

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"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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

Disclaimer of Opinion on the financial statements for the year ended 31 December 2018

The independent auditor's report on the consolidated financial statements for the previous year ended 31 December 2018 contained a disclaimer of opinion on the following matters:

- (i) Comparative figures
- (ii) Deposits paid to a supplier and trade payable owing to the supplier
- (iii) Going concern
- (iv) Disposal of subsidiaries of JGL Group
- (v) Unaudited financial information and impairment of amount due from an associate
- (vi) Impairment of amount due from subsidiaries

Items that have a continuing relevance to the 2019 financial statements are further elaborated below:

- (i) Comparative figures

Our opinion on the current year's financial statements is also modified because of the possible effects of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 December 2018 on the comparability of the current period's figures and the comparative figures.

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

For the financial year ended 31 December 2018, we were unable to satisfactorily perform confirmation procedures on the deposits of HK\$24,377,000 paid to a supplier and trade payables of HK\$10,531,000 owing to the same supplier, which is a related party by virtue of a shareholder of the supplier being a key management personnel of the Group (the "KMP"). We were also unable to obtain sufficient appropriate audit evidence on the recoverability of the deposits paid to the supplier. Consequently, the auditor's report of the Group for the financial year ended 31 December 2018 included a disclaimer of opinion on the appropriateness of the carrying amount of the deposits paid and trade payable owing to the supplier as at 31 December 2018 and the recoverability of the deposits paid to the supplier. We are unable to determine whether the opening balance of deposits paid and trade payable owing to the supplier amounting to HK\$24,377,000 and HK\$10,531,000 respectively as at 1 January 2019 were fairly presented.

During the financial year ended 31 December 2019, deposits of HK\$24,377,000 paid to a supplier was fully impaired as disclosed in Note 18 to the financial statements and trade payable owing to the same supplier of HK\$10,531,000 was fully written back to profit or loss as disclosed in Note 16 to the financial statements. In addition, as disclosed in Notes 13 and 16 to the financial statements, 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 deemed a shareholder of the entity. We are unable to obtain sufficient appropriate audit evidence on the impairment loss on deposits paid of HK\$24,377,000, write back of trade payables of HK\$10,531,000 and write back of amounts due to related parties of HK\$5,673,000 recorded during the financial year ended 31 December 2019, and we are unable to determine how much of impairment loss of HK\$24,377,000 and write back of HK\$10,531,000 relates to the profit or loss in prior years. Consequently, we are unable to determine whether any adjustments might be necessary to the profit or loss for the financial year ended 31 December 2019 and opening accumulated losses as at 1 January 2019 of the Group.

In view of the matters described above, since the opening balance as at 1 January 2019 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2019, we were unable to determine whether adjustments might have been found necessary in respect of the consolidated financial statements of the Group for the financial year ended 31 December 2019.

Our opinion on the current 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.

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Basis for Disclaimer of Opinion (Cont'd)

(iii) Going concern

We draw attention to Note 2(a) to the financial statements. For the financial year ended 31 December 2019, the Group incurred net losses of HK\$26,783,000 (2018 – HK\$4,442,000). The Group is in loss making position for the past consecutive four years. In addition, the Group and the Company have fully redeemed its convertible bond on 21 February 2020 of S\$3,503,460 (HK\$21,460,000) which resulted in significant net cash outflow subsequent to the financial year ended 31 December 2019.

These matters indicate the existence of a material uncertainty which cast significant doubt on the Group's and the Company's ability to continue as going concerns. The going concern assumption under which the financial statements are prepared is dependent on the positive cash flows to be generated by the Group, as well as recovery of receivables recorded by the Group and the Company.

We are unable to assess the reliability of management's cash flows projections nor assess the feasibility of their plans for future actions in relation to their going concern assessment due to insufficient appropriate evidence. Therefore, we are not able to determine whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

The auditor's report of the Group for the financial year ended 31 December 2018 included a similar basis for disclaimer of opinion on this matter.

