

Independent Auditor's Report

to the shareholders of Joyas International Holdings Limited
(incorporated in Bermuda with limited liability)

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Joyas International Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 16 to 57, which comprise the consolidated statement of financial position of the Group and of the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

- (i) Deposits paid to a supplier, trade payable owing to the supplier and amounts due to related parties

As disclosed in Note 6 and Note 12 to the financial statements, deposits of HK\$24,377,000 paid and trade payable of HK\$10,531,000 owing to a supplier, which is a related party by virtue of a director and shareholder of the supplier being a former key management personnel of the Group (the "KMP") were fully impaired and fully written back respectively to profit or loss during the financial year ended 31 December 2019. In addition, during the financial year ended 31 December 2019, the Group wrote back amounts of HK\$5,673,000 due to related parties, which comprised the KMP and an entity in which the KMP is also a shareholder of the entity.

In our current year's audit, we were unable to satisfactorily perform confirmation procedures to satisfy ourselves that the gross amounts of the deposits paid of HK\$24,299,000 (2020: HK\$24,377,000) and trade payables owing to the supplier of HK\$10,531,000 (2020: HK\$10,531,000), before the impairment and write back respectively, were fairly stated. Consequently, we were unable to obtain sufficient appropriate evidence on the accumulated impairment loss on deposits paid of HK\$24,299,000 (2020: HK\$24,377,000) and accumulated write back of trade payables of HK\$10,531,000 (2020: HK\$10,531,000). We were also unable to obtain sufficient appropriate evidence on the accumulated write back of amounts due to related parties of HK\$5,673,000 (2020: HK\$5,673,000).

In view of the matters described above, we were unable to determine whether any adjustments might be necessary to the consolidated financial statements for the financial year ended 31 December 2021.

The auditor's report of the Group for the financial year ended 31 December 2020 included a similar basis for disclaimer on this matter.

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

As disclosed in Note 3 to the financial statements, the Group had fully impaired its investment in associate and recorded an impairment loss of HK\$3,355,000 during the financial year ended 31 December 2019.

As disclosed in Note 6 to the financial statements, the Group recorded a gross amount due from associate of HK\$10,672,000 which was fully impaired during the financial year ended 31 December 2019.

The financial statements of the associate for the financial year ended 31 December 2021 were unaudited and we were unable to obtain sufficient appropriate audit evidence about the financial information of the associate for the financial year ended 31 December 2021. Accordingly, we were unable to obtain reasonable assurance that the recorded gross investment in associate of HK\$3,355,000 and the corresponding accumulated impairment loss of HK\$3,355,000, and the amount due from associate of HK\$10,672,000 and accumulated impairment loss on amount due from associate of HK\$10,672,000 as at 31 December 2021 are not materially misstated in the consolidated financial statements of the Group.

The auditor's report of the Group for the financial year ended 31 December 2020 included a similar basis for disclaimer on this matter.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The director's responsibilities include overseeing the Group's financial reporting process.

Independent Auditor's Report

*to the shareholders of Joyas International Holdings Limited
(incorporated in Bermuda with limited liability)*

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the consolidated financial statements and statement of financial position of the Company in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Ms Guo Shuqi.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

6 April 2022

Notes to the Financial Statements

For the financial year ended 31 December 2021

3 Investment in an associated company

The Group	2021	2020
	HK\$'000	HK\$'000
Carrying amount of investment		
At 1 January and 31 December	–	–

The following information relates to the associated company of the Group at the end of the financial year:

Name of associate	Country of incorporation	Ownership interest held by the Group		Principal activities
		2021	2020	
		%	%	
Indirectly owned				
PT Global Linker Indonesia * ("PT Global")	Indonesia	49	49	Inactive

* Management accounts used for equity accounting

Summarised financial information of an associate extracted from the management accounts for the years ended 31 December 2021 and 31 December 2020

	2021	2020
	HK\$'000	HK\$'000
Revenue	–	–
Loss after tax	465	71
Other comprehensive loss	–	34
Total comprehensive loss	465	105
Non-current assets		–
Current assets	24,529	20,572
Current liabilities	(18,528)	(13,829)
Net assets	6,001	6,743
Group's share net assets based on proportion of ownership interest	3,355	3,355
Impairment	(3,355)	(3,355)
Carrying amount of investment	–	–

The Group has not recognised its share of losses of PT Global amounting to HK\$228,000 (2020: HK\$51,000) because the Group had fully impaired its investment in associate and recorded an impairment loss of HK\$3,355,000 during the financial year ended 31 December 2019.

