group's revenue decreased by approximately HK\$16.9 million or 13.3% from approximately HK\$127.3 million in FY2011 to approximately HK\$110.4 million in FY2012. The lower sales were attributable to lower orders for the Group's metal gift products and jewellery products as a result of the weak global economy.

Cost of sales and gross profit

Cost of sales increased by approximately HK\$7.3 million or 7.9% from approximately HK\$93.5 million in FY2011 to approximately HK\$100.8 million in FY2012. The higher cost of sales was due to the effect of higher provision for inventories. Write-down of inventories to net realisable value increased from HK\$6.2 million in FY2011 to HK\$20.3 million in FY2012, an increase of 226.3% compared to previous corresponding year, due to the increase in slow moving stocks in FY2012 mainly as a result of the weaker demands from customers for existing models.

The Group registered a decrease of 120.7% (FY2011: increase of 4.9%) and increase of 38.7% (FY2011: 4.3%) respectively in gross profit margin for metal gift products and jewellery products in FY2012. Overall gross profit margin decreased from 26.6% in FY2011 to 8.7% in FY2012. The overall gross profit decreased by HK\$24.3 million or 71.6% from HK\$33.9 million in FY2011 to HK\$9.6 million in FY2012. The decrease was mainly attributable to the write-down of inventories of approximately HK\$20.3 million in FY2012 and the increase in subcontracting fee by approximately HK\$8.4 million in FY2012 as compared to FY2011 as (1) the Group reducing its capital investment in machinery and outsourcing more manufacturing processes to subcontractors; (2) the Group found some new customers who require the Group to meet tight schedules. Accordingly, the Group needed to find more subcontractors to assist in manufacturing procedures such as polishing and electroplating, and the new subcontractors charge 20% to 30% above the normal subcontracting fee; and (3) the Group ceased to work with one of the major subcontractors in FY2011 who normally offered a 20% to 30% discount to the normal subcontracting fee.

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Other income

Other income increased by approximately HK\$0.9 million or 23.3% from approximately HK\$3.5 million in FY2011 to approximately HK\$4.4 million in FY2012. This was due mainly to a recovery of bad debts on trade receivables of approximately HK\$3.4 million (FY2011: HK\$1.4 million).

Selling and distribution costs

Selling and distribution costs increased by approximately HK\$580,000 or 8.0% to approximately HK\$7.8 million in FY2012. The increase was mainly attributed to higher salaries due to increases in wages and overseas travelling expenses.

Administrative expenses

Administrative costs decreased by approximately HK\$5.8 million or 22.6% to approximately HK\$19.7 million in FY2012. The decrease was mainly attributed to the following:-

- (a) a decrease in depreciation by approximately HK\$1.6 million or 60.1% as some of the property, plant and equipment had been fully depreciated and impaired;
- (b) a decrease in staff salaries by approximately HK\$3.9 million or 41.1% due to decrease in number of employees;
- (c) a decrease in electricity and water charges by approximately HK\$221,000 or 84.3% due to disposal of subsidiaries in FY2011; and
- (d) a decrease in motor vehicle expenses by approximately HK\$346,000 or 33.6% due to implementation of stringent cost control measures.

Other operating expenses

Other operating expenses increased by approximately HK\$17.2 million or 6,539% to approximately HK\$17.5 million in FY2012. The increase was mainly attributed to the increase in provision for impairment losses on trade and other receivables of approximately HK\$4.7 million and the provision for impairment loss on property, plant and equipment of approximately HK\$12.8 million in FY2012 as the Group expects the future economic benefits associated with some of the property, plant and equipment to be smaller compared to its net book value. The decrease in expected economic value of these impaired property, plant and equipment is in view of the expected reduction in future sales orders arising from the uncertain economic outlook of the Group's principal markets.

Finance costs

Finance costs decreased by approximately HK\$885,000 or 59.4% to approximately HK\$606,000 in FY2012 due to repayment of bank borrowings.

(Loss)/Profit before income tax

The Group reported a loss before income tax of approximately HK\$31.7 million in FY2012, as compared to a profit before income tax of approximately HK\$2.9 million in FY2011. The huge loss in FY2012 was due mainly to higher provision for impairment losses on trade and other receivables, property, plant and equipment and inventories.

Income tax expenses

Income tax expenses of HK\$128,000 were provided for a Hong Kong subsidiary in FY2012 (FY2011: Nil) and there was a write-back of over-provision of income tax for a subsidiary in the People's Republic of China of HK\$826,000 in FY2012 (FY2011: Nil). The Group provided Hong Kong profits tax of HK\$19.8 million in respect of additional estimated tax assessment for offshore claims on manufacturing operations and assessable profits in prior years of two subsidiaries. For further details please refer to the Company's announcement published on the website of the SGX-ST on 30 November 2012.

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5.1.2 FY2013 compared to FY2012

Revenue

The Group's revenue decreased by approximately HK\$18.8 million or 17.0% from approximately HK\$110.4 million in FY2012 to approximately HK\$91.6 million in FY2013. The lower sales in both metal gift products and jewellery products was due to loss of certain major customers and lower orders from customers due to weak markets in particular Europe.

Cost of sales and gross profit

Cost of sales decreased by approximately HK\$28.5 million or 28.2% from approximately HK\$100.8 million in FY2012 to approximately HK\$72.3 million in FY2013. The lower cost of sales was mainly due to (a) decrease in direct labour costs by HK\$1.8 million in FY2013 as a result of decrease in sales in FY2013; (b) decrease in subcontracting charges by approximately HK\$10.2 million as a result of decrease in sales in FY2013 and higher proportion of process handled in-house; (c) decrease in depreciation by approximately HK\$2.2 million due to assets which had been fully depreciated and impaired; (d) reversal of write-down of the opening inventories to net realisable value by approximately HK\$14.6 million as a result of sale of inventories previously written down; (e) decrease in China tax by HK\$684,000 in FY2013 as a result of decrease in sales in FY2013; (f) decrease in consumable store by HK\$758,000 in FY2013 as a result of decrease in sales in FY2013; (g) decrease in package charges by HK\$675,000 in FY2013 as a result of decrease in sales in FY2013; and (h) decrease in electricity and water by HK\$640,000 in FY2013 as a result of decrease in sales in FY2013.

Overall gross profit margin increased from 8.7% in FY2012 to 21.0% in FY2013. The overall gross profit increased by HK\$9.7 million or 100.4% from HK\$9.6 million in FY2012 to HK\$19.3 million in FY2013. The improvement in gross profit margin was mainly due to higher rate of decrease in the cost of sales and higher rate of increase in reversal of write-down of inventories to net realisable value of approximately HK\$12.2 million.

Other income

Other income increased by approximately HK\$4.9 million or 112.2% from approximately HK\$4.4 million in FY2012 to approximately HK\$9.3 million in FY2013. The increase was mainly attributed to gain on disposals of subsidiaries. (FY2012: Nil).

Selling and distribution costs

Selling and distribution costs decreased by approximately HK\$3.4 million or 43.1% from approximately HK\$7.8 million in FY2012 to approximately HK\$4.4 million in FY2013. The decrease was mainly attributed to downsizing of staff and less promotional activities.

Administrative expenses

Administrative costs decreased by approximately HK\$0.1 million or 0.7% from approximately HK\$19.7 million in FY2012 to approximately HK\$19.6 million in FY2013.

