



MERCURIUS CAPITAL
INVESTMENT LIMITED

LEADING THE WAY TOWARDS **SUSTAINABILITY & GROWTH**

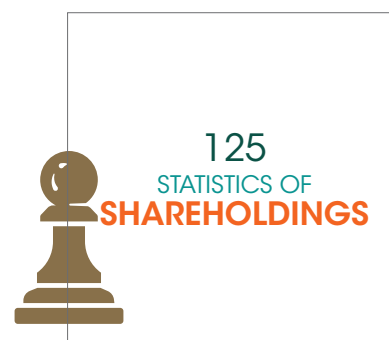
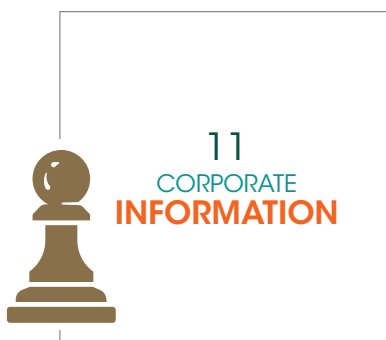
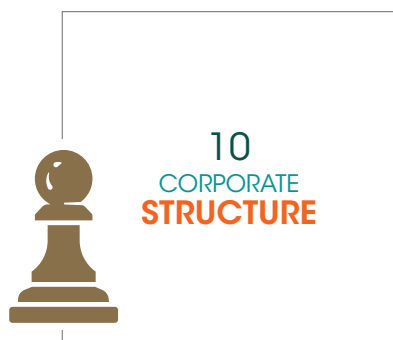
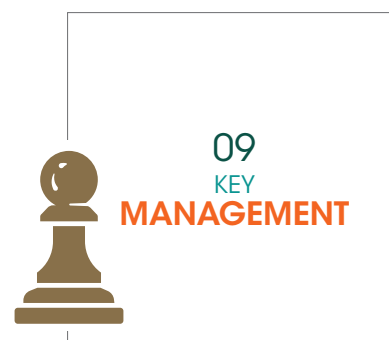
M

2020
ANNUAL REPORT





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This annual report has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "Sponsor") in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

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

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.



CORPORATE PROFILE

Mercurius Capital Investment Limited (“**Mercurius**” or the “**Company**”, and together with its subsidiaries, 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, which 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.





MESSAGE FROM EXECUTIVE CHAIRMAN & CEO



DEAR SHAREHOLDERS,

The year 2020 had been an extremely challenging year for the Company, brought about by the COVID-19 pandemic. The Group recorded a net loss of S\$1.99 million due to the absence of revenue generated from the Company's new core business of property development and property investment. The loss was mainly attributable to administrative expenses of S\$717,000 (2019: S\$1.32 million), finance cost of S\$563,000 (2019: S\$46,000) which in turn was due

largely to the accrued interest from the convertible loans and share of loss in a joint venture of S\$777,000.

The Company's joint venture with HM Realty Holdings Sdn Bhd to develop a plot of land measuring approximately 3.09 hectares at Kempas, Johor Bahru, Malaysia continued to stall due to impending approval from Majlis Bandaraya Johor Bahru for the conversion of the Kempas land from residential

use to commercial use. With the over-supply of properties and adverse property market condition in Johor Bahru, coupled with the COVID-19 situation, the Company did not pursue this business further when the option agreements expired on 27 February 2020.

The COVID-19 pandemic has also affected our joint venture with Apex Development Public Company Limited ("**APEX**") in Grand Bay Hotel Co., Ltd



MESSAGE FROM EXECUTIVE CHAIRMAN & CEO

("Grand Bay") to jointly develop the Sheraton Phuket Grand Bay Resort (the "Sheraton Resort") in Phuket, Thailand. As a result of the tightening of loan application requirements by the banking and financial institutions, negotiations with potential financial institutions to secure a construction loan for the development of Sheraton Resort are still on hold. The Company and APEX have been following up with other potential financial institutions and investors, and are also exploring other viable options. With the rolling out of the vaccination program worldwide and in Thailand, we are optimistic that business interests in the development of Phuket as a whole will return in the second half of 2021, and we shall continue to keep shareholders updated on any further developments.

FUTURE PLAN

The COVID-19 pandemic continues to impact the economic activities in the tourism and hospitality sector. The Board of Directors of the Company ("Board") is cautious

in strategising the development of the Company's business and continues to explore joint ventures and/or strategic alliances in other opportunities and related areas to improve shareholder value. The Group may consider other businesses that present better growth opportunities in the new normal economic environment. 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, if required.

The Board in acknowledging the absence of revenue generated by the Group, will continue to engage in a potential investment to bring in a 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 as required under the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist.

ACKNOWLEDGEMENTS

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

MR CHANG WEI LU

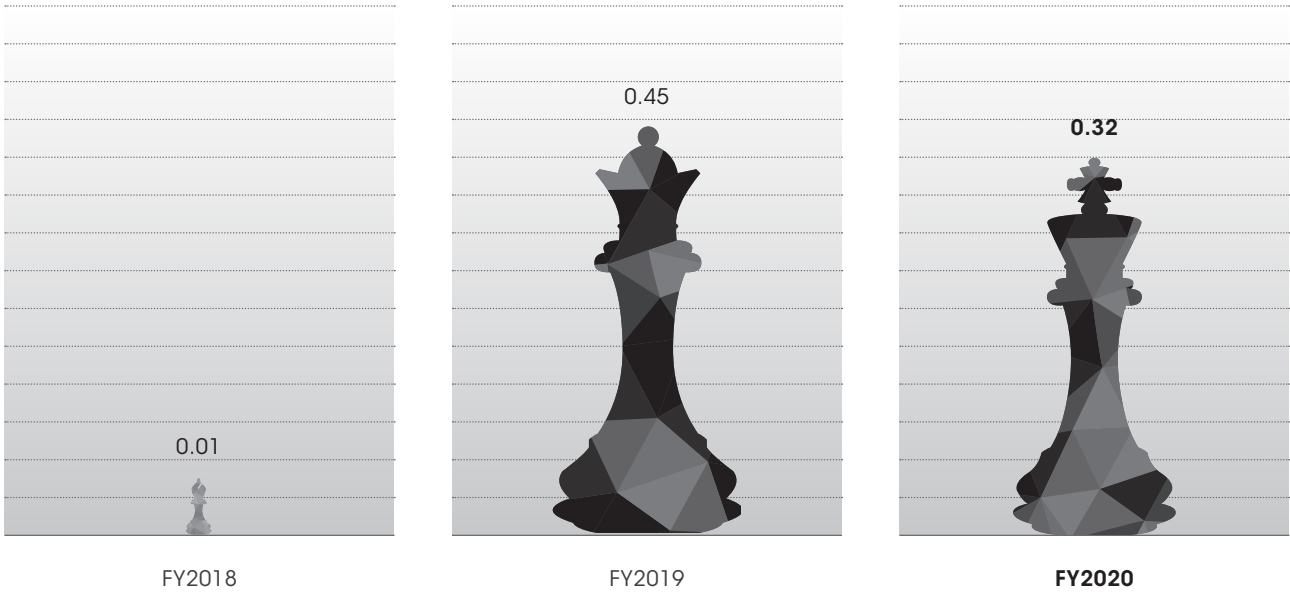
Executive Chairman and
Chief Executive Officer

9 April 2021

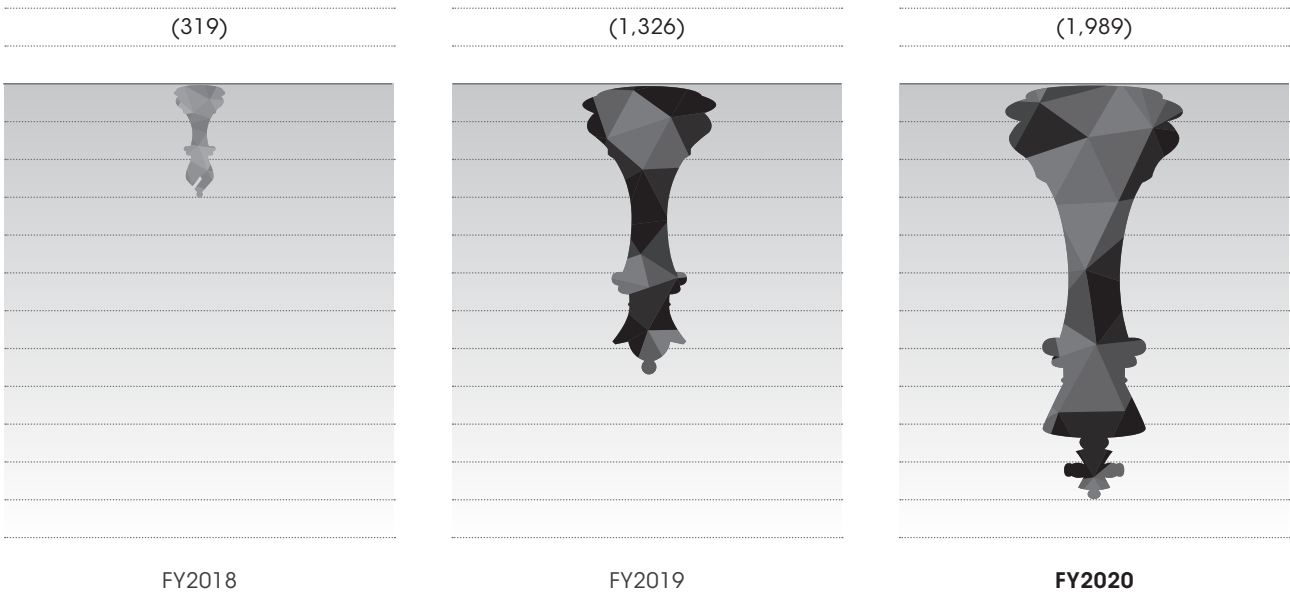


FINANCIAL HIGHLIGHTS

NET ASSET VALUE PER SHARE (CENTS)



TOTAL LOSSES FOR THE FINANCIAL YEAR (\$'000)





FINANCIAL AND OPERATION REVIEW

REVENUE AND GROSS PROFIT

The Group's new business in property development and property investment did not generate any revenue for the Group. As such, the Group did not record any revenue, cost of sales and gross profit for the financial year ended 31 December 2020 ("FY2020").

OTHER LOSSES/INCOME, NET

In FY2020, Other Income (net) is mainly attributable to government grants and non-refundable earnest money received.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased from S\$1.32 million in the financial year ended 31 December 2019 ("FY2019") to S\$717,000 in FY2020. This is mainly due to the reduction in professional fees and travelling expenses that were incurred for the work related to the entering into a joint venture in the third quarter of 2019 and the subsequent follow up activities.

FINANCE COSTS

Finance costs are substantially the accrued interest from the convertible loan procured on 13 December 2019, 23 December 2019 and 3 January 2020, amounting to \$1.75 million, \$1.00 million and \$0.80 million respectively.

SHARE OF LOSS OF JOINT VENTURE

Grand Bay Hotel Co., Ltd ("**Grand Bay**") in which the Company has a 50% shareholding interest in, recorded a loss of S\$1.55 million in the financial year ended 31 December 2020. Consequently, the Group's share of the losses is S\$777,000.

NET LOSS

As a result of the above, the Group recorded a net loss after tax of S\$1.99 million in FY2020 as compared to a net loss after tax of S\$1.33 million in FY2019.

FINANCIAL POSITION

The Group's current assets decreased from S\$8.95 million as at 31 December 2019 to S\$305,000 million as at 31 December 2020, mainly due to a reduction in cash and cash equivalents and trade and other receivables.

Trade and other receivables decreased significantly from S\$7.66 million as at 31 December 2019 to S\$57,000 as at 31 December 2020, mainly due to the reclassification of a partial payment for a joint venture included in other receivables to investment in joint venture following the completion of the acquisition on 7 January 2020. On 12 June 2019, the Company entered into a joint venture agreement ("**JVA**") with APEX Development Public Company Limited ("**APEX**") and Grand

Bay for the acquisition of a 50% shareholding interest of Grand Bay from APEX, for the parties to jointly develop a hotel property under the name of "Sheraton Phuket Grand Bay Resort" in Phuket, Thailand, with Grand Bay as the joint venture vehicle. Pursuant to the terms and conditions of JVA, the amount paid to APEX amounting to S\$7.58 million as at 31 December 2019 had been classified as other receivables while pending completion of the acquisition.

Non-current assets have increased from S\$430,000 as at 31 December 2019 to S\$8.49 million as at 31 December 2020 due to the recognition of investment in Grand Bay amounting to S\$9.26 million following the completion of the JVA on 7 January 2020, as discussed in the preceding paragraph. Subsequently, the carrying value of the investment decreased to S\$8.22 million after accounting for share of loss incurred by Grand Bay for the year ended 31 December 2020 and currency translation loss of S\$264,000 in the invested amount.

Decrease in property, plant and equipment to S\$35,000 from S\$48,000, and in right-of-use assets to S\$234,000 from S\$382,000 as at 31 December 2020 as compared to 31 December 2019, was due to depreciation charges during the respective periods.



FINANCIAL AND OPERATION REVIEW

The decrease in lease liabilities, both current and non-current, of S\$131,000 since 31 December 2019 was due to the repayment of lease term during the period.

Increase in convertible loans by S\$1.28 million from S\$2.54 million as at 31 December 2019 to S\$3.81 million as at 31 December 2020 was due to the convertible loan of \$0.80 million procured on 3 January 2020 and the accrued interest for all the outstanding convertible loans.

The Group recorded a negative working capital of S\$4.20 million as at 31 December 2020, as compared to a positive working capital of S\$5.51 million as at 31 December 2019. The significant change was mainly due to the reclassification of S\$7.58 million (being the Company's partial payment to the JVA) from "trade and other receivables" under current assets to "investment in joint venture" under non-current assets.

The Board is aware of the negative working capital and had taken the following precautionary measures:

- Obtained an undertaking letter from a director to ascertain sufficient cash balances in the Group and the Company prior to demanding for payment of outstanding payables of S\$300,000 in the financial year ending 31 December 2021; and

- Entered into supplementary letters with certain convertible loan holders (the "Investors") in respect of convertible loan agreements amounting to S\$3.55 million (the "Agreements"), pursuant to which the Investors had agreed to take into consideration the available cash flow of the Company on or before the maturity date of the Agreements in determining the payment and should the Company not be in a financial position to repay, the Investors would agree to extend the maturity date of the Agreements. In addition, the Company had on 12 December 2020 entered into additional supplemental agreements to extend the maturity of the convertible loans for a further period of six months.

The Group's total equity decreased from S\$5.70 million as at 31 December 2019 to S\$4.20 million as at 31 December 2020 due to losses incurred in FY2020.

CASH FLOW POSITION

Net cash used in operating activities amounted to 559,000 for FY2020, mainly due to operating cash outflows before working capital changes of S\$332,000 as a result of payment for outstanding debts and overdue invoices.

Net cash used in investing activities of S\$1.68 million related to the final payment made to APEX under the terms of the JVA.

Net cash provided by financing activities of S\$1.19 million was due to cash received from convertible loan procured on 3 January 2020 and the placement entered into with a placee for an aggregate subscription amount of S\$500,000 on 30 June 2020, offset by repayments of lease liabilities amounting to S\$105,000.

The Group had a net cash outflow of S\$1.04 million in FY2020. The cash and cash equivalents as at 31 December 2020 amounted to S\$247,000.



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. Mr. Chang has extensive business and working experience in hotel management, property investment, food and beverage, and lifestyle management and served as director and Chairman of group of companies in Malaysia in related businesses. Given his relevant experiences, Mr. Chang was also appointed as a member of the Remuneration Committee on 1 February 2021 to work with the existing committee members to formulate a remuneration solution that is suitable and relevant to the current business operations of the Group.

Mr. Chang actively supports and sponsors community programmes through his participation in various clan associations in Malaysia. He is an 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.

CHEW HAI CHIENE HESTER ARTHUR

Lead Independent Non-Executive Director

Mr. Chew was appointed to the Board on 25 July 2019. Apart from being the Lead Independent Non-Executive Director, Mr. Chew is also the Chairman of the Audit Committee and a member of the Nominating Committee.

Mr. Chew has over 35 years of experience in the Quick Service Restaurant & Fast-Moving Consumer Goods sectors, operating in South East Asia. Since August 2019, Hester has been the Vice-Chairman of McThai Co., Ltd (McDonald's Thailand). He was previously the CEO of McThai Co., Ltd, a position that he had held since 2006. Prior to that he was the CEO of Delifrance Asia from 2002 to 2003, and the vice president/managing director of Tricon Indochina from 1988 to 2002, operating KFC, Pizza Hut & Taco Bell in Singapore, Thailand and Indochina.

Mr. Chew is an active member of the Young Presidents' Organization since 2009 and was the recipient of the 2018 Hickok Distinguished Service Award in recognition of his contribution and leadership in the organization.

Mr. Chew studied in St Joseph's Institution in Singapore and attended the Executive MBA program in Michigan University.



