Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Joyas International Holdings Ltd. 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 2016, 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 Bases 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.

Bases for Disclaimer of Opinion

(i) Consolidation of controlled entities

As disclosed in Note 2(b) and Note 5 to the financial statements, in connection with the audit for the year beginning 1 January 2016, and in accordance with IFRS 10 *Consolidated Financial Statements*, the Group has re-assessed and determined that it is deemed to have control over certain entities (the "Controlled Entities") in which it has no legal ownership and holds no equity interest, based on various facts and circumstances which remain consistent during the financial years.

We have been informed by the management of the Group that insofar as the accounting records of the Controlled Entities are concerned, the directors of the Controlled Entities are only able to provide the financial statements in respect of the financial year ended 31 December 2016. As a result, the financial statements of the Controlled Entities have been consolidated in the financial statements of the Group only from 1 January 2016.

This is not in compliance with IFRS 3 *Business Combinations*, which requires consolidation at the date on which control is transferred to the Group. Arising therefrom, the Group has also not presented the consolidated statement of financial position as at 1 January 2015 nor the corresponding related notes. This is not in compliance with IAS 1 *Presentation of Financial Statements*, which requires the presentation of the statement of financial position, and related notes, as at the beginning of the earliest comparative period. In addition, there is no complete set of financial information nor sufficient documentary evidence made available to us for our audit of the Controlled Entities.

Had the Controlled Entities been consolidated, many elements in the financial statements for the year ended 31 December 2015 would have been materially affected. In view of the matters and limitations on the scope of our work as described in the preceding paragraphs, we were unable to obtain sufficient appropriate audit evidence on the opening balances. Any adjustments to the opening balances might have a consequential effect on the results and cash flows for the year ended 31 December 2016 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2016.

We were unable to obtain sufficient appropriate audit evidence in respect of the items in the financial statements of the Controlled Entities and their completeness for the financial year ended 31 December 2016. Consequently, the carrying amounts of the affected balances as of 31 December 2016 may have to be adjusted accordingly with a corresponding impact to the Group's profit or loss for the financial year ended 31 December 2016 and the accumulated losses as at 31 December 2016.

In the absence of further information, we were unable to quantify those financial effects.

(ii) Control over entities

We were unable to obtain sufficient appropriate audit evidence to assess whether or not the Group is deemed to have control over the following entities:

(a) Entity A – An entity in which the Company's Chairman cum Managing Director, who is also a major shareholder of the Company, was the beneficial owner of the entire equity interest (Note 5). Based on the documents made available to us, the beneficial ownership of the entire equity interest was in force for a period in January 2017. We did not consider that these documents made available to us were sufficient for us to establish the period over which the Company's Chairman cum Managing Director had beneficial ownership of the entire equity interest in the entity, including prior years.

(b) Entity B – A subsidiary of Entity A, that is a former subsidiary of the Group, which the Group has transactions with during the financial years (Note 11).

(c) Entity C – A major customer whose key management personnel, a sibling of the Company's Chairman cum Managing Director, and shareholder are former employees of a subsidiary (Note 7).

We were unable to satisfy ourselves by alternative means concerning the appropriate accounting treatment of these entities and the adequacy of the related disclosures, including related party transactions, in the financial statements.

(iii) Valuation of non-financial assets

(a) Goodwill

As disclosed in Note 3(a) to the financial statements, impairment of goodwill amounting to HK$652,000 was recognised in profit or loss for the financial year ended 31 December 2016 based on negative future cash flows derived from actual results for the financial year ended 31 December 2016. We were unable to obtain sufficient documentary evidence and satisfactory explanation from management, including reasonable bases and assumptions supporting the cash flow projections, to assess whether the impairment losses were necessary. Consequently, we were unable to satisfy ourselves by alternative means concerning the impairment losses for the year ended 31 December 2016. In the absence of information to be provided by management, we were unable to ascertain the adequacy of the related disclosures in the financial statements.

Bases for Disclaimer of Opinion (Cont'd)

(iii) Valuation of non-financial assets (cont'd)

(b) Property, plant and equipment

As at 31 December 2016, the carrying amounts of property, plant and equipment attributable to the Metal Gift Products Cash-Generating Unit ("CGU") and Jewellery Products CGU were HK$8,521,000 and HK$4,100, respectively. Management did not estimate the recoverable amounts of property, plant and equipment of these CGUs as at 31 December 2016 and 31 December 2015 for which impairment indications had been identified.