Other operating expenses

Other operating expenses decreased by approximately HK\$17.0 million or 97.3% from approximately HK\$17.5 million in FY2012 to approximately HK\$0.5 million in FY2013. The decrease was mainly attributed to the decrease in provision for impairment losses on trade and other receivables (approximately HK\$4.7 million in FY2012) and the provision for impairment losses on property, plant and equipment (approximately HK\$12.8 million in FY2012) in FY2013.

Finance costs

Finance costs increased by approximately HK\$0.5 million or 79.2% from approximately HK\$0.6 million in FY2012 to approximately HK\$1.1 million in FY2013 due to addition of bank borrowings.

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Profit/(Loss) before income tax

The Group reported a profit before income tax of approximately HK\$2.9 million in FY2013, as compared to a loss before income tax of approximately HK\$31.7 million in FY2012. The improvement in operating results is due mainly to (i) huge provisions for impairment losses on trade and other receivables, property, plant and equipment and inventories in FY2012 and (ii) gain on disposal of subsidiaries in FY2013.

Income tax expense

Income tax expenses of HK\$226,000 were provided for the Hong Kong subsidiaries in FY2013 (FY2012: HK\$128,000).

The Group provided Hong Kong profits tax of HK\$1.6 million (FY2012: HK\$19.8 million) in respect of additional estimated tax assessment for offshore claims on manufacturing operations and assessable profits in prior years for two former subsidiaries. Please refer to the Company's announcement dated 30 November 2012 for more details.

There was a reversal of over-provision of income tax for a subsidiary in the PRC of HK\$826,000 in FY2012 and none in FY2013.

5.2 Balance Sheet

The consolidated balance sheets of the Group as at 31 December 2011, 31 December 2012 and 31 December 2013 are set out below.

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
Non-current assets			
Property, plant and equipment	34,477	24,067	17,547
Leasehold land and land use rights	224	217	–
Investment Properties	–	4,042	3,924
Club membership	–	–	–
	34,701	28,326	21,471
Current assets			
Inventories	32,139	21,328	26,717
Trade receivables	15,295	14,021	17,630
Deposits, prepayments and other receivables	20,951	4,513	3,551
Tax prepaid	521	–	–
Pledged time deposits	2,653	2,229	2,241
Cash and bank balances	11,266	13,071	15,799
	82,825	55,162	65,938
Non-current assets held for sale	8,078	–	–
Total current assets	90,903	55,162	65,938

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	As at 31 December		
	2011 HK\$'000 (Audited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Audited)
Current liabilities			
Trade payables	9,675	7,102	7,125
Other payables and accruals	25,465	17,358	35,353
Bank borrowings	14,543	17,193	24,937
Obligations under finance leases	165	350	—
Tax payables	5,969	21,714	176
	55,817	63,717	67,591
Net current assets / (liabilities)	35,086	(8,555)	(1,653)
Total assets less current liabilities	69,787	19,771	19,818
Non-current liabilities			
Obligations under finance leases	446	759	—
Deferred tax liabilities	—	—	—
	446	759	759
Net assets	69,341	19,012	19,818
Equity attributable to the owners of the Company			
Share capital	3,225	3,225	3,547
Reserves	66,116	15,787	16,271
Total equity	69,341	19,012	19,818

Source: Annual reports of the Company for FY2012 and FY2013.

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5.3 Working Capital

The working capital of the Group as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014 are set out below:

	As at 31 December			30 June
	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(unaudited)
Total current assets	90,903	55,162	65,938	62,509
Total current liabilities	55,817	63,717	67,591	55,148
Working capital	35,086	(8,555)	(1,653)	7,361

Source: Annual reports of the Company for FY2012 and FY2013, and 30 June 2014 half-year financial results.

5.3.1 FY2012 compared to FY2011

Current assets decreased by approximately HK\$35.7 million from approximately HK\$90.9 million as at 31 December 2011 to approximately HK\$55.2 million as at 31 December 2012 due mainly to the decrease in deposits, prepayments and other receivables of approximately HK\$16.4 million, trade receivables of approximately HK\$1.3 million and inventories of approximately HK\$10.8 million and the reclassification of the non-current assets held for sale of approximately HK\$8.1 million back to non-current assets. The decrease in deposits, prepayments and other receivables was due to the receipt of remaining balance of proceeds from the disposal of (Caishi (Qingyuan) Products Co., Ltd. of approximately HK\$9.1 million and settlement of certain other receivables. The decrease in trade receivables and inventories was due to increase in provision for impairment loss in FY2012. Current liabilities increased by approximately HK\$7.9 million from approximately HK\$55.8 million as at 31 December 2011 to approximately HK\$63.7 million as at 31 December 2012. The increase was mainly due to the increase in bank borrowings and tax payables, offset by the decrease in trade payables of approximately HK\$2.6 million due to shorter credit period granted by the suppliers and decrease in other payables and accruals of approximately HK\$8.1 million due to settlement of other payables.

5.3.2 FY2013 compared to FY2012

Current assets increased by approximately HK\$10.7 million from approximately HK\$55.2 million as at 31 December 2012 to approximately HK\$65.9 million as at 31 December 2013 due mainly to (a) increase in trade receivables of approximately HK\$3.6 million attributable to an increase in customers with longer credit periods and (b) increase in inventories of approximately HK\$5.4 million mainly due to reversal of write-down of inventories to net realisable value. Current liabilities increased by approximately HK\$3.9 million from approximately HK\$63.7 million as at 31 December 2012 to approximately HK\$67.6 million as at 31 December 2013. The increase was mainly due to (a) increase in bank borrowings to support the working capital and (b) increase in other payables which comprised mainly of balances due to former subsidiaries, offset by the decrease in tax payables of former subsidiaries disposed during FY2013.

5.3.3 30 June 2014 compared to FY2013

Current assets decreased by approximately HK\$3.4 million from approximately HK\$65.9 million as at 31 December 2013 to approximately HK\$62.5 million as at 30 June 2014, mainly attributed to decrease in inventories by approximately HK\$8.2 million due to higher quantity of stocks sold subsequent to the financial year ended 31 December 2013 and the decrease in cash and bank balances by approximately HK\$2.5 million. Current liabilities decreased by approximately HK\$12.5 million from approximately HK\$67.6 million as at 31 December 2013 to approximately HK\$55.1 million as at 30 June 2014, mainly due to decrease in other payables and accruals by approximately HK\$10.5 million to HK\$24.9 million as at 30 June 2014. This was due to repayment of other payables during 1H14.

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5.4 Cash Flow

The summary of the consolidated cash flow statements of the Group for the last three (3) financial years are set out below.

	FY2011 HK\$'000 (Audited)	FY2012 HK\$'000 (Audited)	FY2013 HK\$'000 (Audited)
Net cash generated from/(used in) operating activities	(2,575)	(7,895)	(10,091)
Net cash generated from/(used in) investing activities	14,848	6,851	(740)
Net cash (used in)/generated from financing activities	(9,669)	1,637	14,442
Net (decrease)/increase in cash and cash equivalents	2,604	593	3,611
Cash and cash equivalents at beginning of the financial year	7,717	10,414	11,082
Effect of foreign exchange rate changes	93	75	5
Cash and cash equivalents at end of the financial year	10,414	11,082	14,698

Source: Annual reports of the Company for FY2012 and FY2013.

A review of the cash flow position of the Group from FY2011 to FY2013 is set out below.

