MERCURIUS CAPITAL INVESTMENT LIMITED

LOOKING TOWARDS THE FUTURE

ANNUAL REPORT 2018

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CORPORATE PROFILE

Mercurius Capital Investment Limited ("Mercurius" or the "Company", and together with its subsidiary corporations, the "Group") is an investment holding company listed on the Catalist board of the Singapore Exchange Securities Trading Limited, principally engaged in property development and property investment in Malaysia.

At the Extraordinary General Meeting of the Company held on 30 March 2017, the Company obtained shareholders' approval to diversify its business into property development and property investment ("New Business"). The New Business involves (i) activities such as real estate-related investments and property development activities (including acquisition, development and/or sale of real estate) and holding of investments in real estate and residential, hospitality (including hotels and/or serviced residences), commercial (retail and office), industrial and any other suitable types of properties (including mixed development properties) ("Property Related Assets"); and (ii) acquisition and holding of investments in Property Related Assets, as well as trading in and holding the same for long term investment purposes. The Group ventured into the New Business to, among others, expand its revenue base and offer new business opportunities to enhance shareholders' value.

MESSAGE FROM EXECUTIVE CHAIRMAN & CEO

DEAR SHAREHOLDERS,

The year 2018 had been another challenging year for the Company. The Group had recorded a total loss of S$0.3 million due to the absence of revenue generated from the Company's new core business of property development and property investment, approved by shareholders in March 2017.

THE EXISTING BUSINESS

Our joint venture with HM Realty Holdings Sdn Bhd to develop a plot of land measuring approximately 3.09 hectares at Kempas, Johor Bahru, Malaysia ("Kempas Land") was stalled, while pending approval from Majlis Bandaraya Johor Bahru ("MBJB") for conversion of the Kempas Land from residential use to commercial use ("Land Conversion"). As at to-date, the Company has yet to receive the approval from MBJB. The unforeseen circumstances was partly due to changes in the Malaysia political administration during the Malaysia General Election in May 2018, and the adverse property market condition in Johor Bahru resulting in over-supply of commercial and residential properties. Nonetheless, the Company will continue to seek for approval from MBJB on the conversion of Kempas Land and proceed with the Company's initial proposed plan for a mix-development property. In terms of the other option properties signed with our joint venture partners in March 2017, the Company had plans for development and is in the midst of appointing suitable consultant to conduct the feasibility report and will make the necessary announcement as and when there are further development.

REVISITING FRIVEN

In our effort to re-penetrate into the bed linen business and revive the Friven brand, the Company had on 13 July 2018 signed a licensing agreement with Clover Lifestyle Sdn Bhd ("Clover"), whereby the Company granted Clover the right to use the Group's proprietary brands, namely Friven, Allegoria, DS, and Relax at home (the "Brands") for the sale of bedding, bed linen and bath products exclusively in Singapore and Malaysia for a duration of 12 months ending 31 July 2019 ("Licensing Period"). This was in line with the Board's continuous effort to diversify risk and utilise the Company's resources. As announced on 1 February 2019, if Clover is able to achieve the projected profit during the Licensing Period, the Company would consider investing further in the bedlinen business either through acquisition or joint venture with Clover. The Company targets to assess Clover's performance in May 2019 and will closely monitor Clover's progress.

MESSAGE FROM EXECUTIVE CHAIRMAN & CEO

FUTURE PLAN

The Board of Directors of the Company acknowledges the protracted approval process for the Kempas Land Conversion of the Kempas Land which led to the absence of revenue generated by the Group in the financial year ended 31 December 2018. Having considered the above, the management of the Company has been exploring other property development and property investment opportunities for the Group, with a view to bring in new revenue stream and operating cash flow for the Group. The Group will keep shareholders of the Company informed of any updates from time to time where appropriate or required under the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist.

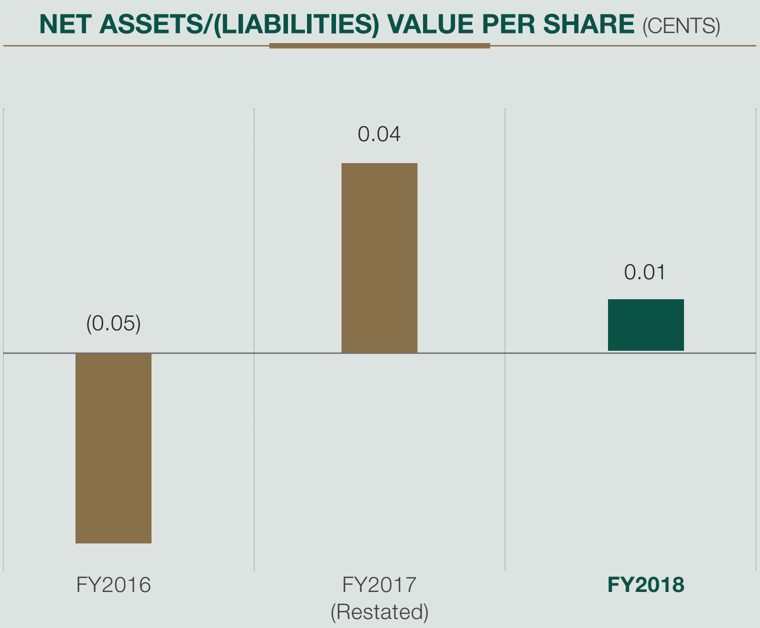
The Group remains cautious in strategizing the development of the Company's business and will continue to explore joint ventures and/or strategic alliances. In the future, the Group may consider other geographical markets in other states and/or countries that present growth opportunities for the new business. Any expansion to new geographical markets will be evaluated and assessed by the Board on its own merit and the Group will seek shareholders' approval for such expansion at the appropriate time.

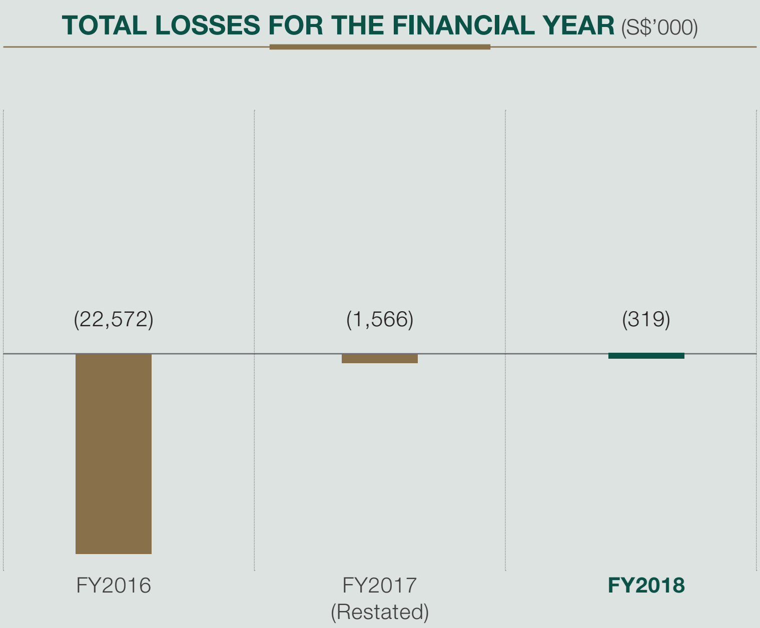
ACKNOWLEDGEMENTS

On behalf of the Board of Directors and management, we would like to thank our business partners, customers and shareholders for their unwavering support and staunch faith for the Group over the years. We look forward to growing the Group's business strategically to provide greater value to our shareholders.

MR CHANG WEI LU
Executive Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS





FINANCIAL AND OPERATION REVIEW

REVENUE AND GROSS PROFIT

Following the completion of the disposal of China Children Fashion Holdings Pte. Ltd. and its subsidiary corporations (the "CCFHPL Group") on 11 May 2017, the Group did not record any revenue for the financial year ended 31 December 2018 ("FY2018"). The Group's New Business is still in early stage and has not generated any revenue for the Group.

OTHER INCOME, NET

In FY2018, net other income of S$22,000 was mainly derived from licensing fees received pursuant to the licensing agreement signed with Clover on 13 July 2018. For the financial year ended 31 December 2017 ("FY2017"), net other income of S$1.03 million was mainly due to a net gain on disposal and striking off of subsidiary corporations amounting to S$0.85 million, waiver of non-related other payables of S$0.14 million, and currency translation gain of S$0.04 million.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased from S$0.52 million in FY2017 to S$0.34 million in FY2018, mainly due to decrease in professional fees, travelling expenses and expenses incurred in respect of holding the Company's annual general meeting.

FINANCIAL POSITIONS

Trade and other receivables decreased to S$0.05 million as at 31 December 2018, from S$0.09 million as at 31 December 2017, mainly due to decrease in prepayments related to professional and listing fees.

Non-current assets decreased from S$8,000 as at 31 December 2017 to S$4,000 as at 31 December 2018 due to depreciation of property, plant and equipment.

Trade and other payables remained relatively stable at approximately S$0.19 million as at 31 December 2017 and 31 December 2018. Trade and other payables mainly consist of accruals for professional fees and staff costs as at end of respective financial years.

Other reserves included negative currency translation reserve of S$2.07 million and equity component of the convertible loans extended to the Company by two investors in March 2017 (the "2017 Convertible Loans") amounting to S$1.14 million. The increase in other reserves from negative S$1.01 million as at 31 December 2017 to S$0.92 million as at 31 December 2018 was due to increase in equity component of the 2017 Convertible Loans as a result of recognition of the interest attributed to equity component of the 2017 Convertible Loans in FY2018 amounting to S$0.08 million.

The Group's working capital decreased from S$0.40 million as at 31 December 2017 to S$0.09 million as at 31 December 2018. The Group's net assets value decreased from S$0.41 million as at 31 December 2017 to S$0.09 million as at 31 December 2018, mainly due to losses incurred for FY2018.

FINANCIAL AND OPERATION REVIEW

CASH FLOW POSITION

Net cash used in operating activities amounting to S$0.27 million for FY2018 was mainly due to (i) cash outflow before changes in working capital of S$0.30 million; and (ii) increase in trade and other receivables of approximately S$0.02 million.

There was no cash used in or generated from investing activities and financing activities in FY2018.

As a whole, the Group had a net cash outflow of S$0.27 million in FY2018. The cash and cash equivalents as at 31 December 2018 amounting to S$0.23 million.

PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT

On 23 February 2017, the Group, through its subsidiary corporation, Mercurious HM Realty Sdn Bhd ("MHMR") entered into a joint venture agreement with HM Realty Holdings Sdn Bhd to develop the Kempas Land, into a mixed development properties comprising a shopping mall, hotels, and offices. MHMR was incorporated to oversee the progress of the Kempas Land development. The Group is currently seeking the approval from the relevant authorities in Malaysia to convert the land title from residential use to commercial use and the application is currently pending approval from the Malaysian government.

SUBSEQUENT DEVELOPMENTS

On 29 March 2019, the Company entered into a convertible loan agreement with two investors, pursuant to which the investors agreed to extend to the Company a redeemable convertible loan of an aggregate principal value of S$500,000 at the rate of 8% per annum, which may be convertible up to 13,000,000 new ordinary shares in the capital of the Company upon maturity in 6 months ("2019 Convertible Loan"). The proceeds from the 2019 Convertible Loan will be used to fund the Company's operating expenses while the Company explores new business opportunities and activities.

In relation to the 2017 Convertible Loans, the Company entered into a supplemental agreement on 30 March 2019 with the investors of the 2017 Convertible Loans to further extend the maturity date of the 2017 Convertible Loans from 17 March 2019 to 17 March 2020. Following the extension of the maturity date, the 2017 Convertible Loans may be convertible up to 12.4 million new ordinary shares in the capital of the Company upon maturity.

BOARD OF DIRECTORS

CHANG WEI LU

Executive Chairman and Chief Executive Officer

Mr. Chang was appointed to the Board on 12 May 2014 and was appointed as the Chief Executive Officer of the Company on 21 February 2017. He is currently the Executive Chairman of M.W. Group, an investment group of companies based in Malaysia. His business experience includes hotel management, property investment, food and beverage, and lifestyle management. Mr. Chang is actively engaged in various associations' community programme in Malaysia. He is currently the executive advisor of Penang Teoh Si Cheng Hoe Tong, chairman of Penang Chinese Clan Council, deputy president of The Federation of Zhang Clan Association Malaysia and vice president of The World Zhang Clan Association.

MAH SEONG KUNG

Lead Independent Non-Executive Director

Mr. Mah, who was appointed to the Board on 7 September 2012, is our Lead Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee. He is an associate partner of Biztrack Consultants, a Nominated Advisor with the National Stock Exchange of Australia ('NSX') and a Listed Advisor with the Dutch Caribbean Securities Exchange. He is on the board of directors of I M Quarries Limited, a company listed on NSX and K2 F&B Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Mah gained his industry experience by having worked in managerial positions of an entertainment content production company, licensed capital market services advisory firm, public listed education provider, and as an investment manager of public listed private equity fund.

Mr. Mah graduated with a Bachelor of Accounting degree from the National University of Singapore. He is also a member of the Institute of Singapore Chartered Accountants.

BOARD OF DIRECTORS

WONG LEONG CHUI

Independent Non-Executive Director

Mr. Wong, who was appointed to the Board on 21 February 2017, is our Independent Non-Executive Director, Chairman of the Nominating Committee and the Remuneration Committee, and a member of the Audit Committee. Mr. Wong has over 50 years of experience in the building construction industry in Singapore, where he had managed more than 50 construction projects involving high-rise, low-rise, commercial and residential buildings. He is currently the managing director of Chong Tong Construction Pte. Ltd..

CHIENG YOU PING

Non-Independent Non-Executive Director

Mr. Chieng, who was appointed to the Board on 5 April 2017, is our Non-Independent Non-Executive Director. Mr. Chieng is a member of the Nominating Committee, the Remuneration Committee and the Audit Committee. Mr. Chieng has extensive working experience and has been diversely involved in the shipping, construction, land development and manufacturing industries. He is currently a director of several private entities, including the Sin Matu Group, United Medicare Pte. Ltd., Double Power Sdn. Bhd., Syarikat Lista Sdn. Bhd., JBL Capital Sdn. Bhd., GCA Capital Sdn. Bhd. and ACG Holdings Sdn. Bhd. Mr. Chieng is also an active community member of the Foochow Association in Limbang, Malaysia. In recognition of his contribution to the community service, the State Governor of Sarawak had conferred him the honor title of Bintang Belia Sarawak (B.B.S.).