There were no alternative audit procedures that we could perform to satisfy ourselves as to the carrying amount of property, plant and equipment as at 31 December 2016 and the opening balance as at 1 January 2016.

(c) Intangible asset

As at 31 December 2016, intangible asset was carried at cost amounting to HK$600,000 (Note 3(b)). Management did not assess the useful life of the intangible asset acquired in a business combination during the year ended 31 December 2016. Accordingly, no amortisation had been provided in the financial statements, which constitutes a departure from IAS 38 *Intangible Assets*.

There were no alternative audit procedures that we could perform to satisfy ourselves as to the amortisation expense for the year ended 31 December 2016 and the carrying amount of the intangible asset as at 31 December 2016.

(iv) Inventories

As disclosed in Note 6 to the financial statements, the Group writes down value of inventories using a general provision based on the ageing profiles of the inventories. IAS 2 *Inventories* requires inventories to be measured at the lower of cost and net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise.

We were unable to satisfy ourselves by alternative means concerning the write-down in value of inventories amounting to HK$5,526,000 for the year ended 31 December 2016, and the carrying amount of inventories as at 31 December 2016 and the opening balance as at 1 January 2016.

(v) Deposits paid to a supplier

Included in trade and other receivables stated on the face of the consolidated statement of financial position as at 31 December 2016 are deposits of HK$24,377,000 paid to a supplier which is a related party by virtue of a director and shareholder of the supplier being a key management personnel of the Group. We were unable to obtain sufficient appropriate audit evidence on the utilisation of the deposits paid to the supplier. Consequently, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of the deposits paid to the supplier as at 31 December 2016.

(vi) Non-trade amounts due to former subsidiaries and opening balances

Included in trade and other payables stated on the face of the consolidated statement of financial position as at 1 January 2016 and 31 December 2016 are non-trade amounts due to former subsidiaries amounting to HK$10,305,000 and HK$21,126,000, respectively.

We were not able to carry out procedures on the non-trade amounts due to the former subsidiaries as at 1 January 2016 and 31 December 2016 because documentation supporting the transactions were not fully available.

We were unable to satisfy ourselves by alternative means concerning the validity, existence and accuracy of these non-trade amounts due to former subsidiaries.

(vii) Purchase price allocation

As disclosed in Note 5 to the financial statements, management did not engage external specialists to allocate the purchase prices for the business combinations to the assets acquired, including the identification and valuation of any intangible assets, and liabilities assumed, at fair value on the acquisition dates. Goodwill was measured as the excess of purchase prices over the carrying amounts of net assets acquired, which constitutes a departure from the requirements of IFRS 3 *Business Combinations*.

There were no alternative audit procedures that we could perform to satisfy ourselves as to the fair value of assets acquired and liabilities assumed, appropriateness of non-recognition of any intangible assets, and the resultant goodwill recognised on the acquisition dates.

(viii) Staff costs

As disclosed in Note 18 to the financial statements, the Group recognised staff costs amounting to HK$19,986,000 in profit or loss. Of this amount, HK$3,050,000 relates to severance and redundancy pay to employees of one of the Controlled Entities, as described in Section (i) of this report and Note 5 to the financial statements. Evidence of receipt of severance and redundancy pay by these retrenched employees and other supporting documentary evidence were not fully available from the management of that Controlled Entity. We were unable to satisfy ourselves by alternative means concerning the occurrence and accuracy of payroll expenses for these employees for the financial year ended 31 December 2016.

Bases for Disclaimer of Opinion (Cont'd)

(ix) Related party transactions

In connection with those matters as described in Section (ii) of this report, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness of related parties and transactions and balances with related parties. We were unable to obtain satisfactory explanation from management on the background and economic reality of certain related party transactions. Consequently, we were unable to establish whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in the financial statements for the financial year ended 31 December 2016 and the comparative information for the year ended 31 December 2015.

(x) Income taxes

Certain matters described in the preceding paragraphs have tax implications and should adjustments be found necessary, the Group's income taxes may have to be adjusted accordingly.