5.4.1 FY2011

As at 31 December 2011, the Group had cash and bank balances of HK\$11.3 million (31 December 2010: HK\$9.2 million), and unutilised banking facilities of approximately HK\$30.8 million. The Group recorded net cash generated from investing activities in FY2011 of approximately HK\$14.8 million due mainly to net cash inflows from disposals of subsidiaries. During FY2011, the Group had raised fund from rights issue of approximately HK\$11.3 million (net of issuing cost) and bank borrowings of approximately HK\$7.7 million. Repayment of bank borrowings amounted to approximately HK\$37.2 million.

5.4.2 FY2012

As at 31 December 2012, the Group had cash and bank balances of HK\$13.0 million and overdraft of HK\$2.0 million (31 December 2011: HK\$11.3 million and HK\$0.9 million respectively), and unutilised banking facilities of approximately HK\$47.1 million (31 December 2011: HK\$30.8 million).

5.4.3 FY2013

As at 31 December 2013, the Group had cash and bank balances of HK\$15.8 million and overdraft of HK\$1.1 million (31 December 2012: HK\$13.1 million and HK\$2.0 million respectively), and unutilised banking facilities of approximately HK\$3.4 million (31 December 2012: HK\$47.1 million).

6. FINANCIAL EFFECTS OF THE WARRANTS ISSUE AND THE CONVERTIBLE BONDS ISSUE

The financial effects of the Warrants Issue and the Convertible Bonds Issue as presented herein:

- (a) are purely for illustrative purposes only and are not projections of the actual future financial performance or financial position of the Group after the Warrants Issue and the Convertible Bonds Issue;

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- (b) are based on the audited consolidated financial statements of the Group for FY2013;
- (c) assume that there is no return earned or interest charged from the Warrants Issue Proceeds or the Bonds Proceeds; and
- (d) assume that all the Shareholders subscribe for their respective entitlements of Warrants and Convertible Bonds under the Warrants Issue and the Convertible Bonds Issue.

6.1 Share Capital

	No. of Shares	HK\$
Issued share capital as at 31 December 2013	354,670,733	3,546,706
Add: New Shares arising from exercise of all the Warrants	354,670,733	3,546,707
Add: Conversion Shares arising from exercise of all the Convertible Bonds	53,200,610	532,007
Adjusted issued share capital after the Warrants Issue, the Convertible Bonds Issue and the exercise of all the Warrants and Convertible Bonds	762,542,076	7,625,420

6.2 NTA per Share

NTA as at 31 December 2013 (HK\$'000)	19,818
Add: proceeds from the issue of Warrants (HK\$'000) ⁽¹⁾	21,103
Add: proceeds from the exercise of Warrants (HK\$'000)	200,478
Add: proceeds from the conversion of the Convertible Bonds (HK\$'000)	30,072
Adjusted NTA after the Warrants Issue (HK\$'000), the Convertible Bonds Issue and the exercise of Warrants and Convertible Bonds	271,471
Number of Shares as at 31 December 2013	354,670,733
NTA per Share as at 31 December 2013 (HK cents)	5.59
Adjusted number of Shares after the Warrants Issue and the Convertible Bonds Issue but before the exercise of the Warrants and conversion of Convertible Bonds	354,670,733
Adjusted NTA per Share after the Warrants Issue and the Convertible Bonds Issue but before the exercise of the Warrants and conversion of Convertible Bonds (HK cents)	11.54
Adjusted number of Shares after the Warrants Issue, the Convertible Bonds Issue and the exercise of the Warrants and conversion of Convertible Bonds	762,542,076
Adjusted NTA per Share after the Warrants Issue, the Convertible Bonds Issue and the exercise of the Warrants and conversion of Convertible Bonds (HK cents)	35.6

Note:

- (1) Translated based on an exchange rate of S\$1: HK\$5.95 as at the Latest Practicable Date (Source: Bloomberg L.P.)

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6.3 Gearing

Total net borrowings as at 31 December 2013 (HK\$'000) ⁽¹⁾	6,897
Shareholders' equity as at 31 December 2013 (HK\$'000) ⁽²⁾	19,818
Net gearing as at 31 December 2013 (times) ⁽³⁾	0.35
Adjusted total net borrowings after the Warrants Issue and Convertible Bonds Issue but before the exercise of Warrants and conversion of Convertible Bonds (HK\$'000)	38,552
Adjusted shareholders' equity after the Warrants Issue and Convertible Bonds Issue but before the exercise of Warrants and conversion of Convertible Bonds (HK\$'000)	40,921
Net gearing after the Warrants Issue and Convertible Bonds Issue but before the exercise of Warrants and conversion of Convertible Bonds (times)	0.94
Adjusted total net borrowings after the Warrants Issue, the Convertible Bonds Issue and the exercise of Warrants and conversion of Convertible Bonds (HK\$'000)	6,897
Adjusted shareholders' equity ⁽⁴⁾ after the Warrants Issue, the Convertible Bonds Issue and the exercise of Warrants and conversion of Convertible Bonds (HK\$'000)	271,471
Net gearing after the Warrants Issue, the Convertible Bonds Issue and the exercise of Warrants and conversion of Convertible Bonds (times)	0.03

Notes:

- (1) Total net borrowings refer to the aggregate of the Group's borrowings less cash and cash equivalents.
- (2) Shareholders' equity refers to the aggregate amount of the Group's share capital, other reserves and accumulated losses.
- (3) Net gearing is defined as the ratio of the Group's total net borrowings to its shareholders' equity.

6.4 EPS/LPS

Net profit attributable to Shareholders for FY2013 (HK\$'000)	1,119
Number of Shares for FY2013	354,670,733
Adjusted number of Shares ⁽¹⁾ after the Warrants Issue and the Convertible Bonds Issue but before the exercise of the Warrants and conversion of Convertible Bonds	354,670,733
Adjusted number of Shares ⁽¹⁾ after the Warrants Issue, the Convertible Bonds Issue and the exercise of the Warrants and conversion of Convertible Bonds	762,542,076
Basic EPS for FY2013 (HK cents)	0.33
Adjusted basic EPS after the Warrants Issue and the Convertible Bonds Issue but before the exercise of the Warrants and conversion of Convertible Bonds (HK cents)	0.33
Adjusted basic EPS after the Warrants Issue, the Convertible Bonds Issue and the exercise of the Warrants and conversion of Convertible Bonds (HK cents)	0.15

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7. PROPOSED AMENDMENTS TO THE JOYAS SHARE OPTION SCHEME

7.1 Introduction

The Company has proposed that the Scheme Rules be amended to better reflect the current market practice for similar share option schemes, and that the SGM be convened accordingly to seek Shareholders' approval for, *inter alia*, the proposed amendments to the Scheme.

The current Scheme Rules were approved by the Company on 21 December 2007. In-principle approval has been obtained from the SGX-ST for the listing and quotation of the Option Shares.

The objective of the Scheme was to provide an opportunity for employees of the Group (including employees of associated companies) to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standard of performance, and to give recognition to employees of our associated companies who have contributed to the success and development of the Company and/or the Group. The Scheme was proposed and adopted on the basis that it is important to acknowledge the contribution, which is essential to the well-being and prosperity of the Group, made by these categories of persons. The Company aims to, through the Scheme, give these categories of persons a real and meaningful stake in the Company and will help to achieve the following objectives:—

- (i) the motivation of participants to optimise performance standards and efficiency and to maintain a high level of contribution;
- (ii) the retention of key employees whose contributions are important to the long term growth and prosperity of the Group;
- (iii) the attainment of harmonious employer/staff relations, as well as the strengthening of working relationships with the Group's close business associates; and
- (iv) the development of a participatory style of management which promotes greater commitment and dedication amongst the employees and instills loyalty and a stronger sense of identification with the long term prosperity of the Group.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

7.2 Proposed Scheme Amendments

The following is a summary of the Proposed Scheme Amendments. Capitalised terms and phrases in this section, unless otherwise defined in this Circular, have the same meaning as when used in the Scheme Rules.