KEY MANAGEMENT

RAPHAEL LIEW SOON CHEE

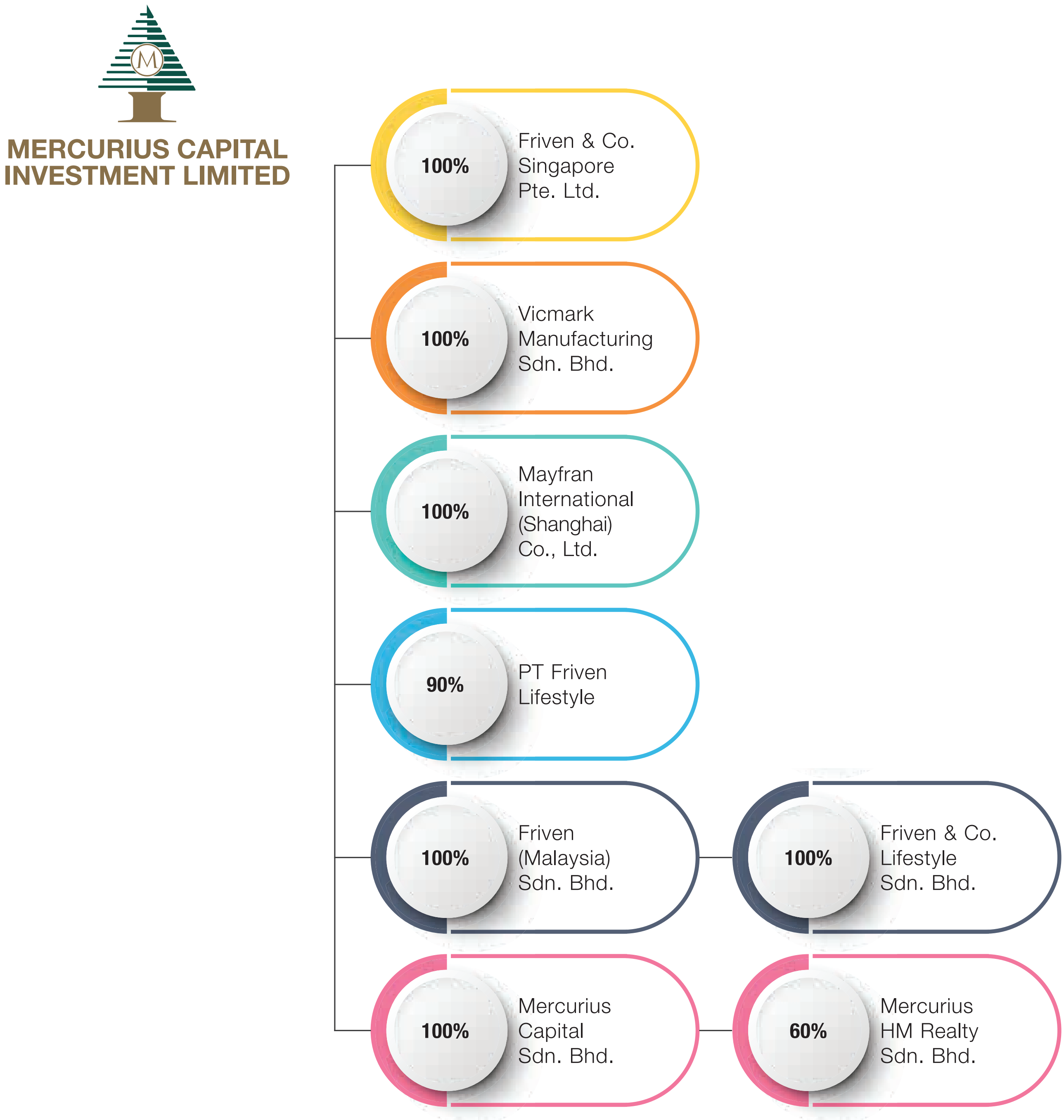
Group Finance Manager

Mr. Liew joined the Group on 1 June 2015 as the Group Finance Manager, overseeing the finance functions and compliance of the Group. Prior to his appointment, he was the group finance manager of GKE Corporation Limited and senior finance manager of China Fibretech Limited. He started his career with Foo Kon Tan Grant Thornton LLP as an audit associate from 2007 to 2010 where he left as an Audit Senior before joining Bridge Asia Advisory Services Pte. Ltd. as an associate in the financial due diligence division in 2011, and subsequently moved into the commercial sector as an accountant for Banyan Tree Hotels & Resorts Pte. Ltd. in 2012.

Mr. Liew graduated from Curtin University of Technology, Sarawak Campus with a Bachelor of Accounting and Finance.

CORPORATE STRUCTURE

AS AT 31 DECEMBER 2018



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Chang Wei Lu Executive Chairman and Chief Executive Officer
Mr. Mah Seong Kung Lead Independent Non-Executive Director
Mr. Wong Leong Chui Independent Non-Executive Director
Mr. Chieng You Ping Non-Independent Non-Executive Director

AUDIT COMMITTEE

Mr. Mah Seong Kung (Chairman)
Mr. Wong Leong Chui
Mr. Chieng You Ping

REMUNERATION COMMITTEE

Mr. Wong Leong Chui (Chairman)
Mr. Mah Seong Kung
Mr. Chieng You Ping

NOMINATING COMMITTEE

Mr. Wong Leong Chui (Chairman)
Mr. Mah Seong Kung
Mr. Chieng You Ping

COMPANY SECRETARY

Mr. Chua Kern

Registered address

138 Robinson Road
#26-03 Oxley Tower
Singapore 068906
Tel: (65) 6236 9346 or (60) 7362 0050
Email : enquiry@mercuriuscapital.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

SPONSOR

ZICO Capital Pte. Ltd.
8 Robinson Road
#09-00 ASO Building
Singapore 048544

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
Shaw Tower, #30-00
Singapore 189702
Director-In-Charge:
Ms. Meriana Ang Mei Ling
(Appointed since the financial year ended 31 December 2016)

PRINCIPAL BANKERS

Malayan Banking Berhad
Overseas-Chinese Banking Corporation Limited
The Development Bank of Singapore Ltd
Public Bank Berhad

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**" or the "**Directors**") and the management (the "**Management**") of Mercurius Capital Investment Limited (the "**Company**", and together with its subsidiaries, the "**Group**") are committed to maintaining a high standard of corporate governance. Underlying this commitment is the belief that good governance will help to enhance corporate performance and accountability.

This report sets out the Group's current corporate governance and practices with specific references made to principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"). The new Code of Corporate Governance 2018 was issued on 6 August 2018 (the "**Revised Code**"), and will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the Revised Code will not affect the Company's latest financial year ended 31 December 2018 ("FY2018"), and accordingly, the Group will only make reference to the Code in reviewing and implementing its corporate governance structures and practices.

The Board confirms that, for FY2018, the Company has generally complied in all material aspects with the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations have been provided.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: **Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.**

Role of the Board

The Board's primary role is to protect and enhance long-term shareholders' value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also:

- oversees the risk management and internal control processes, financial reporting and compliance, including the release of quarterly and full year financial results, and all other types of announcements and media releases;
- approves major funding investments and divestment proposals;
- approves the nominations to the Board and appointments to the various Board committees; and
- approves the framework of remuneration for the Board and key executives as recommended by the Remuneration Committee.

The Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

CORPORATE GOVERNANCE REPORT

Board Processes

To assist the Board in discharging its responsibilities and to enhance the Company's corporate governance framework, the Board has delegated some of its authorities to three (3) Board committees, namely the Audit Committee (the "**AC**"), the Remuneration Committee (the "**RC**") and the Nominating Committee (the "**NC**") (collectively, the "**Board Committees**"). The Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed by the Board on a regular basis to ensure their continued relevance and effectiveness. The effectiveness of each Board Committee is also constantly monitored. While the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters still lies with the entire Board.

The Board conducts regular meetings, and additional meetings for particular matters will be convened as and when they are deemed necessary. The attendance of the Directors at the meetings of the Board and Board Committees during FY2018 is as follows:–

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	**4**	**4**	**1**	**1**
Attendance:				
Chang Wei Lu	4	4[(1)]	1[(1)]	1[(1)]
Mah Seong Kung	4	4	1	1
Wong Leong Chui	4	4	1	1
Chieng You Ping	4	4	1	1

Note:–
(1) Attendance at meetings were "By Invitation".

The Company's Constitution (the "**Constitution**") allows a Board meeting to be conducted by way of tele-conference and video-conference.

Matters that require the approval of the Board include, but are not limited to, the followings:–

- corporate strategy and business plans;
- major funding proposals and investments;
- appointment/cessation, and remuneration packages, of the Directors and Executive Officers;
- interim and full yearly financial result announcements on SGXNET;
- annual reports and financial statements for each financial year;
- material acquisitions and disposals of assets and businesses;
- share issuances, interim dividends and other returns to shareholders; and
- matters involving a conflict of interest for a substantial shareholder or a Director.

CORPORATE GOVERNANCE REPORT

Regular training, particularly on risk management, corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, will be arranged and funded by the Company for all Directors, from time to time. During FY2018, Directors are provided with briefings and updates on (i) the developments in financial reporting and governance standards by the Company's Independent Auditor, Nexia TS Public Accounting Corporation; (ii) updates on amendments to the Catalist Rules and the Code by the sponsor of the Company; and (ii) changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board Committee meetings, so as to assist them in making well-informed decisions and to properly discharge their duties as Board or Board Committee members. Directors are encouraged to attend courses to update their knowledge and better equip themselves to discharge their duties as a Director and such courses may be funded by the Company, subject to the approval of the Chairman.

Newly appointed Directors will receive appropriate briefings and an orientation program will be conducted to ensure that they are familiar with the Company's business and corporate governance practices. A formal letter of appointment will also be sent to all newly appointed Directors setting out his/her duties and obligations upon his/her appointment. No new director was appointed by the Company in FY2018.

While matters relating to the Group's strategies and policies require the Board's direction and approval, the Management is responsible for the day-to-day operations and administration of the Group.

Board Composition and Guidance

Principle 2: **There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

As at the date of this report, the Board comprises four (4) members, three (3) of whom are Non-Executive Directors, including two (2) Independent Directors, as follows:

Name of Director	Designation of Board Member	Board Committee Membership		
		Audit Committee	Nominating Committee	Remuneration Committee
Chang Wei Lu	Executive Chairman and Chief Executive Officer	–	–	–
Mah Seong Kung	Lead Independent Non-Executive Director	Chairman	Member	Member
Wong Leong Chui	Independent Non-Executive Director	Member	Chairman	Chairman
Chieng You Ping	Non-Independent Non-Executive Director	Member	Member	Member

CORPORATE GOVERNANCE REPORT

The Board has satisfied the requirement for independent directors to make up at least half of the Board where the chairman of the board and chief executive officer is the same person (Guideline 2.2 of the Code). As such, together with the Non-Executive Directors, the Board is able to provide the Management with a diverse and objective perspective on the issues at hand and there is no individual or small group of individuals who dominates the Board's decision making. The size and composition of the Board are reviewed from time to time by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective discussions and decision making. The NC is of the view that the current Board size of four (4) members is appropriate and effective, taking into account the nature and scope of the Group's operations. Further, the NC is satisfied that the Board comprised Directors with a variety of core competencies and expertise necessary to discharge their duties and responsibilities and to provide strategic networking to enhance the business of the Group. Although there is currently no female Director being appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration.

The independence of each Director is reviewed annually by the NC. The criterion of independence is based on the definition set out in the Code and determines whether the Director falls under any of the circumstances pursuant to Rule 406(3)(d) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"). Each of the Independent Director has confirmed to the Board that he does not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interests of the Company. The Board, based on the review conducted by the NC, has determined and confirmed the independence of the Independent Directors. None of the Independent Directors has served in the Board beyond nine (9) years from the date of his first appointment.

The Non-Executive Directors communicate regularly to discuss matters such as the Group's financial performance and corporate governance measures and provide constructive advice and guidance on directions in relation to the Group's business strategies. They also review the performance of the Management in achieving agreed goals and objectives and monitor the reporting of financial performance. Where necessary, the Non-Executive Directors meet and discuss on the Group's affairs without the presence of the Management. As the Group's property development and property investment businesses had not commenced in FY2018, the Non-Executive Directors did not meet without the presence of Management during the year under review.

Chairman and Chief Executive Officer

Principle 3: **There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

Mr. Chang Wei Lu is the Executive Chairman of the Board and the Chief Executive Officer of the Company ("**CEO**").

The Group currently has a single leadership structure, where the Chairman and CEO of the Company is the same person. The Board is of the view that it is in the interests of the Group to adopt a single leadership structure, taking into consideration the current status of the Group's business affairs.

CORPORATE GOVERNANCE REPORT

As the CEO of the Company, Mr. Chang Wei Lu oversees the overall management of the Group's business. Mr. Chang Wei Lu has considerable industry experience in business investments and has a wide business network. Further, he has provided the Group with strong leadership and vision. The CEO plays an instrumental role in developing the business of the Group and exercising control over the quality and timeliness of information flow between the Board and the Management.

The Board agenda will be prepared in consultation with the Executive Chairman and CEO.

As the Chairman of the Board, Mr. Chang Wei Lu is responsible for the workings of the Board to ensure its effectiveness on all aspects of its role and sets the agenda for Board meetings in consultation with the Directors. The Chairman will also ensure that the Board members are provided with adequate and timely information prior to Board meetings, and promote a culture of openness and debate at the Board meetings.

To promote a high standard of corporate governance, as the Chairman and the CEO is the same person, Mr. Mah Seong Kung has been appointed as the Lead Independent Director. He acts as the focal point for the Independent Directors to provide their inputs to the Executive Chairman and CEO as well as the Management. As the Lead Independent Director, Mr. Mah Seong Kung is available to the shareholders of the Company ("**Shareholders**") where they have concerns in circumstances where contact through the normal channels of the Executive Chairman and CEO, and/or the Group Finance Manager have failed to resolve, or where such contact is inappropriate. Where necessary, the Independent Directors will meet without the presence of the other Executive Directors, and the Lead Independent Director will provide feedback to the Executive Chairman and CEO after such meetings, if necessary.

All the Board Committees are chaired by the Independent Directors and half of the Board consists of Independent Directors. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Nominating Committee ("NC")

The NC comprises three (3) Non-Executive Directors, two (2) of whom, including the NC Chairman, are Independent Directors. As at the date of this report, the NC comprises the following members:

Mr. Wong Leong Chui (Chairman)
Mr. Mah Seong Kung
Mr. Chieng You Ping

CORPORATE GOVERNANCE REPORT

The NC is scheduled to meet at least once a year and at such other times as may be necessary. In respect of FY2018, one (1) NC meeting was held. The purpose of the meeting was primarily to review the performance of the Board and to confirm matters regarding the re-election of directors at the forthcoming Annual General Meeting as reported in principle 5 below.

The NC is responsible for, amongst others, the following:–

- evaluating the effectiveness of the Board as a whole and the contributions of each Director;
- identifying the skills, expertise and capabilities for the effective functioning of the Board;
- reviewing the training and professional development programs for the Board:
- maintaining a formal process for the nomination of new Directors;
- reviewing the board succession plans for Directors, in particular, for the Chairman of the Board and the CEO;
- re-nominating the retiring Directors for re-election at the annual general meetings; and
- evaluating and determining the independence of each Director annually.

The Company has put into place a process for selecting and appointing new directors to the Board. Where there is a need to appoint a new director, the NC will evaluate the balance of skills, knowledge and experience on other boards in order to identify the essential and desirable competencies of the candidate. Suitable candidates are sourced through the recommendations of the Directors or the Management or through other external sources. The NC will then meet up with the candidates to assess his or her suitability based on certain objective criteria such as integrity, independent mindedness and the ability to commit time, before making its recommendation to the Board.