(iv) Disposal of subsidiaries of JGL Group

In 2017, included in trade and other receivables of the Company and the Group was an amount of HK\$12,000,000 relating to the sales consideration receivable from the disposal of subsidiaries of Joyas Group Limited (JGL). The auditors were unable to determine if the gross carrying amount of the receivable was appropriately stated due to insufficient appropriate evidence of the fair value of sales consideration receivable. The auditors were also unable to determine if impairment on this receivable was required as management has not performed an impairment assessment in accordance with IAS 39 Financial Instrument: Recognition and Measurement. The independent auditor's report on the consolidated financial statements of the Group and the financial position of the Company for the financial year ended 31 December 2018 included a disclaimer of opinion on the disposal of JGL as we were unable to determine whether the opening balance of sales consideration receivable amounting to HK\$12,000,000 of the Group as at 1 January 2018 were fairly presented. Since the opening balance as at 1 January 2018 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2018, we were unable to determine whether adjustments might have been found necessary in respect of the consolidated financial statements for the financial year ended 31 December 2018. Our opinion on the current year's consolidated financial statements of the Group and the balance sheet of the Company is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

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

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

The financial statement of the associate, previously a subsidiary, for the financial year ended 31 December 2017 was unaudited as the auditors were unable to obtain audit evidence about the financial information of the subsidiary for the financial year ended 31 December 2017. The auditor's report of the Group mentioned that the possible effects of this inability to obtain sufficient appropriate audit evidence were deemed to be both material and pervasive to the consolidated financial statements. Since the opening balance as at 1 January 2018 entered into the determination of the financial performance, changes in equity and cash flows of the associate, we were unable to determine whether adjustments might have been found necessary in respect of the consolidated financial statements of the Group for the financial year ended 31 December 2018. In addition, we were not able to obtain sufficient appropriate evidence that certain balances recorded by the associate in its balance sheet as at 31 December 2018 are not materially misstated. Accordingly, we are not able to obtain reasonable assurance that the recorded gross investment in associate of HK\$2,935,000 as at 31 December 2018 is not misstated. Since the opening balance as at 1 January 2019 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2019, we were unable to determine whether adjustments might have been found necessary in respect of the consolidated financial statements of the Group for the financial year ended 31 December 2019.

In view of the matters described above, we are also not able to obtain reasonable assurance that the recorded gross investment in associate of HK\$3,355,000 as at 31 December 2019 and the impairment loss on investment in associate of HK\$3,355,000 recognised during the financial year are not misstated.

As disclosed in Note 6 to the financial statements, the Group recorded a gross amount due from associate of HK\$10,672,000 (2018 – HK\$10,672,000) which was fully impaired during the financial year ended 31 December 2019. The auditor's report of the Group for the financial year ended 31 December 2018 included a disclaimer of opinion on the recoverability of the amount due from associate as we were not able to obtain sufficient appropriate evidence that the amount due from associate is recoverable. We are unable to determine how much of the impairment loss on amount due from associate of HK\$10,672,000 recognised for the financial year ended 31 December 2019, if any relates to the profit or loss in prior years. Consequently, we are unable to determine whether any adjustments might be necessary to the profit or loss for the financial year ended 31 December 2019 and opening accumulated losses as at 1 January 2019 of the Group.

(vi) Impairment of amount due from subsidiaries

As disclosed in Note 6 to the financial statements, the Company recorded an amount due from subsidiaries of HK\$50,433,000 (2018 – HK\$50,089,000), of which HK\$25,958,000 (2018 – HK\$Nil) was impaired during the financial year ended 31 December 2019. The auditor's report of the Group for the financial year ended 31 December 2018 included a basis for disclaimer of opinion on the impairment of the amount due from subsidiaries. We were unable to determine if impairment on the receivable is required as we were unable to assess the feasibility of management's plans for future recovery of this amount due to insufficient appropriate evidence. We are unable to determine how much of the impairment loss on amount due from subsidiaries of HK\$25,958,000, if any relates to the profit or loss in prior years. Consequently, we are unable to determine whether any adjustments might be necessary to the profit or loss for the financial year ended 31 December 2019 and opening accumulated losses as at 1 January 2019 of the Company.

Independent Auditor's Report

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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 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.