The proposed amendments to the Scheme Rules are set out in the Appendix of this Circular and are subject to Shareholders' approval.

7.2.1 Proposed Modification to Scheme Rule 4.1 and 2.1

It is proposed that Scheme Rule 4.1 be amended to allow the Executive Directors and Non-Executive Directors (which include Independent Directors) of the Company to be eligible to participate in the Scheme, instead of limiting the Scheme to the full-time employees of the Group (including employees of associated companies). It is also proposed that the definition of "Group Employee" in Scheme Rule 2.1 be modified, and the terms "Directors", "Executive Directors", "Non-Executive Directors" and "Independent Directors" be appropriately amended or included to reflect this as well.

The Group believes that allowing the Directors of the Company to participate in the Scheme is a fair extension of the Scheme, and allows the Company the flexibility in relation to the Group's remuneration packages and the management of the Group's fixed overhead cost, while allowing

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the Group to appropriately and adequately reward Directors who have contributed significantly to the growth and development of the Group by giving them a personal stake in the Company at a relatively low direct cost to the Company's profitability. The Scheme is intended to be employed by the Group to reward, retain and motivate employees of the Company, and should be extended to the Directors of the Company as well.

Rationale for including Executive Directors and Non-Executive Directors (including Independent Directors) in the Scheme

The Directors are of the view that the Company should have a fair and equitable system to reward the eligible employees who have made and continue to make important contributions to the long-term growth of the Group notwithstanding that they are Executive Directors of the Group.

The terms of the Scheme should not differentiate between the Executive Directors from other key executives in determining the eligibility of such persons under the Scheme. In addition, to deny participation by the Executive Directors may serve to de-motivate them and undermine the objectives of the Scheme. Therefore, the proposed amendments to the Scheme will ensure that Group Executives who are also Executive Directors will be eligible to participate in the Scheme.

Although the Non-Executive Directors (including Independent Directors) may not be involved in the day-to-day running of the Group's business, they, nonetheless, play an invaluable role in furthering the business interests of the Group by contributing their experience and expertise. The participation by the Non-Executive Directors (including Independent Directors) in the Scheme will provide the Company with a further avenue to acknowledge and recognise their services and contributions to the Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment. The extension of the Scheme to Non-Executive Directors allows the Group to have a fair and equitable system to reward Non-Executive Directors of the Group who have made and who continue to make significant contributions to the long-term growth of the Group.

The Directors believe that the extension of the Scheme to Non-Executive Directors will also enable the Company to attract, retain and incentivise Non-Executive Directors to achieve higher standards of performance, as well as to give recognition to past contributions and services and motivate them generally to contribute towards the long-term growth and profitability of the Group.

In accordance with the provisions of the Mainboard Rules, the participation in the Scheme by a Controlling Shareholder will be subject to the approval of independent Shareholders in a general meeting. Mr Lau Chor Beng, Peter (the only Controlling Shareholder who is also the Managing Director of the Company) has confirmed that he will not be participating in the Scheme.

As a safeguard against abuse, the Scheme Rules provide that no member of the Scheme Committee shall be involved in any deliberation and decision in respect of Options to be granted to him. The Company is of the view that the aforementioned safeguard against abuse resulting from the participation of the Non-Executive Directors in the Scheme is sufficient.

7.2.2 Other Clarificatory Amendments

- (a) The terms "Depositor" and "Depository Register" have been used in the definition of "Shareholders", but have not been defined. It is proposed that the definition of "Depository Agent" be removed, and a Scheme Rule 2.6 be added to include definitions of these terms. It is further proposed that, for consistency, the capitalisation of these terms as they appear in the definition of "Shareholders" in Scheme Rules 2.1, 11.5 and 19.1 be amended so as to reflect that used in the Companies Act.
- (b) The phrase "Market Price" is defined in Scheme Rule 8.1, but has not been included in the other defined terms and phrases in Rule 2.1. It is proposed that Scheme Rule 2.1 be amended to include such definition, for ease of reference.

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- (c) The phrase “Group Employee” has been defined in Scheme Rule 2.1 to include employees and directors of the Group. In describing the objectives of the Scheme, however, Rule 3 uses the terms “Employees”, which is undefined in the Scheme Rules, and terms such as “employees” which may be refined for clarity. It is proposed that the general wording of Rule 3 be amended for consistency and for the avoidance of doubt.
- (d) Scheme Rule 14.3 governs the disclosures that the Company is required to make in relation to the Scheme in its annual report. It is proposed that Scheme Rule 14.3 be amended to incorporate any changes which SGX-ST may make to such disclosure requirements from time to time.
- (e) The Scheme Rules do not provide for announcements which the Company is required by SGX-ST to make in relation to the Scheme. It is thus proposed that a new Scheme Rule 14.4 be included, providing that the Company shall make all such announcements in connection with the Scheme, including such announcements relating to the grant or exercise of Options, as may be required by the Listing Manual from time to time.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Lau Chor Beng, Peter	—	—	212,421,638 ⁽¹⁾	59.90
Kwok Chin Phang	—	—	1,538,000	0.43
Substantial Shareholders				
Joyas Investments Group Limited ⁽²⁾	212,421,638	59.90	—	—

Notes:

- (1) As at the Latest Practicable Date, Joyas Investments Group Limited holds 212,421,638 shares in the Company. The Company's Managing Director, namely Lau Chor Beng, Peter holds 59.1% of the issued and paid-up share capital in Joyas Investments Group Limited. Accordingly, he is deemed to be interested in the 212,421,638 shares in the Company held by Joyas Investments Group Limited.
- (2) Mr. Ong Chor Wei, a Non-executive Director of the Company, holds 50% interest in Uprich Holdings Limited, a BVI investment holding company and holds 15.4% interest in Joyas Investments Group Limited. The other 50% interest in Uprich Holdings Limited is held by Mr. Wong Wai Shan. Both Mr. Ong and Mr. Wong are also directors of Uprich Holdings Limited. Mr. Ong and Mr. Wong are not related to each other or other Directors of the Company. Uprich Holdings Limited became a shareholder of Joyas Investments Group Limited on 30 March 2007. Cheung Wai Hung, Danny, an Executive Director of the Company, holds 15.4% interest in Joyas Investments Group Limited. Cheung Wai Hung, Danny is the brother-in-law of Lau Chor Beng, Peter.

None of the Directors or Substantial Shareholders has any direct or indirect interest in the Proposed Resolutions other than through their respective shareholdings in the Company.

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9. DIRECTORS' RECOMMENDATIONS

9.1 The Proposed Diversification of the Company's Business to include the Nickel Distribution and Trading Business

The Directors, having considered, *inter alia*, the rationale for the proposed diversification of the Company's Existing Business to include the Nickel Distribution and Trading, 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 in relation to the proposed diversification of the Company's Existing Business to include the Nickel Distribution and Trading Business to be proposed at the SGM set out as Resolution 1 in the Notice of SGM on page 86 of this Circular.

9.2 The Warrants Issue

The Directors, having considered, *inter alia*, the purpose for the Warrants Issue and are of the opinion that the Warrants Issue is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution in relation to the Warrants Issue to be proposed at the SGM set out as Resolution 2 in the Notice of SGM on page 86 of this Circular.

