



Radiant Gems International PLC

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Company Registration No. PQ 197

Nilupa Perera (Ms.)

Senior Vice President -Trading Operations, Market Surveillance & Corporate Affairs

Colombo Stock Exchange

04-01, West Block,

World Trade Center,

Echelon Square,

Colombo 01.

1st August 2022,

Dear Madam,

Market announcement on Qualified Opinion and Emphasis of Matter on going concern in the Audited Financial Statements of the Annual Report for the year ended 31st March 2021-Radiant Gems International PLC

As per the Listing Rule 7.5 (d) ii A4, we hereby announce that the Securities of the Company transferred to the Watch List by the Exchange with effect from 04th March 2022.

Further we wish to bring to your attention the reasons for such Qualified Audit Report and the remedial actions taken by the Company to resolve the matters giving rise to the qualified Opinion and Emphasis of matter on going concern.

1) Investment in Gems and Inventories

As specified under the basis for qualified opinion of the auditor's report, physical counting of investment in Gems Stock of Rs 7,547,777/- and Inventories of Rs 4,275,930/- were not observed by the external auditors as they were appointed at the AGM held on 15th September 2021, based on the recommendation from the audit committee and considering the correspondence from regulatory authorities on previous auditor's failure on planning and performing the audit, the board recommended to the shareholders to appoint new external auditors. However, due to the COVID 19

restrictions on physical AGM, the Company had to obtain legal advice on virtual meeting and it was arranged on 15th September 2021 where the new auditors were appointed. Further, as the new auditors were not appointed as at 31st March 2021, they were unable to observe the physical verification of the investment in Gems and inventories, which was completely out of the board's control. However, the board assures that the above investment in gems stock and Inventories are available for auditor's observation for verification subsequently and there are no movements of those stocks during the period.

Further on the above, the cost of these stocks were not available as these stocks were continuously valued and recorded on the revaluation basis throughout the past several years, and the company may provide the cost estimation for above inventories in most realistic manner, and could estimate NRV accordingly to resolve the issue.

Annual Physical Stock verification for the year 2021/2022 had been done on 31.03.2022 under the observation of external auditors Kreston MNS & Co., and the existed gem stock has revalued by the Gem and Jewellery Authority at the same time.

Annual Audit for the year 2021/2022 has being conducted by the auditors, and we hope to get their draft audit report by the mid of August 2022.

2) Long Term Loan-Bank of Ceylon (FCBU) Rs 38,923,965/-

The Company has sent the letter asking the balance confirmation regarding the above loan. However, direct independent confirmation has not been received to the Auditors, which is out of the control of the company. However, the company has not limited the scope of the auditors for confirmation of the above loan balance.

During the month of June 2022 we were able to start paying for the BOC loan and we continued in July 2022 too.

3) Material Uncertainty relating to Going Concern

As stated in the audit report, the material uncertainty has arisen due to net loss of Rs 11,567,676/- reported as at 31st March 2021 which in turn caused negative net assets of Rs 4,601,265/- and negative net current asset of Rs 17,178,053/-. And reduction in revenue by 10.6% during the period.

During the financial year ended 31st March 2021, the Company suffered significantly from Global pandemic situation of COVID 19, as the Company is fully export oriented. our foreign clients also suffered from the global pandemic, it was adversely impacted the revenue of the company. Further, the Company cost was increased due to domestic inflation.

However, we wish to bring to your attention on the following remedial actions taken by the management to improve the financial position, revenue, net asset and net current asset of the Company.

- To increase the orders we receive by negotiating with our current clients, in the next few months by 5% to 10%
- Finding new clients to get more orders, by the end of September 2022, expecting at least two new clients.
- We have started increasing the production efficiency by finding out the staff idling, bottle necks, and areas where training is needed to increase the efficiency.
- Immediately introducing cost controls and cost cutting to minimize the production cost

As a result of floating the rupee against the dollar in mid of March 2022, our export revenue has increased by 20% to 25%, while the expenses increased by 8% to 12%, and this will help the company to make more profits from exports in the future.

A new client has started to work with us and orders received for Watch and Jewellery.

We continue to get more orders from the existing clients in Europe.

With the intention of increasing the volume of the production, the management has introduced a new group attendance incentive scheme for the production staff along with a

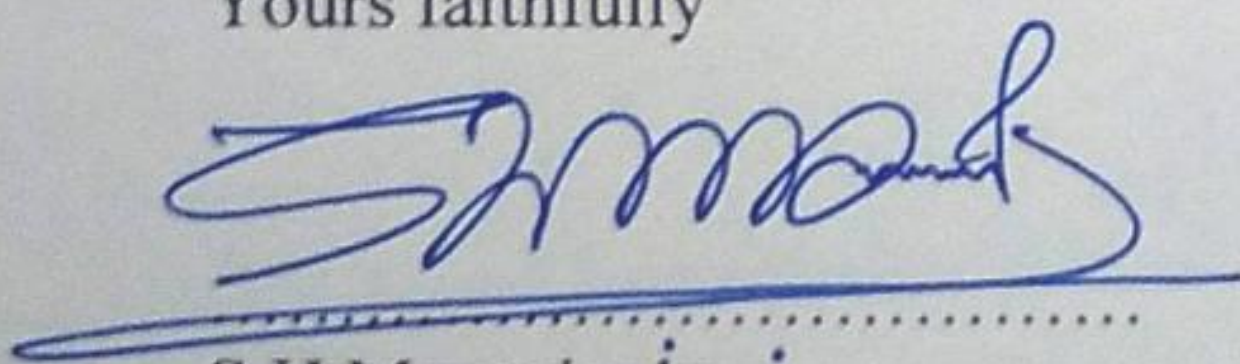
monthly target based incentive scheme, with these two new implementations, production has increased from May, and we hope this will help us to meet with the current demand.

For the first quarter of the year 2022/23 company revenue has recorded 46.5 Mn, when compared to last year it was 130% significant increase.

- 4) Further, we hereby announce that, in the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the Market via the Exchange within one (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation.
- 5) Further we announce that, in the event the matters giving rise to the qualified audit opinion and emphasis of matter on going concern are not resolved within a period of fifteen (15) months from the date of transferring the Securities of the Company to the Watch List, the trading of Securities of the Company shall be suspended. In the event the trading suspension continues for a period in excess of twelve (12) months, the securities of the Company shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
- 6) In the event the matters giving rise to the qualified audit opinion and the emphasis of matter on going concern are resolved and such fact is independently verified by an auditor during the period the Securities of the entity are on the Watch List, It shall be announced to the market via the CSE.

Thanking you,

Yours faithfully



S.H. Munasinghe
Chairman / Managing Director