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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Notes to the Financial Statements

for the financial year ended 31 December 2019

1 General information

Joyas International Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 4 October 2006. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street Hamilton HM10, Bermuda and its principal place of business is located at Unit E, 12/F, Kwai Shing Industrial Building, Phase 2, 42-46 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The Company’s shares have been listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) since 13 March 2008. On 5 May 2016, the listing of the Company’s shares was transferred from the Main Board to Catalist of the SGX-ST.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to these consolidated financial statements. The directors consider the ultimate holding company to be Joyas Investment Group Limited, a company incorporated in the British Virgin Islands (the “BVI”).

The financial statements are presented in Hong Kong Dollar (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) except otherwise indicated.

The financial statements for the year ended 31 December 2019 were approved for issue by the board of directors on 3 April 2020.

2(a) Going concern

For the financial year ended 31 December 2019, the Group incurred net losses of HK\$26,783,000 (2018 – HK\$4,442,000). The Group is in loss making position continuously for the last four years. In addition, the Group and the Company have fully redeemed its convertible bond on 21 February 2020 of S\$3,503,460 (HK\$21,460,000) which resulted in significant net cash outflow subsequent to the year ended 31 December 2019.

These matters indicate the existence of a material uncertainty which cast a significant doubt on the Group’s and the Company’s ability to continue as going concerns. The going concern assumption under which the financial statements are prepared is dependent on the positive cash flows to be generated by the Group, as well as recovery of receivables recorded by the Group and the Company.

Notwithstanding the above, management believes that the Group and the Company will have sufficient resources to continue in operation for the foreseeable future after taking into consideration the following:

- (i) As at 31 December 2019, the Group had net current assets and net assets of HK\$9,360,000 (2018 – HK\$53,988,000) and HK\$9,326,000 (2018 – HK\$35,722,000), respectively, while the Company had net current assets and net assets of HK\$3,036,000 (2018 – HK\$54,744,000) and HK\$3,009,000 (2018 – HK\$33,546,000), respectively.
- (ii) The Group and the Company have fully redeemed its convertible bond on 21 February 2020 of S\$3,503,460 (HK\$21,460,000).
- (iii) Financing business is profitable and operating losses are mainly due to Group’s overheads which are relatively limited and the impairment losses on trade and other receivables relating to nickel ore business recognised during the year.

Accordingly, the directors consider it appropriate that these financial statements are prepared on a going concern basis.

If the Group and the Company are unable to continue in operation existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2(b) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) including interpretations promulgated by the International Financial Reporting Interpretations Committee (“IFRIC”) issued by the International Accounting Standards Board (“IASB”). The financial statements also include the applicable disclosure requirements of the Listing Manual Section B: Rules of the Catalist (the “Catalist Rules”) of the SGX-ST.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared under historical cost convention, except as disclosed in the accounting policies below.

Accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The significant accounting estimates and assumptions used and areas involving a significant judgement are described below:

Significant judgements in applying accounting policies

Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes and the timing of payment of the related tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

Notes to the Financial Statements

for the financial year ended 31 December 2019

2(d) Summary of significant accounting policies (Cont'd)

Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. When the fair value of the goods or services received cannot be estimated reliably, the Group measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders services.

For cash-settled share-based payments, a liability is recognised at the fair value of the goods or services received.

3 Investment in an associated company

The Group	2019 HK\$'000	2018 HK\$'000
Balance at the beginning of the year/period	2,935	2,632
Share of result for the year/period	281	169
Share of other comprehensive income for the year/period	139	134
Impairment	(3,355)	–
	–	2,935

In October 2018, the Group had, through the Company's 70%-owned subsidiary, Hong Kong Silver Basic Group Limited ("HK Silver"), disposed of 150,000 ordinary shares, representing 15% of the issued and paid-up share capital of PT Global Linker Indonesia ("PT Global") to Fill Stone International Limited, an independent third party.

Following the completion of the Disposal, Hong Kong Silver Basic Group Limited's shareholding in P. T. Global Linker has reduced to 49%. Accordingly, P. T. Global Linker ceased to be a subsidiary of the Group and was accounted for as an associated company of the Group.