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

Independent Non-Executive Director

Mr. Chieng, who was appointed to the Board on 5 April 2017 as a Non-Independent Non-Executive Director, was redesignated to Independent Non-Executive Director on 24 September 2020. He is also a member of the Nominating Committee, the Remuneration Committee, and the Audit Committee. Mr. Chieng has extensive working experience in the shipping, construction, land development and manufacturing industries and currently also serves as a director in companies of the industries. Mr. Chieng is an active 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 honorary title of Bintang Belia Sarawak (B.B.S.).



KEY MANAGEMENT

MAH SEONG KUNG

Chief Financial Officer

Mr. Mah was previously a director of the Company and the Lead Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee. He joined the Board in 2012 and subsequently stepped down as director and was redesignated to Chief Financial Officer on 25 June 2020. 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.



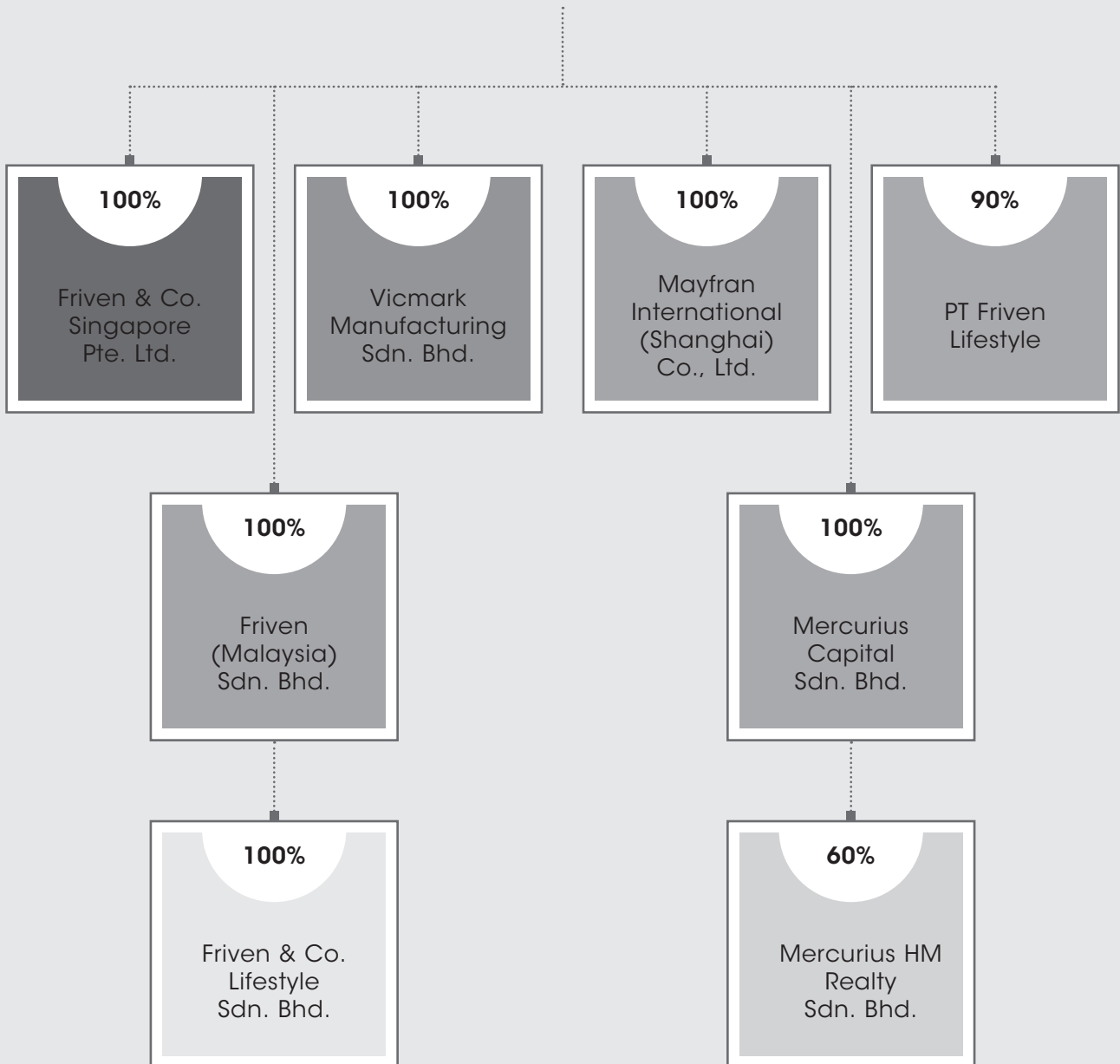


CORPORATE STRUCTURE

AS AT 31 DECEMBER 2020



MERCURIUS CAPITAL INVESTMENT LIMITED





CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Chang Wei Lu Executive Chairman and Chief Executive Officer
Mr. Chew Hai Chiene Hester Arthur Lead Independent Non-Executive Director
Mr. Wong Leong Chui Independent Non-Executive Director
Mr. Chieng You Ping Independent Non-Executive Director

AUDIT COMMITTEE

Mr. Chew Hai Chiene Hester Arthur (Chairman)
Mr. Wong Leong Chui
Mr. Chieng You Ping

REMUNERATION COMMITTEE

Mr. Wong Leong Chui (Chairman)
Mr. Chang Wei Lu
Mr. Chieng You Ping

NOMINATING COMMITTEE

Mr. Wong Leong Chui (Chairman)
Mr. Chew Hai Chiene Hester Arthur
Mr. Chieng You Ping

COMPANY SECRETARY

Mr. Chua Kern

Registered address

6 Shenton Way
#42-04 OUE Downtown 1
Singapore 068809
Tel: (65) 6816 6768
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

Novus Corporate Finance Pte. Ltd.
9 Raffles Place
#17-05 Republic Plaza Tower 1
Singapore 048619

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
80 Robinson Road
#25-00
Singapore 068898
Director-In-Charge:
Mr. Titus Kuan
*(Appointed since the financial year ended
31 December 2020)*

PRINCIPAL BANKERS

Malayan Banking Berhad
Public Bank Berhad
The Development Bank of Singapore Ltd



SUSTAINABILITY REPORT 2020



MERCURIUS CAPITAL
INVESTMENT LIMITED

SUSTAINABILITY REPORT 2020



SUSTAINABILITY REPORT 2020

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SUSTAINABILITY REPORT 2020

EXECUTIVE CHAIRMAN AND CEO STATEMENT

Dear Stakeholders,

I am pleased to present the Sustainability Report of Mercurius Capital Investment Limited ("**Mercurius Capital**" or the "**Company**", and together with its subsidiaries, the "**Group**") for the financial year ended 31 December ("**FY**") 2020.

As we venture into the new business units of property development and property investment, we endeavour to expand our future revenue base and offer new business opportunities to enhance shareholders' value.

The Group current business is a joint venture agreement ("**JVA**") with Apex Development Public Company Limited ("**APEX**") and Grand Bay Hotel Co., Ltd ("**Grand Bay**") to jointly develop a hotel property under the name of Sheraton Phuket Grand Bay Resort (the "**Sheraton Resort**") in Phuket, Thailand. We conducted stringent assessments of our joint venture partners for economic, environmental and social compliance, as well as their engagement with local communities. We will work with our joint venture partners to ensure that sustainable measures and practices are implemented in the development of Sheraton Resort. We endeavour hotel construction and operations to have no negative environmental and social impacts.

On behalf of the Board of Directors (the "**Board**") and management, we would like to thank our business partners, customers and shareholders for their unwavering support and 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



SUSTAINABILITY REPORT 2020

ORGANISATION PROFILE

Mercurius Capital is an investment holding company listed on the Catalist board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company is principally engaged in property development and property investment, which involves (i) activities such as real estate-related investments and property development activities (including acquisition, development activities and/or sale of real estate) and holding investments in real estate and residential, hospitality (including hotels and/or serviced residence), 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.

Apart from property development and property investment, the Company’s business scope also includes, among others, (i) financial investment business activities, (ii) fund management, (iii) advising on corporate finance and providing financial advisory services, (iv) provision of financing and operating leases, and (v) extraction and/or harvesting and supply, trading and distribution in renewable energy products.

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 due to impending approval from Majlis Bandaraya Johor Bahru (“**MBJB**”) for the conversion of the Kempas Land from residential use to commercial use. With the over-supply of properties and adverse property market condition in Johor Bahru, coupled with the COVID-19 situation, the Company did not pursue this business further when the option agreements expired on 27 February 2020.

The COVID-19 pandemic has also affected our joint venture with APEX in Grand Bay to jointly develop the Sheraton Resort (the “**Sheraton Resort**”) in Phuket, Thailand. As a result of the tightening of loan application requirements by the banking and financial institutions, negotiations with potential financial institutions to secure a construction loan for the development of Sheraton Resort are still on hold. The Company and APEX have been following up with other potential financial institutions and investors, and are also exploring other viable options. With the rolling out of the vaccination program worldwide and in Thailand, we are optimistic that business interests in the development of Phuket as a whole will return in the second half of 2021, and we shall continue to keep shareholders updated on any further developments.



SUSTAINABILITY REPORT 2020

ABOUT THIS REPORT

Mercurius Capital presents its annual Sustainability Report (the "**Report**") which covers the Group's performance from 1 January 2020 to 31 December 2020.

This Report provides information about Mercurius Capital's key sustainability topics, its management approach as well as its performance across the Group's operations. The Group has chosen the Global Reporting Initiative Standards ("**GRI Standards**") as it is the most established international sustainability reporting standard. This Report is prepared in accordance with the "Core" option of the GRI Standards and incorporates the primary components of the report content as set out by the "comply or explain" requirements on sustainability reporting under Rule 711B of the SGX-ST Listing Manual Section B: Rules of Catalyst.

The material topics applicable to the Group are identified based on their impact on the Group's internal and external stakeholders, as outlined in the "Key Stakeholder's Engagement" section. Detailed section reference with GRI Standards is found under the "GRI Standards Content Index" section. The Sustainability Task Force has assessed that external assurance is not required as the Group wishes to continue strengthening its sustainability reporting framework for the next few years as the Group commences its new business in property development and property investment.

The Company welcomes feedback from stakeholders with regard to its sustainability efforts as this will enable the Company to improve its policies, systems and results. Please send your comments and suggestions to Mr. Mah Seong Kung, Group Chief Financial Officer at skmah@mercuriuscapital.com.

GOVERNANCE AND STATEMENT OF THE BOARD

Mercurius Capital is committed towards shaping a sustainable society. The Group's Sustainability Task Force which reviews the Group's sustainability objectives, challenges, targets and progress to align with its strategic direction is chaired by the Group Chief Financial Officer, Mr. Mah Seong Kung. The Sustainability Task Force reports directly to the Board to consider sustainability issues as part of its strategic formulation, determine the material environmental, social and governance factors and oversees the management and monitoring of these factors.

The Group has also adopted a precautionary approach in its strategic decision making and day-to-day operations by setting appropriate risk appetite and risk tolerance to ensure material risks are identified and mitigated to acceptable levels.

SUSTAINABILITY TARGETS

The Group will adopt a prudent approach in managing its business and continue to encourage diversity in its workforce. The Group continues to comply with applicable laws, regulations and professional codes of conduct.



SUSTAINABILITY REPORT 2020

The Group aims to maintain zero social and economic non-compliance in FY2021 and will act in strict compliance with applicable laws, regulations and professional codes of conduct.

The Group targets to unlock value for its stakeholders with its operations. However, in times of economic uncertainty as a result of the COVID-19 pandemic, the Group remains cautious in strategising the development of its core business in FY2021. It will continue to explore joint ventures and/or strategic alliances to carry out its existing business.

KEY STAKEHOLDER ENGAGEMENT

Mercurius Capital engages with all its stakeholders through a variety of channels to gather their feedback and to update them on the Group's business developments. The Company identifies stakeholders as groups that have an impact or have the potential to be impacted by its business, as well as external organisations that have expertise in topics that the Company considers material. The feedback received from its stakeholders helps the Group to determine its material topics and the following focus areas have been identified:

Stakeholders	Areas of Concern	Means of Engagement	Section Reference
Employees	<ul style="list-style-type: none"> Ethics and conduct Remuneration and benefits Training and development 	<ul style="list-style-type: none"> Training needs identification exercise Trainings Performance appraisal Sustainability reporting 	<ul style="list-style-type: none"> Anti-Corruption Social Topics
Shareholders and investors	<ul style="list-style-type: none"> Economic performance Anti-corruption 	<ul style="list-style-type: none"> SGX-ST announcements Annual reports Investor relations management Whistle blowing channels Sustainability reporting 	<ul style="list-style-type: none"> Anti-Corruption Social Topics Property Development
Government and regulatory bodies	<ul style="list-style-type: none"> Regulatory and industrial requirements 	<ul style="list-style-type: none"> Sustainability reporting Ongoing dialogues 	<ul style="list-style-type: none"> Social Topics
Communities	<ul style="list-style-type: none"> Social development 	<ul style="list-style-type: none"> Sustainability reporting 	<ul style="list-style-type: none"> Social Topics



SUSTAINABILITY REPORT 2020

MATERIAL TOPICS AND BOUNDARIES

The Company has applied the GRI Standards for defining report content to identify material topics which are relevant to the business and to its stakeholders. The Company has conducted a materiality assessment based on the guidelines of GRI Standards. The following table summarises topics which were determined to be currently of most significance to the Group:

Material Topics	Boundaries (where the impact occurs)
ECONOMIC	
GRI 205: Anti-Corruption	The Group
ENVIRONMENTAL	
GRI 307: Environmental Compliance	Property Development
GRI 308: Supplier Environmental Assessment	
SOCIAL	
GRI 405: Diversity and Equal Opportunity	The Group
GRI 406: Non-Discrimination	
GRI 414: Supplier Social Assessment	Property Development
GRI 419: Socioeconomic Compliance	The Group

ANTI-CORRUPTION

GRI 205-1, 205-2, 205-3

The Group takes a strong stance against corruption in all operations and does not tolerate any malpractice, impropriety, statutory non-compliance or wrongdoing by staff in the course of their work. The Group has in place a whistle-blowing policy whereby accessible channels are provided for employees, shareholders, business partners and external parties to raise concerns about possible improprieties in financial reporting, fraudulent acts and other irregularities, and to ensure that arrangements are in place for independent investigations of such matters and timely implementation of appropriate preventive and corrective actions.

The administration of the anti-corruption policy is overseen by the Company's Audit Committee ("AC") and 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. There were no reports received through the whistle-blowing mechanism in FY2020.



SUSTAINABILITY REPORT 2020

PROPERTY DEVELOPMENT

Environmental Compliance

GRI 307-1

Sheraton Resort is part of an integrated development of Sheraton Phuket Grand Bay Resort and Residences situated with an exclusive hillside setting at Po Bay, east coast of Phuket, overlooking the beautiful Po Bay Grand Marina, Phang Nga National Park and Phi Phi Islands.

Sheraton Resort will feature a host of five-star facilities for guests including all-day dining, specialty restaurants, infinity pool, spa and fitness centre, banquet hall, and 183 rooms comprising of hotel rooms, suites and pool villas. The Sheraton Resort shall, upon completion, be operated by Starwood Asia Pacific Hotels & Resorts Pte. Ltd. or its affiliates.

The Group is committed to develop Sheraton Resort into a green and sustainable property that is comfortable and safe for guests. The Group will strictly comply with local environmental regulations to ensure that its buildings have minimal impacts on the surrounding environment and community. With the completion of the joint venture to construct Sheraton Resort in 2020, the Group will aim for zero incidence of non-compliance with environmental laws and regulations upon commencement of the hotel's construction and operations.

Supplier Management

GRI 308-1, 414-1

The Group endeavours to develop a sustainable supply chain by evaluating its suppliers and contractors based on their quality, skills and environmentally friendly practices. The Group will ensure that the suppliers meet its environmental and social requirements and act in strict compliance with local environmental and social laws and regulations.

SOCIAL TOPICS

Diversity and Equal Opportunities and Non-Discrimination

GRI 405-2, 406-1

The Group embraces diversity and offers employees an environment of equity and inclusiveness, and does not discriminate its employees in any aspect, including gender, race, religion or age. All employees are remunerated fairly and treated with respect. There was no reported incident of discrimination in FY2020.



SUSTAINABILITY REPORT 2020

Socioeconomic Compliance

GRI 419-1

In the journey of diversification in its business, the Group will engage in more partnerships and will continue to assess all major partners on their environmental and social impacts using topics from the GRI Standards. The assessment includes disclosure on their compliance with relevant international and local laws, whether they have taken mitigating actions to address impacts (if any) and whether there have been fines, sanctions or penalties against them for the past two years. For the Group's FY2020 assessment, none of the Group's major partners were fined, sanctioned or had penalties imposed against them for the past two years.

The Group adheres to labour standards and complies strictly with local laws, and encourages open communication and complies with the Group's policies and procedures. In FY2020, there were no fines or non-monetary sanctions for non-compliance with laws and regulations in the social and economic areas, nor any complaints or issues raised to the Company's attention on these aspects. The Company aims to continue to fully comply with laws and regulations in the social and economic area in FY2021.