The Board has determined that the maximum number of listed board representations which any director may hold is not more than five (5) directorships. None of the Directors has any current and/or past directorships in other listed company, save for Mr Mah Seong Kung, who serves as an independent director on the board of IM Quarries Limited, a company listed on the National Stock Exchange of Australia and K2 F&B Holdings Limited, a company listed on the Hong Kong Stock Exchange.

The Constitution of the Company provides that one-third of the Board, except the CEO, shall retire by rotation at every annual general meeting of the Company ("**AGM**") and at least once every three (3) years. All newly appointed Directors appointed during the year are required to retire and subject himself or herself for re-election at the next AGM following his appointment. With effect from 1 January 2019, pursuant to Rule 720(4) of the Catalist Rules, all directors (including executive directors) must submit themselves for re-nomination and re-appointment at least once every three (3) years. Within three (3) years from 1 January 2019, a director appointed or re-appointed before 1 January 2019, must submit himself for re-nomination and re-appointment to the Board at the AGM no later than 31 December 2021. For the forthcoming AGM, the NC has recommended Mr. Chang Wei Lu and Mr. Chieng You Ping, who will retire pursuant to Article 95(2) of the Company's Constitution, be nominated for re-election. As a member of the NC, Mr. Chieng You Ping has abstained from voting on any resolutions in respect of the assessment of his own performance for re-appointment as a Director. In making the recommendation, the NC had considered the Directors' overall contributions

CORPORATE GOVERNANCE REPORT

and performance. The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of input and contributions. The NC has reviewed and is satisfied that both Mr. Chang Wei Lu and Mr. Chieng You Ping, being the Directors who are retiring accordance with the Company's Constitution at the forthcoming AGM, are properly qualified for re-election by virtue of their skills, experience and contributions. The NC has recommended the re-election of the retiring Directors and the Board has accepted the NC's recommendation. Please refer to the notice of AGM for the resolutions put forth in relation to their respective re-elections, as well as the section entitled "Additional Information on Directors Nominated for Re-election – Appendix 7F to the Catalist Rules" of this report.

There is no alternate director being appointed to the Board as at the date of this Annual Report.

Other than the key information regarding the Directors as set out below, information pertaining to the Directors' interests in shares, options and other convertible securities are set out in the "Directors' Statement" section of this Annual Report, and information in relation to the background and principal commitments of the Directors are set out under the "Board of Directors" section of this Annual Report.

Name of Director	Board appointment	Date of first appointment	Date of last re-election	Directorship or Chairmanship both present and held over the preceding three (3) years in other listed companies
Chang Wei Lu	Executive	12 May 2014	29 April 2017 (to be re-elected at the forthcoming AGM)	Present Directorship or Chairmanship None Past Directorship or Chairmanship None
Mah Seong Kung	Non-Executive and Independent	7 September 2012	27 April 2018	Present Directorship or Chairmanship IM Quarries Limited K2 F&B Holdings Limited Past Directorship or Chairmanship None
Wong Leong Chui	Non-Executive and Independent	21 February 2017	27 April 2018	Present Directorship or Chairmanship None Past Directorship or Chairmanship None
Chieng You Ping	Non-Executive and Non-Independent	5 April 2017	29 April 2017 (To be re-elected at the forthcoming AGM)	Present Directorship or Chairmanship None Past Directorship or Chairmanship None

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: **There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

The NC has established processes for evaluating the effectiveness of the Board as a whole, its Board Committees and the contribution of each Director. All Directors completed a Board Evaluation Questionnaire which sought to assess the effectiveness of the Board and the results were considered by the NC. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, communication with the Management and standards of conduct of the Directors. The NC also assesses the performance and contribution of each Director to the effectiveness of the Board as a whole, taking into consideration the Director's attendance record, overall participation, expertise, strategic vision, financial savviness, business judgement and sense of accountability. The Company will continue to review and evaluate its appraisal process and consider how best to fine tune the appropriate performance criteria, and where circumstances deem it necessary for any of the criteria to be changed, the onus will be on the Board to justify the change.

The review of each Director and the Board's performance is undertaken collectively by the Board and the NC annually on a continual basis, without the engagement of an external facilitator(s). For FY2018, the Board is satisfied that each Director has allocated sufficient time and attention to the affairs of the Company, and is of the view that the performance of the Board as a whole and the contribution of each Director to the effectiveness of the Board and Board Committees has been satisfactory.

Access to Information

Principle 6: **In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

The Board members have separate and independent access to the Management and the Company Secretary.

The Company Secretary attends all of the Board and Board Committees meetings and ensures that board procedures are followed and that applicable rules and regulations of the Companies Act, Chapter 50 of Singapore (the "**Act**") and the Catalist Rules are complied with. The appointment and removal of the Company Secretary is decided by the Board as a whole.

The Management also regularly provides the Board with information on issues requiring the Board's deliberations, so as to enable the Board to make informed decisions. The Board is also informed of all material events and transactions as and when they occur. Requests for additional information by the Board are dealt with promptly by the Management.

CORPORATE GOVERNANCE REPORT

Prior to each Board meeting, the Board is provided with the relevant background or explanatory information relating to the business of meeting and information on major operational, financial and corporate issues in a timely manner. Board papers are prepared for each Board and Board Committee meeting and are usually circulated in advance of such meetings. In respect of budgets, any material variances between the projections and actual results are discussed between the Management and the Board.

Should the Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company will appoint a professional adviser, subject to the approval of the Chairman, and the cost will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: **There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

Remuneration Committee ("RC")

The RC comprises three (3) Non-Executive Directors, two (2) of whom, including the RC Chairman, are Independent Directors. As at the date of this report, the RC comprises:

Mr. Wong Leong Chui (Chairman)
Mr. Mah Seong Kung
Mr. Chieng You Ping

The RC meets at least once a year and at such other times as may be necessary. In respect of FY2018, one (1) RC meeting was held. The purpose of the meeting was to review the Directors' fees payable for that current financial year and to consider matters regarding the remuneration policies of the Company as reported in principle 8 below.

The RC is responsible for, amongst others, the followings:–

- reviewing and recommending to the Board for endorsement, the structure of the compensation plans and recruitment strategies of the Group so as to align compensation of the Directors with Shareholders' interests; and
- reviewing the Executive Director and the key management personnel compensation policies, structures and determine appropriate adjustments.

CORPORATE GOVERNANCE REPORT

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of each Director and key management personnel. The RC reviews and recommends to the Board the general framework of remuneration and specific remuneration packages for the Board and key management personnel, covering all aspects of remuneration including salaries, fees, allowances, bonuses and other benefits-in-kind. The RC's recommendations are submitted for endorsement by the Board. The RC may seek external professional advice when necessary on the remuneration of the Directors and key management personnel. No external professional advice was sought by the RC in FY2018.

Each RC member does not participate in discussions, and abstain from decision-making, in relation to any remuneration, compensation, options or any form of benefits to be granted to him, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Director and key management personnel to ensure that such contracts of service contains fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance. In FY2017, the RC had reviewed the service agreements of its Executive Chairman and Chief Executive Officer, Mr Chang Wei Lu, and Group Finance Manager, Mr Raphael Liew, and determined that there were no unfair or unreasonable termination clauses which are overly generous. For FY2018, there was no change to the service agreements of the aforementioned Executive Director and key management personnel and accordingly, no further review was done on the termination clauses in their respective service agreements.

Level and Mix of Remuneration

Principle 8: **The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

The Company adopts a remuneration policy for the Executive Director and employees comprising a fixed component in the form of a base salary, and a variable component in the form of a bonus that is linked to the performance of the Company, the individual, the industry and the economy.

Non-Executive Directors receive Directors' fees appropriate to the level of their contributions, taking into account factors such as effort and time spent, and responsibilities of the Non-Executive Directors. Directors' fees are endorsed by the RC and recommended by the Board for Shareholders' approval at the AGM. In respect of FY2018, taking into consideration that no revenue was generated, the RC recommended that no Directors' fees would be payable to the Directors for FY2018. In addition, Mr. Chang Wei Lu (Executive Chairman and CEO) has also agreed not to receive any remuneration (including salary, fee, allowance, bonus and other benefits-in-kind) in respect of FY2018, while the remuneration package of Mr. Raphael Liew (Group Finance Manager) remains unchanged in FY2018.

CORPORATE GOVERNANCE REPORT

The Company currently does not have any share-based compensation schemes in place.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

Disclosure on Remuneration

Principle 9: **Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

None of the Directors received any form of remuneration (including Directors' fees, salary, bonus and benefits-in-kind) in FY2018. The Board, with the recommendation of the RC, concurred that no Directors' fees will be recommended for payment in respect of FY2018 after taking into consideration that the Group had not generated any revenue in FY2018.

Based on the same consideration as above, Mr. Chang Wei Lu (Executive Chairman and CEO) has also agreed not to receive any remuneration (including salary, bonus and other benefits-in-kind) in respect of FY2018.

In FY2018, the remuneration of the key management personnel (who are not Directors or the CEO) in bands of S$250,000 is set out below:–

Key Executive(1)	Salary(2) ($'000)	Bonus(2) ($'000)	Benefits-in-kind ($'000)	Total ($'000)
Below $250,000				
Raphael Liew Soon Chee	90	–	–	90

Notes:
(1) The Group has only one (1) key management personnel (who are not Directors or the CEO) in FY2018.
(2) Inclusive of employee retirement/pension funds.

There are no termination, retirement and post-employment benefits that may be granted to Directors and key management personnel (who are not directors or the CEO).

There were no employees who are immediate family members of a Director or the CEO whose remuneration exceeded S$50,000 during FY2018.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the quarterly and full yearly financial statements to the Shareholders, the Board aims to provide Shareholders with a detailed and balanced analysis and explanation of the Group's financial position and performance. Financial results are reviewed by the AC before it is recommended for adoption by the Board. The financial results announcement is reviewed carefully by the Board and the AC before being released on the SGXNet. If required, the Group's Independent Auditor's views will be sought.

The Management will provide all members of the Board with management accounts of the Group's performance, with explanatory details on its operations at least on a half-yearly basis. The Board papers are circulated to the Directors prior to any Board meeting to facilitate effective discussion and decision-making.

The Management also maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full yearly financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

The Board provides effective oversight of the Management's performance and control, compliance with legislative and regulatory requirements including continuing disclosure requirements under the Catalist Rules. For instance, in line with the Catalist Rules, the Board provides a negative assurance statement to the Shareholders in its quarterly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial results false or misleading in any material aspect. All the Directors and key management personnel of the Group have also signed a letter of undertaking pursuant to Rule 720(1) of the Catalist Rules.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems, and for providing assurance to the Board that it has done so. The Board acknowledges that it is responsible for determining the Company's level of risk tolerance and risk management policies and reviewing the adequacy and effectiveness of the Group's risk management and internal control systems. The Board recognises that all internal control systems contain inherent limitations and no one system of internal controls could

CORPORATE GOVERNANCE REPORT

provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities. Nevertheless, the Board strives to identify key risk areas in every aspect of the Group and improve internal controls system to mitigate such risks in order to achieve the overall business objective of the Group and enhance long term shareholders' value.

The Management regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these business risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

Separately, in performing the audit of the financial statements of the Group, the Independent Auditor perform tests over the operating effectiveness of certain controls that they intend to rely on, that are relevant to the preparation of its financial statements. Material non-compliance and internal control weaknesses and recommendations for improvements are noted in their audit report to the AC. The AC has reviewed the effectiveness of the action taken by Management on the recommendations made by the Independent Auditor in this respect. With respect to FY2018, the AC noted that no material non-compliance or internal control weaknesses were identified by the Independent Auditor in their audit report for FY2018.

For FY2018, the Board has received the Management representation letter ("**Management Representation Letter**") from the Executive Chairman and CEO and the Group Finance Manager confirming that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Group's risk management and internal control systems are effective.

Based on various management controls put in place by the Management, the Management Representation Letter as well as the reports from the Independent Auditor on follow up actions taken by the Management, the Board, with the concurrence from the AC, is of the opinion that the system of risk management and internal controls maintained by the Group in addressing financial, operational, information technology and compliance risks of the Group are adequate and effective as at 31 December 2018. The Board believes that the Group's internal controls system provide reasonable, but not absolute assurance against material financial misstatements or losses.

CORPORATE GOVERNANCE REPORT

Audit Committee ("AC")

Principle 12: **The Board should establish an AC with written terms of reference which clearly set out its authority and duties.**

Audit Committee

The AC comprises three (3) Non-Executive Directors, two (2) of whom, including the AC Chairman, are Independent Directors. The AC comprises the following members:

Mr. Mah Seong Kung (Chairman)
Mr. Wong Leong Chui
Mr. Chieng You Ping

The Board has reviewed and is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. The members of the AC are scheduled to meet at least four (4) times a year. In respect of FY2018, four (4) AC meetings were held.

The AC is responsible for, amongst others, the following:–

- review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the Independent Auditor;
- reviewing the Independent Auditor's audit plan and audit report, and the Independent Auditor's evaluation of the system of internal accounting controls;
- review changes in accounting standard and issues highlighted by the Independent Auditor which have direct impact on the financial statements;
- review the internal audit plans, the scope and results of internal audit procedures;
- review with the internal auditors the effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls;
- review the financial statements of the Company and the Group, including the quarterly and full year financial results and the respective announcements before the submission to the Board for approval to release to the public;
- conduct investigation into any matter within the AC's scope of responsibility and review any significant findings of investigations;
- assess the independence and objectivity of the Independent Auditor;
- recommend to the Board on the appointment or re-appointment of Independent Auditor; and
- review interested person transactions (as defined in Chapter 9 of the Catalist Rules) to ensure that each transaction has been conducted on an arm's length basis.

The AC has reasonable resources to enable it to discharge its functions properly.

CORPORATE GOVERNANCE REPORT

The AC has been given full access to and is provided with the cooperation of the Management. In addition, the AC has independent access to the Independent Auditor. The AC meets with the Independent Auditor without the presence of the Management at least once every financial year to review matters that might be raised privately. In respect of FY2018, the AC and Independent Auditor determined that it was not necessary to meet without the presence of Management as the principal business operations for the Group had yet to commence and the AC was of the view that there were no material concerns with regard to the Group's corporate governance or internal controls.

The AC will review the independence of the Independent Auditor annually. The AC has reviewed the non-audit services provided to the Group by the Independent Auditor during FY2018 in relation to tax advisory services, and is satisfied that the nature of such non-audit services will not prejudice the independence and objectivity of the Independent Auditor. A breakdown of the audit and non-audit fees paid to the Independent Auditor is disclosed in Note 15 to the Financial Statement on page 88 of this Annual Report. The aggregate amount of fees paid or payable by the Group to the Independent Auditor for FY2018 amounted to S$46,500 for audit services and S$5,500 for non-audit services.

