

JOYAS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda on 4 October 2006 with limited liability)
(Bermuda Company Registration Number 38991)

DISCLAIMER OF OPINION BY THE AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, the Board of Directors (the “**Board**”) of Joyas International Holdings Limited (the “**Company**”) and together with its subsidiaries (collectively the “**Group**”) wishes to announce that the independent auditors of the Company, Baker Tilly TFW LLP (the “**Independent Auditors**”), have issued a disclaimer of opinion in the independent auditors’ report (“**Independent Auditors’ Report**”) in respect of the Company’s consolidated financial statements for the financial year ended 31 December 2020 (“**FY2020**”) (the “**Published Financial Statements**”).

The Board and the Management of the Company wish to provide their comments and views in relation to certain matters raised in the Independent Auditors’ Report which formed the basis of the disclaimer of opinion:

i) Deposit paid to supplier and trade payable owing to the supplier and amount due to related parties.

Deposit paid to supplier

The deposit of approximately HK\$24 million (“**Deposit**”) was made by the Group to its supplier in the Philippines during the financial year ended 31 December 2015 for the purchase of nickel ore pursuant to an exclusive agency agreement signed between Hong Kong Silver Basic Group Limited (“**Hong Kong Silver**”), a 70%-owned subsidiary of the Group, with the supplier on 19 March 2015 for being an exclusive agent of sale of nickel ore in the PRC including Hong Kong. For the avoidance of doubt, the supplier is owned by Mr. Wang De Zhou (“**Mr Wang**”), the previous managing director of Hong Kong Silver.

The supplier has yet to obtain export approval due to additional procedures relating to the environmental requirements imposed by the relevant authorities in the Philippines which explains the long overdue situation. The Deposit has been used by the supplier for extraction costs and cannot be returned until the sale of the nickel ore.

The Deposit is secured by a personal guarantee from Mr. Wang, guarantee from the minority shareholders of Hong Kong Silver, and the charge of shares in a mining company which owns a nickel ore mining concession in Indonesia (“**Mining Company**”).

Mr. Wang had provided a repayment plan to the Company for the Deposit owing to the Group, of which first installment of approximately USD50,000 will commence in August 2019 (“**Repayment Plan**”) and will be increased and repaid over a period of time depending on the level of future shipment.

No impairment was considered necessary on the Deposit prior to the financial year ended 31 December 2019 (“**FY2019**”) due to the following reasons:

- a) In the financial year ended 31 December 2018 (“FY2018”), the Board had received assurance from the management of Hong Kong Silver that the new majority shareholder of PT Global Linker Indonesia (“PTGLI”), the associate company of the Group whose activities are in nickel ore trading, has been providing financial support to PTGLI.
- b) PTGLI was expected to start domestic shipment of nickel ores in FY2019 and should be able to generate positive cash flows once shipments reached a certain expected level.
- c) The Board realised that there was a lack of visibility of PTGLI's plan and opined that provision may be required. However, a reliable estimate could not be made at the closure of the books of FY2018 due to lack of updated information on the realisable value of the collaterals of the Deposit.

During FY2019, the Deposit was fully impaired as there was no progress in the Group's nickel ore trading business in Philippines or Indonesia and no payment had been recovered in respect of the Deposit.

As disclosed under the Company's various announcements up to 27 February 2021, the Group is proceeding with the necessary legal cause of action to recover all outstanding sums in connection with the Deposit from all relevant parties including Mr. Wang and the minority shareholders of Hong Kong Silver, as well as the charge of shares in a mining company, namely P.T. Shenniu Indonesia which owns a nickel ore mining concession in Indonesia.

An update of the legal cause of action is set forth in Note 27 to the Published Financial Statements.

The Board has been informed that while legal action is in progress, Mr. Wang has proposed to the Group to defer further legal action and management is negotiating with him on the terms of the possible deferment of legal action. Due to the travel restrictions as result of the Coronavirus Disease 2019 (“COVID-19”), the Group's management is unable to meet with Mr. Wang to discuss the terms further and to visit the mining sites in Indonesia to have a better understanding of the operations of the nickel ore mining concessions owned or managed by Mr. Wang which are part of the terms of settlement.

The Deposit had been fully impaired during 31 December 2019 and is included in the Basis for disclaimer of opinion in the Independent Auditor's Report for the financial year ended 31 December 2020 due to the comparability of current period's figures and the comparative figures.

Trade payable owing to supplier and amount due to related parties

In FY2019, trade payable of HK\$10,531,000 owing to the same supplier in relation to the Deposit was fully written back to profit or loss. In addition, the Group wrote back amounts of HK\$5,673,000 due to related parties, which comprised Mr Wang and an entity in which Mr Wang is also a shareholder of. The reason for such write back is because the supplier and the related parties have confirmed in a written letter to Hong Kong Silver (“Letter”) that such balances will not be settled until the Deposit and amounts due from PTGLI are fully settled. Since the Deposit has been fully impaired, the Group has fully written back such due to balances as well. The Board and the management are of the view that the Company is not legally obligated to settle these amounts as Hong Kong Silver, the subsidiary which recorded these liabilities, is in a capital deficit position. Furthermore, the probability of claims by the supplier and the related parties is remote as the Letter states that such balances will not be

settled until the Deposit and amounts due from PTGLI are fully settled. As of the date of this announcement, neither the supplier nor the related parties have made any claim or demand of repayment for the amounts written back.

The Independent Auditors Report indicated that as there is no documentary evidence that the Group is legally released from primary responsibility for the trade payable of HK\$10,531,000 and amount due to related parties of HK\$5,673,000, the Independent Auditors are unable to obtain sufficient appropriate evidence on the write back recorded during FY2019 and whether any adjustments might be necessary to the Published Financial Statements.

ii) Unaudited financial information, impairment of investment in associate and impairment of amount due from an associate

In view of the uncertainty of recoverability from the associate, PTGLI, the Group has made full provision for the investment in associate and the amount due from associate in its financial statements for FY2019.

To address the Independent Auditor's view that they are unable to obtain audit evidence about the financial information of PTGLI as its financial statements are unaudited, request has been made by the Group to the associate to arrange for audit of its financial statements from FY2017. Management of PTGLI has previously been reluctant to incur any audit expenditure as PTGLI has no revenue and statutory audit is currently not required by the tax authorities or other regulatory requirements. The management of PTGLI has recently arranged an audit of PTGLI and audit work is currently in progress.

iii) Impairment of amount due from subsidiaries

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

The Board and Management are of the view that the advances to subsidiaries in financing business can be fully recovered. As for the advances to subsidiaries engaged in nickel ore trading activities, the respective balances have been fully impaired in FY2019.

No impairment for amount due from subsidiaries engaging in nickel ore trading activities was considered necessary prior to FY2019 for reasons explained in paragraph (i).

The Independent Auditors' Report which formed the basis of the disclaimer of opinion is due to the comparability of current period's figures and the comparative figures.

The Board is of the view that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner and confirmed that all material disclosures have been provided for trading of the Company's shares to continue.

The Published Financial Statements and the Independent Auditors' Report can also be found in the Company's annual report for FY2020 ("**FY2020 Annual Report**"), which have been released separately via the SGXNET and despatched to the Company's shareholders on 7 April 2021. Shareholders of the Company are advised to read this announcement in conjunction with the FY2020 Annual Report.

A copy of the aforesaid Independent Auditor's Report together with an extract of the relevant notes of the Published Financial Statements is annexed to this announcement for reference.

BY ORDER OF THE BOARD

Lau Chor Beng Peter
Managing Director
7 April 2021

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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