

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

Qualified Opinion

We have audited the accompanying financial statements of Joyas International Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 16 to 52, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, 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.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

Comparative figures and amount due to related party

The comparative figures disclosed in these financial statements are based on the financial statements of the Group for the previous financial year ended 31 December 2021, on which we expressed a disclaimer of opinion on the deposits paid to a supplier, trade payable owing to the supplier, amounts due to related parties, impairment of investment in associate and amount due from an associate. The extract of the basis for disclaimer of opinion on the financial statements of the Group for the financial year ended 31 December 2021 is disclosed in Note 25 to the financial statements. The basis for disclaimer of opinion relates to a subsidiary, Hong Kong Silver Basic Group Limited ("HK Silver") except for an amount due to related party of HK\$700,000 which relates to another subsidiary of the Group. HK Silver was disposed of during the current financial year as disclosed in Note 5 to the financial statements.

In view of the matter described above, since the opening balances as at 1 January 2022 enter into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2022, we were unable to determine whether adjustments might have been found necessary in respect of 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 ended 31 December 2022.

For the amount due to related party of HK\$700,000 which was written back in the financial year ended 31 December 2019 and relates to another subsidiary of the Group, the Group has obtained a letter of waiver from the related party dated 31 December 2022. We were unable to obtain sufficient appropriate evidence on the accumulated write back of amount due to related party of HK\$700,000 as at 1 January 2022. Consequently, we were unable to determine whether any adjustments might be necessary in respect of 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 ended 31 December 2022.

Our opinion on the current financial year's financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicate in our report.

Loss allowance on loans and advances

As disclosed in Note 6 to the financial statements, the Group's loans and advances amounted to HK\$15,624,000 after providing for loss allowance of HK\$1,376,000 and represented 59% of the Group's total assets as at 31 December 2022. Loans and advances comprise six borrowers that represent 100% of the total loans and advances.

The assessment of impairment of loans and advances is considered a key audit matter as it requires the application of significant estimates and judgements by management and loans and advances is significant to the Group's total assets. The significant estimates and judgements applied in the assessment of loss allowance on loans and advances are disclosed in Note 2(b) and Note 21.3 to the financial statements.

The Group determined expected credit loss ("ECL") for loans and advances by conducting credit assessment on a loan-by-loan basis and assessed the probability of default and loss given default of each loan. In making their judgements, the Group considers the financial capabilities of the borrowers of the loan granted which includes assessing the credit portfolio of the borrowers and the assessment of the loan to security ratio, the historical loss rates and where applicable, incorporating forward-looking information which is based on assumptions and forecasts of future economic conditions with consideration on the impact of the current macroeconomic uncertainties and how these conditions will affect the Group's ECL assessment.

Our procedures to address the key audit matter

We obtained an understanding of the Group's credit policy, credit assessment procedures and basis for determination of ECL. We evaluated and challenged the reasonableness of management's estimates and judgements applied in the ECL calculation including the adjustments for forward-looking information. We assessed the completeness and accuracy of historical and other information used in calculating the ECL. We checked that the scheduled principal and interest repayments for the current financial year have been met by checking payments received during the year and obtained written confirmations for all loans and advances as at year end.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2022, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Because of the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, we are unable to conclude whether or not the other information is materially misstated with respect to the matters.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

6 April 2023