The AC is satisfied that the Independent Auditor of the Company, Nexia TS Public Accounting Corporation, which is registered with the Accounting and Corporate Regulatory Authority, are independent and that they had also provided a confirmation of their independence to the AC. The AC has assessed the Independent Auditor of the Company based on factors such as performance, adequacy of resources and experience of their audit engagement partners and audit team assigned to the Group's audit as well as the size and complexity of the Group. The Company's 60%-owned subsidiary in Malaysia, Mercurius HM Realty Sdn. Bhd. is audited by LK Chai & Associates, Malaysia. Pursuant to Rule 716(1) of the Catalist Rules, the AC and the Board confirmed that they are satisfied that the appointment of different auditors for its subsidiary would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the AC is satisfied that Rule 712 and Rule 716 of the Catalist Rules have been complied with and has recommended to the Board the nomination of Nexia TS Public Accounting Corporation for re-appointment at the forthcoming AGM.

No former partner or director of the Company's existing audit firm is a member of the AC.

In the review of the financial statements, the Audit Committee has discussed with the Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with the Management and the Independent Auditor, and were reviewed by the Audit Committee:

Matters considered	How the Audit Committee reviewed these matters and what decisions were made
Going concern issues	The AC considered the Group's proposed plan to commence its new business on property development and property investment, and assessed the Group's ability to repay its debts as and when they fall due. The AC had obtained updates from the Management on the proposed development of the Kempas Land, and noted that the Management is awaiting approval from the Malaysian government for the conversion of the land title from residential status to commercial status. In addition, the Management is also exploring another proposed development in Permas Jaya, Johor, Malaysia and is in the process of performing its feasibility studies.

CORPORATE GOVERNANCE REPORT

Matters considered	How the Audit Committee reviewed these matters and what decisions were made
	In assessing the Group's ability to repay its debts, the AC had considered whether the Group's available fund of S$225,000 as at 31 December 2018 is able to cover the operating costs and liabilities for the next twelve (12) months, projected to be S$314,000 for the financial year ending 31 December 2019. The AC had determined that the Group would be able to repay its debts as it falls due by raising funds from non-related investors to finance the New Business and operations by the end of March 2019. The going concern was also an area of focus for the Independent Auditor. The Independent Auditor had issued a material uncertainty based on the going concern issue in its audit report for the financial year ended 31 December 2018. Please refer to pages 43 & 44 of this Annual Report.
Convertible loan	The AC considered the approach and the methodology used in accounting and disclosing the convertible loan in the financial statements of the Group for FY2017. The AC had reviewed the Management assessment on the Convertible Loan based on the guidance provided by Singapore Financial Reporting Standards International ("SFRS(I)") 1-32 Financial Instruments: Presentation, and is of the opinion that the interest generated from the convertible loans were in substance a distribution to holders of the convertible loans, which were classified as equity instruments as the date of the inception of the convertible loan agreements. The Management would restate the interest recognised in relation to the convertible loan in the Group's comparative financial statements for FY2017 in accordance with SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors.

Whistle-Blowing Policy (the "Policy")

The Company has put in place a whistle-blowing policy. The Policy encourages employees to raise concerns, in confidence, about possible irregularities to the whistle-blowing committee. It seeks to provide an avenue for employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals for whistle-blowing in good faith within the limits of the law. No whistle-blowing reports were received in FY2018.

The AC oversees the administration of the Policy. Periodic reports will be submitted to the AC stating the number and the nature of complaints received, the results of the investigations, follow-up actions and unresolved complaints.

CORPORATE GOVERNANCE REPORT

Internal Audit

Principle 13: **The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

The Board is entrusted to review the Group's business and investment activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The Board reviews all significant control policies and procedures and highlights all significant matters to the Management.

On 11 May 2017, the Company completed the disposal of its entire shareholding in China Children Fashion Holdings Pte. Ltd. and its subsidiaries. Since then, the Group's property development and property investment businesses had not commenced and had not generated any revenue as at the date of this Annual Report. The current size of operations of the Group does not warrant the Group having an in-house internal audit function, or to commission an external firm to perform internal audit on the Group. The AC will look into the need for the formation of such internal audit function or the engagement of an external firm to perform internal audit on the Group, as and when the circumstances warrant them.

To ensure adequacy of the internal audit function, the AC meets on a regular basis to review this function. In FY2018, the AC had reviewed the audit plans and the findings of the Independent Auditor, which included reviews on the accounting and internal control system of the operating subsidiaries. The AC will ensure that the Management addresses the Management Representation Letter points raised, if any, by the Independent Auditor. The AC is generally satisfied with the adequacy of the current arrangement and will continue to assess the adequacy and effectiveness of the internal audit function regularly.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: **Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

The Company ensures that all material information is disclosed on a comprehensive and timely basis via SGXNET, in particular, information pertaining to the Group's business development and financial performance which could have material impact on the share price of the Company, so as to enable the Shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements and press releases via SGXNET, as well as through reports/circulars sent to all Shareholders. They are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the general meetings are clearly communicated. The results for each resolution put forth are presented during the general meetings.

The Constitution allows each Shareholder to appoint up to two (2) proxies to attend and vote on their behalf at general meetings. There is no provision in the Company's Constitution that limits the number of proxies for nominee companies.

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Communication with Shareholders

Principle 15: **Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

The Company takes a serious view of maintaining full and adequate disclosures, in a timely manner, of material events and matters concerning its business. All the necessary disclosures are made in public announcements, press releases and annual reports to the Shareholders.

The Company maintains an updated corporate website (www.mercuriuscapital.com) to keep Shareholders abreast with the Company's developments and to serve as a platform to gather the Shareholders' feedback. The Company may conduct media interviews or briefings sessions to engage the Shareholders when opportunities arises.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET before the Company meets with any group of investors or analysts.

The Company does not have a fixed dividend policy. The payment of dividends will be contingent on the Company's earnings, business and economic prospects, working capital requirements and other factors deem appropriate by the Directors. For FY2018, the Company will not be declaring any dividend in view of the negative financial position of the Company. The Board deemed it more appropriate to retain the cash for the Group's working capital purposes.

Conduct of Shareholder Meetings

Principle 16: **Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

The AGM and/or Extraordinary General Meeting ("EGM") of the Company provides a principal forum for dialogue and interaction with Shareholders. Participation of Shareholders is encouraged at the Company's AGM and/or EGM. Each item of business is listed in separate resolutions and special resolutions will be accompanied by the relevant explanatory notes to enable the Shareholders to understand the nature and effect of the proposed resolutions.

The Directors, the respective Chairmen of the Board Committees and the Independent Auditor of the Company will also be present to address any issues raised at the AGM and/or EGM.

At the AGM and/or EGM, the Shareholders are given the opportunity to express their views and raise any queries regarding the Company. The proceedings of all general meetings including questions and answers exchange between the Company and the Shareholders are recorded in the minutes books of the Company, and are available to the Shareholders upon their written request.

All resolutions at the AGM and/or EGM of the Company will be put to vote by poll. The results of the poll voting on each resolution tabled at the AGM and/or EGM of the Company are released on SGXNET on the same day.

CORPORATE GOVERNANCE REPORT

The Constitution of the Company allows members of the Company to appoint up to two (2) proxies to attend and vote on his/her behalf at the AGM and/or EGM of the Company through proxy forms sent in advance.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirements. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors. A proxy need not be a member of the Company.

Separate resolutions are proposed at AGM and/or EGM for each distinct issue. The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

The Company has not amended its Constitution to provide for absentia voting method. As the authentication of Shareholder identity information and other related security issues remain a concern, the Company has decided, for the time being, not implement voting in absentia by mail, e-mail or fax.

DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors, the Management and officers of the Group. This internal code is modelled on the Code relating to dealings in securities and has been disseminated to the Directors, the Management and officers of the Group. The Directors, the Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two (2) weeks before the announcement of the Group's quarterly financial results for the first three (3) quarters and one (1) month before the announcement of the Group's full yearly financial results and ending on the date of announcement of such financial results, or when they are in possession of unpublished price-sensitive information on the Group. In addition, the Directors, the Management and officers of the Group are discouraged from dealing in the Company's shares on short term considerations. The Directors, the Management and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS ("IPT")

The AC will review all IPTs to be entered to ensure that the relevant rules under Chapter 9 of the Catalist Rules are complied with. The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are conducted at arm's length basis and will not be prejudicial to the interests of the Company and its minority Shareholders.

The Group does not have a general mandate from Shareholders for IPT pursuant to Rule 920(1)(a)(i) of the Catalist Rules. There were no IPTs entered into between the Company or its subsidiary corporations and any of its interested persons exceeding S$100,000 during FY2018.

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

There were no material contracts entered into between the Company or any of its subsidiaries involving the interest of any Director or controlling Shareholder, which are still subsisting at the end of the financial year reported on or, if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees paid to the Company's Sponsor, ZICO Capital Pte. Ltd. in FY2018.

USE OF PROCEEDS

In March 2017, the Company entered into a convertible loan agreement with two investors whereby the investors provided a redeemable convertible loan of an aggregate principal value of S$1.0 million ("**Convertible Loan**") to the Company. On 29 March 2018, the Company announced a change in use of the net proceeds from the Convertible Loan, whereby the initial allocation of $382,000 ("**Unutilised Balance**") to be used for business growth and investment opportunities be amended such that the Unutilised Balance be used towards working capital purposes for the Group ("**Amended Allocation**"). Subsequent to the Amended Allocation, the status of the use of the net proceeds received from the Convertible Loan is as follows:

Use of net proceeds	Amount allocated (S$'000)	Amount utilised (S$'000)	Balance as at the date of this report (S$'000)
Working capital[1]	985	927	58
Total	985	927	58

Note:
(1) Working capital included operating expenses such as professional fees, listing fees, staff cost and office expenses.

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr. Chang Wei Lu and Mr. Chieng You Ping, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	Mr. Chang Wei Lu ("Mr. Chang")	Mr. Chieng You Ping ("Mr. Chieng")
Date of first appointment	12 May 2014	5 April 2017
Date of last re-appointment (if applicable)	29 April 2017	29 April 2017
Age	57	61
Country of principal residence	Malaysia	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Chang as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Chang's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr. Chieng as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Chieng's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Yes. Mr. Chang is in charge of the business strategy of the Group, and provides executive decision on the financial and operations of the Group.	No
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Chairman and Chief Executive Officer	Non-Executive and Non-Independent Director and a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.
Professional qualifications	No	No
Working experience and occupation(s) during the past 10 years	Mercurius Capital Investment Limited – Executive Chairman and CEO (Current) M.W. Group – Chairman (Current) Golden Intervest Sdn Bhd – Managing Director (2014-2017)	Refer to Annex A
Shareholding interest in the listed issuer and its subsidiaries	328,041,534 ordinary shares in the capital of the Company, representing approximately 29.4% of the Company	No

CORPORATE GOVERNANCE REPORT

Name of Director	**Mr. Chang**	**Mr. Chieng**
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Chang is a substantial shareholder of the Company	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)		
Past (for the last 5 years)	**Past Directorships:** Nil	**Past Directorships:** Nil
Present	**Present Directorships:** Nil	**Present Directorships:** Refer to Annex A
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Mr. Chang	Mr. Chieng
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Mr. Chang	Mr. Chieng
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Mr. Chang	Mr. Chieng
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Mr. Chang	Mr. Chieng
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Yes Mr Chang is currently a Director of the Company	Yes Mr Chieng is currently a Director of the Company
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.

CORPORATE GOVERNANCE REPORT

Annex A – Working experience and occupation(s) during the past 10 years/Present Directorship for Mr. Chieng You Ping

NO.	Period	NAME OF COMPANY	POSITION HELD
1.	1980 – Present	SIN MATU SDN. BHD.	MANAGING DIRECTOR
2.	1990 – Present	SIN MATU REALTY SDN. BHD.	DIRECTOR
3.	1990 – Present	SIN MATU SHIPYARD SDN. BHD.	DIRECTOR
4.	1990 – Present	DOUBLE POWER SDN. BHD.	DIRECTOR
5.	1997 – Present	SIN MATU ENTERPRISE SDN. BHD.	DIRECTOR
6.	1981 – Present	SYARIKAT LISTA SDN. BHD.	DIRECTOR
7.	1995 – Present	MILLION FUEL INJECTION PUMPS SERVICES SDN. BHD.	DIRECTOR
8.	1994 – Present	QUANTITY PLUS SDN. BHD.	DIRECTOR
9.	1995 – Present	TOP EDGE BRICKS FACTORY SDN. BHD.	DIRECTOR
10.	2001 – Present	UNITED MEDICARE PTE. LTD.	DIRECTOR
11.	2001 – Present	ENTIARA JAYA SDN. BHD.	DIRECTOR
12.	2001 – Present	LIMBANG FURNITURE SDN. BHD.	DIRECTOR
13.	2005 – Present	FORTUNAGE DEVELOPMENT SDN. BHD.	DIRECTOR
14.	2003 – Present	SAUJANA ASAS SDN. BHD.	DIRECTOR
15.	2012 – Present	ACG HOLDINGS SDN BHD	DIRECTOR
16.	2013 – Present	GCA CAPITAL SDN BHD	DIRECTOR
17.	2013 – Present	JBL CAPITAL SDN BHD	DIRECTOR
18.	2015 – Present	PANORAMA BINA SDN. BHD.	DIRECTOR

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 47 to 109 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, subject to the going concern assumptions and measures as set out in Note 3 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Chang Wei Lu
Mah Seong Kung
Wong Leong Chui
Chieng You Ping

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		
	At 21.1.2019	**At 31.12.2018**	**At 1.1.2018**
The Company			
(No. of ordinary shares)			
Chang Wei Lu	328,041,534	328,041,534	328,041,534

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Directors' interests in shares or debentures (Continued)

By virtue of section 7 of Singapore Companies Act, Chapter 50, Mr. Chang Wei Lu is deemed to have an interest in the shares of all the Company's subsidiary corporations at the end and beginning of the financial year.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year were as follows:

- Mah Seong Kung (Chairman)
- Wong Leong Chui
- Chieng You Ping

Two members of the Audit Committee are non-executive independent directors and one member of the Audit Committee is non-executive non-independent director.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. In performing those functions, the Audit Committee reviewed:

- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

- the assistance given by the Company's management to the independent auditor;

- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Audit committee (Continued)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. In performing those functions, the Audit Committee reviewed: (Continued)

- transactions failing within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules");

- the quarterly financial results and annual financial statements, results announcements and media releases before submission to the Board of Directors for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;

- the independence and objectivity of the independent auditor; and

- make recommendations to the Board of Directors on the appointment, re-appointment and removal of the independent auditor, and approve the remuneration and terms of engagement of the independent auditor.

The Audit Committee has recommended to the Board of Directors that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

....

Chang Wei Lu
Director

....

Mah Seong Kung
Director

2 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mercurius Capital Investment Limited (the "Company") and its subsidiary corporations (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 2018, and the consolidated statement of 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, as set out on pages 47 to 109.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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 opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the financial statements which shows that the Group has incurred a total loss of $319,000 and generated net operating cash outflows of $274,000 for the financial year ended 31 December 2018. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation of the consolidated financial statements for the financial year ended 31 December 2018 is appropriate in view that the unrestricted available cash balances as at 31 December 2018 of $225,000 and additional funds raised from issuance of convertible loans to non-related investors amounting to $500,000 on 29 March 2019 which would be classified as equity instruments of the Company (Note 25), are sufficient to cover the Group's liabilities for the next twelve months from the end of financial year.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Material Uncertainty Related to Going Concern (Continued)

In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may has to provide for further liabilities that might arise and to reclassify non-current assets as current assets. Our opinion is not modified in respect of this matter.

