

MERCURIUS CAPITAL INVESTMENT LIMITED.

(previously known as CCFH LTD.)

(Incorporated in the Republic of Singapore)

(Company Registration No.198200473E)

Second Quarter Financial Statement Announcement for the Six-Month Period Ended 30/6/2016 of Mercurius Capital Investment Limited (“MCIL” or the “Company” and together with its subsidiary corporations, the “Group”)

*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, R & T Corporate Services Pte. Ltd. (“**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**Exchange**”). The Sponsor has not independently verified the contents of this announcement including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.*

This announcement has not been examined or approved by the Exchange. The Sponsor and the Exchange assume no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Howard Cheam Heng Haw (Telephone Number: +65 6232 0685), R & T Corporate Services Pte. Ltd., at 9 Battery Road #25-01, Straits Trading Building, Singapore 049910.

PART I -INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
SECOND QUARTER AND SIX-MONTHS ENDED 30 JUNE 2016**

	3 Months Ended			6 Months Ended		
	30/06/2016	30/06/2015	Change	30/06/2016	30/06/2015	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	1,306	5,990	-78%	1,968	9,216	-79%
Cost of sales	(1,273)	(5,024)	-75%	(1,848)	(8,177)	-77%
Gross profit	33	966	-97%	120	1,039	-88%
Other income, net	328	(434)	NM	1,362	175	NM
Other losses, net	(3,007)	-	NM	(3,007)	(4)	NM
Selling and distribution expenses	(157)	(220)	-29%	(215)	(469)	-54%
Administrative expenses	(404)	(559)	-28%	(678)	(1,052)	-36%
Finance costs	(177)	(270)	-34%	(318)	(465)	-32%
Loss before income tax	(3,384)	(517)	NM	(2,736)	(776)	NM
Income tax expenses	(17)	(93)	-82%	(17)	(93)	-82%
Net Loss for the financial period	(3,401)	(610)	NM	(2,753)	(869)	NM
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation						
-(Losses)/gains	(1,045)	(417)	151%	(697)	396	NM
Total comprehensive income	(4,446)	(1,027)	333%	(3,450)	(473)	629%
Net loss attributable to:						
Equity holders of the Company	(3,401)	(610)	NM	(2,753)	(869)	NM
Total comprehensive income attributable to:						
Equity holders of the Company	(4,446)	(1,027)	333%	(3,450)	(473)	629%

NM = Not Meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit for the financial period was arrived at after crediting/(charging) the following:

	3 Months Ended		Change	6 Months Ended		Change
	30/06/2016	30/06/2015		30/06/2016	30/06/2015	
	S\$'000	S\$'000		S\$'000	S\$'000	
Interest income	2	5	-60%	4	7	-43%
Reversal of allowance for impairment of trade receivables	-	12	-100%	1,920	27	NM
Inventories write-down	-	-	NM	-	34	-100%
Depreciation and amortisation	(52)	(65)	-20%	(108)	(131)	-18%
Salaries, bonuses and allowances	(482)	(449)	7%	(635)	(1,666)	-62%
Rental expenses on operating lease	(165)	(101)	63%	(197)	(204)	-3%
Interest expense	(177)	(270)	-34%	(318)	(465)	-32%
Currency translation (loss)/gain, net	325	(433)	-175%	(564)	70	NM

NM = Not Meaningful

- 1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016 AND 31 DECEMBER 2015

	Group As at		Company As at	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	3,030	3,805	16	20
Trade and other receivables	43,264	47,008	29,055	33,107
Income tax recoverable	18	18	-	-
Inventories	12,474	17,552	-	-
	58,786	68,383	29,071	33,127
Non-current assets				
Investments in subsidiary corporations	-	-	20,429	20,429
Property, plant and equipment	175	320	11	13
Intangible assets	-	-	-	-
	175	320	20,440	20,442
TOTAL ASSETS	58,961	68,703	49,511	53,569
LIABILITIES				
Current liabilities				
Trade and other payables	16,145	18,536	27,176	32,879
Borrowings	24,111	27,959	-	-
Current income tax liabilities	25	78	-	-
	40,281	46,573	27,176	32,879
TOTAL LIABILITIES	40,281	46,573	27,176	32,879
NET ASSETS	18,680	22,130	22,335	20,690
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,074	49,074	132,732	132,732
Other reserves	8,253	8,950	-	-
Accumulated losses	(38,426)	(35,673)	(110,397)	(112,042)
	18,901	22,351	22,335	20,690
Non-controlling interests	(221)	(221)	-	-
TOTAL EQUITY	18,680	22,130	22,335	20,690

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

- Amount repayable in one year or less, or on demand

- Amount repayable after one year

	Group 30/06/2016		Group 31/12/2015	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Borrowing	24,111	-	27,959	-
Of which:				
Amount due within 1 year	24,111	-	27,959	-

Details of any collateral

Secured borrowings consist of term loans, bills payable and factoring of trade receivables. The bank borrowings are secured over a pledge of certain property, plant and equipment provided by a related company and related party.