SUSTAINABILITY REPORT 2020

SGX FIVE PRIMARY COMPONENTS INDEX

S/N	Primary Component	Section Reference
1	Material Topics	<ul style="list-style-type: none"> • Key Stakeholders Engagement • Material Topics and Boundaries • Anti-Corruption • Property Development • Social Topics
2	Policies, Practices and Performance	<ul style="list-style-type: none"> • Anti-Corruption • Property Development • Social Topics
3	Board Statement	Governance and Statement of the Board
4	Targets	Sustainability Targets
5	Framework	About This Report

GRI STANDARDS CONTENT INDEX

GRI Standards	Disclosure Content	Report Section Reference
102-1	Name of the organisation	Organisation Profile
102-2	Activities, brands, products, and services	Organisation Profile
102-3	Location of headquarters	Organisation Profile
102-4	Location of operations	Organisation Profile
102-5	Ownership and legal form	Organisation Profile
102-6	Markets served	Organisation Profile
102-7	Scale of the organisation	Organisation Profile
102-8	Information on employees and other workers	Social Topics
102-9	Supply chain	Organisation Profile
102-10	Significant changes to the organisation and its supply chain	Chairman/CEO Statement
102-11	Precautionary principle or approach	Governance and Statement of the Board
102-13	Membership of associations	Organisation Profile



SUSTAINABILITY REPORT 2020

GRI Standards	Disclosure Content	Report Section Reference
102-14	Statement from senior decision-maker	Chairman/CEO Statement
102-15	Key impacts, risks, and opportunities	Chairman/CEO Statement
102-16	Values, principles, standards, and norms of behaviour	Anti-Corruption
102-17	Mechanisms for advice and concerns about ethics	Anti-Corruption
102-18	Governance structure	Governance and Statement of the Board
102-40	List of stakeholder groups	Stakeholder Engagement
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement
102-46	Defining report content and topic boundaries	About This Report, Material Topics and Boundaries
102-47	List of material topics	Material Topics and Boundaries
102-50	Reporting period	About This Report
102-52	Reporting cycle	About This Report
102-53	Contact point for questions regarding the report	About This Report
102-54	Claims of reporting in accordance with the GRI Standards	About This Report
102-55	GRI content index	GRI Standards Content Index
102-56	External assurance	About This Report
205-1	Operations assessed for risks related to corruption	Anti-Corruption
205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption
205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption
307-1	Non-compliance with environmental laws and regulations	Property Development



SUSTAINABILITY REPORT 2020

GRI Standards	Disclosure Content	Report Section Reference
308-1	New suppliers that were screened using environmental criteria	Supplier Management
405-2	Ratio of basic salary and remuneration of women to men	Diversity and Equal Opportunities and Non-Discrimination
406-1	Incidents of discrimination and corrective actions taken	Diversity and Equal Opportunities and Non-Discrimination
414-1	New suppliers that were screened using social criteria	Supplier Management
419-1	Non-compliance with laws and regulations in the social and economic area	Socioeconomic Compliance



CORPORATE GOVERNANCE REPORT

Introduction

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 2018 (the “**Code**”).

The Board confirms that, for the financial year ended 31 December (“**FY**”) 2020, 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: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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;
- approves the framework of remuneration for the Board and key executives as recommended by the Remuneration Committee;
- provides entrepreneurial leadership, and sets strategic objectives, which should include appropriate focus on value creation, innovation and sustainability; and
- ensures that the necessary resources are in place for the Company to meet its strategic goals.



CORPORATE GOVERNANCE REPORT

The Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures transparency and proper accountability within the Company and to key stakeholder groups. Directors facing conflicts of interest recuse themselves from discussions and decisions involving issues of conflict.

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 authority to three 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 setting out, amongst others, their respective compositions, authorities and duties, 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 terms of reference of each Board Committee is set out under Principles 4, 6 and 10 of this report.



CORPORATE GOVERNANCE REPORT

The Board conducts regular meetings on a quarterly basis, 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 FY2020 is as follows:-

	Annual General Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held during the year*	1	4	4	1	1
Attendance:					
Chang Wei Lu	1	4	1 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾
Chew Hai Chiene Hester Arthur	1	4	1 ⁽²⁾	1 ⁽¹⁾	1 ⁽¹⁾
Wong Leong Chui	1	3	3	1	1
Chieng You Ping	1	4	4	1	1
Mah Seong Kung ⁽³⁾	1	2	2	1	1

Notes:

* Under this row, the number of meetings indicated is the total number of meetings held in FY2020.

- (1) Attendance at meetings were "By Invitation".
- (2) Mr Chew Hai Chiene Hester Arthur was appointed as the Chairman of the AC on 24 September 2020 and attended the AC meeting on 3 November 2020. His previous attendance at the earlier AC meetings held in FY2020 were by invitation only.
- (3) Mr Mah Seong Kung resigned as the Lead Independent Non-Executive Director of the Company on 25 June 2020.

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

Directors with multiple board representations are to disclose such board representations to the Board and ensure that sufficient time and attention are given to the affairs of the Group.



CORPORATE GOVERNANCE REPORT

The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters that require the approval of the Board include, but are not limited to, the following:

- corporate strategy and business plans;
- major funding proposals and investments;
- appointment/cessation, and remuneration packages, of the Directors and Executive Officers;
- interim and full year 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.

The Board also provides effective oversight of the Management's performance and control, compliance with legislative and regulatory requirements including continuing disclosure requirements under the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

The Directors understand the Company's business as well as their directorship duties (including their roles as Executive, Non-Executive and Independent Directors). The Management regularly briefs the Directors on the Group's activities to keep them updated on the Group's recent developments. Further, Directors are provided with regular updates on changes in the relevant rules and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. 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. The Company Secretary keeps records of the Directors' training on an annual basis. In FY2020, Mr. Chew Hai Chiene Hester Arthur, our Lead Independent Non-Executive Director, attended the following courses conducted by the Singapore Institute of Directors:

- Stakeholder Engagement
- Board Performance
- Board Dynamics
- Listed Entity Director Essentials

All Directors are also provided with regular updates on developments in financial reporting and governance standards, as well as changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Group and/or Directors, are circulated to the Board.



CORPORATE GOVERNANCE REPORT

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 governance practices. A formal letter of appointment will also be sent to any newly appointed Director setting out his/her duties and obligations upon his/her appointment.

The Directors have separate and independent access to the Management and the Company Secretary at the Company's expense.

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 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 provides the Board with complete, adequate and timely information on issues requiring the Board's deliberations prior to meetings and on an on-going basis, so as to enable the Board to make informed decisions and discharge their duties and responsibilities. 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.

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 to facilitate effective discussion and decision-making. 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.

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.



CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

In respect of FY2020, the Board comprised four members, three of whom are Non-Executive Independent Directors, as follows:

Name of Director	Designation of Board Member	Board Committee Membership		
		Audit Committee	Nominating Committee	Remuneration Committee
Mr. Chang Wei Lu	Executive Chairman and Chief Executive Officer ("CEO")	-	-	-
Mr. Chew Hai Chiene Hester Arthur ⁽¹⁾	Lead Independent Non-Executive Director	Chairman	Member	-
Mr. Wong Leong Chui	Independent Non-Executive Director	Member	Chairman	Chairman
Mr. Chieng You Ping ⁽²⁾	Independent Non-Executive Director	Member	Member	Member
Mr. Mah Seong Kung ⁽³⁾	Lead Independent Non-Executive Director	Chairman	Member	Member

- (1) Mr. Chew Hai Chiene Hester Arthur was re-designated as the Lead Independent Non-Executive Director of the Company and appointed as the Chairman of the Audit Committee and a member of the Nominating Committee on 24 September 2020.
- (2) Mr. Chieng You Ping was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director of the Company on 24 September 2020.
- (3) Mr. Mah Seong Kung stepped down as the Lead Independent Non-Executive Director, Chairman of the Audit Committee and member of Nominating Committee and Remuneration Committee on 25 June 2020, and was appointed as the Company's Chief Financial Officer.

The Board has satisfied the requirement set out under Provisions 2.2 and 2.3 of the Code for Independent Directors to make up majority of the Board where the Chairman is not independent, and for the Non-Executive Directors to make up a majority of the Board. 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 which dominates the Board's decision making.



CORPORATE GOVERNANCE REPORT

The size and composition of the Board and Board Committees are reviewed from time to time by the NC to ensure that the Board and Board Committees have the appropriate balance and mix of skills, knowledge, expertise and experience and other aspects of diversity such as age, so as to avoid groupthink and foster constructive debate, and ensure that the Board 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.

The Company does not have a Board diversity policy but it consists of professionals from various disciplines. The Board conducts an annual review to assess if the existing attributes and core competencies of the Board are complementary and contributes to the efficacy of the Board. This enables the Board to maintain or enhance balance and diversity within the Board. Although there is currently no female Director appointed to the Board, the Board is receptive to achieving gender diversity on the Board and appointment of a female Director if a suitable candidate is nominated for the Board's consideration.

The Board has reviewed and believes that its composition achieves diversity of skills, knowledge and experience as further described as follows:

	No. of Directors	Proportion of Board
Core Competencies		
Accounting/Finance/Legal/Corporate governance	4	100%
Industry/Customer based-knowledge or experience	4	100%
Strategic planning experience	2	40%

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. Each Independent Director has confirmed to the Board that, among others, he does not have any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment in the best interests of the Company. The Board, based on the review conducted by the NC and guided by the definition of independence under the Code, has determined and confirmed the independence of the Independent Directors. None of the Independent Directors have served in the Board beyond nine years from the date of first appointment.



CORPORATE GOVERNANCE REPORT

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 performance. The Non-Executive Directors and/or Independent Directors, led by the Lead Independent Director, are aware of the guidance for regular meetings to discuss the Group's affairs without the presence of the Management, and for the chairman of such meetings to provide feedback to the Board and/or Chairman as appropriate. As the Group's property development and property investment businesses is still in its early stages in FY2020, the Non-Executive Directors did not meet without the presence of Management during the year under review, but will continue to monitor the need to do so in the upcoming financial year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr. Chang Wei Lu is the Executive Chairman of the Board and the CEO of the Company.

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.

The Board establishes and sets out in writing the division of responsibilities between the Chairman and CEO.

As the CEO of the Company, Mr. Chang Wei Lu oversees the 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 by the relevant management personnel 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.



CORPORATE GOVERNANCE REPORT

To promote a high standard of corporate governance as the Chairman and the CEO is the same person, Mr. Chew Hai Chiene Hester Arthur has been appointed as the Lead Independent Director. He provides leadership in situations where the Chairman may be conflicted, and acts as the focal point for the Independent Directors to provide their input to the Executive Chairman and CEO as well as the Management. As the Lead Independent Director, Mr. Chew Hai Chiene Hester Arthur is available to shareholders of the Company ("**Shareholders**") where they have concerns and for which contact through the normal channels of the Executive Chairman and CEO, and/or the Group Chief Financial Officer have failed to resolve, or where such contact is inappropriate or inadequate. Where necessary, the Independent Directors meet without the presence of the other Directors, and the Lead Independent Director provides feedback to the Executive Chairman and CEO after such meetings, if necessary. There were no queries or requests on any matters which require the Chairman and Independent Directors' attention received in FY2020.

All the Board Committees are chaired by the Independent Directors and a majority 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: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nominating Committee

The NC comprises three Non-Executive Independent Directors. The Lead Independent Director, Mr. Chew Hai Chiene Hester Arthur, is a member of the NC. As at 31 December 2020, the NC comprises the following members:

Mr. Wong Leong Chui (Chairman)
Mr. Chew Hai Chiene Hester Arthur
Mr. Chieng You Ping

The NC is scheduled to meet at least once a year and at such other times as may be necessary. In respect of FY2020, one 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 below.



CORPORATE GOVERNANCE REPORT

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

- evaluating the performance and effectiveness of the Board as a whole, its Board Committees and the contributions of each Director;
- making recommendations to the Board on the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- identifying the skills, expertise and capabilities for the effective functioning of the Board;
- reviewing the training and professional development programs for the Board and Directors;
- 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, the CEO and key management personnel;
- making recommendations to the Board on the appointment and re-appointment of Directors (including alternate Directors, if any);
- re-nominating the 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, appointing new Directors and re-appointing Directors to the Board. Where there is a need to appoint a new Director, the NC will evaluate the balance and mix of skills, knowledge and experience on the Board and Board Committees in order to identify the essential and desirable competencies of the candidate. The NC has also encouraged the Board to go beyond their immediate circle of contacts, including using third party search firms and institutions, to identify a broader range of suitable candidates. 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.

As set out under Principle 2, the core competencies of the Board span areas such as accounting, finance, corporate governance, industry and customer-based knowledge and strategic planning experience. The breadth of experience of the members of the Board complements the Management and the Board's skill set will support the oversight of the Company's operations.

The NC also determines the independence of each Director on an annual basis, in accordance with the definition set out in the Code. The NC also ensures that new Directors are aware of their duties and obligations. The NC will further decide if a Director is able to and has been adequately carrying out his or her duties as a Director of the Company.



CORPORATE GOVERNANCE REPORT

In determining the Director's ability to commit time to the Company in order to discharge his duties as a Director, the Board has determined that the maximum number of listed board representations which any Director may hold is not more than five directorships. None of the Directors has any current directorships in another listed company.

The Constitution of the Company provides that one-third of the Board shall retire by rotation at every annual general meeting of the Company ("AGM") and at least once every three 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) the Catalist Rules, all Directors (including executive directors) must submit themselves for re-nomination and re-appointment at least once every three years. Within three years of 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 a general meeting no later than 31 December 2021. For the forthcoming AGM, the NC has recommended Mr. Chew Hai Chiene Hester Arthur and Mr Chieng You Ping, who will retire pursuant to Article 95(2) of the Company's Constitution respectively, be nominated for re-election. As members of the NC, Mr. Chew Hai Chiene Hester Arthur and Mr. Chieng You Ping have abstained from voting on any resolutions in respect of the assessment of their own performance for re-appointment as a Director. In making the recommendation, the NC had considered the Directors' overall contributions 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 Mr. Chew Hai Chiene Hester Arthur and Mr Chieng You Ping, being the Director(s) who are retiring in 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 Director(s) 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.

The Company has not appointed any alternate directors to the Board in FY2020.



CORPORATE GOVERNANCE REPORT

Other than the key information regarding the Directors set out below, information pertaining to the Directors' interests in shares, options and other convertible securities are set out in the section entitled "Directors' Statement" of this Annual Report, and information in relation to the background and principal commitments of the Directors on the Board as at 31 December 2020 are set out under the section entitled "Board of Directors" of this Annual Report.

Name of Director	Board appointment	Date of first appointment	Date of last re-election	Directorships both present and held over the preceding three years in other listed companies	Principal Commitments
Chang Wei Lu	Executive Chairman	12 May 2014	25 June 2020	<u>Present Directorships</u> None <u>Past Directorships</u> None	<ul style="list-style-type: none"> M.W. Group
Chew Hai Chiene Hester Arthur	Lead Independent Non-Executive Director	25 July 2019	25 June 2020	<u>Present Directorships</u> None <u>Past Directorships</u> None	<ul style="list-style-type: none"> McThai Co., Ltd. Hester Chew & Associates Consultancy Pte. Ltd.
Wong Leong Chui	Independent Non-Executive Director	21 February 2017	25 June 2020	<u>Present Directorships</u> None <u>Past Directorships</u> None	<ul style="list-style-type: none"> Chong Tong Construction Pte. Ltd.
Chieng You Ping	Independent Non-Executive Director	5 April 2017	26 April 2019	<u>Present Directorships</u> None <u>Past Directorships</u> None	<ul style="list-style-type: none"> Sin Matu Sdn Bhd Sin Matu Realty Sdn Bhd Sin Matu Shipyard Sdn Bhd Panorama Bina Sdn. Bhd. Top Edge Bricks Factory Sdn.Bhd.



CORPORATE GOVERNANCE REPORT

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal assessment of its effectiveness as a whole and that of each of its board committees and individual directors.

The NC has established processes for evaluating the effectiveness of the Board as a whole, each of the Board Committees and the contribution of the Chairman and each individual 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 savvy, business judgement and sense of accountability.

The NC 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, taking into consideration peer comparisons and other objective third party benchmarks, and thereafter propose amendments if any, to the Board for approval. The performance criteria should not be changed from year to year and the onus will be on the Board to justify the change.

The review of the effectiveness of the Board as a whole, its Board Committees and the contribution of the Chairman and each individual Director is undertaken collectively by the Board and the NC annually on a continual basis, without the engagement of an external facilitator.

For FY2020, the Board is satisfied that the Chairman and each individual Director has allocated sufficient time and attention to the affairs of the Company, and is of the view that the effectiveness of the Board as a whole and of each of the Board Committees, as well as the contribution of each Director to the effectiveness of the Board and Board Committees has been satisfactory.



CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Remuneration Committee

As of 31 December 2020, the RC comprised two non-executive independent directors, namely:

Mr. Wong Leong Chui (Chairman)
Mr. Chieng You Ping

The vacancy in the RC arose when Mr. Mah Seong Kung stepped down as a Director of the Company to take on the role of Chief Financial Officer on 25 June 2020. Post-FY2020, the Company appointed Mr. Chang Wei Lu to the RC on 1 February 2021.

Under the Code of Corporate Governance 2018 Provision 6.2, the RC should comprise at least three directors and all members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.

While Mr Chang is an executive director of the Company, the Board, having considered the recommendation of the NC and having assessed the qualifications and working experience of Mr Chang, in particular of his business experience in hotel management, property management, food and beverage, and lifestyle management, is of the view that Mr Chang has the related management expertise and experience required as a member of the RC to work with the existing committee members to formulate a remuneration solution that is suitable and relevant to the current business operations of the Group.

The RC meets at least once a year and at such other times as may be necessary. In respect of FY2020, one RC meeting was held. The purpose of the meeting was to review the Directors' fees payable for FY2020 and to consider matters regarding the remuneration policies of the Company as reported in Principle 7 below.



CORPORATE GOVERNANCE REPORT

The RC is responsible for, amongst others, the following:

- 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 with Shareholders' interests;
- reviewing and making recommendations to the Board for endorsement of a framework of remuneration for the Board and key management personnel; and
- reviewing and recommending to the Board for endorsement, the specific remuneration packages for each Director as well as for the key management personnel.

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 considers all aspects of remuneration including salaries, director's fees, allowances, bonuses, options, share-based incentives, benefits-in-kind and termination terms, to ensure they are fair and avoid rewarding poor performance. The RC's recommendations are submitted for endorsement by the Board. The RC may seek professional advice when necessary on the remuneration of the Directors and key management personnel. No external professionals advisers or remuneration consultants were engaged by the RC in FY2020.

Each RC member does not participate in discussions, and abstains 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 contain fair and reasonable termination clauses which are not overly generous. In FY2017, the RC had reviewed the service agreements of its Executive Chairman and CEO, Mr. Chang Wei Lu and determined that there were no unfair or unreasonable termination clauses which are overly generous. For FY2020, there was no change to the service agreement of the aforementioned personnel since the last review in FY2017 and accordingly, no further review was done on his service agreements.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The Company adopts a remuneration policy for the Executive Director and key management 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. A significant and appropriate proportion of the Executive Director's and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of Shareholders and other stakeholders and promotes the long-term success of the Company.



CORPORATE GOVERNANCE REPORT

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 Directors. Directors' fees are endorsed by the RC and recommended by the Board for Shareholders' approval at the AGM. In respect of FY2020, taking into consideration that no revenue was generated, the RC recommended that, except for Mr. Chew Hai Chiene Hester Arthur, no Directors' fees would be payable to the Directors for FY2020. At the AGM of the Company held in respect of FY2019, the Shareholders had, amongst others, approved the payment Directors' fees of S\$112,500 to Mr. Chew Hai Chiene Hester Arthur for the period from 25 July 2019 to 24 July 2020. The aforesaid Director's fees were paid by way of an issue and allotment of 2.5 million new ordinary shares in the capital of the Company to Mr. Chew Hai Chiene Hester Arthur at S\$0.045 per share on 14 July 2020. At the forthcoming AGM of the Company to be held in respect of FY2020, the Company will be seeking the approval of Shareholders for, amongst others, the payment of Directors' fees of S\$112,500 to Mr. Chew Hai Chiene Hester Arthur for the period from 25 July 2020 to 31 July 2021, comprising: (i) S\$75,150 (for the period from 25 July 2020 to 31 March 2021) to be paid by way of an issue and allotment of 1.67 million new ordinary shares in the capital of the Company at S\$0.045 per share; and (ii) S\$37,350 (for the period from 1 April 2021 to 31 July 2021) to be paid in cash. In addition, Mr. Chang Wei Lu (Executive Chairman and CEO) has also agreed not to receive any remuneration (including salary, bonus and benefits-in-kind) in respect of FY2020.

The RC is of the view that the current remuneration structure for the Executive Chairman and CEO, Non-Executive Directors and key management personnel are appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

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 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Save for Mr. Chew Hai Chiene Hester Arthur, none of the Directors received any form of remuneration (including Directors' fees, salary, bonus and benefits-in-kind) in FY2020. Mr. Chew's remuneration is S\$112,500 for the period from 25 July 2020 to 31 July 2021.

After taking into consideration that the Group had not generated any revenue in FY2020, Mr. Chang Wei Lu (Executive Chairman and CEO) has agreed not to receive any remuneration (including salary, bonus and benefits-in-kind) in respect of FY2020.



CORPORATE GOVERNANCE REPORT

In FY2020, the Company identified the following key management personnel (who is not a Director or the CEO) and the remuneration of the key management personnel is set out below:-

Key Executive	Salary (\$'000)	Bonus (\$'000)	Benefits-in-kind (\$'000)	Total (\$'000)
Below \$250,000				
Mah Seong Kung ⁽¹⁾	30	-	-	30
Raphael Liew Soon Cheen ⁽²⁾	40	-	-	40

Note:

(1) Mah Seong Kung was appointed as the Group Chief Financial Officer on 25 June 2020.

(2) Raphael Liew Soon Cheen resigned as the Group Finance Manager on 30 June 2020.

There were no termination, retirement and post-employment benefits that were granted to Directors and key management personnel (who are not Directors or the CEO) during FY2020.

The Company does not have any employee share schemes in place.

In FY2020, save for Mr. Chang Wei Lu, the Company's Executive Chairman, CEO and substantial shareholder, there were no employees who are substantial shareholders of the Company, or are immediate family members of a Director, CEO or substantial shareholder of the Company.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Management is accountable 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 policies, and the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation 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 system of internal controls can 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 to mitigate such risks in order to achieve the overall business objective of the Group and enhance long term shareholders' value.



CORPORATE GOVERNANCE REPORT

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 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 FY2020, the AC noted that no material non-compliance or internal control weaknesses were identified by the independent auditor in their Audit Report.

For FY2020, the Board has received the Management representation letter ("**Management Representation Letter**") from the Executive Chairman and CEO and the Chief Financial Officer 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 adequate and 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 (including financial, operational, information technology and compliance risks of the Group) are adequate and effective as at 31 December 2020. The Board believes that the Group's internal controls provide reasonable, but not absolute assurance against material financial misstatements or losses.



CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Audit Committee

The AC comprises three Non-Executive Independent Directors. All the members have recent and relevant accounting or related financial management expertise or experience. In FY2020, the AC comprises the following members:

Mr. Chew Hai Chiene Hester Arthur (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 times a year. In respect of FY2020, four AC meetings were held.

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

- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the company's financial performance;
- reviewing the adequacy, effectiveness, independence, scope and results of the independent audit and the Company's internal controls and internal audit function;
- reviewing the independent auditor's audit plan and audit report, and the independent auditor's evaluation of the system of internal accounting controls;
- reviewing changes in accounting standard and issues highlighted by the independent auditor which have direct impact on the financial statements;
- reviewing the internal audit plans, the scope and results of internal audit procedures;
- meeting with the independent auditor, and with the internal auditors, in each case without the presence of Management, at least annually in connection with the discharge of its duties and responsibilities;
- reviewing at least annually, the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems;
- reviewing the assurances from the CEO and the Chief Financial Officer on the financial records and financial statements;
- reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;



CORPORATE GOVERNANCE REPORT

- conducting investigations into any matter within the AC's scope of responsibility and reviewing any significant findings of such investigations;
- assessing the independence and objectivity of the independent auditor;
- making recommendations to the Board on (i) the proposals to Shareholders on the appointment and removal of independent auditor; and (ii) the remuneration and terms of engagement of the independent auditor; and
- reviewing 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.

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. To create an environment for open discussion on audit matters, 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 FY2020, 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.

External Audit

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 FY2020 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 17 to the Financial Statement on page 110 of this Annual Report. The aggregate amount of fees paid or payable by the Group to the independent auditor for FY2020 amounted to S\$51,000 for audit services and S\$2,000 for non-audit services, namely for tax filing.

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 have 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 (taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority), 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. Accordingly, the AC is satisfied that Rule 712 and Rule 715 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 as the independent auditor for the Company's audit obligations for FY2021, at the forthcoming AGM.



CORPORATE GOVERNANCE REPORT

The AC does not comprise former partners or directors of the Company's existing audit firm or auditing corporation (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

In the review of the financial statements, the AC 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 AC:

Matters considered	How the AC reviewed these matters and what decisions were made
Going concern issues	<p>The AC considered and assessed the Group's ability to repay its debts as and when they fall due.</p> <p>In assessing the Group's ability to repay its debts, the AC had considered whether the Group's available funds of S\$247,000 as at 31 December 2020 are able to cover the operating costs and liabilities for the next 12 months. The AC had determined the appropriateness of the going concern assumption, taking into consideration (i) the convertible loan agreements entered in FY2019 and January 2020; (ii) the placement of 12,500,000 new ordinary share in the capital of the Company for an aggregate amount of S\$500,000 on 30 June 2020; and (iii) the settlement of the Company's liabilities through share-based payment. The AC had determined that the Group's ability to continue as a going concern would depend on additional sources of funding raised from non-related investors during the financial year.</p> <p>The independent auditor had expressed a disclaimer of opinion on the going concern of the Group and the Company in its independent auditor's report for FY2020. Please refer to page 65 of the Annual Report.</p>



CORPORATE GOVERNANCE REPORT

Matters considered

Investment in a joint venture

How the AC reviewed these matters and what decisions were made

The AC considered the appropriateness of the accounting treatment and disclosure over the investment in a joint venture in the financial statements of the Group for FY2020.

The AC had reviewed the Management's assessment on the investment in the joint venture, Grand Bay which is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any. The AC agreed with the Management's accounting treatment to recognise the Group's share of losses of Grand Bay for the financial year ended 31 December 2020 based on the unaudited management account of the Grand Bay.

The independent auditor had expressed a disclaimer of opinion on the investment in a joint venture in its independent auditor's report for FY2020. Please refer to page 66 of this Annual Report.

Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy. The policy encourages employees and any other person 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. Employees of the Company are aware of the whistle-blowing policy and have access to the Directors' and key management's contacts such as email address and telephone number to provide any feedback. External parties can raise their concerns through the email address, enquiry@mercuriuscapital.com as provided on the Company's corporate website at www.mercuriuscapital.com.

The AC oversees the administration of the policy and for independent investigations to be carried out, if required, and for the appropriate follow-up action to be taken. 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. There were no whistleblowing reports received by the AC in FY2020.

Internal Audit

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 is still in its early stages and had not generated any revenue as at the date of this 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.



CORPORATE GOVERNANCE REPORT

To ensure adequacy of the internal audit function, the AC meets on a regular basis to review this function. In FY2020, the AC had reviewed the audit plans and the findings of the independent auditor, which included reviews on the accounting and internal control systems of the operating subsidiaries. The AC will ensure that the Management addresses the management 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 ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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 a material impact on the share price of the Company, so as to enable Shareholders to make informed decisions in respect of their investments in the Company.

The annual general meeting of the Company provides a principal forum for dialogue and interaction with Shareholders. Participation of Shareholders is encouraged at the Company's general meetings. Shareholders are informed of general meetings through Company's announcements and press releases via SGXNET, as well as through reports/circulars sent to all Shareholders. These notices are also published on the Company's corporate website. In FY2020, due to the COVID-19 pandemic, the Company's AGM (in respect of FY2019) was held by way of electronic means, through "live webcast" and "audio-only" means. The Company also published a Letter to shareholders, together with the Notice of the AGM, detailing the alternative arrangements for each of the AGM. Voting at the AGM was by proxy only, with Shareholders who wished to vote appointing the Chairman of each general Meeting as their proxy. Shareholders participated in the AGM via electronic means, and their questions in relation to any resolution set out in the said Notices of AGM via electronic means were sent to the Company in advance of each general meeting. There was no question received from the Shareholders, in respect of the FY2019 AGM.

Each item of business is in separate resolutions and will be accompanied by the relevant explanatory notes where required, to enable the Shareholders to understand the nature and effect of the proposed resolutions.



CORPORATE GOVERNANCE REPORT

Resolutions are separately tabled at general meetings of Shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are “bundled”, the Company will explain the reasons and the material implications in the notice of meeting. The Company will put all resolutions to vote by poll and announce the results on SGXNET on the same day, showing the number of votes cast for and against each resolution and the respective percentages.

The Constitution allows members of the Company to appoint up to two proxies to attend and vote on his/her behalf at the AGMs of the Company through proxy forms sent in advance. There is no provision in the Constitution that limits the number of proxies for nominee companies.

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

The Company has not amended the Constitution to provide for absentia voting method. As the authentication of Shareholders’ 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, noting Shareholders’ ability to vote through proxy forms.

All Directors, key management personnel, the Company’s independent auditor and if necessary, the Company’s lawyers, attend the general meeting of the Company. The respective Chairman of the AC, NC and RC are usually present at such general meetings to address questions relating to the work of their respective Board Committees at general meetings while the independent auditor are present to address Shareholders’ queries about the conduct of audit and the preparation and content of the auditor’s report. All Directors were present virtually at the AGM which was held on 25 June 2020.

At the AGM, 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 Shareholders are recorded in the minutes books of the Company. The Company will publish the minutes of general meetings of Shareholders, prepared by the Company Secretary, on SGXNET as well as its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and Management. In respect of the FY2019 AGM which was held on 25 June 2020, the Company had published the minutes of the FY2019 AGM on its corporate website and the SGXNET within one (1) month from the conclusion of FY2019 AGM.

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 as deemed appropriate by the Directors. The Company will not be declaring dividends as it was not profitable in FY2020.



CORPORATE GOVERNANCE REPORT

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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

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.

In presenting the quarterly and full year financial statements to Shareholders, the Board aims to provide Shareholders with a detailed and balanced analysis and explanation of the Group's financial position and performance.

The Management will provide all members of the Board with management accounts of the Group's performance, with explanatory details on its operations on a half-yearly basis at the minimum. 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 year 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. Financial results are reviewed by the AC before it is recommended for adoption by the Board. The financial results announcement is carefully reviewed by the Board and the AC before being released on the SGXNET. If required, the Group's independent auditor's views will be sought.

In line with the Catalist Rules, the Board provides a negative assurance statement to the Shareholders in its 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 will also sign a letter of undertaking pursuant to Rule 720(1) of the Catalist Rules.

The Group values dialogue with its Shareholders. The Group has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with its Shareholders and which sets out the mechanism through which Shareholders may contact the Company with questions and through which the Company may respond to such questions.



CORPORATE GOVERNANCE REPORT

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. Shareholders can reach out to the Company via the "Contact Us" section of the corporate website (<http://www.mercuriuscapital.com/contact-us.html>), which is monitored by the Management and Lead Independent Director of the Company.

Shareholders are strongly encouraged to participate at general meetings, which provide a major platform for Shareholders to engage in dialogue with the Company directly. To promote better understanding of Shareholders' views, the Board encourages Shareholders to express their views and ask the Board or the Management questions regarding the Group during the Company's general meetings. At these meetings, Shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. All Directors, key management personnel, the Company's independent auditor and if necessary, the Company's lawyers, attend the general meetings. General meetings provide excellent opportunities for the Company to understand the views of its Shareholders and address any concerns that they may have.

MANAGING STAKEHOLDER RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs of material stakeholders, as part of its overall responsibility to secure the long-term future of the Company. The Company continuously seeks to improve communication with its stakeholders via various engagement platforms and communication channels.

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups, including engaging with stakeholders via its sustainability reports. Key concerns of stakeholders and the Company's strategy and key areas of focus in relation to the management of stakeholder relationships can be found in the Sustainability Report section of this Annual Report.

The Company maintains an updated corporate website (www.mercuriuscapital.com) to keep stakeholders informed with the Company's developments and to serve as a platform to gather stakeholders' feedback. The Company's profile, latest news and announcements can be accessed on its corporate website. The Company may conduct media interviews or briefings sessions to engage stakeholders when opportunities present themselves.



CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors, Management and officers of the Group. This internal code is modelled on the Catalist Rules relating to dealings in securities and is regularly disseminated to the Directors, Management and officers of the Group. The Directors, 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 (a) during the periods commencing two weeks before the announcement of the Group's quarterly financial results for the first three quarters of its financial year and one month before the announcement of the Group's full year financial results and ending on the date of announcement of such financial results, or (b) 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 into to ensure that the relevant rules under Chapter 9 of the Catalist Rules are complied with. The Company has established an internal policy, setting out the procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on normal commercial terms, 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 IPTs 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 FY2020.

MATERIAL CONTRACTS

Save as set out below, there were no material contracts entered into between the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling Shareholder, which were 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.