Key Audit Matters

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

Other information

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

Our opinion on the financial statements does not cover the 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. We have nothing to report in this regard.

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 provisions of the Act and SFRS(I)s, 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 directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

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 skepticism 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 Company'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 Company'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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

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

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.

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 financial year 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporation incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Ms. Meriana Ang Mei Ling.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

2 April 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Group 31 December 2018 $'000	Group 31 December 2017 $'000 (Restated)	1 January 2017 $'000 (Restated*)
ASSETS				
Current assets				
Cash and cash equivalents	4	**225**	499	165
Trade and other receivables	5	**54**	87	69
Income tax recoverable	17(b)	**3**	3	18
		282	589	252
Assets of disposal group classified as held-for-sale	6(c)	**–**	–	32,008
		282	589	32,260
Non-current assets				
Property, plant and equipment	8	**4**	8	9
		4	8	9
TOTAL ASSETS		**286**	597	32,269
LIABILITIES				
Current liabilities				
Trade and other payables	9	**192**	190	2,822
Liabilities directly associated with disposal group classified as held-for-sale	6(e)	**–**	–	30,008
TOTAL LIABILITIES		**192**	190	32,830
NET ASSETS/(LIABILITIES)		**94**	407	(561)
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	10	**133,182**	133,182	49,074
Other reserves	11	**(923)**	(1,009)	8,903
Accumulated losses	12	**(132,172)**	(131,774)	(58,317)
		87	399	(340)
Non-controlling interests	7	**7**	8	(221)
TOTAL EQUITY		**94**	407	(561)

* Comparative figures have been related upon adoption of SFRS(I) – Refer to Note 2.2 for details.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	Company 31 December 2018 $'000	2017 $'000 (Restated)	1 January 2017 $'000
ASSETS				
Current assets				
Cash and cash equivalents	4	**195**	482	145
Trade and other receivables	5	**76**	62	24
		271	544	169
Assets of disposal group classified as held-for-sale	6(c),(d)	**–**	–	18,089
		271	544	18,258
Non-current assets				
Investments in subsidiary corporations	7	*	*	–
Property, plant and equipment	8	**2**	5	9
		2	5	9
TOTAL ASSETS		**273**	549	18,267
LIABILITIES				
Current liabilities				
Trade and other payables	9	**127**	126	781
Liabilities directly associated with disposal group classified as held-for-sale	6(e)	**–**	–	18,089
TOTAL LIABILITIES		**127**	126	18,870
NET ASSETS/(LIABILITIES)		**146**	423	(603)
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	10	**133,182**	133,182	132,732
Other reserves	11	**1,143**	1,063	–
Accumulated losses	12	**(134,179)**	(133,822)	(133,335)
TOTAL EQUITY		**146**	423	(603)

* Less than $1,000

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000 (Restated)
Continuing operations			
Revenue	13	–	–
Cost of sales		–	–
Gross profit		–	–
Other income, net	14	**22**	1,028
Expenses:			
– Administrative	15	**(341)**	(516)
(Loss)/profit before income tax		**(319)**	512
Income tax expense	17(a)	–	–
Net (loss)/profit from continuing operations		**(319)**	512
Discontinued operations			
Loss from discontinued operations – net of tax	6(a)	–	(2,078)
Total loss		**(319)**	(1,566)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
– Currency translation gains arising from consolidation	11(c)	**6**	3
– Reclassification on disposal and struck-off of subsidiary corporations	11(c)	–	852
Other comprehensive income, net of tax		**6**	855
Total comprehensive loss		**(313)**	(711)
Total loss attributed to:			
Equity holders of the company		**(318)**	(1,566)
Non-controlling interest		**(1)**	*
		(319)	(1,566)
Total comprehensive loss attributed to:			
Equity holders of the company		**(312)**	(711)
Non-controlling interest		**(1)**	*
		(313)	(711)
Total loss for the financial year attributable to equity holders of the Company arises from:			
Continuing operations		**(318)**	512
Discontinued operations		–	(2,078)
		(318)	(1,566)
Total comprehensive loss attributable to equity holders of the Company arises from:			
Continuing operations		**(312)**	1,367
Discontinued operations		–	(2,078)
		(312)	(711)
(Losses)/earnings per share for (loss)/profit from continuing and discontinued operations attributable to equity holders of the Company (cents per share)	18		
Basic (losses)/earnings per share			
– From continuing operations		**(0.03)**	0.05
– From discontinued operations		–	(0.19)
Diluted (losses)/earnings per share			
– From continuing operations		**(0.03)**	0.05
– From discontinued operations		–	(0.19)

* Less than $1,000

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	← Attributable to equity owners of the Company →						
	Share capital $'000	Currency translation reserve $'000	Equity component of convertible loans $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group							
2018							
Balance at 31 December 2017 as previously reported	133,182	(2,144)	1,063	(131,702)	399	8	407
Effect of adopting SFRS(I) (Note 2.2)	–	72	–	(72)	–	–	–
Prior year adjustment (Note 24)	–	–	–	63	63	–	63
Interest on convertible loans classified as equity component (Note 11(d))	–	–	–	(63)	(63)	–	(63)
Balance at 1 January 2018	133,182	(2,072)	1,063	(131,774)	399	8	407
Loss for the financial year	–	–	–	(318)	(318)	(1)	(319)
Other comprehensive income for the financial year	–	6	–	–	6	–	6
Total comprehensive loss for the financial year	–	6	–	(318)	(312)	(1)	(313)
Interest on convertible loans classified as equity component (Note 11(d))	–	–	80	(80)	–	–	–
End of financial year	133,182	(2,066)	1,143	(132,172)	87	7	94

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to equity owners of the Company								
	Share capital $'000	Statutory surplus reserve $'000	Capital reserve $'000	Currency translation reserve $'000	Equity component of convertible loans $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group									
2017									
Balance at 1 January 2017 as previously reported	49,074	1,911	6,992	(72)	–	(58,245)	(340)	(221)	(561)
Effect of adopting SFRS(I) (Note 2.2)	–	–	–	72	–	(72)	–	–	–
Balance at 1 January 2017	49,074	1,911	6,992	–	–	(58,317)	(340)	(221)	(561)
Loss for the financial year as previously reported	–	–	–	–	–	(1,629)	(1,629)	–	(1,629)
Prior year adjustment – Interest on convertible loans classified as equity component (Note 24)	–	–	–	–	–	63	63	–	63
Loss for the financial year as restated	–	–	–	–	–	(1,566)	(1,566)	–	(1,566)
Other comprehensive income for the financial year	–	–	–	855	–	–	855	–	855
Total comprehensive loss for the financial year as restated	–	–	–	855	–	(1,566)	(711)	–	(711)
Issuance of new ordinary shares (Note 10)	450	–	–	–	–	–	450	–	450
Derecognised pursuant to disposal of subsidiary corporations previously accounted for as reverse acquisition (Notes 10, 11, 12)	83,658	(1,911)	(6,992)	(2,927)	–	(71,828)	–	229	229
Convertible loans – equity component (Note 11(d))	–	–	–	–	1,063	(63)	1,000	–	1,000
End of financial year	133,182	–	–	(2,072)	1,063	(131,774)	399	8	407

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
			(Restated)
Cash flows from operating activities			
Total loss		**(319)**	(1,566)
Adjustments for:			
– Bad debts written off		**13**	13
– Depreciation of property, plant and equipment		**4**	4
– Interest expense		**–**	127
– Interest income on bank deposits		**–**	(2)
– Net gain on disposal and struck-off of subsidiary corporations		**–**	(848)
– Unrealised currency translation loss		**6**	1,833
		(296)	(439)
Change in working capital, net of effects from disposal and struck-off of subsidiary corporations:			
– Trade and other receivables		**20**	(38)
– Inventories		**–**	141
– Trade and other payables		**2**	(192)
Cash used in operations		**(274)**	(528)
Interest received		**–**	2
Income tax refunded		**–**	13
Net cash used in operating activities		**(274)**	(513)
Cash flows used in investing activities			
Additions to property, plant and equipment		**–**	(3)
Disposal and struck-off of subsidiary corporations, net of cash disposed of		**–**	(52)
Net cash used in investing activities		**–**	(55)
Cash flows from financing activities			
Proceeds from convertible loans		**–**	1,000
Proceeds from borrowings		**–**	153
Repayment of borrowings		**–**	(155)
Interest paid		**–**	(127)
Net cash provided by financing activities		**–**	871
Net (decrease)/increase in cash and cash equivalents		**(274)**	303
Cash and cash equivalents			
Beginning of financial year		**499**	196
End of financial year	4	**225**	499

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Mercurius Capital Investment Limited (the "Company") is listed on the Singapore Exchange Securities Trading Limited (the "Singapore Exchange" or "SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office is 138 Robinson Road, #26-03 Oxley Tower, Singapore 068906.

The principal activities of the Company are property development and property investment. The principal activities of the subsidiary corporations are set out in Note 7 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements except for going concern assumptions and measures are disclosed in Note 3 to the financial statements.

The consolidated financial statements are presented in Singapore Dollar ("$") and all values are rounded to the nearest thousand ('000) except otherwise indicated.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (Continued)

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(a) Optional exemptions applied

(i) Cumulative translation differences

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves – currency translation reserve and accumulated losses as at 1 January 2017 was reduced/increased by $72,000 respectively.

(ii) SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for financial year 2017. Accordingly, the information for financial year 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018. Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (Continued)

(a) Optional exemptions applied (Continued)

(ii) SFRS(I) 9 Financial Instruments (Continued)

Classification of financial assets and financial liabilities

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see Note 2.7 to the financial statements. The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under FRS 39 are now classified at amortised cost. No adjustment in the allowance for impairment was recognised in opening retained earnings of the Group and of the Company as at 1 January 2018 respectively on transition to SFRS(I) 9.

(iii) SFRS(I) 15 Revenue from Contracts with Customers

In accordance with the requirements of SFRS(I) 1, the Group applied SFRS(I) 15 retrospectively. The adoption of SRFS(I) 15 did not result in any adjustments to the previously issued SFRS financial statements. The accounting policies under SFRS(I) 15 are disclosed in Note 2.16.

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

The line items of the Group's financial statements that adjusted with significant impact arising from the adoption of SFRS(I) as described above as summarised below:

	As at 31 December 2017 reported under SFRS $'000	As at 1 January 2018 reported under SFRS(I) $'000	As at 1 January 2017 reported under SFRS $'000	As at 1 January 2017 reported under SFRS(I) $'000
Other reserves				
– Currency translation reserve	(1,081)	(1,009)	8,831	8,903
Accumulated losses	(131,702)	(131,774)	(58,245)	(58,317)

There were no material adjustments to the Group's statement of comprehensive income and statement of cash flows arising from the transition from SFRS to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporations measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) Subsidiary corporations (Continued)

(ii) Acquisitions (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Reverse acquisition

The acquisition of the China Children Fashion Holdings Pte. Ltd. and its subsidiary corporations ("the Acquired Group") on 3 August 2010 has been accounted for as a reverse acquisition and the legal subsidiary corporation (the Acquired Group) is considered the acquirer for accounting purposes. Accordingly, the consolidated financial statements are prepared and presented as a continuation of the Acquired Group's financial statements.

(i) the assets and liabilities of the Acquired Group are recognised and measured in the consolidated statement of financial position of the Group at their pre-acquisition carrying amounts;

(ii) the retained profits and other equity balances recognised in the consolidated financial statements are the retained profits and other equity balances of the Acquired Group immediately before the business combination; and

(iii) the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the Acquired Group immediately before the business combination the costs of the reverse acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent, including the equity instruments issued by the Company to reflect the reverse acquisition.

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent. Therefore, the cost of the reverse acquisition for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria at their fair values as at 3 August 2010. The excess of the cost of the reverse acquisition over the Acquired Group's interest in the net fair value of those items is recognised as goodwill.

Reverse acquisition accounting applies only in the consolidated financial statements. In the Company's separate financial statements, the investment in the legal subsidiary corporation (the Acquired Group) is accounted for at cost less accumulated impairment losses in the Company's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Office equipment	5 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other income, net".

2.6 Impairment of non-financial assets

Property, plant and equipment
Investments in subsidiary corporations

Property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior financial years.

A reversal of impairment loss for an asset is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

(a) Classification

The Group classifies its financial assets in loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative 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. Loans and receivables are presented as "Trade and other receivables" (Note 5) and "Cash and cash equivalents" (Note 4) on the statement of financial position.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from financial institutions is recorded as borrowings.

(c) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

The accounting for financial assets before 1 January 2018 are as follows: (Continued)

(d) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

The accounting for financial assets from 1 January 2018 are as follows:

(a) Classification and measurement

The Group classifies its financial assets as amortised cost.

The classification of debt instruments depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

The accounting for financial assets from 1 January 2018 are as follows: (Continued)

(a) Classification and measurement (Continued)

At subsequent measurement

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset:

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9 which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method for Original Design Manufacturing segment. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.10 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised costs using effective interest method.

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Provisions (Continued)

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the consolidated statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.14 Convertible loans

(a) Compound financial instruments

The total proceeds from convertible notes issued are allocated to the liability component and the equity component, which are separately presented on the statement of financial position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Convertible loans (Continued)

(b) Equity instruments

A financial instrument is an equity instruments, if, the instruments includes no contractual obligation to (i) deliver cash or another financial assets to another entity; or (ii) to exchange financial assets and financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

(c) Interest cost

Interest relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument shall be recognised by the entity directly in equity. Transactions costs of an equity transaction shall be accounted for as a deduction from equity.

2.15 Operating leases

When the Group is the lessee:

The Group leases premises under operating leases from related parties and non-related parties.

Leases where the Group assumes substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating lease (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.16 Revenue recognition

(a) Sale of goods

Sales are recognised when the Group satisfied a performance obligation by transferring a promised goods to the customer, which is when the customer obtains control of the goods. A performance obligation is satisfied at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Licensing fee

Licensing fee is earned from the right to use the Group's proprietary brands for a fixed fee under a non-cancellable contract, where a contract is granted to the licensee which permits the licensee to exploit the brands over the licensing period in any designated territory. Revenue is recognised when the services are rendered to the licensee and where the Group has no remaining obligation to perform.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar ("$"), which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments) and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investments hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss within "Finance expenses". All other foreign exchange losses impacting profit or loss are presented in profit or loss within "Other income, net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Currency translation (Continued)

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker whose members are responsible for allocating resources and assessing performance of the operating segments.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grants will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as "Other income, net".

Government grants relating to assets are deducted against the carrying amount of the assets.