(xi) Going concern

We draw attention to Note 2(a) to the financial statements. The Group incurred net loss and net operating cash outflows of HK$21,706,000 and HK$14,330,000, respectively, for the financial year ended 31 December 2016.

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 from its operations in future.

We were 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. 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.

Other Matter

The financial statements for the financial year ended 31 December 2015 were audited by other firms of auditors who jointly expressed an unmodified opinion on those financial statements in their report dated 31 March 2016.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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 financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Bases 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 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.

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7 June 2017

1 General information

[REDACTED]

2(a) Going concern

For the financial year ended 31 December 2016, the Group incurred net loss and net operating cash outflows of HK$21,706,000 (2015 - HK$14,593,000) and HK$14,330,000 (2015 - HK$24,576,000), respectively.

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 concern.

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 2016, the Group had net current assets and net assets of HK$47,171,000 (2015 - HK$34,959,000) and HK$36,256,000 (2015 - HK$23,405,000), respectively, while the Company had net current assets and net assets of HK$50,942,000 (2015 - HK$26,088,000) and HK$30,819,000 (2015 - HK$5,887,000), respectively.

(ii) Implementation of cost containment measures and working capital management to generate sufficient cash flows from operations.

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

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 have been prepared under the historical cost basis, except as disclosed in the accounting policies below. 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 for derivative financial instruments, which are measured at fair value. The measurement bases are fully described in the accounting policies.

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

Consolidation of controlled entities

Significant judgment is required in determining whether an entity has control over another entity. An entity consolidates another entity if the three elements of controls (power, exposure or rights to variable returns and ability to use power to affect returns) are present. When one or more of the elements is not present, an entity will not consolidate but instead be required to determine the nature of its relationship with the other entity (e.g. significant control, joint control) and the appropriate accounting under IFRS.

In 2016, management has re-assessed in accordance with IFRS 10 *Consolidated Financial Statements* and determined that the Group has control over certain of its suppliers of metal gift products, namely Caishi Hardware Products (Shenzhen) Co., Ltd., Polymax Limited and Huidongxian Baihuazhen Caishi Hardware ZhipinChang (collectively the "Controlled Entities") (Note 5). Accordingly, the Controlled Entities have been accounted for as subsidiaries of the Group, notwithstanding that the Group has no legal ownership and holds no equity interest in the Controlled Entities. Consequently, the financial statements of the Controlled Entities have been consolidated in the financial statements of the Group for the financial year beginning 1 January 2016. The accounting records of the Controlled Entities were not available for the preparation of the financial statements prior to the financial year beginning 1 January 2016.

2(b) Basis of preparation (cont'd)

Significant judgements in applying accounting policies (cont'd)

Income taxes

The Group is subject to income taxes in Hong Kong and the People's Republic of China. 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. The carrying amounts of the Group's prepaid taxes at the end of reporting period and the Group's income tax expense for the year are disclosed in Note 7 and Note 19 to the financial statements, respectively.

Significant accounting estimates and assumptions used in applying accounting policies

Valuation of inventories

As disclosed in Note 6 to the financial statements, the Group writes down value of inventories using a general provision based on the ageing profiles of the inventories. This is inconsistent with IAS 2 *Inventories* which requires inventories to be measured at the lower of cost and net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise.

The carrying amount of the Group's inventories as at 31 December 2016 is disclosed in Note 6 to the financial statements. If the allowance for write-down of the inventories increase/decrease by 10% from management's estimates, the Group's loss for the year will increase/decrease by approximately HK$552,000 (2015 - HK$572,000).

Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment on straight-line method over the estimated useful lives. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 is disclosed in Note 4 to the financial statements. A 10% increase/decrease in the estimated useful lives of property, plant and equipment from management's estimates will increase/decrease the Group's loss for the year by approximately HK$129,000 (2015 - HK$104,000).

Impairment of loans and receivables

The provision for impairment of receivables requires a degree of estimation and judgement. In assessing impairment loss, management considers factors such as the aging of receivables, past collection history, specific knowledge of the individual debtor's financial position, and general economic conditions.