Mr Chang Wei Lu, the Company's Executive Chairman and CEO, had extended an unsecured, interest-free advancement of S\$500,000 for working capital in August 2019. There are no repayment terms specified for the advancement. As at 31 December 2020 and as at the date of this annual report, S\$300,000 remained outstanding.



CORPORATE GOVERNANCE REPORT

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees paid to Novus Corporate Finance Pte. Ltd. in FY2020.

USE OF PROCEEDS

On 3 January 2020, the Company entered into a convertible loan agreement with an investor whereby the investor provided a redeemable convertible loan of S\$0.8 million ("**3 Jan 2020 Convertible Loan**") to the Company. The use of the net proceeds from the 3 Jan 2020 Convertible Loan is as follows:

Intended uses	Amount allocated (S\$'000)	Amount allocated after Re-allocation (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Business and investments opportunities ⁽¹⁾	788	613	613	0
General working capital ⁽²⁾	0	175 ⁽³⁾	71	104
Total	788	788	684	104



CORPORATE GOVERNANCE REPORT

On 30 June 2020, the Company entered into a subscription agreement with an investor for an aggregate subscription amount of S\$500,000, convertible into 12,500,000 Placement Shares at an issue price of S\$0.04 per Placement Share (the "Placement"). The use of the net proceeds from the Placement is as follows:

Intended uses	Amount allocated (S\$'000)	Amount re-allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Business and investments acquisitions	184	0	0	0
General working capital ⁽²⁾	300	284	100	184
Re-payment of an interest-free advance from director made to the Company on 16 August 2019	0	200 ⁽⁴⁾	200	0
Total	484	484	300	184

Notes:-

- (1) Business and investment opportunities include the final instalment of the purchase price and expenses incurred in connection with the joint venture with Apex Development Public Company Limited and Grand Bay Hotel Co., Ltd. and opportunities in other property development projects as and when they arise.
- (2) General working capital includes day-to-day operating expenses for the Group such as professional fees, listing fees, staff cost and office expenses.
- (3) As announced on 1 March 2021, the Company had re-allocated approximately S\$175,000 that was initially allocated to business and investment opportunities to general working capital of the Company to repay its outstanding invoices when they become due instead of incurring further liabilities on them.
- (4) As announced on 1 March 2021, the Company had re-allocated approximately S\$184,000 and S\$16,000 that was initially allocated to business and investment acquisitions and general working capital respectively to re-payment of an interest-free advance from director made to the Company on 16 August 2019 so as to reduce its outstanding current liabilities.

The Company will make periodic announcements as and when the balance of the net proceeds of the 3 Jan 2020 Convertible Loan and the Placement is materially disbursed.



CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION – APPENDIX 7F OF THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F of the Catalist Rules relating to Mr. Chew Hai Chiene Hester Arthur 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 Directors	Mr. Chew Hai Chiene Hester Arthur (“Mr Chew”)	Mr. Chieng You Ping (“Mr Chieng”)
Date of appointment	25 July 2019	5 April 2017
Date of last re-appointment (if applicable)	25 June 2020	26 April 2019
Age	59	63
Country of principal residence	Thailand	Malaysia
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Chew as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Chew’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	No	No
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Lead Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Nominating Committee.	Independent Non-Executive Director and a member of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee.
Professional qualifications	No	No



CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chew Hai Chiene Hester Arthur ("Mr Chew")	Mr. Chieng You Ping ("Mr Chieng")
Working experience and occupation(s) during the past 10 years	<p>McThai Co., Ltd. – Vice-Chairman (Current)</p> <p>Ronald McDonalds' House Charity – Director (Current)</p> <p>Hester Chew & Associates Consultancy Pte. Ltd. – Principal Partner (Current)</p>	<p>Panorama Bina Sdn. Bhd. – Executive Director (Current)</p> <p>Entiara Jaya Sdn. Bhd. – Director (Current)</p> <p>Top Edge Bricks Factory Sdn. Bhd. – General Manager (Current)</p> <p>Sin Matu Shipyard Sdn. Bhd. – Executive Director (Current)</p> <p>Sin Matu Sdn. Bhd. – Managing Director (Current)</p>
Shareholding interest in the listed issuer and its subsidiaries	2,500,000 issued and fully paid shares of the Company, approximately 0.19% of the total issued share capital	No
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	No	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



CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chew Hai Chiene Hester Arthur ("Mr Chew")	Mr. Chieng You Ping ("Mr Chieng")
Past (for the last 5 years)	<p>Directorships:</p> <p>Major Cineplex Group Public Company Limited</p> <p>Eastern Printing Public Company Limited</p> <p>Oishi Group Public Company Limited</p> <p>Principal Commitment (other than Directorships):</p> <p>Nil</p>	<p>Directorships:</p> <p>Million Fuel Injection Pumps Service Sdn. Bhd.</p> <p>United Medicare Pte. Ltd.</p> <p>Principal Commitment (other than Directorships):</p> <p>Nil</p>
Present	<p>Directorships:</p> <p>McThai Co., Ltd.</p> <p>Ronald McDonalds' House Charity</p> <p>Asia Food Consolidation Service Pte. Ltd.</p> <p>Hester Chew & Associates Consultancy Pte. Ltd.</p> <p>Principal Commitment (other than Directorships):</p> <p>Nil</p>	<p>Directorships:</p> <p>Sin Matu Sdn. Bhd.</p> <p>Sin Matu Realty Sdn. Bhd.</p> <p>Sin Matu Shipyard Sdn. Bhd.</p> <p>Double Power Sdn. Bhd.</p> <p>Sin Matu Enterprise Sdn. Bhd.</p> <p>Syarikat Lista Sdn. Bhd.</p> <p>Quantity Plus Sdn. Bhd.</p> <p>Top Edge Bricks Factory Sdn. Bhd.</p> <p>Entiara Jaya Sdn. Bhd.</p> <p>Limbang Furniture Sdn. Bhd.</p> <p>Fortunage Development Sdn. Bhd.</p> <p>Saujana Asas Sdn. Bhd.</p> <p>Panaroma Bina Sdn. Bhd.</p> <p>ACG Holdings Sdn. Bhd.</p> <p>GCA Capital Sdn. Bhd.</p> <p>JBL Capital Sdn. Bhd.</p> <p>Principal Commitment (other than Directorships):</p> <p>Nil</p>



CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chew Hai Chiene Hester Arthur ("Mr Chew")	Mr. Chieng You Ping ("Mr Chieng")
(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
(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



CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chew Hai Chiene Hester Arthur ("Mr Chew")	Mr. Chieng You Ping ("Mr Chieng")
(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 Directors	Mr. Chew Hai Chiene Hester Arthur ("Mr Chew")	Mr. Chieng You Ping ("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



CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chew Hai Chiene Hester Arthur ("Mr Chew")	Mr. Chieng You Ping ("Mr Chieng")
(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
(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	No	No



CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chew Hai Chiene Hester Arthur ("Mr Chew")	Mr. Chieng You Ping ("Mr Chieng")
<p>(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,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>		
<p>(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?</p>	No	No



DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2020 and the statement of financial position of the Company as at 31 December 2020.

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 69 to 124 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 2020 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 4 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
Wong Leong Chui
Chieng You Ping
Chew Hai Chiene Hester Arthur

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' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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, direct or deemed, in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		
	<u>At 21.1.2021</u>	<u>At 31.12.2020</u>	<u>At 1.1.2020</u>
The Company			
<u>(No. of ordinary shares)</u>			
Chang Wei Lu	328,041,534	328,041,534	328,041,534
Chew Hai Chiene Hester Arthur	<u>2,500,000</u>	<u>2,500,000</u>	<u>-</u>

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 beginning and end of the financial year.

Share options

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

No shares have been 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:

- Chew Hai Chiene Hester Arthur (Chairman)
- Wong Leong Chui
- Chieng You Ping



DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Audit committee (Continued)

All members of the Audit Committee are non-executive independent directors.

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 2020 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;
- transactions falling 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 statutory audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements; and
- the independence and objectivity 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.



DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

.....
Wong Leong Chui
Director

30 March 2021



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying consolidated 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 2020, 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.

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

Bases for Disclaimer of Opinion

1. Going concern

As disclosed in Note 4 to the financial statements, the Group has incurred a net loss of \$1,989,000 for the financial year ended 31 December 2020 and, as of that date, the Group and the Company are in net current liabilities of \$4,196,000 and \$4,110,000 respectively. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

The directors of the Company believe that the going concern basis of preparation of the financial statements is appropriate, having considered the unrestricted cash balances of the Group and the Company of \$247,000 and \$240,000 as at 31 December 2020 respectively. In addition, the Company has obtained an undertaking letter from a director to ascertain sufficient cash balances in the Group and the Company prior to demanding for payment of outstanding payables of \$300,000 in the financial year ending 31 December 2021, and signed supplementary letter with all convertible loan holders (the "investors") in respect of convertible loan agreements amounting to \$3,813,000 (the "agreements") that the investors agreed to extend the maturity date of the agreements to 12 June 2021, 22 June 2021 and 2 July 2021 respectively.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Bases for Disclaimer of Opinion (Continued)

1. Going concern (Continued)

The ability of the Group and the Company to continue as going concerns also depend on the abilities of the Group and the Company to source for additional fund to settle/discharge their remaining current liabilities in the next twelve months from the end of financial year and it is uncertain as to when the Group and the Company will be able to raise further funds through any fund raising exercise.

The financial statements have been prepared on going concern basis based on the above assumptions which are premised on future events and market conditions, the outcome of which is inherently uncertain. Therefore, we are unable to obtain sufficient audit evidence to be able to form an opinion as to whether the going concern basis of preparation of the accompanying financial statements of the Group and the Company is appropriate.

In the event that the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustments which may arise from these uncertainties.

2. Investment in a joint venture

The Group accounts for its investment in a joint venture, Grand Bay Hotel Co., Ltd ("Grand Bay"), using the equity method as described in Note 2.2(c) to the financial statements.

We understand that for the purpose of consolidation, management has used the unaudited management accounts of Grand Bay for the financial year ended 31 December 2020 to equity account for Grand Bay in the consolidated financial statements of the Group.

We are unable to obtain sufficient appropriate audit evidence to ascertain that the unaudited management accounts present a true and fair view with no material misstatement and as such we are unable to ascertain the share of losses of Grand Bay and the carrying amount of the investment in the joint venture due to the absence of satisfactory audit evidence and explanation from management.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Bases for Disclaimer of Opinion (Continued)

2. Investment in a joint venture (Continued)

Due to the limitation in the scope of our work, we are unable to determine if the share of losses of Grand Bay and the carrying value of Grand Bay are appropriately stated for the financial year ended 31 December 2020.

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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

We are independent of the Company 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.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Bases for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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 Titus Kuan Tjian.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

30 March 2021



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
ASSETS					
Current assets					
Cash and cash equivalents		247	1,290	240	1,282
Trade and other receivables	5	57	7,662	107	7,700
Income tax recoverable	20(b)	1	1	-	-
		305	8,953	347	8,982
Non-current assets					
Investments in subsidiary corporations	6	-	-	*	*
Investment in a joint venture	7	8,219	-	9,260	-
Property, plant and equipment	8	35	48	35	48
Right-of-use assets	9	234	382	234	382
		8,488	430	9,529	430
TOTAL ASSETS		8,793	9,383	9,876	9,412
LIABILITIES					
Current liabilities					
Trade and other payables	10	525	762	481	719
Lease liabilities	11	163	144	163	144
Convertible loans	12	3,813	2,537	3,813	2,537
		4,501	3,443	4,457	3,400
Non-current liabilities					
Lease liabilities	11	91	241	91	241
TOTAL LIABILITIES		4,592	3,684	4,548	3,641
NET ASSETS		4,201	5,699	5,328	5,771
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	141,277	140,399	141,277	140,399
Other reserves	14	(1,522)	(1,135)	805	938
Accumulated losses	15	(135,559)	(133,571)	(136,754)	(135,566)
		4,196	5,693	5,328	5,771
Non-controlling interests	6	5	6	-	-
TOTAL EQUITY		4,201	5,699	5,328	5,771

* 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 2020

	Note	2020 \$'000	2019 \$'000
Other income, net	16	68	46
Expenses:			
- Administrative	17	(717)	(1,324)
- Finance	19	(563)	(46)
Share of loss of joint venture	7	(777)	-
Loss before income tax		(1,989)	(1,324)
Income tax expense	20(a)	-	(2)
Net loss		(1,989)	(1,326)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
- Share of other comprehensive loss of joint venture	14(b)	(264)	-
- Currency translation gains/(losses) arising from consolidation	14(b)	10	(7)
Other comprehensive loss, net of tax		(254)	(7)
Total comprehensive loss		(2,243)	(1,333)
Net loss attributable to:			
Equity holders of the company		(1,988)	(1,325)
Non-controlling interests		(1)	(1)
		(1,989)	(1,326)
Total comprehensive loss attributable to:			
Equity holders of the company		(2,242)	(1,332)
Non-controlling interests		(1)	(1)
		(2,243)	(1,333)
Losses per share attributable to equity holders of the Company (cents per share)			
Basic and diluted losses per share	21	(0.15)	(0.11)

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to equity owners of the Company						
	Share capital \$'000	Other reserves \$'000	Equity component of convertible loans \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Group 2020							
Beginning of financial year	140,399	(1,387)	252	(133,571)	5,693	6	5,699
Loss for the financial year	-	-	-	(1,988)	(1,988)	(1)	(1,989)
Other comprehensive loss for the financial year	-	(254)	-	-	(254)	-	(254)
Total comprehensive loss for the financial year	-	(254)	-	(1,988)	(2,242)	(1)	(2,243)
Issuance of new ordinary shares (Note 13)	500	-	-	-	500	-	500
Share-based payment (Notes 13 and 14(a))	378	(206)	-	-	172	-	172
Equity components of convertible loans (Notes 12 and 14(c))	-	-	73	-	73	-	73
End of financial year	141,277	(1,847)	325	(135,559)	(4,196)	5	(4,201)
2019							
Beginning of financial year	133,182	(2,066)	1,143	(132,172)	87	7	94
Loss for the financial year	-	-	-	(1,325)	(1,325)	(1)	(1,326)
Other comprehensive loss for the financial year	-	(7)	-	-	(7)	-	(7)
Total comprehensive loss for the financial year	-	(7)	-	(1,325)	(1,332)	(1)	(1,333)
Issuance of new ordinary shares (Note 13)	5,500	-	-	-	5,500	-	5,500
Conversion of convertible loans (Notes 13 and 14(c))	1,717	-	(1,717)	-	-	-	-
Share-based payment (Note 14(a))	-	686	-	-	686	-	686
Equity components of convertible loans (Notes 12 and 14(c))	-	-	252	-	252	-	252
Convertible loans classified as equity (Note 14 (c))	-	-	500	-	500	-	500
Interest on convertible loans classified as equity (Note 14(c))	-	-	74	(74)	-	-	-
End of financial year	140,399	(1,387)	252	(133,571)	5,693	6	5,699

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



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Net loss		(1,989)	(1,326)
Adjustments for:			
- Depreciation of property, plant and equipment	17	13	8
- Depreciation of right-of-use assets	17	148	62
- Income tax expense	20	-	2
- Interest expense	19	563	46
- Share-based payment expenses	14(a)	172	686
- Rent concession	16	(26)	-
- Share of loss of joint venture	7	777	-
- Unrealised currency translation losses/(gains)		10	(5)
		(332)	(527)
Change in working capital:			
- Trade and other receivables		24	(27)
- Trade and other payables		(237)	570
Cash (used in)/generated from operations		(545)	16
Interest paid		(14)	(7)
Net cash (used in)/provided by operating activities		(559)	9
Cash flows used in investing activities			
Partial payments for investment in a joint venture	5	(1,679)	(7,581)
Additions to property, plant and equipment	8	-	(54)
Net cash used in investing activities		(1,679)	(7,635)
Cash flows from financing activities			
Proceeds from convertible loans	12, 14(c)	800	3,250
Proceeds from issuance of new ordinary shares	13	500	5,500
Repayment of lease liabilities		(105)	(59)
Net cash provided by financing activities		1,195	8,691
Net (decrease)/increase in cash and cash equivalents		(1,043)	1,065
Cash and cash equivalents			
Beginning of financial year		1,290	225
End of financial year		247	1,290



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Reconciliation of liabilities arising from financing activities

	1 January 2020 \$'000	Proceeds received \$'000	Principal and interest payment \$'000	Non-cash movement			31 December 2020 \$'000
				Rent concession \$'000	Interest expense \$'000	Equity components '000	
Convertible loans	2,537	800	-	-	549	(73)	3,813
Lease liabilities	385	-	(119)	(26)	14	-	254

	1 January 2019 \$'000	Proceeds received \$'000	Principal and interest payment \$'000	Non-cash movement			31 December 2019 \$'000
				Adoption of SFRS(I) 16 \$'000	Interest expense \$'000	Equity components '000	
Convertible loans	-	3,250	-	-	39	(752)	2,537
Lease liabilities	-	-	(66)	444	7	-	385

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 6 Shenton Way, #42-04 OUE Downtown 1, Singapore 068809.