2.24 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.25 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary corporation acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. GOING CONCERN

During the financial year ended 31 December 2018, the Group incurred a total loss of $319,000 (2017: $1,566,000) and generated net operating cash outflows of $274,000 (2017: $513,000). These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern is dependent on unrestricted available cash balances as at 31 December 2018 of $225,000 and additional funds raised from issuance of convertible loans to non-related investors amounting to $500,000 on 29 March 2019 which would be classified as equity instruments of the Company (Note 25), are sufficient to cover the Group's liabilities for the next twelve months from the end of the financial year.

The financial statements do not include any adjustments that may result in the event that the Group is unable to continue as a going concerns, adjustments may have to be made to reflect the situation that assets may need to realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets as current assets.

4. CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and bank balances	**225**	499	165	**195**	482	145

Disposal and struck-off of subsidiary corporations

On 23 February 2017, the Group entered into a conditional sale and purchase agreement with a non-related party to dispose its wholly-owned subsidiary corporation, China Children Fashion Holdings Pte. Ltd. ("CCFHPL") and of its subsidiary corporations (collectively, the "CCFHPL Group") for an aggregate consideration of $2,000,000. The Group had deconsolidated CCFHPL Group upon signing of the sale and purchase agreement as management had assessed that the Group had lost control over the CCFHPL Group based on the Group's exposure and rights to variable returns which were effectively transferred to the purchaser on the date of the agreement. As a result, loss on disposal of subsidiary corporations of $285,000 was recognised during the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. CASH AND CASH EQUIVALENTS (CONTINUED)

Disposal and struck-off of subsidiary corporations (Continued)

On 12 May 2017, the Group struck-off its subsidiary corporation, Friven Eagleton Sourcing Limited ("Friven Eagleton") and recognised gain on struck-off of $1,133,000 during the financial year ended 31 December 2017.

The effects of the disposal and struck-off of the subsidiary corporations on the cash flows of the Group for the financial year ended 31 December 2017 were:

	Disposed of CCFHPL Group $'000	Struck-off Friven Eagleton $'000	Total $'000
Carrying amounts of assets and liabilities of subsidiary corporations disposed of and struck-off			
Cash and cash equivalents	42	10	52
Bank balances pledged	1,602	–	1,602
Trade and other receivables	18,932	8	18,940
Inventories	11,300	–	11,300
Property, plant and equipment	47	–	47
Income tax recoverable	24	2	26
Total assets	31,947	20	31,967
Trade and other payables	(7,789)	(1,903)	(9,692)
Borrowings	(22,204)	–	(22,204)
Total liabilities	(29,993)	(1,903)	(31,896)
Net assets/(liabilities) derecognised	1,954	(1,883)	71
Add: Non-controlling interests	229	–	229
Net assets/(liabilities) of subsidiary corporations disposed of and struck-off	2,183	(1,883)	300

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. CASH AND CASH EQUIVALENTS (CONTINUED)

Disposal and struck-off of subsidiary corporations (Continued)

The aggregate cash outflows arising from the disposal and struck-off of subsidiary corporations for the financial year ended 31 December 2017 were:

	Disposed of CCFHPL Group $'000	Struck-off Friven Eagleton $'000	Total $'000
Net assets/(liabilities) of subsidiary corporations disposed of and struck-off (as above)	2,183	(1,883)	300
Reclassification of currency translation reserve (Note 11(c))	102	750	852
	2,285	(1,133)	1,152
(Loss)/gain on disposal and struck-off of subsidiary corporations (Note 14)	(285)	1,133	848
Consideration received for disposal of subsidiary corporations	2,000	–	2,000
Less: Liabilities assigned	(2,000)	–	(2,000)
	–	–	–
Less: Cash and cash equivalents in subsidiary corporations disposed of and struck-off	(42)	(10)	(52)
Cash and cash equivalents in subsidiary corporations disposed of and struck-off, representing the net cash outflow on disposal and struck-off of subsidiary corporations	(42)	(10)	(52)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables						
– Non-related parties	**20**	20	4,852	**–**	–	–
– Subsidiary corporations	**–**	–	–	**133**	133	133
	20	20	4,852	**133**	133	133
Less: Allowance for impairment of trade receivables (Note 21(b)(ii))						
– Non-related parties	**(20)**	(20)	(4,850)	**–**	–	–
– Subsidiary corporations	**–**	–	–	**(133)**	(133)	(133)
	(20)	(20)	(4,850)	**(133)**	(133)	(133)
Trade receivables – net	**–**	–	2	**–**	–	–
Non-trade receivables						
– Non-related parties	**795**	801	807	**790**	795	800
– Subsidiary corporations	**–**	–	–	**826**	807	800
	795	801	807	**1,616**	1,602	1,600
Less: Allowance for impairment of non-trade receivables (Note 21(b)(ii))						
– Non-related parties	**(786)**	(786)	(788)	**(785)**	(785)	(785)
– Subsidiary corporations	**–**	–	–	**(800)**	(800)	(800)
	(786)	(786)	(788)	**(1,585)**	(1,585)	(1,585)
Non-trade receivables – net	**9**	15	19	**31**	17	15
Deposits	**4**	8	17	**4**	4	9
Prepayments	**41**	64	31	**41**	41	–
	54	87	69	**76**	62	24

The non-trade receivables from subsidiary corporations are unsecured, interest-free and are receivable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 23 February 2017, the Group entered into a conditional sale and purchase agreement (the "SPA") with a non-related party to dispose of its wholly-owned subsidiary corporation, China Children Fashion Holdings Pte. Ltd. ("CCFHPL") and its subsidiary corporations (collectively, the "CCFHPL Group") (the "Proposed Disposal"). As the Proposed Disposal was committed during the financial year ended 31 December 2016, the Group has therefore assessed the Proposed Disposal be classified and presented as disposal group classified as held-for-sale and as discontinued operations in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations.*

As at 1 January 2017, the entire assets and liabilities of CCFHPL Group were classified as a disposal group held-for-sale on the statements of financial position, and its entire results were presented separately on the consolidated statement of comprehensive income as "Discontinued Operations". The assets of the Group's Proposed Disposal classified as held-for-sale and liabilities directly associated with Proposed Disposal classified as held-for-sale were written-down to their fair value less costs to sell of $2,000,000. This was classified as Level 2 in the fair value hierarchy.

Following the approval from shareholders at the Extraordinary General Meeting dated 30 March 2018, the Company had on 11 May 2017 completed the disposal of its 100% equity interest in CCFHPL Group. Accordingly, the results of CCFHPL Group and effect from deconsolidation of CCFHPL Group had been recognised in accordance to the contractual terms of the SPA.

(a) The Group's results of the discontinued operations from 1 January 2017 to 23 February 2017 which has been included in the financial statements, was as follow:

	For the financial period from 1 January 2017 to 23 February 2017 $'000
Revenue	728
Expenses	(2,806)
Loss before income tax from discontinued operations (Note 17(a))	(2,078)
Income tax expense (Note 17(a))	–
Net loss from discontinued operations	(2,078)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(b) The impact of the discontinued operations on the cash flows of the Group was as follows:

	For the financial period from 1 January 2017 to 23 February 2017 $'000
Operating cash inflows	98
Financing cash outflows	(129)
Total cash outflows	(31)

(c) Details of the assets in disposal group classified as held-for-sale as at 1 January 2017 were as follows:

	Group 1 January 2017 $'000	Company 1 January 2017 $'000
Property, plant and equipment	52	–
Cash and cash equivalents	1,662	–
Trade and other receivables	18,853	16,089
Inventories	11,441	–
	32,008	16,089

(d) Details of assets in non-current asset classified as held-for-sale as at 1 January 2017 were as follows:

	Company 1 January 2017 $'000
Investments in subsidiary corporations	2,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(e) Details of the liabilities directly associated with disposal group classified as held-for-sale as at 1 January 2017 were as follows:

	Group 1 January 2017 $'000	Company 1 January 2017 $'000
Trade and other payables	7,410	18,089
Borrowings	22,598	–
	30,008	18,089

7. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company 31 December	
	2018 **$'000**	2017 $'000
Equity investments at cost		
Beginning of financial year	**7,560**	64,075
Addition[1]	**–**	*
Disposal and struck-off	**–**	(56,515)
End of financial year	**7,560**	7,560
Allowance for impairment		
Beginning of financial year	**7,560**	62,075
Struck-off	**–**	(54,515)
End of financial year	**7,560**	7,560
Net carrying amount	*	*

* Less than $1,000

1 On 22 February 2017, the Company incorporated a wholly-owned subsidiary corporation, Mercurius Capital Sdn. Bhd., in Malaysia as an investment holding company for the new business of property development and property investment with initial capital of RM2 (equivalent to $0.53).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of the subsidiary corporations as at 31 December 2018 and 2017 and 1 January 2017 are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity interest held by the Group		
			31 December 2018 %	31 December 2017 %	1 January 2017 %
Held by the Company:					
Friven & Co. Singapore Pte. Ltd.[a]	Dormant	Singapore	**100**	100	100
Friven (Malaysia) Sdn. Bhd.[b]	Dormant	Malaysia	**100**	100	100
Vicmark Manufacturing Sdn. Bhd.[b]	Dormant	Malaysia	**100**	100	100
Mercurius Capital Sdn. Bhd.[c]	Investment holding	Malaysia	**100**	100	100
Mayfran International (Shanghai) Co., Ltd.[d]	Dormant	People's Republic of China	**100**	100	100
PT Friven Lifestyle[d]	Dormant	Indonesia	**90**	90	90
Friven Eagleton Sourcing Limited[e]	Dormant	Hong Kong	**–**	–	100
China Children Fashion Holdings Pte. Ltd.[f]	Investment holding	Singapore	**–**	–	100
Mayfran Distribution (M) Sdn. Bhd.[g]	Dormant	Malaysia	**–**	–	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of the subsidiary corporations as at 31 December 2018 and 2017 and 1 January 2017 are as follows: (Continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity interest held by the Group		
			31 December 2018 %	31 December 2017 %	1 January 2017 %
Held by Friven (Malaysia) Sdn. Bhd.:					
Friven & Co. Lifestyle Sdn. Bhd.[b]	Dormant	Malaysia	**100**	100	100
Held by Mercurius Capital Sdn. Bhd.:					
Mercurius HM Realty Sdn. Bhd.[c]	Property investment and property development	Malaysia	**60**	60	–
Held by China Children Fashion Holdings Pte. Ltd.:					
Shishi Haotian Dress Industry Co., Ltd. (石狮市好田服饰实业有限公司)[f]	Manufacture, retail and wholesale of children and infants wear and retail sale of children wear	People's Republic of China	**–**	–	100
Hong Kong Endi International Trading Co., Ltd.[f]	Dormant	Hong Kong	**–**	–	100
Zhangzhou Yiwa Garments Weaving Co., Ltd. (漳州市艺娃服饰织造有限公司)[f]	Dormant	People's Republic of China	**–**	–	100
Macao Endi International Trading Company Limited[f]	Wholesale of children and infants wear	Macau	**–**	–	100

The English names of certain subsidiary corporations represent the best effort by the management in translating their Chinese names as they do not have an official English names.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of the subsidiary corporations are as follows: (Continued)

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.

(b) Audited by Nexia SSY, Chartered Accountants, Malaysia, member of Nexia International.

(c) Audited by LK Chai & Associates, Chartered Accountants, Malaysia.

(d) Presently dormant and does not have significant impact on the Group's consolidated financial statements.

(e) Struck-off with the Companies Registry in Hong Kong during the financial year ended 31 December 2017.

(f) On 23 February 2017, the Group entered into a conditional sale and purchase agreement with the Purchaser to dispose its entire shareholding interests in CCFHPL Group. The sale transaction was completed on 11 May 2017.

(g) Deregistered with the Companies Commission of Malaysia during the financial year ended 31 December 2017.

In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited-Listing Rules, the Audit Committee and the Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Group.

As at 1 January 2017, cash and bank balances amounted to $1,662,000 was held in the People's Republic of China and are subject to local exchange control regulations. Those local exchange control regulations places restrictions on exporting capital from the country, other than through normal dividends.

Carrying value of non-controlling interests

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
CCFHPL Group	**–**	–	(229)
PT Friven Lifestyle	**8**	8	8
Mercurius HM Realty Sdn. Bhd.	**(1)**	*	–
End of financial year	**7**	8	(221)

* Less than $1,000

The summarised financial information of subsidiary corporations with non-controlling interests are not disclosed as they are insignificant to the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	
	31 December	
	2018	2017
	$'000	$'000
Group		
Cost		
Beginning of financial year	**55**	52
Additions	**–**	3
End of financial year	**55**	55
Accumulated depreciation		
Beginning of financial year	**47**	43
Depreciation charge (Note 15)	**4**	4
End of financial year	**51**	47
Net book value		
End of financial year	**4**	8
Company		
Cost		
Beginning of financial year	**38**	52
Written-off	**–**	(14)
End of financial year	**38**	38
Accumulated depreciation		
Beginning of financial year	**33**	43
Depreciation charge	**3**	4
Written-off	**–**	(14)
End of financial year	**36**	33
Net book value		
End of financial year	**2**	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. TRADE AND OTHER PAYABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables						
– Non-related parties	**5**	5	1,883	**–**	–	–
– Subsidiary corporations	**–**	–	–	**1**	1	7
	5	5	1,883	**1**	1	7
Non-trade payables						
– Non-related parties	**68**	39	215	**26**	22	193
– Directors	**30**	30	480	**30**	30	480
	98	69	695	**56**	52	673
Accruals for operating expenses						
– Employment compensation	**2**	5	5	**2**	5	5
– Other operating expenses	**87**	111	239	**68**	68	96
	89	116	244	**70**	73	101
	192	190	2,822	**127**	126	781

The non-trade payables to directors of the Group and the Company are unsecured, interest-free and are payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. SHARE CAPITAL

	Group		Company	
	Number of ordinary shares '000	Amount $'000	Number of ordinary shares '000	Amount $'000
31 December 2018				
Beginning and end of financial year	**1,114,009**	**133,182**	**1,114,009**	**133,182**
31 December 2017				
Beginning of financial year	1,104,009	49,074	1,104,009	132,732
Derecognised pursuant to disposal of subsidiary corporations	–	83,658	–	–
Share issued[1]	10,000	450	10,000	450
End of financial year	1,114,009	133,182	1,114,009	133,182

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

1 On 11 October 2017, the Group and the Company discharged and settled the obligation to repay the loan payable to a director of the Company amounting to $450,000 through the issuance of 10,000,000 new ordinary shares in the issued and paid-up equity capital of the Company. These newly issued shares rank pari passu in all respects with the existing ordinary shares.

Reverse acquisition

The acquisition of the Acquired Group in 2010 has been accounted for as a reverse acquisition in the consolidated financial statements of the Group. Acquired Group, which is the legal subsidiary corporations, is considered the acquirer for accounting purposes. Accordingly, the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group have been prepared as a continuation of the Acquired Group's financial statements, in accordance with the Group's accounting policies as described in Note 2.3(c).