If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. The carrying amount of the Group's loans and receivables as at 31 December 2016 is disclosed in Note 7 to the financial statements. If the present value of estimated future cash flows decreases/increases by 10% from management's estimates, the Group's allowance for impairment of loans and receivables will increase/decrease by approximately HK$3,796,000 (2015 - HK$1,452,000).

Impairment of non-financial assets

Non-financial assets are reviewed to determine whether there is any such indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the assets are tested for impairment. The recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss.

As disclosed in Note 4 to the financial statements, management did not estimate the recoverable amounts of property, plant and equipment as at 31 December 2016 and 31 December 2015.

The carrying amounts of the Group's non-financial assets (other than goodwill and inventories) as at 31 December 2016, comprising property, plant and equipment and membership, are disclosed in Note 4 and Note 3 to the financial statements, respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of the Group's goodwill as at 31 December 2016 and the bases and assumptions used to estimate the recoverable amount are disclosed in Note 3(a) to the financial statements.

Valuation of share options

Equity-settled share-based payments are measured at fair value at the date of grant. Judgement is required in determining the most appropriate valuation model for the share options granted, depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The determination of fair values include use of unobservable inputs. The determination of fair values include use of unobservable inputs. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from actual results, and those differences could be material. The assumptions and model used are disclosed in Note 20 to the financial statements.

2(b) Basis of preparation (cont'd)

Significant accounting estimates and assumptions used in applying accounting policies **(cont'd)**

Valuation of convertible bonds and warrants

The fair value of the warrants and liability and derivative components embedded in the convertible bonds are estimated by an independent firm of professional valuers. Valuation techniques commonly used by market practitioners are applied. The fair value of these components and warrants varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of these components.

The carrying amount of the Group's convertible bonds and warrants as at 31 December 2016 are disclosed in Note 13 and Note 14 to the financial statements, respectively.

2(c) Interpretations and amendments to published standards effective in 2016

[REDACTED]

2(d) IFRS not yet effective

[REDACTED]

3 Intangible assets (cont'd)

3(a) Goodwill (cont'd)

2016

Goodwill arose from the acquisition of an additional 34% of the equity interest in PT Global Linker Indonesia resulting in control (Note 5(a)), and 70% of the equity interest in CCIG Financial Services Limited (Note 5(b)).

For impairment testing of the nickel ore CGU and financial services CGU, management had determined the recoverable amounts of the two CGUs using value in use calculations based on negative cash flow projections estimated by management, having regard to the actual operating cash outflows incurred by the two CGUs for the current financial year. Consequently, the goodwill pertaining to the two CGUs was fully impaired.

3(b) Membership

Membership relates to membership subscription to credit information bureau services acquired in a business combination during the year ended 31 December 2016 (Note 5(b)). No amortisation had been provided in the financial statements for the year ended 31 December 2016.

4 Property, plant and equipment

[REDACTED]

4 Property, plant and equipment (cont'd)

[REDACTED]

5 Subsidiaries

The Company	2016 HK$'000	2015 HK$'000
Unquoted equity investments, at cost	**63**	63
Allowance for impairment losses	**(55)**	(55)
	8	8
Amount due from a subsidiary (non-trade)	**65,176**	65,176
Allowance for impairment loss	**(65,176)**	(65,176)
	–	–
	8	8

The non-trade amount due from a subsidiary represents an extension of the Company's net investment in the subsidiary. The amount is unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment loss.

As the indications of impairment continue to exist for the financial years ended 31 December 2016 and 2015, the impairment losses previously made were not reversed.

5 Subsidiaries (cont'd)

The subsidiaries are:

Name of subsidiary	Country of incorporation	Effective equity interest held by the Group 2016	2015	Principal activities
Directly owned		**%**	%	
Joyas Group Limited [1]	The British Virgin Islands ("BVI")	**100**	100	Investment holding
Asia Pac Growth Holdings Limited [1]	BVI	**100**	100	Investment holding
Indirectly owned				
Happy Time Industries Limited [1]	Hong Kong	**100**	100	Holding trademarks and licensing in Hong Kong
J & J Design Limited [1]	Hong Kong	**100**	100	Manufacturing and trading of jewellery in Hong Kong
Royce Gifts & Accessories Limited [1]	Hong Kong	**100**	100	Metalware manufacturing and exporter in Hong Kong
Joyas (Qingyuan) Limited [1]	BVI	**100**	100	Manufacturing and trading of mini metallic products
Billion Fun Limited [1]	BVI	**100**	100	Investment holding
Allied Famous Limited [1]	BVI	**100**	100	Investment holding
Asia Growth Group Limited [1]	Hong Kong	**100**	100	Inactive
Hong Kong Silver Basic Group Limited ("HK Silver") [1]	Hong Kong	**70**	70	Trading of nickel ore
PT Global Linker Indonesia ("PT Global") [2]	Indonesia	**64**	–	Inactive
CCIG Financial Services Limited ("CCIG Financial") [1]	Hong Kong	**70**	–	Licensed money lending business in Hong Kong
Caishi Hardware Products (Shenzhen) Co., Ltd. ("Caishi Shenzhen") [3]	The People's Republic of China ("PRC")	–	–	Manufacturing and trading of metallic products
Huidongxian Baihuazhen Caishi Hardware ZhipinChang ("Caishi Huidong") [3]	PRC	–	–	Manufacturing and trading of metallic products
Polymax Limited ("Polymax") [3]	Hong Kong	–	–	Metalware manufacturing and exporter in Hong Kong

(1) Jointly audited by Foo Kon Tan LLP, Singapore and HLB Hodgson Impey Cheng Limited, Hong Kong for consolidation purposes.
(2) Audited by HLB Hadori Sugiarto Adi & Rekan for local statutory reporting purposes.
(3) Although the Group does not hold any ownership interests in these entities, management has assessed and determined that the Group is deemed to have control over these three entities ("Controlled Entities") by virtue of the following factors, *inter alia:*
- These entities are the sole suppliers of the Group for the respective business segments;
- The Group is the sole customer of these entities for the respective business segments;
- Funding of these entities is mostly from the Group;
- No profit margin or mark-up is charged by these entities on goods sold to the Group; and
- The legal representative or shareholder of these entities is the Company's Chairman and Managing Director or a person related to him.

5 Subsidiaries (cont'd)

(a) In June 2016, HK Silver, together with two other individuals, namely Wang De Zhou, the Chief Executive Officer of HK Silver, and Titis Budiarti, incorporated PT Global in Indonesia. HK Silver holds 30% of the equity interest in PT Global.

In October 2016, HK Silver acquired 127,500 shares, representing 34% of the equity interest in PT Global from Titis Budiarti for a cash consideration of US$126,000 (HK$1,860,000). Subsequent to the acquisition, the total shareholding in PT Global held by HK Silver increased from 30% to 64%, and the Group obtained control of PT Global.

PT Global is intended to be principally engaged in the business of distribution and trading of nickel and other minerals. PT Global has not commenced operations. The acquisition of PT Global would allow the Group to enter into a new business of sourcing and supply of nickel ore and other minerals to Indonesia based mineral processing plants.

For the two months ended 31 December 2016, PT Global contributed revenue of HK$Nil and loss of HK$228,400 to the Group's results.

Identifiable assets acquired and liabilities assumed

The following table summarises the carrying amounts of assets acquired and liabilities assumed at the date of acquisition:

The Group	2016 HK$'000
Plant and equipment	**34**
Deposits, prepayments and other receivables	**3,832**
Cash and bank balances	**4,951**
Other payables and accruals	**(6,290)**
Carrying amount of identifiable net assets	**2,527**

The Group	2016 HK$'000
Total consideration transferred	**1,860**
Non-controlling interests, based on their proportionate interest in the carrying amounts of the assets and liabilities of the acquiree	**910**
Carrying amount of pre-existing interest in the acquiree	**(119)**
Carrying amount of identifiable net assets	**(2,527)**
Goodwill	**124**
Cash consideration	**(1,860)**
Less: Cash and bank balances acquired	**4,951**
Cash inflow on acquisition	**3,091**

At the date of acquisition of the additional 34% equity interest the Group achieved control in the investee. No intangible assets had been identified and recognised in the financial statements. Goodwill was measured as the excess of purchase price over the carrying amount of net assets acquired.