The principal activities of the Company are property development and property investment. The principal activities of the subsidiary corporations are set out in Note 6 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 3 and 4 to the financial statements.

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

Coronavirus (COVID-19) Impact

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movements controls and other measures imposed by the various governments. The Group's significant operations are in Singapore and Thailand, which have been affected by the spread of COVID-19 in 2020.

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the financial year ended 31 December 2020:

- i. The Group had assessed that the going concern basis of preparation for this set of financial statements remains appropriate subject to the going concern assumptions and measures as set out in Note 4 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Coronavirus (COVID-19) Impact (Continued)

- ii. The Group had considered the market conditions including the impact of COVID-19 as at the reporting date, in making estimates and judgements on the recoverability of assets as at 31 December 2020.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021. If the situation persists beyond management's current expectations, the Group's assets may be subject to further write downs in the subsequent financial periods.

Interpretations and amendments to published standards effective in 2020

On 1 January 2020, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Early adoption of amendment to SFRS(I) 16 Leases

The Group has elected to early adopt the amendments to SFRS(I) 16 which introduced a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification, if all the following conditions are met:

- i. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- ii. Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- iii. There is no substantive change to other terms and conditions of the lease.

The Group has elected to apply this practical expedient to all property leases. As a result of applying the practical expedient, rent concessions of \$26,000 (Note 16) was recognised as other income in the profit or loss during the year.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting (Continued)

(a) *Subsidiary corporations* (Continued)

(ii) *Acquisitions* (Continued)

Acquisition-related costs are expensed as incurred.

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 and joint venture" 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 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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) *Joint venture*

Joint venture is entity over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entity.

Investment in joint venture is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investments in joint venture is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on joint venture represents the excess of the cost of the acquisition of the joint venture over the Group's share of the fair value of the identifiable net assets of the joint venture and is included in the carrying amount of the investments.

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its joint venture's post-acquisition profits or losses of the investees' profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from joint venture is recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in a joint venture equals to or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting (Continued)

(c) *Joint venture* (Continued)

(ii) *Equity method of accounting* (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investments in joint venture is derecognised when the Group loses joint control. If the retained equity interest in the former joint venture is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained equity interest at the date when joint control is lost and its fair value and any proceeds on partial disposal is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and joint venture" for the accounting policy on investment in a joint venture in the separate financial statements of the Company.

2.3 Investments in subsidiary corporations and joint venture

Investments in subsidiary corporations and joint venture 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.

2.4 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(a) *Measurement* (Continued)

(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:

	<u>Useful lives</u>
Office equipment	5 years
Renovation	3 years
Office unit	3 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.

(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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(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".

2.5 Impairment of non-financial assets

Property, plant and equipment

Right-of-use assets

Investments in subsidiary corporations and joint venture

Property, plant and equipment, right-of-use assets, investments in subsidiary corporations and joint venture 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 cash-generating units ("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 if, and 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 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets

(a) *Classification and measurement*

The Group classifies its financial assets at 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.

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. Note 23(b) details how the Group determines whether there has been a significant increase in credit risk.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (Continued)

(b) *Impairment* (Continued)

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9 *Financial Instruments* 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.

2.7 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.

2.8 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2.9 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.

2.10 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.

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.

2.11 Convertible loans

Convertible loans 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.

(a) *Compound financial instruments*

The total proceeds from convertible loans 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 loans. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the loans.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Convertible loans (Continued)

(a) *Compound financial instruments* (Continued)

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.

(b) *Equity instruments*

A financial instrument is an equity instrument, if, the instrument includes no contractual obligation to (i) deliver cash or another financial asset 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. Transaction costs of an equity transaction shall be accounted for as a deduction from equity.

2.12 Leases

When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases (Continued)

When the Group is the lessee (Continued)

(i) *Right-of-use assets*

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

This right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(ii) *Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases (Continued)

(ii) *Lease liabilities* (Continued)

For a contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) *Short term and low value leases*

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Share-based payment

The Group issues equity-settled share-based payment to certain employee and non-employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 14(a) to the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. As at each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

2.14 Revenue recognition

(a) *Interest income*

Interest income is recognised using the effective interest method.

(b) *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 over time based on the duration of 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 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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 and joint venture, 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 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

2.17 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 ("S\$"), 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Currency translation (Continued)

(b) *Transactions and balances* (Continued)

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.

(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 with loss of control of the foreign operation.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

2.19 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.

2.20 Dividends to Company's shareholders

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

2.21 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.

2.22 Borrowing costs

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under circumstances.

Convertible loans

On 3 January 2020, the Company entered into a convertible loan agreement (the "Agreement") with one non-related investor (the "Investor") for a loan amount of \$800,000 which are subject to annual interest rate of 10%. This convertible loan can be converted up to 8,000,000 new ordinary shares in the capital of the Company at the option of the Investor, subject to the terms and conditions of the Agreement.

This convertible loan is hybrid financial instruments which have been classified and measured as financial liabilities with equity element based on the requirements of SFRS(I) 1-32 *Financial Instruments: Presentation* and SFRS(I) 9 *Financial Instruments*.

The valuation and accounting treatment of the convertible loan is complex areas and require the use of judgements and estimates. The separation of the equity element from the liability element of a convertible loan would involve a significant degree of judgement and the determination of the fair value for the convertible loan involves significant degree of estimation uncertainty in assessing the appropriateness of the valuation methodology to be applied and the reasonableness of discount rate applied in the valuation.

The carrying amount of the liability component of the convertible loans on initial recognition and the end of financial year is disclosed in Note 12 to the financial statements.

4. GOING CONCERN

During the financial year ended 31 December 2020, the Group has incurred a net loss of \$1,989,000 (2019: \$1,326,000). In addition, the Group and the Company are in net current liabilities of \$4,196,000 and \$4,110,000 respectively as at 31 December 2020 (2019: \$2,071,000 and \$1,999,000 (excluding partial payments made for an investment in a joint venture of \$7,581,000 as disclosed in Note 5 to the financial statements)). These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns and discharge their liabilities in the ordinary course of business.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4. GOING CONCERN (CONTINUED)

Nonetheless, the directors of the Company believe that the use of the going concern assumption in the preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2020 is appropriate in view that the unrestricted available cash balances of the Group and the Company as at 31 December 2020 of \$247,000 and \$240,000 respectively are considered to be sufficient to meet the Group's and the Company's obligations for the next twelve months from the end of the financial year after taking into consideration the followings:

- An undertaking letter obtained from a director for not demanding for payment of outstanding payables of \$300,000 in the financial year ending 31 December 2021;
- The supplementary letter signed with all convertible loan holders (the "investors") in respect of convertible loan agreements amounting to \$3,813,000 (the "agreements") that the investors agreed to extend the maturity date of the agreements to 12 June 2021, 22 June 2021 and 2 July 2021 respectively; and
- The ability of the Group and the Company to obtain additional fund through future placement of shares and/or convertible loans to settle/discharge their remaining current liabilities in the next twelve months from the end of financial year.

The ability of the Group and the Company to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due is dependent on the actions undertaken as disclosed above. In the event that the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustments which may arise from these uncertainties.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables				
- Non-related parties	20	20	-	-
- Subsidiary corporations	-	-	133	133
	20	20	133	133
Less: Allowance for impairment of trade receivables (Note 23(b))				
- Non-related parties	(20)	(20)	-	-
- Subsidiary corporations	-	-	(133)	(133)
	(20)	(20)	(133)	(133)
Trade receivables - net	-	-	-	-
Other receivables				
- Non-related parties	795	815	795	811
- Subsidiary corporations	-	-	850	841
	795	815	1,645	1,652
Less: Allowance for impairment of other receivables (Note 23(b))				
- Non-related parties	(786)	(786)	(785)	(785)
- Subsidiary corporations	-	-	(800)	(800)
	(786)	(786)	(1,585)	(1,585)
Other receivables - net	9	29	60	67
Deposits	48	52	47	52
Partial payments for investment in a joint venture (Note 7)	-	7,581	-	7,581
	57	7,662	107	7,700

The other 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 2020

6. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2020	2019
	\$'000	\$'000
<i>Equity investments at cost</i>		
Beginning and end of financial year	7,560	7,560
<i>Allowance for impairment</i>		
Beginning and end of financial year	7,560	7,560
Net carrying amount	*	*

* Less than \$1,000

Details of the subsidiary corporations as at 31 December 2020 and 2019 are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity interest held by the Group	
			2020	2019
			%	%
Held by the Company:				
Friven & Co. Singapore Pte. Ltd. ^(a)	Dormant	Singapore	100	100
Friven (Malaysia) Sdn. Bhd. ^(b)	Dormant	Malaysia	100	100
Vicmark Manufacturing Sdn. Bhd. ^(b)	Dormant	Malaysia	100	100
Mercurius Capital Sdn. Bhd. ^(c)	Investment holding	Malaysia	100	100
Mayfran International (Shanghai) Co., Ltd. ^(d)	Dormant	People's Republic of China	100	100
PT Friven Lifestyle ^(d)	Dormant	Indonesia	90	90
Held by Friven (Malaysia) Sdn. Bhd.:				
Friven & Co. Lifestyle Sdn. Bhd. ^(b)	Dormant	Malaysia	100	100
Held by Mercurius Capital Sdn. Bhd.:				
Mercurius HM Realty Sdn. Bhd. ^(c)	Property investment and property development	Malaysia	60	60

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

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

(c) Audited by WHLK Chartered Accountants, Malaysia and in the process of strike off.

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Carrying value of non-controlling interests

	Group	
	2020 \$'000	2019 \$'000
PT Friven Lifestyle	8	8
Mercurius HM Realty Sdn. Bhd.	(3)	(2)
End of financial year	5	6

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

7. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Beginning of financial year	-	-	-	-
Additions	9,260	-	9,260	-
Share of losses (Note 20(a))	(777)	-	-	-
Currency translation differences	(264)	-	-	-
End of financial year	8,219	-	9,260	-

Set out below is the joint venture of the Group as at 31 December 2020 and 2019:

Name of companies	Principal activities	Country of business/ incorporation	Equity interest held by the Group	
			2020 %	2019 %
Grand Bay Hotel Co., Ltd ^(a)	Real Estate Development	Thailand	50	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7. INVESTMENT IN A JOINT VENTURE (CONTINUED)

(a) Audited by PricewaterhouseCoppers ABAS Ltd., Thailand

The Group has diversified its business into property development and property investment since financial year ended 31 December 2017 and has on 12 June 2019, entered into joint venture agreement ("JVA") with Apex Development Public Company Limited ("Apex") and Grand Bay Hotel Co., Ltd ("Grand Bay"). However, as the Group had only settled a consideration for 20% of its interest in Grand Bay amounting to \$7,581,000 as at 31 December 2019, the Company has not fulfilled its obligations under the JVA and has not obtained its joint control over Grand Bay based on the terms and conditions set out in the JVA, accordingly the partial payment made of \$7,581,000 has been classified as an asset under trade and other receivables as at 31 December 2019 (Note 5).

On 7 January 2020, the Group settled the consideration for the remaining 30% of its interest in Grand Bay of \$1,679,000, pursuant to which the Group held 50% shareholding interest in total and obtained its joint control over Grand Bay based on the terms and conditions set out in the JVA. Consequently, Grand Bay became a joint venture of the Group.

The Group has joint control over Grand Bay under the contractual agreement with Apex, unanimous consent is required from both parties for all relevant activities. The contractual agreement provides the Group and Apex with rights to the net assets of Grand Bay. Therefore, the investment in Grand Bay is classified as a joint venture. There are no contingent liabilities relating to the Group's interest in the joint venture.

Summarised financial information for joint venture

Set out below is the summarised financial information for Grand Bay.

Summarised statement of financial position

	Grand Bay 2020 \$'000
Current assets	15,693
Includes:	
- Cash and cash equivalents	1
Current liabilities	(2,346)
Non-current assets	9
Net assets	13,356



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Summarised financial information for joint venture (Continued)

Summarised statement of comprehensive income

	Grand Bay 2020 \$'000
Interest income	*
Expenses	(1,554)
Includes:	
– Interest expense	(1,514)
Loss before income tax	(1,554)
Income tax expense	–
Net loss, representing total comprehensive loss	<u>(1,554)</u>

* Less than \$1,000

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in the joint venture is as follows:

	Grand Bay 2020 \$'000
Net assets	<u>13,356</u>
Group's equity interest	50%
Group's share of net assets	6,678
Goodwill	<u>1,541</u>
Carrying value	<u>8,219</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

8. PROPERTY, PLANT AND EQUIPMENT

	Office equipment \$'000	Renovation \$'000	Total \$'000
Group			
2020			
Cost			
Beginning and end of financial year	<u>80</u>	<u>25</u>	<u>105</u>
Accumulated depreciation			
Beginning of financial year	55	2	57
Depreciation charge (Note 17)	<u>4</u>	<u>9</u>	<u>13</u>
End of financial year	<u>59</u>	<u>11</u>	<u>70</u>
Net book value			
End of financial year	<u>21</u>	<u>14</u>	<u>35</u>
2019			
Cost			
Beginning of financial year	55	–	55
Additions	29	25	54
Disposal	<u>(4)</u>	<u>–</u>	<u>(4)</u>
End of financial year	<u>80</u>	<u>25</u>	<u>105</u>
Accumulated depreciation			
Beginning of financial year	51	–	51
Depreciation charge (Note 17)	6	2	8
Disposal	<u>(2)</u>	<u>–</u>	<u>(2)</u>
End of financial year	<u>55</u>	<u>2</u>	<u>57</u>
Net book value			
End of financial year	<u>25</u>	<u>23</u>	<u>48</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment \$'000	Renovation \$'000	Total \$'000
Company			
2020			
Cost			
Beginning and end of financial year	66	25	91
Accumulated depreciation			
Beginning of financial year	41	2	43
Depreciation charge	4	9	13
End of financial year	45	11	56
Net book value			
End of financial year	21	14	35
2019			
Cost			
Beginning of financial year	38	-	38
Additions	29	25	54
Disposal	(1)	-	(1)
End of financial year	66	25	91
Accumulated depreciation			
Beginning of financial year	36	-	36
Depreciation charge	6	2	8
Disposal	(1)	-	(1)
End of financial year	41	2	43
Net book value			
End of financial year	25	23	48



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9. RIGHT-OF-USE ASSETS

The Company leases office premise for a contractual period of three years.

	Office unit \$'000
Group and Company	
2020	
Cost	
Beginning and end of financial year	444
Accumulated depreciation	
Beginning of financial year	62
Depreciation charge (Note 17)	148
End of financial year	210
Net book value	
End of financial year	234
2019	
Cost	
Beginning of financial year	-
Additions	444
End of financial year	444
Accumulated depreciation	
Beginning of financial year	-
Depreciation charge (Note 17)	62
End of financial year	62
Net book value	
End of financial year	382

The interest expense incurred on lease liabilities for the financial year ended 31 December 2020 was \$14,000 (2019: \$7,000) (Note 19).

The total cash outflow of leases (including interest paid) for the financial year ended 31 December 2020 was \$145,000 (2019: \$66,000).

Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9. RIGHT-OF-USE ASSETS (CONTINUED)

The lease for office premise contains extension option, for which the related lease payments had not been included in lease liabilities as the Company is not reasonably certain to exercise this extension option. The extension option is exercisable by the Company and not by the lessor.

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade payables				
- Non-related parties	3	3	-	-
- Subsidiary corporations	-	-	1	1
	3	3	1	1
Other payables				
- Non-related parties	133	128	110	113
- Directors	300	530	300	530
	433	658	410	643
Accruals for operating expenses				
- Employment compensation	9	10	9	5
- Other operating expenses	80	102	61	70
	89	112	70	75
	525	762	481	719

The other payables to directors are unsecured, interest-free and are payable on demand.

11. LEASE LIABILITIES - THE GROUP AND THE COMPANY AS A LESSEE

Lease liabilities are presented in the statement of financial position as follows:

	Group and Company	
	2020 \$'000	2019 \$'000
Current	163	144
Non-current	91	241
Total	254	385



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

12. CONVERTIBLE LOANS

On 29 March 2019, the Company entered into a convertible loan agreement with two investors for an aggregate loan amount of \$500,000 which is subject to annual interest rate of 8%. This convertible loan was converted into 13,000,000 new ordinary shares in the capital of the Company on 4 October 2019 (Note 14(c)(ii)).

On 13 and 23 December 2019, the Company entered into two convertible loan agreements (the "Agreements") with four non-related investors for an aggregate loan amount of \$2,750,000 which are subject to annual interest rate of 10%. These convertible loans are convertible up to 19,250,000 and 11,000,000 total amounting to 30,250,000 new ordinary shares (Note 21) in the capital of the Company at the option of the investors, subject to the terms and conditions of the Agreements.

On 3 January 2020, the Company entered into a convertible loan agreement with an investor for a loan amount of \$800,000 which is subject to annual interest rate of 10%. The convertible loan is convertible up to 8,800,000 new ordinary shares (Note 21) in the capital of the Company at the option of the investor, subject to the terms and conditions of the Agreements.