9.3 The Convertible Bonds Issue

The Directors, having considered the terms and rationale for the Convertible Bonds Issue, are of the opinion that the Convertible Bonds Issue is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution in relation to the Convertible Bonds Issue to be proposed at the SGM set out as Resolution 3 in the Notice of SGM on page 88 of this Circular.

9.4 The Proposed Scheme Amendments

All the Directors of the Company are proposed to be eligible to participate in the Scheme. As a result, they have refrained from making any recommendation to Shareholders in respect of Resolutions 4 as set out in the Notice of SGM. The Directors of the Company will also refrain from accepting nomination as proxy or otherwise vote at the SGM in respect of Resolution 4 unless 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 resolutions.

All shareholders who are eligible to participate in the Scheme (including those Directors who are also Shareholders) must abstain from voting on Resolution 4 at the SGM and the Company shall ensure that their votes must not be taken into account for the purpose of passing Resolution 4.

9.5 Note to Shareholders

In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require specific advice in relation to his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

10. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on page 86 of this Circular, will be held at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542 on 8 January 2015 at 10.00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing (with or without any modification) the resolutions set out in the Notice of SGM.

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11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the SGM and wish to appoint a proxy to attend and vote at the SGM on their behalf will find attached to this Circular a Shareholder 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., 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 Shareholder 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 lodgment 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.

12. OFFER INFORMATION STATEMENT

An Offer Information Statement will be despatched by the Company to Entitled Shareholders subject to, *inter alia*, the approval of Shareholders for the Warrants Issue and the Convertible Bonds Issue being obtained at the SGM. Acceptances and applications under the Warrants Issue and the Convertible Bonds 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;
- (b) the WEWAF, ARE or through the ATMs, in the case of Entitled Depositors; and
- (c) the WAF, ARS or through the ATMs, in the case of persons purchasing provisional allotments Rights Shares through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore.

13. MATERIAL LITIGATION

As at the Latest Practicable Date, 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 claims.

The Company wishes to disclose that its former subsidiaries are involved in an ongoing dispute with the Inland Revenue Department of Hong Kong (the "IRD") in relation to protective profits tax assessments and estimate profits tax assessments issued by the IRD against its former subsidiaries.

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13.1 Protective Profits Tax Assessments

In May and August 2012, the IRD issued protective profits tax assessments for additional Hong Kong profits tax for approximately HK\$23,727,000 in aggregate to its wholly owned subsidiaries, Joyas Manufacturing Limited (“JML”) and Master Creations Ltd. (“MCL”) relating to the years of assessment of 2003/2004 to 2010/2011. In September 2012, JML and MCL lodged objections to the IRD against these protective profits tax assessments. As JML and MCL did not make the tax payments for these protective profits tax assessments before the payment date in October 2012 as set by the IRD, in November 2012, the IRD issued final payment notice for an amount of HK\$24,678,000, which includes 5% surcharge of approximately HK\$951,000, to JML and MCL.

In December 2012, JML submitted a settlement proposal to the IRD such that the outstanding protective profits tax assessments and the surcharge are to be paid by 7 instalments in 2013 and this settlement proposal was accepted by the IRD. However, in January 2013, the IRD replied to JML that the objections as lodged by JML in September 2012 will not be considered by the IRD until the tax liabilities imposed by the IRD are repaid in full. In the opinion of the Directors, there is over-estimation of the tax liabilities for the Group, therefore the Directors continued to dispute with IRD for the amount of tax liabilities.

On 26 June 2013, the Group entered into a sale and purchase agreement to divest the entire issued share capital of MCL (HK\$1,000,000), together with its net tangible liabilities of approximately HK\$8.2 million, to Giant Win Trading Limited for an aggregate consideration of HK\$1,000. Giant Win Trading Limited is an investment holding company, wholly owned by Liu Jianjun. Neither Giant Win Trading Limited nor Liu Jianjun has any relationship with or acts as nominee or trustee to the Directors and controlling shareholders of the Company and their respective nominees or associates. For further details, please refer to the announcement of the Company dated 26 June 2013.

On 3 December 2013, the Group entered into a sale and purchase agreement to divest the entire issued share capital of JML (HK\$5,000,000), together with its liabilities and debts (including past taxes accrued or unaccrued of JML and its subsidiary), which will be borne by the purchaser of JML (Glory Long Limited, a company wholly owned by Poon Pak Ho for a total consideration of HK\$1,100,000. For further details, please refer to the announcement of the Company dated 3 December 2013.

Under the terms of the divestment of MCL and JML, the Group need not compensate the purchasers for any losses arising from tax claims against both companies.

13.2 Estimate Profits Tax Assessments

In addition to the above, in August 2012, the IRD also issued estimate profits tax assessments to JML and MCL in aggregate of approximately HK\$21,800,000 for the years of assessment 2003/04 to 2010/11. In this case, IRD deemed JML and MCL as the agents of two former subsidiaries, namely Joyas Manufacturing International Limited and Master Creations International Limited (the “**Former Subsidiaries**”). The IRD claimed that JML and MCL carried on businesses with the Former Subsidiaries. These businesses done by the Former Subsidiaries shall be deemed to be carried on in Hong Kong and the Former Subsidiaries shall be assessable and chargeable with tax in respect of their profits from these businesses in name of JML and MCL as if JML and MCL were their agents. In September 2012, objections were also lodged by the Group to IRD for the tax assessments charged to the Group. In October 2012, holdover of partial estimate assessments was granted by the IRD. In January 2013, the IRD replied to JML that the objections will not proceed unless further information is provided by the Group to the IRD. The sale agreement of the Former Subsidiaries, entered into between the relevant parties and the Group in November 2010, provides that the purchaser of the Former Subsidiaries is liable for the tax liabilities of the Former Subsidiaries, no provision has been made in respect of the tax liabilities of HK\$21,800,000. Based on legal advice obtained by the Company, the Directors believe that the tax liabilities are not likely to be ultimately borne by the Group. The estimate profits tax assessments was treated as a contingent liability as at 31 December 2012.

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As stated above in Section 13.1, the Group has since disposed of MCL and JML.

14. MATERIAL CONTRACTS

Save as disclosed herein and below, neither the Company nor any of its Subsidiaries have entered into any material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its Subsidiaries) during the two (2) years preceding the Latest Practicable Date:

- (a) sale and purchase agreement dated 26 June 2013 entered into between Joyas Group Limited, a wholly owned Subsidiary, and Giant Win Trading Limited for the disposal of the entire equity in the Company's wholly owned subsidiary, Master Creations Ltd., for a total consideration of HK\$1,000;
- (b) investment agreement dated 16 August 2013 entered into between Asiapac, a wholly owned Subsidiary, and Leung Wai Ling for the acquisition of 80% of the issued and paid up share capital of China Technical Institution Holdings Limited, for the consideration of HK\$800,000 and the grant of options to subscribe for 7,500,000 Shares (pursuant to an option agreement dated 16 August 2013 entered into between the Company and Leung Wai Ling). These agreements had been terminated by the parties on 30 April 2014;
- (c) investment agreement dated 16 August 2013 entered into between Asiapac, a wholly owned Subsidiary, and Chan Ka Leung for the acquisition of 80% of the issued and paid up share capital of Pac Resources Holdings Limited, for the consideration of HK\$1,000,000 and the grant of options to subscribe for 7,500,000 Shares (pursuant to an option agreement dated 16 August 2013 entered into between the Company and Chan Ka Leung). These agreements had been terminated by the parties on 30 April 2014;
- (d) placement agreement dated 20 August 2013 entered into between the Company and AmFraser Securities Pte. Ltd. (the "**Placement Agent**"), pursuant to which the Company agreed to issue and allot by way of placement, and the Placement Agent agreed to, on a best effort basis, procure subscribers for, 32,000,000 Shares in the Company (the "**Placement**");
- (e) share lending agreement dated 20 August 2013 entered into between the Company and Joyas Investments Group Limited (the "**Lender**"), a controlling shareholder of the Company, pursuant to which the Lender agreed to lend to the Company an aggregate of 20,000,000 Shares for delivery to potential subscribers to the Placement procured by the Placement Agent in order to facilitate the Placement;
- (f) sale and purchase agreement dated 3 December 2013 entered into between the Company and Glory Long Limited for the disposal of the entire equity in the Company's wholly owned subsidiary, Joyas Manufacturing Limited, for a total consideration of HK\$1,100,000. Joyas Manufacturing Limited also held 100% of the entire equity in 彩仕五金制品(深圳)有限公司 as at the date of the aforementioned sale and purchase agreement;
- (g) 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; and
- (h) 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 11th 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.

