



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Joyas International Holdings Limited

Security: Joyas International Holdings Limited

Meeting details:

Date: 26 April 2019

Time: 11.00 a.m.

Venue: 1 Robinson Road #18-00 AIA Tower Singapore 048542

Company Description

Joyas International Holdings Ltd. is a Singapore-based investment holding company. The Company and its subsidiaries are engaged in the design, manufacture and sale of metal gift products and jewelry products. The Company has two segments: Metal gift products and Jewellery products. The Company's Metal gift products are designed in-house, while the manufacturing is subcontracted to independent third parties, and include fashion accessories, desk top accessories, table top accessories and time items. The Company's Jewellery products are designed by the Company, while the manufacturing is subcontracted to independent third parties. The Company uses South Sea pearls, diamonds, colored stones and gold in its jewelry products.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=E9L)

Q1. As a listed company, the group generated revenue of HK\$2.57 million while administrative expenses alone were HK\$(6.38) million. The group reported a loss of HK\$(4.44) million for FY2018. Would the board/management provide shareholders with better clarity on the following operational and strategic matters? Specifically:

- (i) Nickel Ore trading:** The group's supplier in the Philippines has yet to obtain the export approvals due to additional procedures imposed by the relevant authorities. The group's 70% owned subsidiary, Hong Kong Silver Basic Group Limited ("HK Silver"), is trying to secure suppliers from Indonesia for the export market. PT Global Linker Indonesia ("PTGLI"), its associate, lacked working capital to fulfil its orders.

For the second year running, the group's nickel ore trading business recorded no revenue.

Would the board be re-assessing the group's competency in the trading of nickel ore? Does it have a sustainable business model? Please clearly articulate the business model and show how it would enable the group to generate value for shareholders for the long term.

- (ii) Financing:** The total loan book amounted to HK\$18.5 million and the segment received interest income of HK\$2.57 million in the year. **Similarly, with the group's limited balance sheet, how sustainable is the financing business? Has management reviewed how it could fund this business and scale it up profitably?**
- (iii) Strategic review:** **Would the board consider it prudent to carry out a strategic review of the group's operations, including the business models, the group's competitiveness, management's strength and quality of the group's assets?**

Q2. As noted in the Corporate Governance Report, the board comprises five directors, with two independent directors.

The independent directors, namely Mr Cheung King Kwok and Mr Lim Siang Kai, were both first appointed on 21 December 2007 and thus have each served on the board for more than 11 years.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

At the company's annual general meeting scheduled to be held on 26 April 2019, Mr Cheung King Kwok is retiring pursuant to Bye-law 104 of the Bye-laws of the Company and is seeking his re-election.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

The NC has stated that it will tap on the resources of the directors' personal contacts for recommendations of potential candidates and may also use executive recruitment agencies.

- (iii) Would the NC strongly consider a formal search through a professional search firm as it might increase the diversity and possibly the quality of its candidate pool?**
- (iv) Given that both independent directors have served on the board for more than 9 years, what are the company's near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?**
Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

Q3. On 4 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 1 March 2019) and the audited financial statements for FY2018 after the finalisation of audit.

The audit adjustments and reclassifications included:

- Reclassification of foreign exchange differences in convertible bonds from administrative expenses to finance costs
- Reclassification of loan and advances for Fair Value To Profit and Loss ("FVTPL") from trade and other receivable to financial assets at fair value
- Changes in share of non controlling interest ("NCI") of the loss on disposal and OCI of associate not taken up previously

In fact, the company announced discrepancies between its audited and unaudited results for the financial year ended 31 December 2017 and 31 December 2016 as well.

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (ii) Has the audit committee evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Would the members of the audit committee (AC) help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (iv) Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**