The fair value of the liability component is calculated using a market interest rate for an equivalent non-convertible loan at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves, net of deferred income taxes.

The carrying amount of the liability component of the convertible loans at the reporting date are derived as follows:

	Group and Company	
	2020	2019
	\$'000	\$'000
Face value of convertible loans at issuance	3,550	2,750
Equity conversion component on initial recognition (Note 14(c))	(325)	(252)
Liability component on initial recognition	3,225	2,498
Accumulated amortisation of interest expenses	588	39
Liability component at end of financial year	3,813	2,537



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares '000	Amount \$'000
2020		
Beginning of financial year	1,276,475	140,399
Issuance of new ordinary shares ¹	12,500	500
Share-based payment (Note 14(a))	8,389	378
End of the financial year	<u>1,297,364</u>	<u>141,277</u>
2019		
Beginning of financial year	1,114,009	133,182
Issuance of new ordinary shares ²	137,500	5,500
Conversion of convertible loan (Note 14(c))	24,966	1,717
End of the financial year	<u>1,276,475</u>	<u>140,399</u>

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 15 July 2020, the Company issued and allotted 12,500,000 new ordinary shares of the Company to a non-related party for an aggregate subscription amount of \$500,000 pursuant to a conditional placement agreement entered into by the Company with a non-related party on 30 June 2020. The newly issued shares rank pari passu in all aspects with the previously issued shares.

² On 18 July 2019, the Company issued and allotted an aggregate of 137,500,000 new ordinary shares of the Company to eleven non-related placees (the "Placees") for an aggregate subscription amount of \$5,500,000 pursuant to eleven separate conditional placement agreements entered into by the Company with the Placees on 12 June 2019. The newly issued shares rank pari passu in all aspects with the previously issued shares.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14. OTHER RESERVES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Composition:				
Share-based payment (Note (a))	480	686	480	686
Currency translation reserve (Note (b))	(2,327)	(2,073)	-	-
Equity component of convertible loans (Note (c))	325	252	325	252
	(1,522)	(1,135)	805	938

Other reserves are non-distributable.

(a) Share-based payment

	Group and Company	
	2020 \$'000	2019 \$'000
Beginning of financial year	686	-
Granted during the financial year	172	686
Issuance of shares pursuant to share-based payment (Note 13)	(378)	-
End of financial year	480	686

During the previous financial year, the Company has the following equity settled share-based payment arrangements:

- (i) On 25 July 2019, the Company entered into an agreement with a third party for an aggregate value of \$480,000 via the issuance of 10,000,000 new ordinary shares of the Company at a fair value price of \$0.048 per share as commission for the referral of the joint venture arrangement;
- (ii) On 25 July 2019 and 4 November 2019, the Company entered into a service agreement and a supplement letter respectively with one of the director of the Company for an aggregate value of \$112,500 via the issuance of 2,500,000 new ordinary shares of the Company at a fair value price of \$0.045 per share as director's fee. The shares were issued on 14 July 2020;



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14. OTHER RESERVES (CONTINUED)

(a) Share-based payment (Continued)

- (iii) On 26 July 2019 and 4 November 2019, the Company entered into an agreement and a supplement letter respectively with a third party for an aggregate value of \$225,000 via the issuance of 5,000,000 new ordinary shares of the Company at a fair value price of \$0.045 per share as appointment fee for acting as the advisor and member of the Company's investment committee for the Company's private equity fund. The shares were issued on 14 July 2020; and
- (iv) On 27 August 2019 and 4 November 2019, the Company entered into an agreement and a supplement letter respectively with a third party for an aggregate value of \$40,000 via the issuance of 889,000 new ordinary shares of the Company at a fair value price of \$0.045 per share as consultant fee. The shares were issued on 14 July 2020.

The fair value price of share is determined by the market price of the share as at each grant date and the share-based payment was recognised upon satisfaction of the services by each party as at the end of the previous financial year.

(b) Currency translation reserve

	Group	
	2020	2019
	\$'000	\$'000
Beginning of financial year	<u>(2,073)</u>	<u>(2,066)</u>
Currency translation gains/(losses) of financial statements of foreign subsidiary corporations	10	(7)
Currency translation losses of financial statements of foreign joint venture	<u>(264)</u>	<u>-</u>
End of financial year	<u>(2,327)</u>	<u>(2,073)</u>

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14. OTHER RESERVES (CONTINUED)

(c) Equity component of convertible loans

	Group and Company	
	2020	2019
	\$'000	\$'000
Beginning of financial year	252	1,143
Convertible loan – equity component	73	252
Convertible loans classified as equity (See Note (ii) below)	-	500
Interest on convertible loans classified as equity (Note 15)	-	74
Conversion to ordinary shares (Note 13)	-	(1,717)
End of financial year (Note 12)	325	252

- (i) On 17 March 2017, the Company entered into convertible loan 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.

On 29 March 2018 and 29 March 2019, the Company entered into a supplemental agreement with the non-related 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 loan agreements.

On 9 September 2019, the convertible loans and interest charged were converted into 11,966,000 new ordinary shares of the Company amounting to \$1,197,000 (Note 13).

- (ii) On 29 March 2019, the Company entered into a convertible loan agreement with two non-related investors for an aggregate loan amount of \$500,000 which are subject to annual interest of 8% and convertible up to 13,000,000 new ordinary shares in the capital of the Company, subject to the terms and conditions of the Agreement.

On 4 October 2019, the convertible loans and interest charged were converted into 13,000,000 new ordinary shares of the Company amounting to \$520,000 (Note 13).

The entire proceeds and interest charged on the above convertible loans for the financial year ended 31 December 2019 were 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14. OTHER RESERVES (CONTINUED)

(c) Equity component of convertible loans (Continued)

- (iii) On 3 January 2020, the Company entered into a convertible loan agreement with an investor for a loan amount of \$800,000 which is subject to annual interest rate of 10%. The convertible loan is convertible up to 8,800,000 new ordinary shares in the capital of the Company at the option of the investor, subject to the terms and conditions of the Agreements.

15. ACCUMULATED LOSSES

Movement in accumulated losses of the Company are as follows:

	Company	
	2020 \$'000	2019 \$'000
Beginning of financial year	(135,566)	(134,179)
Net loss	(1,188)	(1,313)
Interest on convertible loans classified as equity (Note 14(c))	-	(74)
End of financial year	<u>(136,754)</u>	<u>(135,566)</u>

16. OTHER INCOME, NET

	Group	
	2020 \$'000	2019 \$'000
Currency exchange (losses)/gains, net	(7)	5
Licensing fees income	-	25
Government grant	13	
Rent concession	26	-
Other	36	16
	<u>68</u>	<u>46</u>

Government grant of \$13,000 (2019: Nil) was recognised during the financial year under the Jobs Support Scheme (the "JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

The Group applied the practical expedient as disclosed in Note 2.1 to the financial statements in relation to the rent concession received from lessor.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

17. EXPENSES BY NATURE

	Group	
	2020 \$'000	2019 \$'000
Audit fee paid/payable to auditors:		
- auditor of the Company	51	55
- other auditors	6	5
Non-audit fee paid/payable to auditors of the Company	2	7
Depreciation of property, plant and equipment (Note 8)	13	8
Depreciation of right-of-use assets (Note 9)	148	62
Employee compensation (Note 18)	73	98
Director's fee (Note 22)	63	50
Office expenses	27	26
Professional fees	301	967
Travelling expenses	4	38
Bad debt written-off	17	-
Other	12	8
Total administrative expenses	<u>717</u>	<u>1,324</u>

18. EMPLOYEE COMPENSATION

	Group	
	2020 \$'000	2019 \$'000
Wages, salaries and short-term benefits	63	85
Employer's contribution to defined contribution plans, including Central Provident Fund	<u>10</u>	<u>13</u>
	<u>73</u>	<u>98</u>

19. FINANCE EXPENSES

	Group	
	2020 \$'000	2019 \$'000
Interest expense		
- Convertible loans	549	39
- Lease liabilities (Note 9)	14	7
	<u>563</u>	<u>46</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20. INCOME TAXES

(a) Income tax expense

	Group	
	2020	2019
	\$'000	\$'000
Tax expense attributable to profit or loss were made up of:		
- Under-provision of current income tax in prior financial years	-	2

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	
	2020	2019
	\$'000	\$'000
Loss before income tax	(1,989)	(1,324)
Share of losses of joint venture (Note 7)	777	-
	(1,212)	(1,324)
Tax calculated at tax rate of 17% (2019: 17%)	(206)	(225)
Effects of:		
- Different tax rates in other countries	(10)	(17)
- Expenses not deductible for tax purposes	127	149
- Deferred tax assets not recognised	89	93
- Under-provision of tax in prior financial years	-	2
	-	2

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately \$17,299,000 (2019: \$16,776,000) 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 tax losses in their respective countries of incorporation. The tax losses have no expiry date.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20. INCOME TAXES (CONTINUED)

(b) Movement in current income tax recoverable:

	Group	
	2020 \$'000	2019 \$'000
Beginning of financial year	(1)	(3)
Under-provision in prior financial years	-	2
End of financial year	<u>(1)</u>	<u>(1)</u>
Presented as:		
Income tax recoverable	<u>1</u>	<u>1</u>

21. LOSSES PER SHARE

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

	2020	2019
Net loss attributable to equity holders of the Company (\$'000)	<u>(1,988)</u>	<u>(1,325)</u>
Weighted average number of ordinary shares outstanding for basic losses per share ('000)	<u>1,286,204</u>	<u>1,183,382</u>
Basic losses per share (cents)	<u>(0.15)</u>	<u>(0.11)</u>

For the purpose of calculating diluted losses per share, loss 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 2020 and 2019, the Company has dilutive potential ordinary shares from convertible loans and share based payments.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. LOSSES PER SHARE (CONTINUED)

Convertible loans and share based payments are assumed to have been converted into ordinary shares at issuance.

	<u>2020</u>	<u>2019</u>
Net loss attributable to equity holders of the Company (\$'000)	(1,988)	(1,325)
Add back: Interest expense on convertible loans, net of tax (\$'000)	549	39
Net loss used to determine diluted losses per share (\$'000)	<u>(1,439)</u>	<u>(1,286)</u>
Weighted average number of ordinary shares outstanding for basic losses per share ('000)	1,286,204	1,183,382
Adjustments for ('000)		
- Convertible loans (Note 12)	39,050	30,250
- Share based payments (Note 14(a))	10,000	18,389
	<u>1,335,254</u>	<u>1,232,021</u>
Diluted losses per share (cents)	<u>(0.15)*</u>	<u>(0.11)*</u>

* The diluted loss per share computations have not taken into consideration the effects of the shares to be issued and convertible loans as at 31 December 2020 and 2019, as they were anti-dilutive.

22. 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	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Salaries and short term benefits	63	85
Employer's contribution to defined contribution plans, including Central Provident Fund	10	13
Director's fee (Note 17)	63	50
	<u>136</u>	<u>148</u>
Analysed as:		
Director of the Company	63	50
Other key management personnel	73	98
	<u>136</u>	<u>148</u>

Outstanding balances as at 31 December 2020 and 2019 are unsecured and receivable/payable within 12 months from reporting date and are disclosed in Notes 5 and 10 to the financial statements respectively.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including interest rate risk and currency 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*

Cash flow 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 not significant and the convertible loans are at fixed interest rate, the Group's income is substantially independent of changes in market interest rates.

(ii) *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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

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

	SGD \$'000	MYR \$'000	Others \$'000	Total \$'000
2020				
Financial assets				
Cash and cash equivalents	240	5	2	247
Trade and other receivables	56	1	-	57
Receivables from subsidiary corporations	50	-	-	50
	<u>346</u>	<u>6</u>	<u>2</u>	<u>354</u>
Financial liabilities				
Trade and other payables	(480)	(29)	(16)	(525)
Lease liabilities	(254)	-	-	(254)
Convertible loans	(3,813)	-	-	(3,813)
Payables to subsidiary corporations	(50)	-	-	(50)
	<u>(4,597)</u>	<u>(29)</u>	<u>(16)</u>	<u>(4,642)</u>
Net financial liabilities	(4,251)	(23)	(14)	(4,288)
Add: Net financial liabilities denominated in functional currencies	4,251	-	-	4,251
Currency exposure on financial liabilities net of those denominated in the respective entities' functional currencies	<u>-</u>	<u>(23)</u>	<u>(14)</u>	<u>(37)</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

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

	<u>SGD</u> <u>\$'000</u>	<u>USD</u> <u>\$'000</u>	<u>HKD</u> <u>\$'000</u>	<u>MYR</u> <u>\$'000</u>	<u>Others</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
2019						
Financial assets						
Cash and cash equivalents	1,278	3	1	6	2	1,290
Trade and other receivables	77	-	-	4	-	81
Receivables from subsidiary corporations	41	-	-	-	-	41
	<u>1,396</u>	<u>3</u>	<u>1</u>	<u>10</u>	<u>2</u>	<u>1,412</u>
Financial liabilities						
Trade and other payables	(719)	-	-	(25)	(18)	(762)
Lease liabilities	(385)	-	-	-	-	(385)
Convertible loans	(2,537)	-	-	-	-	(2,537)
Payables to subsidiary corporations	(41)	-	-	-	-	(41)
	<u>(3,682)</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>(18)</u>	<u>(3,725)</u>
Net financial (liabilities)/assets	(2,286)	3	1	(15)	(16)	(2,313)
Add: Net financial liabilities denominated in functional currencies	<u>2,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,286</u>
Currency exposure on financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	<u>-</u>	<u>3</u>	<u>1</u>	<u>(15)</u>	<u>(16)</u>	<u>(27)</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

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

	SGD \$'000	MYR \$'000	Total \$'000
2020			
Financial assets			
Cash and cash equivalents	240	*	240
Trade and other receivables	107	-	107
	<u>347</u>	<u>*</u>	<u>347</u>
Financial liabilities			
Trade and other payables	(481)	-	(481)
Lease liabilities	(254)	-	(254)
Convertible loans	(3,813)	-	(3,813)
	<u>(4,548)</u>	<u>-</u>	<u>(4,548)</u>
Net financial liabilities	(4,201)	*	(4,201)
Less: Net financial liabilities denominated in the Company's functional currency	<u>4,201</u>	<u>-</u>	<u>4,201</u>
Currency exposure on financial assets net of those denominated in the Company's functional currency	<u>-</u>	<u>*</u>	<u>-</u>

* Less than \$1,000



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) 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
2019					
Financial assets					
Cash and cash equivalents	1,278	3	1	*	1,282
Trade and other receivables	119	-	-	-	119
	<u>1,397</u>	<u>3</u>	<u>1</u>	<u>*</u>	<u>1,401</u>
Financial liabilities					
Trade and other payables	(719)	-	-	-	(719)
Lease liabilities	(385)	-	-	-	(385)
Convertible loans	(2,537)	-	-	-	(2,537)
	<u>(3,641)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,641)</u>
Net financial (liabilities)/assets	(2,244)	3	1	*	(2,240)
Less: Net financial liabilities denominated in the Company's functional currency	2,244	-	-	-	2,244
Currency exposure on financial assets net of those denominated in the Company's functional currency	<u>-</u>	<u>3</u>	<u>1</u>	<u>*</u>	<u>4</u>

* Less than \$1,000

As at 31 December 2020 and 2019, any reasonably possible change in the exchange rate of the USD, HKD and MYR against the SGD with all other variable including tax rate being held constant, management had assessed that the impact arising from the currency translation gains/(losses) on the Group's and the Company's financial assets and liabilities denominated in foreign currencies are unlikely to be significant.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. 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 and the Company. The major classes of financial assets of the Group and the Company are bank deposits and trade and other 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.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

Trade receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers and/or counterparties.

In calculating the expected credit loss rates, the Group considers the historical loss rates for each category of customers and/or counterparties and adjusts to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the receivables. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written-off when there is no reasonable expectation of recovery, such as debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payment within 180 days when they fall due and has shown indicators of financial difficulty, and writes off the financial asset when the Group has exhausted all means to retrieve the sum from the customers and/or counterparties. Where receivables are written-off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Trade receivables (Continued)

The movements in credit loss allowance were as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables				
Beginning and end of financial year	20	20	133	133

Cash and cash equivalents

The Group and the Company held cash and cash equivalents with banks with sound credit ratings and are considered to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

Other receivables

The Group and the Company uses the 12-month expected credit losses approach to assess for impairment for other receivables.

The movements in credit loss allowance were as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Other receivables				
Beginning and end of financial year	786	786	1,585	1,585

(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.

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 2020

23. 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.