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15. 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 enquires that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Diversification, the Warrants Issue, the Convertible Bonds Issue and the Proposed Scheme Amendments, 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 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 these sources and/or reproduced in this Circular in its proper form and context.

16. DOCUMENTS 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 Memorandum and the Bye-Laws;
- (b) the drafts of the Deed Poll and the agency agreement to be entered into by the Company with the Warrant Agent;
- (c) the drafts of the Trust Deed;
- (d) the annual reports of the Company for FY2011, FY2012 and FY2013, and the unaudited financial results for the financial period ended 30 June 2014; and
- (e) the Scheme Rules of the Joyas Share Option Scheme;
- (f) the material contracts referred to in Section 14 of this Circular.

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

LAU Chor Beng, Peter
Managing Director

APPENDIX – THE PROPOSED AMENDMENTS TO THE JOYAS SHARE OPTION SCHEME

The proposed amendments to the Scheme Rules are set out below. For ease of reference and where appropriate, the full text of the relevant rules of the Scheme which are proposed to be modified have been reproduced.

Existing Scheme Rule 2.1

2. Definitions

2.1 In this Scheme, except where the context otherwise requires, the following words and expressions shall have the following meanings:-

“Depository Agent” : An entity registered as a depository agent with CDP for the purpose of maintaining securities sub-accounts for its own account and for the account of others

...

“Group Employee” : An executive or non-executive director of any member of the Group or a full-time employee of any member of the Group who is selected by the Committee to participate in the Scheme in accordance with Rule 4.1(a)

...

“Shareholders” : The registered holders of the Shares or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register

Proposed Amendments to Scheme Rule 2.1

The above definitions in Scheme Rule 2.1 are proposed to be deleted in their entirety and the following new content is proposed to be substituted accordingly:

2. Definitions

2.1 In this Scheme, except where the context otherwise requires, the following words and expressions shall have the following meanings:-

~~“Depository Agent” : An entity registered as a depository agent with CDP for the purpose of maintaining securities sub-accounts for its own account and for the account of others~~

...

“Director” : A director of any member of the Group, and includes Executive Directors and Non-Executive Directors

...

“Executive Director” : A director of any member of the Group who performs an executive function

“Group Employee” : A Director of any member of the Group or a full-time employee of any member of the Group who is selected by the Committee to participate in the Scheme in accordance with Rule 4.1(a)

APPENDIX – THE PROPOSED AMENDMENTS TO THE JOYAS SHARE OPTION SCHEME

...

“Independent Director” : An independent director of the Company

“Market Price” : Shall bear the meaning as set out in Rule 8.1

...

“Non-Executive Director” : A director of the Group and any member of the Group other than an Executive Director but including an Independent Director

“Shareholders” : The registered holders of the Shares or in the case of ~~Depositors~~ depositors, ~~Depositors~~ depositors who have Shares entered against their names in the Depository Register

...

2.6 The terms “depositor”, “Depository”, “depository agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act.

Existing Scheme Rule 3

3. Objectives

The Scheme is a share incentive scheme. The purpose of the Scheme is to provide an opportunity for employees of the Group to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to Employees and Associated Company Employees who have contributed to the success and development of the Company and/or Group. The Scheme is proposed on the basis that it is important to acknowledge the contribution, which is essential to the well-being and prosperity of the Group, made by these categories of persons. The Company, by adopting the Scheme, will give these categories of persons a real and meaningful stake in the Company at no direct cost to its profitability and will help to achieve the following objectives:–

- (a) *the motivation of Participants to optimise performance standards and efficiency and to maintain a high level of contribution;*
- (b) *the retention of key employees whose contributions are important to the long term growth and prosperity of the Group;*
- (c) *the attainment of harmonious employer/staff relations, as well as the strengthening of working relationships with the Group’s close business associates; and*
- (d) *the development of a participatory style of management which promotes greater commitment and dedication amongst the employees and instills loyalty and a stronger sense of identification with the long-term prosperity of the Group.*

Proposed Amendments to Scheme Rule 3

Scheme Rule 3 is proposed to be deleted in its entirety and the following new content is proposed to be substituted accordingly:

3. Objectives

The Scheme is a share incentive scheme. The purpose of the Scheme is to provide an opportunity for ~~employees of the Group~~ Group Employees and Associated Company Employees to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to Group Employees and Associated Company

APPENDIX – THE PROPOSED AMENDMENTS TO THE JOYAS SHARE OPTION SCHEME

Employees who have contributed to the success and development of the Company and/or Group. The Scheme is proposed on the basis that it is important to acknowledge the contribution, which is essential to the well-being and prosperity of the Group, made by these categories of persons. The Company, by adopting the Scheme, will give these categories of persons a real and meaningful stake in the Company at no direct cost to its profitability and will help to achieve the following objectives:–

- (a) the motivation of Participants to optimise performance standards and efficiency and to maintain a high level of contribution;
- (b) the retention of key employees whose contributions are important to the long term growth and prosperity of the Group;
- (c) the attainment of harmonious employer/staff relations, as well as the strengthening of working relationships with the Group's close business associates; and
- (d) the development of a participatory style of management which promotes greater commitment and dedication amongst the employees and instills loyalty and a stronger sense of identification with the long-term prosperity of the Group.

Existing Scheme Rule 4.1

4. Eligibility

4.1 *The following persons shall be eligible to participate in the Scheme at the absolute discretion of the Committee:–*

- (a) *Group Employees*
 - (i) *confirmed full-time employees of the Group (excluding the executive directors of the Company) and/or its subsidiaries who have attained the age of 21 years on or before the Offering Date; and*
 - (ii) *employees who qualify under sub-paragraph (i) above and are seconded to a company in an Associated Company, or any other company outside the Group in which the Company and/or the Group has an equity interest.*
- (b) *Associated Company Employees*
 - (i) *confirmed full-time employees of an Associated Company who have attained the age of 21 years and above on or before the Offering Date; and*
 - (ii) *directors of an Associated Company who perform an executive function.*

Provided that the persons who are directors or Controlling Shareholders of the Company or their associates shall not participate in the Scheme.

For the purposes of paragraphs (a)(i) and (b)(i) above, the secondment of an employee to another company shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.