During the financial year ended 31 December 2017, the Company disposed of its investment in CCFHPL Group, the Acquired Group which was accounted for as a reverse acquisition as explained above (Notes 4 and 6). As a result, the reverse acquisition effect of the Acquired Group on the share capital of the Group of $83,658,000 and the accumulated losses of the Group of $71,828,000 (Note 12) were derecognised. At the same time, capital reserve of $6,992,000 (Note 11(a)), statutory surplus reserve of $1,911,000 (Note 11(b)) and currency translation reserve of $2,927,000 (Note 11(c)) related to the Acquired Group were also derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. OTHER RESERVES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
		(Restated)	(Restated)		(Restated)	
Composition:						
Capital reserve (Note (a))	**–**	–	6,992	**–**	–	–
Statutory surplus reserve (Note (b))	**–**	–	1,911	**–**	–	–
Currency translation reserve (Note (c))	**(2,066)**	(2,072)	–	**–**	–	–
Equity component of convertible loans (Note (d))	**1,143**	1,063	–	**1,143**	1,063	–
	(923)	(1,009)	8,903	**1,143**	1,063	–

Other reserves are non-distributable.

(a) Capital reserve

	Group	
	31 December	
	2018	2017
	$'000	$'000
Beginning of financial year	**–**	6,992
Derecognised pursuant to disposal of subsidiary corporations previously accounted for as reverse acquisition (Note 10)	**–**	(6,992)
End of financial year	**–**	–

Capital reserve comprised:

(i) the paid-up capital of Hong Kong Endi International Trading Co., Ltd. and Shishi Haotian Dress Industry Co., Ltd. prior to the group reorganisation of China Children Fashion Holdings Pte. Ltd. ("CCFHPL") and its subsidiary corporations ("CCFHPL Group") in 2008 ("CCFHPL Group reorganisation");

(ii) the deemed distribution to a Director of CCFHPL pursuant to the CCFHPL Group reorganisation; and

(iii) the difference between the payable waived by the shareholders of CCFHPL on 19 January 2009 and the consideration for the issue of shares by CCFHPL and paid-up by the shareholders of ordinary shares in CCFHPL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. OTHER RESERVES (CONTINUED)

(b) Statutory surplus reserve

	Group 31 December 2018 $'000	Group 31 December 2017 $'000
Beginning of financial year	**–**	1,911
Derecognised pursuant to disposal of subsidiary corporations previously accounted for as reverse acquisition (Note 10)	**–**	(1,911)
End of financial year	**–**	–

According to the relevant regulations in the PRC, the subsidiary corporations in the PRC are required to transfer 10% of their profit after income tax to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer of this reserve must be made before the distribution of dividends to shareholders. Statutory surplus reserve can be used to make good previous financial years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of owners, provided that the balance after conversion is not less than 25% of the registered capital.

(c) Currency translation reserve

	Group 31 December 2018 $'000	Group 31 December 2017 $'000 (Restated)
Balance as previously reported	**(2,144)**	(72)
Effect of adopting SFRS(I)	**72**	72
Beginning of financial year	**(2,072)**	–
Derecognised pursuant to disposal of subsidiary corporations previously accounted for as reverse acquisition (Note 10)	**–**	(2,927)
Reclassification on disposal and struck-off of subsidiary corporations (Note 4)	**–**	852
Currency translation gains of financial statements of foreign subsidiary corporations	**6**	3
End of financial year	**(2,066)**	(2,072)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. OTHER RESERVES (CONTINUED)

(c) Currency translation reserve (Continued)

This represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

The Group elected the optional exemption in SFRS(I) to reset its cumulative currency translation reserves for all foreign operation to zero at the date of transition and reclassify the cumulative currency translation reserves of $72,000 as at 1 January 2017 to accumulated losses.

(d) Equity component of convertible loans

	Group and Company 31 December	
	2018	**2017**
	$'000	**$'000**
Beginning of financial year	**1,063**	–
Convertible loan – equity component	**–**	1,000
Interest on convertible loans classified as equity	**80**	63
End of financial year	**1,143**	1,063

On 17 March 2017, the Company entered into convertible loan agreements (the "Agreements") with two non-related investors for an aggregate loan amount of $1,000,000 which are subject to annual interest of 8% and convertible up to 10,800,000 new ordinary shares in the capital of the Company, subject to the terms and conditions of the Agreement.

The entire proceeds and interest charged on convertible loans for the financial year are recognised as equity instruments in other reserves as the redemption of the convertible loans and settlement of interest through issuance of ordinary shares of the Company are at the Company's sole and absolute discretion of which the management has intention to settle the convertible loans through the Company's ordinary shares, since inception date.

On 29 March 2018 and 30 March 2019, the Company entered into a supplemental agreement with the investors to extend the maturity date of convertible loans to 17 March 2019 and 17 March 2020 respectively. There are no changes to the term and conditions of the initial convertible loans agreement. The accumulated interest amounted to $143,000 as at 31 December 2018 will be convertible up to 1,600,000 new ordinary shares upon maturity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. ACCUMULATED LOSSES

Movement in accumulated losses of the Group and the Company are as follows:

	Group 31 December		Company 31 December	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
		(Restated)		**(Restated)**
Balance previously reported	**(131,702)**	(58,245)	**(133,822)**	(133,335)
Effect of adopting SFRS(I) (Note 2.2)	**(72)**	(72)	**–**	–
Beginning of financial year	**(131,774)**	(58,317)	**(133,822)**	(133,335)
Derecognised pursuant to disposal of subsidiary corporations previously accounted for as reverse acquisition (Note 10)	**–**	(71,828)	**–**	–
Total loss	**(318)**	(1,566)	**(277)**	(424)
Interest on convertible loans classified as equity	**(80)**	(63)	**(80)**	(63)
End of financial year	**(132,172)**	(131,774)	**(134,179)**	(133,822)

13. REVENUE

There is no revenue generated from the Group's continuing operations.

14. OTHER INCOME, NET

	Group	
	2018	**2017**
	$'000	**$'000**
Currency exchange (losses)/gains, net	**(6)**	45
Net gain on disposal and struck-off of subsidiary corporations (Note 4)	**–**	848
Waiver of other payables – non-related parties	**–**	135
Licensing fees income	**21**	–
Other	**7**	–
	22	1,028

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. EXPENSES BY NATURE

	Group	
	2018	**2017**
	$'000	**$'000**
Depreciation of property, plant and equipment (Note 8)	**4**	4
Employee compensation (Note 16)	**90**	98
Directors' fees	**–**	4
Audit fee paid/payable to auditors:		
– auditor of the Company	**47**	52
– other auditors	**7**	5
Non-audit fee paid/payable to auditors of the Company	**6**	5
Insurance expenses	**–**	1
Office expenses	**18**	20
Professional fees	**139**	294
Property tax	**8**	–
Rental expense on operating leases	**3**	1
Travelling expenses	**1**	14
Bad debt written-off	**13**	13
Other expenses	**5**	5
Total administrative expenses	**341**	516

16. EMPLOYEE COMPENSATION

	Group	
	2018	2017
	$'000	$'000
Wages, salaries and short-term benefits	**78**	85
Employer's contribution to defined contribution plans, including Central Provident Fund	**12**	13
	90	98

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. INCOME TAXES

(a) Income tax expense

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
		(Restated)
(Loss)/profit before income tax		
– continuing operations	**(319)**	512
– discontinued operations (Note 6(a))	**–**	(2,078)
	(319)	(1,566)
Tax calculated at tax rate of 17% (2017: 17%)	**(54)**	(266)
Effects of:		
– Different tax rates in other countries	**(2)**	(17)
– Expenses not deductible for tax purposes	**58**	305
– Income not subject to tax	**(2)**	(24)
– Deferred tax assets not recognised	**–**	2
	–	–

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income tax assets are recognised for capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has capital allowances of approximately $9,000 (31 December 2017: $9,000, 1 January 2017: $Nil) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised capital allowances in their respective countries of incorporation. The capital allowances have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. INCOME TAXES (CONTINUED)

(b) Movement in current income tax recoverable:

	Group 31 December 2018 $'000	Group 31 December 2017 $'000
Beginning of financial year	**(3)**	(18)
Struck-off of subsidiary corporations	**–**	2
Income tax refunded	**–**	13
End of financial year	**(3)**	(3)
Presented as:		
Income tax recoverable	**3**	3

18. (LOSSES)/EARNINGS PER SHARE

Basic (losses)/earnings per share are calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2018 Continuing operations	2018 Discontinued operations	2017 Continuing Operations (Restated)	2017 Discontinued operations
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(318)**	**–**	512	(2,078)
Weighted average number of ordinary shares outstanding for basic (losses)/earnings per share ('000)	**1,114,009**	**–**	1,106,255	1,106,255
Basic (losses)/earnings per share (cents)	**(0.03)**	**–**	0.05	(0.19)

For the purpose of calculating diluted earnings per share, (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. As at 31 December 2018, the Company has dilutive potential ordinary shares from convertible loans.

Convertible loans are assumed to have been converted into ordinary shares at issuance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. (LOSSES)/EARNINGS PER SHARE (CONTINUED)

	2018		2017	
	Continuing Operations	Discontinued operations	Continuing operations	Discontinued operations
			(Restated)	
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(318)**	–	512	(2,078)
Weighted average number of ordinary shares outstanding for diluted (losses)/ earnings per share ('000)	**1,114,009**	–	1,106,255	1,106,255
Adjustments for ('000)				
– Convertible loans (Note 11(d))	**11,600**	–	10,800	–
	1,125,609	–	1,117,055	1,106,255
Diluted (losses)/earnings per share (cents)	**(0.03)***	–	0.05	(0.19)*

* As loss was recorded by continuing operations in the financial year and by discontinued operations in the prior financial year, no change has been made to the diluted losses per share.

19. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

Key management personnel compensation

	Group	
	2018 $'000	2017 $'000
Salaries and short term benefits	**78**	85
Employer's contribution to defined contribution plans, including Central Provident Fund	**12**	13
	90	98
Analysed as:		
Other key management personnel	**90**	98

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances as at 31 December 2018 and 2017 and 1 January 2017 are unsecured and receivable/ payable within 12 months from reporting date and are disclosed in Notes 5 and 9 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. COMMITMENTS

Operating lease commitments – where the Group is a lessee

The Group leases office premises from non-related party under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	**2**	2

21. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including interest rate risk, currency risk and price risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the financial performance of the Group.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to market risk in interest rates primarily to short-term bank deposits and convertible loans. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. As the amount of short-term bank deposits are of low value and the convertible loans are at fixed interest rate, the Group has no significant exposure in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group does not have significant exposure to the equity price as it does not hold equity financial asset for the financial years ended 31 December 2018 and 2017 and 1 January 2017.

(iii) Currency risk

The Group operates in Asia with dominant operations in Singapore and Malaysia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Hong Kong Dollar ("HKD") and Malaysia Ringgit ("MYR").

In addition, the Group is exposed to currency translation risk on the net assets of foreign operations in Malaysia. There is no hedging policy with respect to foreign currency exposure. Exposure to currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The Group currently relies on the natural hedges between such transactions and will consider enter into currency forward contracts when the need arises.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

The Group's foreign currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Others $'000	Total $'000
31 December 2018						
Financial assets						
Cash and cash equivalents	190	3	1	29	2	225
Trade and other receivables	8	–	–	5	–	13
Receivables from subsidiary corporations	26	–	–	–	–	26
	224	3	1	34	2	264
Financial liabilities						
Trade and other payables	(131)	–	–	(44)	(17)	(192)
Payables to subsidiary corporations	(26)	–	–	–	–	(26)
	(157)	–	–	(44)	(17)	(218)
Net financial assets/(liabilities)	67	3	1	(10)	(15)	46
Less: Net financial assets denominated in functional currencies	(67)	–	–	–	–	(67)
Currency exposure on financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	–	3	1	(10)	(15)	(21)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

The Group's foreign currency exposure based on the information provided to key management is as follows (Continued):

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Others $'000	Total $'000
31 December 2017						
Financial assets						
Cash and cash equivalents	478	3	1	15	2	499
Trade and other receivables	14	–	–	9	–	23
Receivables from subsidiary corporations	–	–	–	7	–	7
	492	3	1	31	2	529
Financial liabilities						
Trade and other payables	(130)	–	–	(42)	(18)	(190)
Payables to subsidiary corporations	–	–	–	(7)	–	(7)
	(130)	–	–	(49)	(18)	(197)
Net financial assets/(liabilities)	362	3	1	(18)	(16)	332
Less: Net financial assets denominated in functional currencies	(362)	–	–	–	–	(362)
Currency exposure on financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	–	3	1	(18)	(16)	(30)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

The Group's foreign currency exposure based on the information provided to key management is as follows (Continued):

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Others $'000	Total $'000
1 January 2017						
Financial assets						
Cash and cash equivalents	140	3	12	8	2	165
Trade and other receivables	24	–	–	14	–	38
Receivables from subsidiary corporations	140	–	1,623	1,323	–	3,086
	304	3	1,635	1,345	2	3,289
Financial liabilities						
Trade and other payables	(779)	–	(1,992)	(33)	(18)	(2,822)
Payables to subsidiary corporations	(140)	–	(1,623)	(1,323)	–	(3,086)
	(919)	–	(3,615)	(1,356)	(18)	(5,908)
Net financial (liabilities)/assets	(615)	3	(1,980)	(11)	(16)	(2,619)
Less: Net financial liabilities denominated in functional currencies	(615)	–	(1,992)	(33)	(18)	(2,658)
Currency exposure on financial assets net of those denominated in the respective entities' functional currencies	–	3	12	22	2	39

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FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

The Company's foreign currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Total $'000
31 December 2018					
Financial assets					
Cash and cash equivalents	191	3	1	*	195
Trade and other receivables	35	–	–	–	35
	226	3	1	*	230
Financial liabilities					
Trade and other payables	(127)	–	–	–	(127)
Net financial assets	99	3	1	*	103
Less: Net financial assets denominated in the Company's functional currency	(99)	–	–	–	(99)
Currency exposure on financial assets net of those denominated in the Company's functional currency	–	3	1	*	4

* Less than $1,000

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) *Currency risk (Continued)*

The Company's foreign currency exposure based on the information provided to key management is as follows (Continued):

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Total $'000
31 December 2017					
Financial assets					
Cash and cash equivalents	478	3	1	*	482
Trade and other receivables	21	–	–	–	21
	499	3	1	*	503
Financial liabilities					
Trade and other payables	(126)	–	–	–	(126)
Net financial assets	373	3	1	*	377
Less: Net financial assets denominated in the Company's functional currency	(373)	–	–	–	(373)
Currency exposure on financial assets net of those denominated in the Company's functional currency	–	3	1	*	4

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

The Company's foreign currency exposure based on the information provided to key management is as follows (Continued):

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Total $'000
1 January 2017					
Financial assets					
Cash and cash equivalents	140	3	2	–	145
Trade and other receivables	24	–	–	–	24
	164	3	2	–	169
Financial liabilities					
Trade and other payables	(781)	–	–	–	(781)
Net financial (liabilities)/assets	(617)	3	2	–	(612)
Less: Net financial liabilities denominated in the Company's functional currency	(617)	–	–	–	(617)
Currency exposure on financial assets net of those denominated in the Company's functional currency	–	3	2	–	5