	Less than 1 year \$'000	Between 1 to 5 years \$'000
Group		
2020		
Trade and other payables	525	-
Lease liabilities	170	92
Convertible loans	3,813	-
	<u>4,508</u>	<u>92</u>
2019		
Trade and other payables	762	-
Lease liabilities	157	250
Convertible loans	2,537	-
	<u>3,456</u>	<u>250</u>
	Less than 1 year \$'000	Between 1 to 5 years \$'000
Company		
2020		
Trade and other payables	481	-
Lease liabilities	170	92
Convertible loans	3,813	-
	<u>4,464</u>	<u>92</u>
2019		
Trade and other payables	719	-
Lease liabilities	157	250
Convertible loans	2,537	-
	<u>3,413</u>	<u>250</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 plus net debt.

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Net debt	4,345	2,394	4,308	2,359
Total equity	4,201	5,699	5,328	5,771
Total capital	8,546	8,093	9,636	8,130
Gearing ratio	50.8%	29.6%	44.7%	29.0%

* N/M: Not meaningful

The Group and the Company are not subject to externally imposed capital requirements.

(e) Fair value measurements

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments are as follows:

	Group \$'000	Company \$'000
2020		
Financial assets at amortised cost	304	347
Financial liabilities at amortised cost	4,592	4,548
2019		
Financial assets at amortised cost	1,371	1,401
Financial liabilities at amortised cost	3,684	3,641

24. SEGMENT INFORMATION

In view that the new business of property development and property investment has not commenced, no segmental information is presented.

25. 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 2021 or later periods and which the Group has not early adopted:

Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The Group does not expect any significant impact arising from applying these amendments.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PPE) prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

The Group does not expect any significant impact arising from applying these amendments.

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 30 March 2021.



STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2021

Issued and fully paid-up capital	:	S\$141,276,634
Number of shares issued	:	1,297,363,940
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	14	1.06	746	0.00
100 – 1,000	349	26.54	156,788	0.01
1,001 – 10,000	388	29.51	1,471,815	0.11
10,001 – 1,000,000	490	37.26	76,784,808	5.92
1,000,001 and above	74	5.63	1,218,949,783	93.96
	<u>1,315</u>	<u>100.00</u>	<u>1,297,363,940</u>	<u>100.00</u>

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Chang Wei Lu	328,041,534	25.29
2.	Phillip Securities Pte Ltd	130,801,532	10.08
3.	Citibank Nominees Singapore Pte Ltd	98,017,100	7.56
4.	Cheah Bee Lin	62,586,707	4.82
5.	Chieng Lik Ngiong	55,000,000	4.24
6.	Goh Tai Siang	55,000,000	4.24
7.	OCBC Securities Private Ltd	46,243,100	3.56
8.	UOB Kay Hian Pte Ltd	40,225,300	3.10
9.	Gwee Sung	25,000,000	1.93
10.	Hung Ping-Kun	25,000,000	1.93
11.	Wong Hock Chung	21,189,100	1.63
12.	Maybank Kim Eng Securities Pte. Ltd	16,146,800	1.25
13.	Liu Lingyu	15,962,082	1.23
14.	Teo Soon Seng	15,500,000	1.20
15.	Chieng Leek Chee	13,613,900	1.05
16.	CGS-CIMB Securities (Singapore) Pte Ltd	12,920,897	1.00
17.	Calina Ho Yim Peng	12,500,000	0.96
18.	Chang Hung-Chih	12,500,000	0.96
19.	Kuo Fong-Yu	12,500,000	0.96
20.	Yang Cheng-Chuan	12,500,000	0.96
	Total	<u>1,011,248,052</u>	<u>77.95</u>



STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2021

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS

	<u>Direct Interest</u>	<u>%</u>	<u>Deemed Interest</u>	<u>%</u>
Chang Wei Lu	328,041,534	25.29	-	-

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 18 March 2021, approximately 74.52% of the issued ordinary shares of the Company is 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 is complied with.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “**AGM**”) of Mercurius Capital Investment Limited (the “**Company**”) will be held by way of electronic means (via LIVE WEBCAST and/or AUDIO ONLY MEANS) on Monday, 26 April 2021 at 4:00 p.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 2020 together with the Independent Auditors’ Report thereon. **(Resolution 1)**
2. 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 2)**
[See Explanatory Note (i)]
3. To re-elect Mr. Chew Hai Chiene Hester Arthur (“**Mr. Hester Chew**”) 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 approve the payment of Director’s fees of S\$112,500 to Mr. Hester Chew for the period from 25 July 2020 to 31 July 2021 comprising:
 - (i) S\$75,150, for the period from 25 July 2020 to 31 March 2021, to be paid by allotting and issuing 1,670,000 new ordinary shares in the capital of the Company at S\$0.045 per share; and
 - (ii) S\$37,350, for the period from 1 April 2021 to 31 July 2021, to be paid in cash;

and to grant the authority to allot and issue shares in the capital of the Company in relation to such payment.

The issue price of S\$0.045, which was agreed upon pursuant to arm’s length negotiations between Mr. Hester Chew and the Company, represents (a) a discount of 8.16% to the volume weighted average price of S\$0.049, based on the trades done on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 4 November 2019 (being the last full market day prior to the signing of the supplemental letter to Mr. Hester Chew’s service agreement, pursuant to which the issue price was fixed); (b) a premium of 14.50% to the volume weighted average price of S\$0.0393, based on the trades done on SGX-ST on 31 March 2021 (being the last day of the period in respect of Mr. Hester Chew’s fees in which the proposed issue of shares relate to); and (c) a discount of 26.23% to the volume weighted average price of S\$0.061, based on trades done on the SGX-ST on 5 April 2021 (being the last full market day prior to the date of announcement of the proposed issue of new ordinary shares to Mr. Hester Chew).

(Resolution 4)

[See Explanatory Note (iii)]



NOTICE OF ANNUAL GENERAL MEETING

5. To re-appoint Messrs Nexia TS Public Accounting Corporation as Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 5)

6. To transact any other ordinary business which may be properly transacted at an AGM.

AS SPECIAL BUSINESS

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

7. 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 SGX-ST Listing Manual Section B: Rules of Catalyst ("**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
 - (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, if any) 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 in the capital of the Company (excluding treasury shares and subsidiary holdings, if any) (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



NOTICE OF ANNUAL GENERAL MEETING

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, if any) shall be calculated based on the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings, if any) 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;
- (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
- (d) 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 (iv)]

(Resolution 6)

By Order of the Board

Chang Wei Lu
Executive Chairman and Chief Executive Officer
9 April 2021

Singapore



NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr. Chieng You Ping will, upon re-election as a Director of the Company, remain as the Independent Non-Executive Director, and 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 2020 in the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement". The Board of Directors considers Mr. Chieng You Ping to be independent for the purpose of Rule 704(7) of the Catalist Rules.
- (ii) Mr. Hester Chew will, upon re-election as a Director of the Company, remain as the Lead Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Nominating Committee. Detailed information on Mr. Hester Chew is found in the Company's annual report 2020 in the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement". The Board of Directors considers Mr. Hester Chew to be independent for the purpose of Rule 704(7) of the Catalist Rules.
- (iii) Pursuant to the service agreement of Mr. Hester Chew and the recommendation of the Remuneration Committee, the Company had agreed to, subject to, Shareholders' approval and the receipt of the listing and quotation notice from the SGX-ST, allot 1,670,000 ordinary shares at S\$0.045 as payment for his director fees of S\$75,150 for the period from 25 July 2020 to 31 March 2021 (the "**Director's Shares**") and the remaining S\$37,350 for the period from 1 April 2021 to 31 July 2021 to be paid in cash.

The Board is of the opinion that as of the date of this announcement, after taking into consideration the Group's present bank facilities, the working capital available to the Group may be insufficient to meet its present requirements. As such, the Company is proposing the issue of the Director's Shares to conserve its cash resources. Mr. Hester Chew owns 2,500,000 Shares approximately 0.19% of the total issued share capital of the Company and has abstained from participating in the discussions of and making of recommendations in respect of the issuance of the Director's Shares, and will abstain from voting on this resolution.

The Company will, through its sponsor, be applying to the SGX-ST for the listing of and quotation of the Director's Shares. The Company will make the necessary announcement upon receipt of the listing and quotation notice from the SGX-ST. Please also refer to Company's announcement dated 7 April 2021 in relation to the proposed issue of shares to Mr. Hester Chew.

- (iv) Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors from the date of the AGM until the conclusion of the next AGM of the Company, or by the date 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 treasury 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 on a *pro-rata* basis to the shareholders of the Company.

NOTES:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM of the Company to be held on Monday, 26 April 2021 at 4:00 p.m. (the "**Meeting**") are set out in the Company's announcement dated 9 April 2021 (the "**Announcement**"), which has been uploaded together with this Notice of AGM on SGXNet and the Company's website on the same day. The Announcement and this Notice of AGM may be accessed at the URLs <https://www.sgx.com/securities/company-announcements> and <https://www.mercuriuscapital.com/investor-relation.html>. For the avoidance of doubt, the Announcement is circulated together with and forms part of this Notice of AGM in respect of the Meeting.



NOTICE OF ANNUAL GENERAL MEETING

In particular, the Meeting will be held by way of electronic means and a member of the Company will be able to observe the proceedings of the Meeting through a "live" webcast ("LIVE WEBCAST") via his/her/its mobile phones, tablets or computers or listen to these proceedings through a "live" audio feed ("AUDIO ONLY MEANS") via telephone. In order to do so, a member of the Company who wishes to watch the LIVE WEBCAST or listen via the AUDIO ONLY MEANS must register by 4:00 p.m. on 23 April 2021 (being not less than seventy-two (72) hours before the time appointed for holding the Meeting), at the URL <https://www.bigmarker.com/AAP/MCIL-AGM-2021-Shareholder-Registration>, for the Company to authenticate his/her/its status as member. **Please note that members of the Company may access the URL <https://www.bigmarker.com/AAP/MCIL-AGM-2021-Shareholder-Registration> for registration from 9 April 2021 onwards.**

Following authentication of his/her/its status as members of the Company, authenticated members of the Company will receive email instructions on how to access the LIVE WEBCAST and AUDIO ONLY MEANS to observe the proceedings of the Meeting, by 12:00 p.m. on 25 April 2021.

A member of the Company who registers to watch the LIVE WEBCAST or listen via the AUDIO ONLY MEANS may also submit questions related to the resolutions to be tabled for approval at the Meeting. To do so, all questions must be submitted by 4:00 p.m. on 23 April 2021 (being not less than seventy-two (72) hours before the time appointed for holding the Meeting) by email to agm@mercuriuscapital.com. The Board will endeavour to address all substantial and relevant questions prior to, or during the Meeting.

2. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the Meeting in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Meeting. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid. For CPF/SRS investors who have used their CPF/SRS monies to buy Shares in the Company, the 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. CPF/SRS investors should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies and to submit their voting instructions no later than 4.00 p.m. on 15 April 2021 (being seven (7) working days before the AGM) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by 4:00 p.m. on 24 April 2021.

The proxy form for the Meeting is made available with this Notice of AGM on SGXNet at the URL <https://www.sgx.com/securities/company-announcements> on the same day and can be accessed at the Company's website at the URL <https://www.mercuriuscapital.com/investor-relation.html>.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
 - a) if sent by post, be lodged 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, attention to Mercurius AGM; or
 - b) if submitted by email, be received by the Company's Share Registrar, B.A.C.S. Private Limited at main@zicoholdings.com,

in either case, by 4:00 p.m. on 24 April 2021 (being not less than forty-eight (48) hours before the time appointed for holding the Meeting) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.



NOTICE OF ANNUAL GENERAL MEETING

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
6. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy 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 in the instrument appointing the Chairman of the Meeting as proxy (such as in the case where the appointor submits more than one instrument appointing the Chairman of the Meeting as proxy).
7. The Annual Report for the financial year ended 31 December 2020 which was issued on 9 April 2021 can be accessed at SGXNet at the URL <https://www.sgx.com/securities/company-announcements> and at the Company's website at the URL <https://www.mercuriuscapital.com/investor-relation.html>.

Personal Data Privacy:

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to vote at the Meeting and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the Meeting via LIVE WEBCAST or AUDIO ONLY MEANS, or (c) submitting any questions prior to the Meeting in accordance with this Notice of AGM, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents) of proxy forms appointing the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the LIVE WEBCAST or AUDIO ONLY MEANS to observe the proceedings of the Meeting and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from members received before the Meeting and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance list, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes to be prepared for the Meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the Meeting and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

MERCURIUS CAPITAL INVESTMENT LIMITED

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

PROXY FORM – ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this form)

This proxy form has been made available on SGXNet and the Company's website and may be accessed at the URLs:

<https://www.sgx.com/securities/company-announcements> and
<http://www.mercuriuscapital.com/investor-relation.html>.

A printed copy of this proxy form will NOT be despatched to members of the Company.

IMPORTANT

- Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM (as defined herein) are set out in the Company's announcement dated 9 April 2021 (the "Announcement"), which has been uploaded together with the Notice of AGM dated 9 April 2021 on SGXNet and the Company's website on the same day. The Announcement, the Notice of AGM and this proxy form may also be accessed at the URLs <https://www.sgx.com/securities/company-announcements> and <https://www.mercuriuscapital.com/investor-relation.html>. For the avoidance of doubt, the Announcement is circulated together with and forms part of the Notice of AGM dated 9 April 2021 in respect of the AGM.
- A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
- CPF/SRS investors should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies and to submit their voting instructions no later than 4.00 p.m. on 15 April 2021.
- Please read the notes to this proxy form.

PERSONAL DATA PRIVACY

By submitting this proxy form, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 April 2021.

*I/We _____ (Name) _____

(NRIC/Passport No./Company Registration No.) _____

of _____ (Address)

being a *member/members of **MERCURIUS CAPITAL INVESTMENT LIMITED** (the "Company", and together with its subsidiaries, the "Group"), hereby appoints the Chairman of the annual general meeting of the Company (the "AGM"), as *my/our proxy to vote for *me/us on *my/our behalf at the AGM to be held by way of electronic means (via LIVE WEBCAST and/or AUDIO ONLY MEANS) on Monday, 26 April 2021 at 4:00 p.m. and at any adjournment thereof. *I/We direct the Chairman of the AGM to vote for or against, or abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of the Chairman of the AGM as *my/our proxy will be treated as invalid.

All resolutions put to the vote at the AGM shall be decided by way of poll.

If you wish to exercise all your votes "For" or "Against", or "Abstain" the relevant Resolutions, please mark an "X" in the appropriate box provided. Alternatively, please indicate the number of votes "For" or "Against" or "Abstain" each Resolution in the boxes provided as appropriate. If you mark an "X" in the abstain box for a particular Resolution, you are directing your proxy, who is the Chairman of the AGM, not to vote on that Resolution.

No.	Resolutions relating to:	By way of poll		
		For	Against	Abstain
AS ORDINARY BUSINESS				
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Independent Auditors' Report thereon			
2.	Re-election of Mr. Chieng You Ping as a Director of the Company			
3.	Re-election of Mr. Chew Hai Chiene Hester Arthur as a Director of the Company			
4.	Payment of Director's fees of S\$112,500 to Mr. Chew Hai Chiene Hester Arthur for the period from 25 July 2020 to 31 July 2021, and to grant the authority to allot and issue 1,670,000 new ordinary shares in the capital of the Company as partial payment of such amount.			
5.	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			
AS SPECIAL BUSINESS				
6.	Authority to allot and issue shares in the capital of the Company			

Dated this _____ day of _____ 2021

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 in the capital of the Company ("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 (Cap. 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 entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the AGM as proxy shall be deemed to relate to all the Shares held by you.
 2. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
 3. The Chairman of the AGM, as a proxy, need not be a member of the Company.
 4. This instrument appointing the Chairman of the AGM as proxy must:
 - (a) if sent by post, be lodged 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, attention to Mercurius AGM; or
 - (b) if submitted by email, be received by the Company's Share Registrar, B.A.C.S. Private Limited at main@zicoholdings.com,
in either case, by 4:00 p.m. on 24 April 2021 (being not less than forty-eight (48) hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.
- In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.**
5. This proxy form must be under the hand of the appointor or of his/her/its attorney duly authorised in writing.
 - (i) Where this proxy form is executed by a corporation, it must be executed either under its common seal (or otherwise in accordance with its constitution) or under the hand of an officer or attorney duly authorised.
 - (ii) Where this proxy form is executed by an attorney on behalf of the appointor, the letter or the power of attorney or a duly certified true copy thereof must be lodged with this proxy form, failing which the instrument of proxy may be treated as invalid.
 6. A corporation which is a member of the Company may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore, 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.
 7. For investors who hold Shares under the Central Provident Fund Scheme and Supplementary Retirement Scheme ("CPF/SRS Investors"), this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS Investors who wish to appoint the Chairman of the AGM to act as their proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes no later than 4.00 p.m. on 15 April 2021 (being not less than seven (7) working days before the AGM).

General:

The Company shall be entitled to reject this proxy form 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 in this proxy form. In addition, in the case of Shares entered in the Depository Register, the Company may reject any proxy form lodged if the member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this proxy form, the member of the Company accepts and agrees to the personal data privacy terms as set out in the Notice of AGM dated 9 April 2021.

MERCURIUS CAPITAL INVESTMENT LIMITED

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