5 Subsidiaries (cont'd)

(b) On 16 September 2016 the Group acquired 70% of the equity interest in CCIG Financial, a company whose principal activity is financing. The acquisition was made with the aim to diversify the Group's operations.

The carrying amounts of identifiable assets and liabilities of CCIG Financial as at the date of acquisition were:

The Group	**2016** **HK$'000**
Intangible asset (Note 3(b))	**600**
Cash and bank balances	**1,000**
Other payables and accruals	**(622)**
Net assets	**978**
Non-controlling interests (30%)	**(293)**
Carrying amount of identifiable net assets acquired	**685**
Fair value of consideration transferred:	
Cash	**800**
Goodwill (Note 3(a))	**115**
Cash consideration	**(800)**
Less: Cash and bank balances acquired	**1,000**
Cash inflow on acquisition	**200**

(c) On 11 March 2015, the Group acquired 70% of the voting equity instruments of HK Silver, a company whose principal activity is trading of nickel ore. The acquisition was made with the aim to diversify the Group's operations.

The fair value of identifiable assets and liabilities of HK Silver as at the date of acquisition were:

The Group	2015 HK$'000
Plant and equipment	41
Deposits, prepayments and other receivables	49,431
Pledged fixed deposits	3,744
Cash and bank balances	333
Bank borrowings	(11,232)
Other payables and accruals	(41,837)
Current tax payables	(70)
Net assets	410
Non-controlling interests (30%)	(123)
Carrying amount of identifiable net assets acquired	287
Fair value of consideration transferred:	
Cash	700
Goodwill (Note 3(a))	413
Cash consideration	(700)
Less: Consideration payables included in other payables and accruals	700
Less: Cash and cash equivalents acquired	333
Cash inflow on acquisition	333

5 Subsidiaries (cont'd)

The fair value of trade and other receivables amounted to HK$13,317,000. The gross amount of these receivables is HK$13,317,000. None of these receivables has been impaired and it is expected that the full contractual amounts can be collected.

The Group had elected to measure the non-controlling interests in this acquisition at proportionate share of the acquiree's identifiable net assets.

Since the acquisition date, HK Silver had contributed the revenue of HK$28,085,000 and profit of HK$455,000 to the Group. If the acquisition had occurred on 1 January 2015, the Group's revenue and loss would have been HK$93,577,000 and HK$14,842,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$142,500 had been recognised in profit or loss and included in administrative expenses.

Former subsidiaries

The Chairman cum Managing Director, who is also a major shareholder of the Company, was the beneficial owner of the entire equity interest in an entity ("Entity A") to which the Group disposed of its subsidiaries engaged in the manufacturing and trading of metal gift products in prior years. The Group had outsourced its manufacture of metal gift products to one of these former subsidiaries for the period from December 2013 to August 2016.

Judgment is required in determining whether an entity has control over another entity. An entity consolidates another entity if the three elements of controls (power, exposure or rights to variable returns and ability to use power to affect returns) are present. When one or more of the elements is not present, an entity will not consolidate but instead be required to determine the nature of its relationship with the other entity (e.g. significant control, joint control) and the appropriate accounting under IFRS.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests are set out below.

Summarised statements of financial position

	HK Silver HK$'000	PT Global HK$'000	CCIG Financial HK$'000	Caishi Shenzhen HK$'000	Caishi Huidong HK$'000	Polymax HK$'000	Intragroup elimination HK$'000	Total HK$'000
2016								
Current assets	**37,313**	**2,222**	**403**	**314**	**8,010**	**7,264**	**–**	**55,526**
Non-current assets	**1,770**	**62**	**600**	**–**	**4,260**	**–**	**–**	**6,692**
Total assets	**39,083**	**2,284**	**1,003**	**314**	**12,270**	**7,264**	**–**	**62,218**
Current liabilities	**39,075**	**81**	**40**	**20,099**	**13,895**	**7,281**	**–**	**80,471**
Net assets	**8**	**2,203**	**963**	**(19,785)**	**(1,625)**	**(17)**	**–**	**(18,253)**
Attributable to:								
- Non-controlling interests	**2**	**828**	**289**	**(19,785)**	**(1,625)**	**(17)**	**10,816**	**(9,492)**
2015								
Current assets	7,613	–	–	–	–	–	–	7,613
Non-current assets	40	–	–	–	–	–	–	40
Total assets	7,653	–	–	–	–	–	–	7,653
Current liabilities	7,083	–	–	–	–	–	–	7,083
Net assets	570	–	–	–	–	–	–	570
Attributable to:								
- Non-controlling interests	172	–	–	–	–	–	–	172