Shishi Haotian Dress Industry Co Ltd ("Shishi Haotian"), a fully owned subsidiary corporation of the Group, had extended a corporate guarantee to Hua Xia Bank in China for Eagleton (Xiamen) Import & Export Co Ltd's ("Eagleton") banking facilities with the bank. The corporate guarantee is effective from 12 August 2014 to 12 August 2017 for an amount of up to RMB32,000,000. As at 30 June 2016, the outstanding banking facility drawn down by Eagleton was RMB24,000,000 (31 December 2015: RMB24,000,000). Following the completion of the disposal of the Group's stake in Eagleton on 23 January 2015, the Group is working towards the release of the corporate guarantee, and had obtained an indemnity from the purchasers of Eagleton in the favour of Shishi Haotian for the corporate guarantee.

As at to date, the corporate guarantee provided by Shishi Haotian had yet to be discharged.

- 1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR SIX-MONTH ENDED
30 JUNE 2016**

	6 Months Ended	
	30/06/2016	30/06/2015
	S\$'000	S\$'000
Cash flows from operating activities		
Net loss	(2,753)	(869)
Adjustments for:		
Income tax expense	17	87
Reversal of allowance for impairment of trade receivables	(1,920)	(27)
Depreciation of property, plant and equipment	108	131
Interest expense	318	465
Interest income	(4)	(7)
Unrealised currency translation loss	565	793
Operating cash flows before working capital changes	(3,669)	573
Changes in working capital		
Increase/(Decrease)Trade and other receivables	3,143	(1,040)
Decrease/(Increase) in Inventories	5,078	(7,679)
Trade and other payables	(2,391)	(169)
Cash generated from/(used in) operations	2,161	(8,315)
Interest received	4	7
Income tax refund	-	15
Income tax paid	(66)	(419)
Net cash provided by/(used in) operating activities	2,099	(8,712)
Cash flows from investing activities		
Additions of property, plant and equipment	-	(75)
Deferred proceed from disposal of subsidiaries	-	1,092
Net cash provided by investing activities	-	1,017
Cash flows from financing activities		
Proceeds from borrowings	18,661	29,145
Repayment of borrowings	(21,064)	(20,592)
Interest paid	(318)	(465)
Decrease/(increase) in bank deposits and bank balances pledged	804	(710)
Net cash (used in)/provided by financing activities	(1,917)	7,378
Net increase/(decrease) in cash and cash equivalents	182	(317)
Cash and cash equivalent		
Cash and cash equivalent at beginning of financial period	1,040	2,557
Effect of currency translation on cash and cash equivalents	(153)	98
Cash and cash equivalent at end of financial period	1,069	2,338

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (Continued)

Notes to consolidated statement of cash flows:-

a) Cash and cash equivalents included in the consolidated statement of cash flows comprises the followings:

	6 Months Ended	
	30/06/2016	30/06/2015
	S\$'000	S\$'000
Cash and bank balances	3,030	4,040
Short-term bank deposits	-	-
Cash and cash equivalents as per statement of financial position	3,030	4,040
Short-term bank deposits pledged with banks	-	-
Bank balances pledged with banks	(1,961)	(1,702)
	1,069	2,338

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP

	Equity attributable to owners of the parent						
	Share capital S\$'000	Statutory surplus reserve S\$'000	Capital reserve S\$'000	Foreign currency translation account S\$'000	Accumulated losses S\$'000	Equity attributable to owners of the company S\$'000	Non-controlling interests S\$'000
Balance at 1 January 2016	49,074	1,911	6,992	47	(35,673)	22,351	(221)
Total comprehensive income for the financial period	-	-	-	(697)	(2,753)	(3,450)	-
Balance at 30 June 2016	49,074	1,911	6,992	(650)	(38,426)	18,901	(221)
Balance at 1 January 2015	49,074	1,911	6,992	(292)	(15,376)	42,309	(221)
Total comprehensive income for the financial period	-	-	-	396	(869)	(473)	-
Balance at 30 June 2015	49,074	1,911	6,992	104	(16,245)	41,836	(221)

COMPANY

	Share capital S\$'000	Accumulated losses S\$'000	Total S\$'000
Balance at 1 January 2016	132,732	(112,042)	20,690
Total comprehensive income for the financial period	-	1,645	1,645
Balance at 30 June 2016	132,732	(110,397)	22,335
Balance at 1 January 2015	132,732	(77,023)	55,709
Total comprehensive income for the financial period	-	(745)	(745)
Balance at 30 June 2015	132,732	(77,768)	54,964

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's share capital from 31 March 2016 to 30 June 2016.

As at 30 June 2016 and 31 December 2015, there were no outstanding convertibles and share options in respect of the unissued ordinary shares of the Company under the Friven & Co. Employee Share Options Scheme.