Name of associate	Country of incorporation	Ownership interest held by the Group		Principal activities
		2019 %	2018 %	
Indirectly owned				
PT Global Linker Indonesia * ("PT Global")	Indonesia	49	49	Inactive

* Management accounts used for equity accounting

Notes to the Financial Statements

for the financial year ended 31 December 2019

3 Investment in an associated company (Cont'd)

Summary financial information of an associate extracted from the management accounts for the year ended 31 December 2019/period ended 31 December 2018

	01.01.2019 to 31.12.2019 HK\$'000	10.10.2018 to 31.12.2018 HK\$'000
Revenue	–	–
Profit after tax	(575)	(343)
Other comprehensive loss/(income)	(284)	(274)
Total comprehensive income	(859)	(617)
Non-current assets	12	27
Current assets	20,665	19,929
Current liabilities	(13,829)	(13,965)
Net assets	6,848	5,991
Group's share net assets based on proportion of ownership interest	3,355	2,935
Impairment	(3,355)	–
Carrying amount of investment	–	2,935

4 Property, plant and equipment

The Group	Leasehold improvements HK\$'000	Tools and equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2018	50	74	124
Exchange alignment	–	(7)	(7)
Disposal of subsidiary (Note 5)	–	(58)	(58)
At 31 December 2018 and 31 December 2019	50	9	59
Accumulated depreciation			
At 1 January 2018	37	25	62
Depreciation for the year	10	14	24
Exchange alignment	–	(4)	(4)
Disposal of subsidiary (Note 5)	–	(28)	(28)
At 31 December 2018	47	7	54
Depreciation for the year	3	1	4
At 31 December 2019	50	8	58
Carrying amount			
At 31 December 2019	–	1	1
At 31 December 2018	3	2	5

Notes to the Financial Statements

for the financial year ended 31 December 2019

5 Investment in subsidiaries (Cont'd)

Other summarised information

	HK Silver HK\$'000	CCIG Financial HK\$'000	Total HK\$'000
2019			
Cash (outflow)/inflow from operating activities	(11)	4,891	4,880
Cash inflow from investing activities	–	2	2
Cash inflow from financing activities	–	(384)	(384)
Net cash (outflow)/inflow for the year	(11)	4,509	4,498

2018

Cash (outflow)/inflow from operating activities	(3)	4,891	4,888
Cash inflow from investing activities	–	–	–
Cash inflow from financing activities	–	(267)	(267)
Net cash (outflow)/inflow for the year	(3)	4,624	4,621

6 Trade and other receivables

	The Group		The Company	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Amount due from subsidiaries (non-trade)	–	–	50,433	50,089
Less: Impairment losses on amount due from subsidiaries	–	–	(25,958)	–
Amount due from an associated company	10,672	10,672	–	–
Less: Impairment loss on amount due from an associated company	(10,672)	–	–	–
Deposits	19	19	19	19
Sales consideration receivables ⁽¹⁾	–	4,500	–	4,500
Loans and advances	17,500	18,500	–	–
Less: Impairment loss on loans and advances	(359)	–	–	–
Interest receivable	275	350	–	–
Other receivables	68	68	11	11
Deposits paid to a supplier ⁽²⁾	24,377	24,377	–	–
Less: Impairment loss on deposits	(24,377)	–	–	–
Financial assets	17,503	58,486	24,505	54,619
Prepayments	8	191	8	190
Total trade and other receivables	17,511	58,677	24,513	54,809

⁽¹⁾ The sales considerations receivables relates to the remaining proceeds from disposal of subsidiaries by the Group during the year ended 31 December 2017. The receivable of HK\$4,500,000 as at 31 December 2018 has been received during the current year.

⁽²⁾ The deposits paid for purchases of nickel ore are unsecured and interest-free. The supplier is a related party (Note 22). The amount was fully impaired on 30 September 2019 (Note 18).

Notes to the Financial Statements

for the financial year ended 31 December 2019

6 Trade and other receivables (Cont'd)

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 three loans (2018 – five) 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 2019 was HK\$2,500,000 (2018: HK\$8,500,000). Any drawdown is subject to management approval.