APPENDIX – THE PROPOSED AMENDMENTS TO THE JOYAS SHARE OPTION SCHEME

Proposed Amendments to Scheme Rule 4.1

Scheme Rule 4.1 is proposed to be deleted in its entirety and the following new content is proposed to be substituted accordingly:

4. Eligibility

4.1 The following persons shall be eligible to participate in the Scheme at the absolute discretion of the Committee:–

(a) Group Employees

- (i) confirmed full-time employees and Directors of the Group ~~(excluding the executive directors of the Company)~~ and/or its subsidiaries who have attained the age of 21 years on or before the Offering Date; and
- (ii) employees who qualify under sub-paragraph (i) above and are seconded to a company in an Associated Company, or any other company outside the Group in which the Company and/or the Group has an equity interest.

(b) Associated Company Employees

- (i) confirmed full-time employees of an Associated Company who have attained the age of 21 years and above on or before the Offering Date; and
- (ii) directors of an Associated Company who perform an executive function.

Provided that the persons who are directors or Controlling Shareholders of the Company or their associates shall not participate in the Scheme.

For the purposes of paragraphs (a)(i) and (b)(i) above, the secondment of an employee to another company shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.

Existing Scheme Rule 11.5

11. Exercise of Options

...

11.5 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.

Proposed Amendment to Scheme Rule 11.5

Scheme Rule 11.5 is proposed to be amended by replacing the words “*Depository Agent*” with the words “*depository agent*”.

11. Exercise of Options

11.5 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account maintained with a ~~Depository Agent~~ depository agent or the CPF investment account maintained with a CPF agent bank.

APPENDIX – THE PROPOSED AMENDMENTS TO THE JOYAS SHARE OPTION SCHEME

Existing Scheme Rule 14

14. Notices and Annual Report

...

14.3 The Company shall disclose the following in its annual report:–

- (a) the names of the members of the Committee administering the scheme; and
- (b) the information required in the table below for the following participants:–
 - (i) Directors of the Company; and
 - (ii) Participants, other than those in (i) above, who receive 5% or more of the total number of Options available under the Scheme.

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since Commencement of end of financial year under review	Aggregate Options exercised since commencement of scheme to end of financial year under review	Aggregate Options outstanding as at Scheme to end of financial year under review

- (c) the number of Incentive Options during the financial year under review in the following bands:–

Discount to the Market Price %	Aggregate number of Incentive Options granted during the financial year under review	Proportion of Incentive Options To Market Price Options granted during the financial year under review
0–10		
11–20		

- (d) an appropriate negative statement if any of the above is not applicable.

Proposed Amendments to Scheme Rule 14

Scheme Rule 14 is proposed to be amended by the deletion of the existing Scheme Rule 14.3 in its entirety and substitution therefore, and the addition of Scheme Rule 14.4 as set out below.

14. Notices and Annual Report

...

14.3 The Company shall disclose the following in its annual report, or such other information as the SGX-ST may require to be disclosed in the annual report from time to time:–

- (a) the names of the members of the Committee administering the scheme; and

APPENDIX – THE PROPOSED AMENDMENTS TO THE JOYAS SHARE OPTION SCHEME

(b) the information required in the table below for the following participants:–

- (i) Directors of the Company; and
- (ii) Participants, other than those in (i) above, who receive 5% or more of the total number of Options available under the Scheme.

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since Commencement of end of financial year under review	Aggregate Options exercised since commencement of scheme to end of financial year under review	Aggregate Options outstanding as at Scheme to end of financial year under review

(c) the number of Incentive Options during the financial year under review in the following bands:–

Discount to the Market Price %	Aggregate number of Incentive Options granted during the financial year under review	Proportion of Incentive Options To Market Price Options granted during the financial year under review
0–10		
11–20		

(d) an appropriate negative statement if any of the above is not applicable.

14.4 The Company shall make such announcements in connection with the Scheme including announcements relating to the grant or exercise of options, as may be required by the Listing Manual of the SGX-ST from time to time.

Existing Scheme Rule 19.1

19. Costs and Expenses

19.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank (collectively, the "CDP Charges").

...

Proposed Amendment to Scheme Rule 19.1

Scheme Rule 19.1 is proposed to be amended by replacing the words "*Depository Agent*" with the words "*depository agent*".

19. Costs and Expenses

19.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP ~~Depository Agent~~ depository agent or CPF investment account with a CPF agent bank (collectively, the "CDP Charges").

NOTICE OF SPECIAL GENERAL MEETING

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 8 January 2015 at 10.00 a.m. (Singapore time) for the purpose of considering and, if thought fit, passing with or without modifications, the following ordinary resolutions:

*All capitalised terms in the Ordinary Resolutions below and defined in the Circular dated 2 December 2014 to the shareholders of the Company (the “**Circular**”) shall, unless otherwise defined herein, have the respective meanings ascribed thereto in the Circular.*

RESOLUTION 1 (ORDINARY RESOLUTION)

Approval for the Proposed Diversification of the Company’s Business to include the Nickel Distribution and Trading Business

That:

- (a) approval be and is hereby granted for the Company to diversify the business activities of the Group and its subsidiaries to include the Nickel Distribution and Trading Business, which involves the following activities:
 - (i) Distribution and Trading of nickel

The Group intends to engage in buying and selling of nickel from suppliers in South East Asia to customers in Hong Kong and the PRC.
- (b) the Directors of the Company be and are hereby authorised to do any and all such acts (including executing all such documents as may be required) as they may, in their absolute discretion deem fit, expedient or necessary to give effect to the proposed diversification of business activities.

RESOLUTION 2 (ORDINARY RESOLUTION)

Approval for the Warrants Issue

That approval be and is hereby given for the renounceable non-underwritten rights issue (the “**Warrants Issue**”) of up to 354,670,733 warrants (the “**Warrants**”), each Warrant to be issued at an issue price of S\$0.01 (the “**Warrants Issue Price**”) and carrying the right to subscribe for one (1) new common share of par value HK\$0.01 each in the capital of the Company (the “**New Share**”) at an exercise price of S\$0.10 for each New Share (the “**Exercise Price**”), on the basis of one (1) Warrant for every one (1) existing common share in the capital of the Company (the “**Share**”) held by shareholders of the Company (“**Shareholders**”) as at a time and date to be determined by the Directors in their absolute discretion (the “**Books Closure Date**”), and authority be and is hereby given to the Directors to:

- (a) create and issue such number of Warrants as the Directors may determine of up to 354,670,733 Warrants at the Warrants Issue Price per Warrant, each Warrant to entitle the holder thereof to subscribe for one (1) New Share of par value HK\$0.01 each at the Exercise Price for each New Share at any time during the period commencing on the first (1st) anniversary of the date of issue of the Warrants and expiring at 5.00 p.m. (Singapore time) on the date immediately preceding the sixth (6th) anniversary of the date of issue of the Warrants subject to the terms and conditions of the deed poll (the “**Deed Poll**”) constituting the Warrants to be executed by the Company on such terms and conditions as the Directors may think fit;