As at 31 December 2018 and 2017 and 1 January 2017, any change in the exchange rate of the USD, HKD and MYR against the SGD with all other variable including tax rate being held constant, are unlikely to result in significant impact on the profit or loss of the Group as a result of currency translation gains/losses on the foreign currencies denominated financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and performs ongoing credit evaluation of their counterparties' financial condition and generally do not require collaterals. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Executive Directors based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the Directors.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

As at 31 December 2018, the loan or receivables are not past due and are not subject to any material credit losses.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
By geographical areas			
Other countries	–	–	2
By types of customers			
Non-related parties – individuals	–	–	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Breach of contract, such as default or past due event.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	31 December 2017 $'000	1 January 2017 $'000
Past due over 6 months	–	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Previous accounting policy for impairment of trade receivables (Continued)

(ii) Financial assets that are past due and/or impaired (Continued)

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group		Company	
	31 December 2017 $'000	**1 January 2017 $'000**	**31 December 2017 $'000**	**1 January 2017 $'000**
Past due over 6 months	20	4,852	133	133
Less: Allowance for impairment	(20)	(4,850)	(133)	(133)
	–	2	–	–
Beginning of financial year	4,850	16,728	133	13,026
Allowance made	–	10,806	–	9,857
Allowance written-back	–	(1,922)	–	(1,922)
Currency translation difference	(214)	66	–	–
Reclassified to disposal group	(4,616)	(20,828)	–	(20,828)
End of financial year (Note 5)	20	4,850	133	133

The impaired trade receivables arise mainly from sales to customers who have suffered significant losses in its operations and/or with long overdue balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Previous accounting policy for impairment of trade receivables (Continued)

(ii) Financial assets that are past due and/or impaired (Continued)

The carrying amount of non-trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group		Company	
	31 December 2017 $'000	**1 January 2017 $'000**	**31 December 2017 $'000**	**1 January 2017 $'000**
Past due over 6 months	786	788	1,585	1,585
Less: Allowance for impairment	(786)	(788)	(1,585)	(1,585)
	–	–	–	–
Beginning of financial year	788	788	1,585	3,559
Allowance utilised	(2)	–	–	(1,974)
End of financial year (Note 5)	786	788	1,585	1,585

The impaired non-trade receivables arise mainly from amounts owing from a long overdue non-trade debtor who has difficulty in repaying the amounts owed.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through on adequate amount of committed credit facilities, and the ability to close out market positions as a short notice. At the reporting date, assets held by the Group and the Company for managing liquidity risk included cash and bank balances as disclosed in Note 4.

The Group constantly monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	31 December		1 January
	2018	**2017**	**2017**
	$'000	**$'000**	**$'000**
Group			
Trade and other payables	**192**	190	2,822
Company			
Trade and other payables	**127**	126	781

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity attributable to equity holders of the Company plus net debt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk (Continued)

	31 December 2018 $'000	31 December 2017 $'000 (Restated)	1 January 2017 $'000
Group			
Net debt	**(33)**	(309)	2,657
Total equity	**94**	407	(561)
Total capital	**61**	98	2,096
Gearing ratio	**N/M**	N/M	N/M
Company			
Net debt	**(68)**	(356)	636
Total equity	**146**	423	(603)
Total capital	**78**	67	33
Gearing ratio	**N/M**	N/M	N/M

* N/M: Not meaningful

The Group and the Company are not subject to externally imposed capital requirements for the financial years ended 31 December 2018 and 2017 and 1 January 2017.

(e) Fair value measurements

The carrying amounts of the Group's and the Company's trade and other receivables, cash and cash equivalents, and trade and other payables approximate their respective fair values due to the short term maturities of these financial instruments.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position, except for the following:

	Group $'000	Company $'000
31 December 2018		
Financial assets at amortised cost	**238**	**230**
Financial liabilities at amortised cost	**192**	**127**
31 December 2017		
Loans and receivables	522	503
Financial liabilities at amortised cost	190	126
1 January 2017		
Loans and receivables	203	169
Financial liabilities at amortised cost	2,822	781

22. SEGMENT INFORMATION

Following the disposal of CCFHPL Group which is in the business of Original Design Manufacturing ("ODM") business (Note 6) during the financial year ended 31 December 2017 and in view that the new business of property development and property investment has not commenced, no segmental information is presented. The ODM business had been classified as discontinued operations and disposal group in the financial year ended 31 December 2017.

23. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the accounting periods beginning on or after 1 January 2019 or later periods and which the Group has not early adopted:

<u>Effective for annual periods beginning on or after 1 January 2019</u>

- SFRS(I) 16 *Leases***
- Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Annual Improvements to SFRS(I)s 2015-2017 Cycle
- INT SFRS(I) 123 *Uncertainty over Income Tax Treatments****

NOTES TO THE FINANCIAL STATEMENTS

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23. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the accounting periods beginning on or after 1 January 2019 or later periods and which the Group has not early adopted: (Continued)

Effective for annual periods beginning on or after 1 January 2021

- SFRS(I) 17 *Insurance Contracts*

Effective date: to be determined*

- Amendments to SFRS(I) 10 and SFRS(I) 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

* *The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.*

The directors do not anticipate that the adoption of the above SFRS(I)s, INT SFRS(I) and amendments to SFRS(I) in future financial periods will have a material impact on the financial statement of the Group and the Company except for the following:

** SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group's activities as a lessor do not have any significant impact on the financial statements. However, some additional disclosures will be required from next year.

23. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the accounting periods beginning on or after 1 January 2019 or later periods and which the Group has not early adopted: (Continued)

*** SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

(i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

(ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;

(iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

(iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and

(v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. PRIOR YEAR ADJUSTMENT

During the financial year, management reviewed the accounting treatment for interest payable to convertible loan holders which were classified as equity entirely as the Company has sole and absolute discretion to settle the convertible loans and the interest through issuance of ordinary shares of the Company (Note 11(d)). Given that the convertible loans had been classified as equity entirely, it is considered more appropriate to account the interest as distribution to holders of an equity instrument directly in the equity. Accordingly, a prior year adjustment of $63,000 has been made to reverse the finance costs.

The effects of the abovementioned adjustment to the consolidated statement of comprehensive income for the financial year ended 31 December 2017 are as follows:

The Group	**As reported $'000**	**Adjustments $'000**	**As restated $'000**
Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2017			
Finance costs	(63)	63	–
Total profit attributable to:			
Equity holders of the Company – Continuing operations	449	63	512
Total comprehensive income attributable to:			
Equity holders of the Company – Continuing operations	1,304	63	1,367

The earnings per share attributable to equity holders of the Company is restated accordingly as 0.05 cents (previously reported as 0.04 cents).

There is no impact on the consolidated statement of financial position and the consolidated statement of cash flows as a result of the prior-year adjustment.

25. EVENTS OCCURRING AFTER REPORTING DATE

On 29 March 2019, the Company entered into a convertible loan agreement with Cheah Bee Lin and Daniel Chieng Hien Tee for an aggregate loan amounting to $500,000 which are subject to annual interest of 8% per annum and are convertible up to 13,000,000 new ordinary shares in the issued and paid-up equity capital of the Company at its sole and absolute discretion, subject to the terms and conditions of the convertible loan agreement. The convertible loans would be classified as equity instruments of the Company. The purpose of these loans are mainly for general working capital purpose, to reduce existing debt and/or to fund operating expenses, business growth and investment opportunities.

26. AUTHORISATION OF FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mercurius Capital Investment Limited on 2 April 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2019

Issued and fully paid-up capital	:	$133,182,529
Number of issued shares	:	1,114,008,940
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	7	0.50	396	0.00
100 – 1,000	348	24.98	156,338	0.01
1,001 – 10,000	403	28.93	1,548,182	0.14
10,001 – 1,000,000	553	39.70	84,996,858	7.63
1,000,001 and above	82	5.89	1,027,307,166	92.22
	1,393	100.00	1,114,008,940	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Chang Wei Lu	328,041,534	29.45
2.	Phillip Securities Pte Ltd	79,365,332	7.13
3.	OCBC Securities Private Ltd	55,971,600	5.03
4.	Cheah Bee Lin	55,099,207	4.95
5.	Chieng Lik Ngiong	55,000,000	4.94
6.	Goh Tai Siang	55,000,000	4.94
7.	UOB Kay Hian Pte Ltd	34,926,000	3.14
8.	RHB Securities Singapore Pte Ltd	27,174,000	2.44
9.	Maybank Kim Eng Securities Pte. Ltd.	27,168,400	2.44
10.	Wong Hock Chung	21,189,100	1.90
11.	Liu Lingyu	15,962,082	1.43
12.	CGS-CIMB Securities (Singapore) Pte Ltd	12,826,580	1.15
13.	Chieng Leek Chee	12,151,900	1.09
14.	Siaw Teck Hee	11,300,000	1.01
15.	Daniel Chieng Hien Tee	10,690,100	0.96
16.	Ang Ban Liong	9,853,000	0.88
17.	Kuo, Fong-Yu	9,170,000	0.82
18.	Hung Ping-Kun	9,166,000	0.82
19.	Wei Kuei-Tung	9,166,000	0.82
20.	Wu, Chieh-Tsai	9,166,000	0.82
	Total	848,386,835	76.16

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2019

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS

(as shown in the Company's Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	No. of Shares	%	No. of Shares	%
Chang Wei Lu	328,041,534	29.45	–	–

PERCENTAGE OF SHAREHOLDINGS HELD IN PUBLIC'S HANDS

Based on the information available to the Company as at 18 March 2019 and to the best knowledge of our Directors of the Company, approximately 70.55% of the issued ordinary shares of the Company was held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Accordingly, Rule 723 of the Catalist Rules which requires at least 10% of a listed issuer's equity securities to be held by the public is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mercurius Capital Investment Limited (the "**Company**") will be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu, Singapore 436899 on Friday, 26 April 2019 at 9:30 a.m., to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr. Chang Wei Lu who is retiring pursuant to Article 95(2) of the Company's Constitution, as a Director of the Company. **(Resolution 2)**
[See Explanatory Note (i)]

3. To re-elect Mr. Chieng You Ping who is retiring pursuant to Article 95(2) of the Company's Constitution, as a Director of the Company. **(Resolution 3)**
[See Explanatory Note (ii)]

4. To re-appoint Messrs Nexia TS Public Accounting Corporation as Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

5. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions, with or without modifications:

6. Authority to allot and issue shares in the capital of the Company

   (a) "That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Companies Act**"), the Company's Constitution, and Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), authority be and is hereby given to the directors of the Company ("**Directors**") to:

      (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, the "**Instruments**") that might or would require Shares to be issued, including but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares pursuant to any Instruments made or granted by the Directors while this Resolution is in force, provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to the existing shareholders of the Company (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) shall be calculated based on the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time of passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities outstanding at the time of passing of this Resolution;

(b) (where applicable) new Shares arising from the exercise of share options or vesting of awards outstanding or subsisting at the time of passing of this Resolution, provided that such share options or share awards (as the case may be) were granted in compliance with the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or sub-division of Shares;

NOTICE OF ANNUAL GENERAL MEETING

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and the Constitution of the Company; and

(iv) (unless previously revoked or varied by the Company in a general meeting) such authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company, or on the date by which the next AGM of the Company is required by law to be held, whichever is earlier."
[See Explanatory Note (iii)] **(Resolution 5)**

By Order of the Board

Chang Wei Lu
Executive Chairman and Chief Executive Officer

11 April 2019
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Chang Wei Lu will, upon re-election, remain as the Executive Chairman and Chief Executive Officer of the Company. Detailed information on Mr. Chang Wei Lu is found in the Company's annual report 2018 in the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement".

(ii) Mr. Chieng You Ping will, upon re-election, remain as a Non-Executive Non-Independent Director of the Company, a member of the Audit Committee, Nominating Committee and Remuneration Committee. Detailed information on Mr. Chieng You Ping is found in the Company's annual report 2018 in the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement".

Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors from the date of the AGM until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied and revoked by the Company in a general meeting, whichever is earlier, to allot and issue Shares and to make or grant instruments (such as warrants and debentures) convertible into Shares, and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares in the capital of the Company (excluding treasure shares and subsidiary holdings, if any) of which up to fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any), may be issued other than a pro-rata basis to the shareholders of the Company.

NOTES:

1. A member who is not a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "Act") may appoint not more than two (2) proxies to attend, speak and vote at the Annual General Meeting ("AGM") on his/her behalf. Where such member's form of proxy appoints more than one (1) proxy, the proportion of the shareholdings concerned to be represented by each proxy shall be specified in the form of proxy. A proxy need not be a member of the Company.

2. A member who is a Relevant Intermediary may appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant Intermediary" is:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or on his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its seal or under the hand of an officer or attorney duly authorised, failing which the Instrument may be treated as invalid.

4. The instrument appointing the proxy must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544 not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof)a, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("Sponsor") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this notice.

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd., at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 198200473E)

IMPORTANT:

1. A Relevant Intermediary (as defined in Section 181 of the Companies Act, Chapter 50) may appoint more than two proxies to attend, speak and vote at the AGM.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM – ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this form)

*I/We, ____ (Name)

(*NRIC/Passport/Co. Reg. No.) __________________________________

of ____ (Address)
being a *member/members of MERCURIUS CAPITAL INVESTMENT LIMITED (the "**Company**"), hereby appoint:

Name	Address	NRIC or Passport No.	Proportion of Shareholdings	
			No. of Shares	%

*and/or (delete as appropriate)

Name	Address	NRIC or Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing the person (or failing either or both of the persons referred to above) the Chairman of the annual general meeting of the Company (the "**AGM**") as *my/our proxy/proxies to vote on *my/our behalf at the AGM to be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu, Singapore 436899, on Friday, 26 April 2019 at 9:30 a.m., and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, *the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM and at any adjournment thereof.

No.	Resolutions relating to:	No. of Votes For*	No. of Votes Against*
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Independent Auditors' Report thereon		
2.	Re-election of Mr. Chang Wei Lu as a Director of the Company		
3.	Re-election of Mr. Chieng You Ping as a Director of the Company		
4.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration		
5.	Authority to allot and issue shares in the capital of the Company		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (√) in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of Shares in the boxes provided.

Dated this ________ day of __________ 2019

Total number of Shares held	

____
Signature(s) of member(s) and/or
Common Seal of corporate member
* Delete as appropriate

IMPORTANT:
PLEASE READ NOTES OVERLEAF CAREFULLY BEFORE COMPLETING THIS PROXY FORM

Notes to Proxy Form:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.

2. (a) A member of the Company who is not a Relevant Intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy (expressed as a percentage as a whole) shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholdings and the second named proxy shall be deemed to be an alternate to the first named proxy.

   (b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of Shares, class of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF/SRS investors as its proxies shall comply with this Note.

   "Relevant Intermediary" is:

   (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar Company's at 8 Robinson Road #03-00 ASO Building, Singapore 048544 not less than 48 hours before the time set for the AGM. Completion and return of the instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the AGM.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company. A depositor shall not be regarded as a member of the Company entitled to attend the AGM and to vote thereat unless his/her name appears on the Depository Register 72 hours before the time appointed for the AGM.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

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MERCURIUS CAPITAL INVESTMENT LIMITED

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