Country	Nature of business of borrowers	Maturity date	Interest rate		Principal amount of the loan		
			2019	2018	2019	2018	
			%	%	HK\$'000	HK\$'000	
<u>At amortised cost:</u>							
British Virgin Islands	Investment company	Revolving in nature	12	12	5,000	500	
Hong Kong	Purchasing of consumer debt folio & manage and recover debt	Revolving in nature	12	12	5,000	5,000 ⁽²⁾	
Hong Kong	Personal	Revolving in nature	12	12	7,500	7,500	
Hong Kong	Investment company	Revolving in nature	12	12	–	5,500	
Less: Impairment loss for the year						(359)	–
						17,141	18,500
<u>At fair value through profit or loss:</u>							
Hong Kong	Investment company	⁽¹⁾	12	12	–	2,584 ⁽¹⁾	
						17,141	21,084

The loans and advances are denominated in HKD.

Subsequent to the reporting date, the Group has received the repayments of HK\$8,000,000 (2018 – HK\$7,500,000) from the borrowers.

⁽¹⁾ The loan was classified as fair value through profit or loss in accordance with IFRS9 and fair value gain of HK\$Nil (2018 – HK\$584,000) was recorded in "Other income" during the financial year. In 2018, the fair value of the loan was HK\$2,584,000 (Note 7). HK\$2,584,000 was repaid in 2019.

⁽²⁾ This relates to loan to a related party in which a subsidiary's director is also a deemed shareholder of the entity (Note 22).

7 Financial assets at fair value through profit or loss

	2019	2018
The Group	HK\$'000	HK\$'000
Current		
<i>Financial assets measured at FVTPL</i>		
Loans and advances		
At 1 January	2,584	2,000
Fair value gain (Note 16)	–	584
Repayment	(2,584)	–
At 31 December	–	2,584

The loan which comprise a debt instrument and a derivative was classified as fair value through profit or loss ("FVTPL") in accordance with IFRS 9 and the fair value of HK\$584,000 was recorded in "other income" for the year ended 31 December 2018.

The fair value of the loan is determined based on the valuation performed by CHFT Advisory and Appraisal Ltd using the discounted cash flow model based on cash flows from interest and principal payment and additional returns dependent on meeting certain conditions as stated in the facility letter. This is a level 3 fair value measurement.

Notes to the Financial Statements

for the financial year ended 31 December 2019

11 Convertible bonds (Cont'd)

The movements of the liability component and derivative component of the convertible bonds during the financial year are as follows:

The Group and The Company	Liability component	Derivative component	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	21,279	290	21,569
Interest expense (Note 17)	1,540	–	1,540
Fair value loss (Note 18)	–	(278)	(278)
Interest paid	(1,464)	–	(1,464)
Exchange difference	(168)	2	(166)
At 31 December 2018	21,187	14	21,201
Interest expense (Note 17)	1,523	–	1,523
Fair value gain (Note 18)	–	(14)	(14)
Interest paid	(1,422)	–	(1,422)
Exchange difference	172	–	172
At 31 December 2019	21,460	–	21,460

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 7.65% per annum to the liability component.

12 Warrants

On 23 February 2015, the Company allotted and issued 18,173,980 unlisted warrants with an issue price of S\$0.01 each due in 2021, and each warrant carries the right to subscribe for one new common share in the capital of the Company at the exercise price of S\$0.10 for each new share.

On 20 March 2017, the Company has made an adjustment to the exercise price and number of 2015 Warrants (“Warrants Adjustments”). Pursuant to the terms of the deed poll dated 15 January 2015 constituting the 2015 Warrants, the Company is required to make the Warrants Adjustments as a result of the proposed non-renounceable and non-underwritten right issue of up to 2,429,236,398 common shares to the capital of the Company (the “Right Issue”).

Pursuant to the terms and conditions of the 2015 Warrants, the Warrants Adjustments has been made to both the existing number of 2015 Warrants and the exercise price of the 2015 Warrants. The number of outstanding 2015 Warrants increased by 8,750,435 from 18,173,980 to 26,924,415.