5 Subsidiaries (cont'd)

Summarised statements of profit or loss and other comprehensive income

	HK Silver HK$'000	PT Global HK$'000	CCIG Financial HK$'000	Caishi Shenzhen HK$'000	Caishi Huidong HK$'000	Polymax HK$'000	Total HK$'000
2016							
Revenue	**27,206**	**–**	**336**	**22,995**	**11,811**	**11,811**	**74,159**
Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year	**459**	**(228)**	**(15)**	**(9,012)**	**(1,582)**	**(17)**	**(10,395)**
Attributable to:							
- Non-controlling interests	**131**	**(82)**	**(4)**	**(9,012)**	**(1,582)**	**(17)**	**(10,566)**
2015							
Revenue	28,085	–	–	–	–	–	28,085
Profit for the year, representing total comprehensive income for the year	455	–	–	–	–	–	455
Attributable to:							
- Non-controlling interests	137	–	–	–	–	–	137

Other summarised information

	HK Silver HK$'000	PT Global HK$'000	CCIG Financial HK$'000	Caishi Shenzhen HK$'000	Caishi Huidong HK$'000	Polymax HK$'000	Total HK$'000
2016							
Cash outflow from operating activities	**(3,718)**	**(589)**	**(989)**	**(11,811)**	**(3,760)**	**(1)**	**(20,868)**
Cash (outflow)/ inflow from investing activities	**(1,741)**	**(1)**	**(33)**	**1,623**	**(2,751)**	**–**	**(2,903)**
Cash inflow from financing activities	**5,151**	**–**	**–**	**10,448**	**6,554**	**51**	**22,204**
Net cash (outflow)/inflow for the year	**(308)**	**(590)**	**(1,022)**	**260**	**43**	**50**	**(1,567)**
2015							
Cash inflow from operating activities	830	–	–	–	–	–	830
Cash inflow from investing activities	3,808	–	–	–	–	–	3,808
Cash outflow from financing activities	(4,522)	–	–	–	–	–	(4,522)
Net cash inflow for the year	116	–	–	–	–	–	116

6 Inventories

The Group	2016 HK$'000	2015 HK$'000
Raw materials, at cost	**4,297**	5,048
Work-in-progress, at cost	**465**	1,291
Finished goods, at net realisable value	**2,282**	8,092
	7,044	14,431

The movement in allowance for write-down of inventories is as follows:

The Group	2016 HK$'000	2015 HK$'000
At 1 January	**19,476**	16,300
Allowance made (Note 18)	**5,526**	5,723
Allowance reversed (Note 18)	**–**	(2,547)
At 31 December	**25,002**	19,476

For the financial year ended 31 December 2015, reversal of write-down on inventories of HK$2,547,000 was due to sales of the inventories above their carrying amounts.

7 Trade and other receivables

	The Group		The Company	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Trade receivables	**29,376**	14,031	**–**	–
Allowance for impairment	**(7)**	(7)	**–**	–
(A)	**29,369**	14,024	**–**	–
Amount due from subsidiaries (non-trade)	–	–	**49,737**	21,934
Amount due from a related party (non-trade) [1]	**7,284**	–	**–**	–
Deposits	**870**	241	**19**	19
Other receivables	**437**	255	**11**	5
(B)	**8,591**	496	**49,767**	21,958
Loans and receivables (A)+(B)	**37,960**	14,520	**49,767**	21,958
Deposits paid to a supplier [2]	**24,377**	22,707	**–**	–
Prepayments	**276**	190	**176**	48
Prepaid taxes	**317**	98	**–**	–
Total trade and other receivables	**62,930**	37,515	**49,943**	22,006

(1) The non-trade amount due from a related party relates to a loan given to a key management personnel of the Group during the financial year. The loan is unsecured, interest-free and repayable on demand (Note 22).