Notes to the Financial Statements

For the financial year ended 31 December 2021

6 Trade and other receivables

	The Group		The Company	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Amount due from subsidiaries (non-trade)	-	-	41,657	41,657
Less: Impairment losses on amount due from subsidiaries	-	-	(25,958)	(25,958)
Amount due from an associated company	10,672	10,672	-	-
Less: Impairment loss on amount due from an associated company	(10,672)	(10,672)	-	-
Deposits	17	18	17	17
Loans and advances	19,500	17,500	-	-
Less: Impairment loss on loans and advances	(1,620)	(1,244)	-	-
Trade receivable	150	150	-	-
Interest receivable	310	325	-	-
Other receivables	298	168	11	11
Deposits paid to a supplier ⁽¹⁾	24,299	24,377	-	-
Less: Impairment loss on deposits	(24,299)	(24,377)	-	-
Financial assets	18,655	16,917	15,727	15,727
Prepayments	169	7	160	7
Total trade and other receivables	18,824	16,924	15,887	15,734

⁽¹⁾ On 19 March 2015, the Group's subsidiary, Hong Kong Silver Basic Group Limited, entered into an exclusive agency agreement with the supplier for being an exclusive agent for the sale of nickel ore in the PRC including Hong Kong, which is produced by the supplier. A former key management personnel of the Group, Mr Wang De Zhou is a shareholder and director of the supplier. Mr Wang De Zhou is also a close member of the family of a key management personnel of the Group. The deposits paid for purchases of nickel ore are unsecured and interest-free. During the financial year ended 31 December 2019, the deposits paid of HK\$24,377,000 was fully impaired and trade payable to the supplier of HK\$10,531,000 was fully written back. During the financial year ended 31 December 2021, the Group received HK\$78,000 from Mr Wang De Zhou being partial repayment of the deposit.

Loans and advances

Loan and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets.

The Group has offered and granted eight loans (2020 – three) via its Hong Kong subsidiary, CCI Financial (registered money lender in Hong Kong). Total undrawn facility amount at the end of financial year ended 31 December 2021 was HK\$7,500,000 (2020: HK\$2,500,000). Any drawdown is subject to management approval.

Country	Nature of business of borrowers	Maturity date	Interest rate		Principal amount of the loan	
			2021	2020	2021	2020
			%	%	HK\$'000	HK\$'000
<u>At amortised cost:</u>						
British Virgin Islands	Investment company	Revolving in nature	12	12	5,000	5,000
Hong Kong	Purchasing of consumer debt folio & manage and recover debt	Revolving in nature	12	12	5,000	5,000 ⁽¹⁾
Hong Kong	Personal	Revolving in nature	12	12	2,500	7,500
Hong Kong	Personal	Within 3 months from drawdown	36	-	3,000	-
Hong Kong	Personal	Within 3 months from drawdown	36	-	1,000	-
Hong Kong	Personal	Within 3 months from drawdown	36	-	1,000	-
Hong Kong	Personal	Within 3 months from drawdown	36	-	1,000	-
Hong Kong	Personal	Within 6 months from drawdown	30	-	1,000	-
Less: Impairment loss for the financial year					(1,620)	(1,244)
					17,880	16,256

The loans and advances are denominated in HKD.

⁽¹⁾ This relates to loan to a related party in which a subsidiary's director is also a deemed shareholder of the entity. Following the resignation of the director from the subsidiary during the previous financial year, the debtor is no longer a related party of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2021

12 Trade and other payables

	The Group		The Company	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Trade payables ⁽¹⁾	-	-	-	-
Amounts due to subsidiary	-	-	12,100	9,439
Amounts due to a former key management personnel ⁽²⁾	316	80	-	-
Amounts due to related party (non-trade) ⁽³⁾	-	-	-	-
Amounts due to related party (non-trade) ⁽⁴⁾	735	552	-	-
Other payable	114	95	-	-
Accruals	1,313	1,205	820	523
Total trade and other payables	2,478	1,932	12,920	9,962

(1) As disclosed in Note 6, trade payables of nickel ore to supplier of HK\$10,531,000 has been written back during the financial year ended 31 December 2019.

(2) This relates to advances given by Mr Wang De Zhou. The amount is unsecured, interest-free and repayable on demand. An amount of HK\$5,373,000 has been written back during the financial year ended 31 December 2019.

(3) In the previous financial year, an amount of HK\$300,000 due to a related party had been written back. The related party is an entity in which Mr Wang De Zhou is also a deemed shareholder.

(4) The related party is in which one of the Company's directors is also a shareholder of the entity.

13 Borrowings

The Group	2021 HK\$'000	2020 HK\$'000
Other borrowing I ⁽¹⁾	-	5,000
Other borrowing II ⁽²⁾	9,001	807
Bank borrowing ⁽³⁾	993	979
Bank overdraft	9,750	-
Total borrowings	19,744	6,786

(1) Other borrowing I is repayable in 24 months after each drawdown and bears interest at 1% per annum (2020 - 1%). It is a callable loan, therefore the amount is classified under current liabilities. The loan was fully settled during the financial year ended 31 December 2021.

(2) Other borrowing II is repayable on demand and bears interest rate ranging from 12% to 18% (2020 - 12%) per annum.

(3) The bank borrowing is repayable on demand. Interest is charged at cost of funds plus 0.75% and the interest rate during the year ranged from 1.2% to 1.62% (2020: 1.18% to 2.65%) per annum. It is secured by non-liquid cash in banks (Note 7) and personal guarantee by a director.

(4) The bank overdraft of the Group is secured by pledged fixed deposits (Note 7). The bank overdraft does not form an integral part of the Group's cash management.

14 Revenue

Revenue from the Group's principal activities recognised during the financial year are as follows:

The Group	2021 HK\$'000	2020 HK\$'000
Interest income	2,790	1,548
Loan referral service income	450	290
Fair value gain on financial assets at FVTPL	202	-
Total revenue	3,442	1,838