The Group and the Company	Derivative financial liability	
	2019	2018
	HK\$'000	HK\$'000
At 1 January	5	10
Fair value loss/(gain) (Note 18)	30	(5)
At 31 December	35	5

13 Trade and other payables

	The Group		The Company	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables ⁽¹⁾	–	10,531	–	–
Amounts due to a key management personnel (non-trade) ⁽²⁾	–	5,308	–	–
Amounts due to related parties (non-trade) ⁽³⁾	22	322	–	–
Accruals to a related party ⁽⁴⁾	371	193	–	–
Accruals	1,696	1,329	582	559
Financial liabilities carried at amortised cost	2,089	17,683	582	559
Total trade and other payables	2,089	17,683	582	559

(1) A key management personnel of the Group, Mr Wang De Zhou is a shareholder of the payable company (Note 22). The amount has been written back in 2019 (Note 18).

(2) This relates to advances given by a key management personnel of the Group, Mr Wang De Zhou. The amount is unsecured, interest-free and repayable on demand (Note 22). The amount has been written back in 2019 (Note 16).

(3) The non-trade amounts due to a related party relates to an entity which a key management personnel of the Group, Mr. Wang De Zhou is a shareholder of the entity. An amount of HK\$300,000 has been written back in 2019 (Note 16).

(4) This relates to entity in which the Company's director is also a shareholder of the entity.

Notes to the Financial Statements

for the financial year ended 31 December 2019

14 Borrowings

The Group	2019 HK\$'000	2018 HK\$'000
Other borrowing	900	1,372

Other borrowing bears interest of 12% (2018 – 12%) per annum and is repayable on demand.

15 Revenue - interest income

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

The Group	2019 HK\$'000	2018 HK\$'000
Interest income	2,148	2,565

16 Other income

The Group	2019 HK\$'000	2018 HK\$'000
Bank interest income	72	38
Foreign exchange gain	10	–
Fair value gain on warrants	–	5
Fair value gain on derivative component of convertible bonds (Note 11)	14	278
Financial assets at fair value to profit or loss (Note 7)		
- fair value gains	–	584
Write back of trade payables (Note 22)	10,531	–
Write back of amounts due to related parties (Note 22)	5,673	–
	16,300	905

17 Finance costs

The Group	2019 HK\$'000	2018 HK\$'000
Interest expense on		
- bank loans and overdrafts	–	14
- other borrowing	121	120
- convertible bonds (Note 11)	1,523	1,540
- Foreign exchange loss/(gain) from convertible bonds	172	(168)
	1,816	1,506

Notes to the Financial Statements

for the financial year ended 31 December 2019

18 Loss before taxation

The following items have been included in arriving at loss before taxation:

The Group	2019 HK\$'000	2018 HK\$'000
Audit fees paid to		
- Auditors of the Company	520	563
- Other auditors	85	75
Fees for non-audit services paid to		
- Auditors of the Company	-	-
- Other auditors	-	-
Depreciation of property, plant and equipment (Note 4)	4	24
Loss on disposal of subsidiaries (Note 5)	-	200
Impairment loss on investment in an associated company (Note 3)	3,355	-
Impairment losses on trade and other receivables		
- Impairment losses on amount due from an associated company (Note 6)	10,672	-
- Impairment losses on loans and advances (Note 6)	359	-
- Impairment losses on deposits paid (Note 6)	24,377	-
Fair value loss/(gain) on warrants (Note 12)	30	(5)
Fair value gain on derivative component of convertible bonds (Note 11)	(14)	(278)
Foreign exchange (gain)/loss	(10)	839
Operating lease expense in respect of rented premises	304	307
Share-based payment expenses	248	247
Staff costs		
Directors' fees	536	526
Directors' remuneration other than directors' fee		
- Salaries, wages and other related costs	-	150
Key management personnel (other than directors)		
- Salaries, wages and other related costs	360	360
- Employer's contributions to defined contribution plans	18	18
Total key management personnel compensation	914	1,054
Other than key management personnel		
- Salaries, wages and other related costs	120	152
- Employer's contributions to defined contribution plans	6	8
	126	160
Total staff costs	1,040	1,214

19 Taxation

The Group	2019 HK\$'000	2018 HK\$'000
Current taxation		
Current year	95	63
Under/(over) provision in respect of prior years	103	(63)
	198	-