(2) The deposits paid for purchases of nickel ore are unsecured and interest-free. The supplier is a related party (Note 22).

The Group generally awards a credit period of 30 to 180 days (2015 - 30 to 180 days) to its customers.

7 Trade and other receivables (cont'd)

The ageing analysis of the Group's trade receivables is as follows:

The Group	**2016** **HK$'000**	2015 HK$'000
Neither past due nor impaired	**18,921**	9,493
Past due 1 – 30 days	**2,783**	2,354
Past due 31 – 90 days	**3,095**	955
Past due 91 – 365 days	**4,447**	824
Past due over 1 year	**123**	398
	29,369	14,024

Trade receivables that are neither past due nor impaired relate to diversified customers for whom there was no recent history of default.

Major customer

As at 31 December 2016, amount due from a major customer ("Entity C") for jewellery products was HK$8,354,000 (2015 - HK$8,230,000). Sales to this customer totalled HK$11,976,000 (2015 - HK$17,743,000), accounting for approximately 80% (2015 - 80%) of revenue from sales of jewellery products for the year ended 31 December 2016. This customer's key management personnel, a sibling of the Company's Chairman cum Managing Director, and shareholder are former employees of a subsidiary.

Judgment is required in determining whether an entity has control over another entity. An entity consolidates another entity if the three elements of controls (power, exposure or rights to variable returns and ability to use power to affect returns) are present. When one or more of the elements is not present, an entity will not consolidate but instead be required to determine the nature of its relationship with the other entity (e.g. significant control, joint control) and the appropriate accounting under IFRS 10.

8 Cash and cash equivalents

[REDACTED]

10 Other reserves

[REDACTED]

11 Trade and other payables

	The Group		The Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**16,794**	10,427	**–**	–
Amounts due to former subsidiaries (non-trade)	**21,126**	10,305	**–**	–
Accruals	**3,651**	1,612	**525**	550
Other payables	**2,765**	800	**3**	2
Financial liabilities carried at amortised cost	**44,336**	23,144	**528**	552
Advances from customers	**1,431**	1,227	**–**	–
Total trade and other payables	**45,767**	24,371	**528**	552

Amounts due to former subsidiaries are unsecured, interest-free and have no fixed repayment terms. The former subsidiaries include an entity ("Entity B"), which is a subsidiary of an entity in which the Company's Chairman cum Managing Director, who is also a major shareholder of the Company, was the beneficial owner of the entire equity interest ("Entity A") (Note 5).

16 Other income

[REDACTED]

17 Finance costs

[REDACTED]

18 Loss before taxation

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

The Group	**2016 HK$'000**	2015 HK$'000
Auditors' remuneration		
- Audit fees to the auditors of the Company	**540**	550
- Audit fees to the auditors of the subsidiaries	**254**	162
Cost of inventories recognised as expense	**80,023**	88,005
Depreciation of property, plant and equipment	**1,295**	1,045
Fair value gain on warrants (Note 14)	**(260)**	(692)
Fair value loss on derivative component of convertible bonds (Note 13)	**196**	122
Impairment of goodwill (Note 3(a))	**652**	–
Loss on disposal of property, plant and equipment	**–**	3,200
Operating lease expense in respect of rented premises	**935**	979
Reversal of write-down on inventories (Note 6)	**–**	(2,547)
Write-down on inventories (Note 6)	**5,526**	5,723
Write-off of property, plant and equipment	**1,478**	–
Staff costs		
Directors' fees	**898**	856
Directors' remuneration other than directors' fee		
- Salaries, wages and other related costs	**240**	220
- Employer's contributions to defined contribution plans	**18**	16
Key management personnel (other than directors)		
- Salaries, wages and other related costs	**3,318**	3,399
- Employer's contributions to defined contribution plans	**79**	266
Total key management personnel compensation	**4,553**	4,757
Other than key management personnel		
- Salaries, wages and other related costs *	**14,157**	3,229
- Employer's contributions to defined contribution plans	**1,276**	107
	15,433	3,336
Total staff costs	**19,986**	8,093

* Included severance and redundancy pay amounting to HK$3,050,000 related to staff retrenchment of one of the Controlled Entities (Note 2 and Note 5) during the year ended 31 December 2016.