NOTICE OF SPECIAL GENERAL MEETING

- (b) issue such further Warrants as may be required or permitted to be issued in accordance with the terms and conditions of the Deed Poll (any such further Warrants to rank *pari passu* with the Warrants and for all purposes to form part of the same series, save as may otherwise be provided in the terms and conditions of the Deed Poll);
- (c) provisionally allot and issue up to 354,670,733 Warrants pursuant to the Warrants Issue at the Warrants Issue Price per Warrant on the basis of one (1) Warrant for every one (1) existing Share held by Shareholders as at the Books Closure Date;
- (d) allot and issue, notwithstanding that the issue thereof may take place after the next or any ensuing annual or other general meeting of the Company up to 354,670,733 New Shares of par value HK\$0.01 each upon the exercise of the Warrants, credited as fully paid, subject to and otherwise in accordance with the terms and conditions of the Deed Poll, such New Shares (when issued and paid) to rank *pari passu* in all respects with the then existing Shares (save as may otherwise be provided in the terms and conditions of the Deed Poll) save for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the relevant exercise date of the Warrants; and
- (e) on the same basis as paragraph (d) above, allot and issue, notwithstanding that the issue thereof may take place after the next or any ensuing annual or other general meeting of the Company, such further New Shares as may be required to be allotted and issued on the exercise of any of the Warrants issued in accordance with paragraph (b) above,

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 the Warrants under the Warrants Issue shall be made on a renounceable basis to 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 with registered addresses in Singapore or who have, at least five (5) market days prior to the Books Closure Date, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents (the “**Entitled Shareholders**”);
- (ii) no provisional allotment of Warrants shall be made in favour of Shareholders with registered addresses outside Singapore as at the Books Closure Date or who have not, at least five (5) market days prior thereto, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”);
- (iii) the provisional allotment of the Warrants which would otherwise accrue to Foreign Shareholders shall be disposed of by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the provisional allotments relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds thereof, if any (after deducting all expenses), proportionately among such Foreign Shareholders in accordance with their respective shareholdings as at the Books Closure Date provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with for the sole benefit of the Company;
- (iv) the provisional allotment of the Warrants not taken up or allotted for any reason (other than allotments to Foreign Shareholders referred to above) shall be allotted or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and

NOTICE OF SPECIAL GENERAL MEETING

- (v) the New Shares to be issued on exercise of the Warrants at the Exercise Price (subject to adjustment with the terms of the Deed Poll constituting the Warrants) 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 distribution that may be declared or paid, the record date for which falls before the date of issue of the New Shares.

and the Directors and each of them be and are fully authorised to take any and all steps, and to do and/or procure to be done any and all acts and things, and to approve sign and execute any documents which they in their absolute discretion consider to be necessary, desirable, expedient or appropriate to effect and implement this resolution and to exercise such discretion in connection with, relating to or arising from the Warrants Issue and/or the matters contemplated herein, with such modifications thereto (if any) as they or he may from time to time consider necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Warrants Issue. For the avoidance of doubt, shareholders' pre-emptive right under Bye-law 10 of the Bye-Laws of the Company does not apply.

RESOLUTION 3 (ORDINARY RESOLUTION)

Approval of the Proposed Issue of the Convertible Bonds

That approval be and is hereby given to the Directors:

- (A) (i) to create and issue up to S\$5,320,060.99 in aggregate principal amount of 7.0 per cent. Convertible Bonds due 2020 (the "**Convertible Bonds**") in the denomination of S\$0.015 for each Convertible Bond, at an issue price of S\$0.015 for each Convertible Bond, and on such terms and conditions as the Directors may determine (including, without limitation, the Company being entitled to pay such further interest on the Convertible Bonds for any particular year at the sole discretion of the Directors), such Convertible Bonds to be convertible at the option of the holder (the "**Bondholder**") into new common shares in the capital of the Company (the "**Conversion Shares**") at a conversion price of S\$0.10 (the "**Conversion Price**"), subject to such adjustments and in accordance with such other terms and conditions as the Directors may in their absolute discretion and from time to time deem fit;
- (ii) to allot and issue:
- (a) upon conversion, such number of Conversion Shares as may be required or permitted to be allotted and issued on the conversion of the Convertible Bonds, subject to and otherwise in accordance with such terms and conditions of the Convertible Bonds, which rank *pari passu* in all respects with the then existing Shares, save as may otherwise be provided in the terms and conditions of the Convertible Bonds; and
- (b) on the same basis as paragraph (ii)(a) above, such further Conversion Shares as may be required to be allotted and issued on the conversion of any of the Convertible Bonds upon the adjustment of the Conversion Price in accordance with the terms and conditions of the Convertible Bonds;
- (B) to undertake the renounceable non-underwritten rights issue of the Convertible Bonds (the "**Convertible Bonds Issue**") and provisionally allot and issue the Convertible Bonds on the basis of one (1) Convertible Bond for every one (1) existing Share held by the Entitled Shareholders (as defined in the Circular to Members dated 2 December 2014 (the "**Circular**") as at the Books Closure Date (as defined in the Circular), fractional entitlements to be disregarded, on the terms and conditions set out below or on such other terms and conditions (including the basis of provisional allotments of the Convertible Bonds) as the Directors may in their absolute discretion and from time to time think fit:

NOTICE OF SPECIAL GENERAL MEETING

- (i) the provisional allotments of the Convertible Bonds shall be made on a renounceable basis to the Entitled Shareholders whose names appear in the Register of Members of the Company or the records of The Central Depository (Pte) Limited (the “**CDP**”) as at the Books Closure Date with registered addresses in Singapore or who have, at least five (5) Market Days (as defined in the Circular) prior to the Books Closure Date, provided CDP or the Share Transfer Agent (as defined in the Circular), as the case may be, with addresses in Singapore for the service of notices and documents, on the basis of one (1) Convertible Bond for every one (1) existing Share then held by the Shareholders;
 - (ii) no provisional allotment of the Convertible Bonds shall be made in favour of Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) Market Days prior thereto, provided CDP or the Company, as the case may be, with addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”);
 - (iii) the provisional allotments of Convertible Bonds which would otherwise have been provisionally allotted to Foreign Shareholders may be disposed of by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the rights entitlements relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds thereof, if any (after deducting all expenses), proportionately among such Foreign Shareholders in accordance with their respective Shareholdings or, as the case may be, the number of Share entered against their names in the Depository Register as at the Books Closure Date provided that if the amount to be distributed to any single Foreign Shareholder is less than \$10.00, such amount shall instead be retained by the Company or dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company;
 - (iv) the provisional allotments of Convertible Bonds not taken up or allotted for any reason shall be used to satisfy applications for excess Convertible Bonds (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and
- (C) to complete and do all acts and things (including executing all such documents as may be required in connection with the Convertible Bonds Issue, and the issue of the Convertible Bonds, the Conversion Shares) and to exercise their absolute discretion as they may deem fit, advisable or necessary to give full effect to this Ordinary Resolution and the Convertible Bonds Issue, and the issue of the Convertible Bonds and the Conversion Shares.

For the avoidance of doubt, shareholders’ pre-emptive right under Bye-Law 10 of the Bye-Laws of the Company does not apply.

RESOLUTION 4 (ORDINARY RESOLUTION)

Approval of the Proposed Amendments to the Joyas Share Option Scheme

That:

- (a) the proposed amendments to the Rules of the Joyas Share Option Scheme adopted by the Company on 21 December 2007 (“**Scheme Rules**”) as set out in the Appendix to the Circular to Shareholders dated 2 December 2014, be and are hereby adopted and approved by the Company;
- (b) the Directors be and are hereby authorised to offer and grant Options in accordance with the provisions of the Scheme Rules amended in accordance with paragraph (a) above (“**modified Scheme Rules**”) and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of Options under the modified Scheme Rules; and

NOTICE OF SPECIAL GENERAL MEETING

- (c) the Directors of the Company and/or any one of them be and is/are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental to or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

BY ORDER OF THE BOARD

Joyas International Holdings Limited

Gwendolyn Gn
Company Secretary
2 December 2014
Singapore

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 10.00 a.m. on 6 January 2015.
- (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.