There were no treasury shares as at 30 June 2016 and 31 December 2015.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 30 June 2016 and 31 December 2015, the total number of issued shares was 1,104,008,940. There were no treasury shares as at 30 June 2016 and 31 December 2015.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported thereon.**

Not applicable. The Company did not have any treasury shares during and as at the current financial period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's independent auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in Section 5 below, the Group had applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the recently audited financial statements of the Group for the financial year ended 31 December 2015 ("FY2015").

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group had adopted all the applicable new and revised Financial Reporting Standards ("FRS") including related interpretations ("INT FRS") which become effective for the financial year beginning on or after 1 January 2016. The adoption of these new and revised FRS and INT FRS did not give rise to any material impact on the Group's financial statements for the current financial period reported on.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	6 Months Ended	
	30-06-2016	30-06-2015
Net loss for the financial period (S\$'000)	(2,753)	(869)
Weighted average number of ordinary shares in issue for computation of basic earnings and diluted earnings per share	1,104,008,940	1,104,008,940
Basic and diluted losses per share (cents)	(0.25)	(0.08)

For the six-month financial period ended 30 June 2016 and 30 June 2015, the diluted losses per share was equivalent to the basic losses per share as the Company did not have any potentially dilutive securities.

7. Net asset value (for the issuer and the group) per ordinary share based on issued share capital of the issuer at the end of the:-

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group			
	30/06/2016		30/06/2015	
Net Asset Value Per Ordinary Share				
- Based on issued share capital at the end of financial period/year	1.69	cents	3.77	cents
- Number of existing issued shares at the end of financial period/year	1,104,008,940		1,104,008,940	
	Company			
	30/06/2016		30/06/2015	
Net Asset Value Per Ordinary Share				
- Based on issued share capital at the end of financial period/year	2.02	cents	4.98	cents
- Number of existing issued shares at the end of financial period/year	1,104,008,940		1,104,008,940	

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Turnover

Divisions	3 months ended			6 months ended		
	30/06/16 ("2Q2016") S\$'000	30/06/15 ("2Q2015") S\$'000	Variance %	30/06/16 ("6M2016") S\$'000	30/06/15 ("6M2015") S\$'000	Variance %
Original Design	1,306	5,990	(78.2)	1,968	9,216	(78.6)
Manufacturing ("ODM")						
Total	1,306	5,990	(78.2)	1,968	9,216	(78.6)

Revenue decreased significantly by S\$7.2 million from S\$9.2 million in 6M2015 to S\$2.0 million in 6M2016. The decrease in revenue was mainly affected by the slow market condition in China during the first half of the year which had affected orders from our existing domestic customers, accompanied by significant decrease in sales volume for our international customers, specifically in the European and middle east region.

- (a) **any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (Continued)**

Gross Profit

Gross profit decreased by S\$0.9 million from S\$1.0 million in 6M2015 to S\$0.1 million in 6M2016 as result of lower sales volume recorded during the financial period. The decrease in revenue against fixed production cost in turn resulted in a corresponding decrease of gross profit margin from 11.3% in 6M2015 to 6.1% in 6M2016.

Other Income

Other income increased by S\$1.2 million to S\$1.4 million in 6M2016 as compared to S\$0.2 million in 6M2015. The increase was due to write back of allowance for doubtful debts amounting to S\$1.9 million, offset by currency exchange losses amounting to S\$0.6 million.

Expenses

Increase in other losses by S\$3.0 million in 6M2016 was due to loss from disposal of slow moving and obsolete raw materials (Cotton fabric) with carrying amount approximately S\$5.2 million.

Selling and distribution expenses decreased by 54% from S\$0.5 million in 6M2015 to S\$0.2 million in 6M2016 as a result of cost rationalisation and lower sales activities during the financial period.

Similarly, the administrative expenses decreased by S\$0.4 million from S\$1.1 million in 6M2015 to S\$0.7 million in 6M2016. The lower administrative expenses was mainly attributed by decrease in staff costs as a result of cessation of key managements and reduction in factory workers during the financial period.

Finance costs decreased by 32% to S\$0.3 million in 6M2016 as compared to S\$0.5 million in 6M2015 which was in line with the decrease in borrowing during the financial period.

Despite a net loss reported by the Group, the tax expenses of S\$17,000 were reported by one of the Group's operating China subsidiary corporations.

The Group reported a net loss of S\$2.8 million in 6M2016 as compared to S\$0.9 million loss for 6M2015 due to the above factors.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Trade and other receivables decreased by S\$3.7 million to S\$43.3 million as at 30 June 2016 as compared to S\$47.0 million as at 31 December 2015, mainly due to decrease in sales revenue as compared to fourth quarter of 2015 partially offset by collections from customers during the financial period.

Inventories decreased by S\$5.1 million to S\$12.5 million as at 30 June 2016 from S\$17.6 million as at 31 December 2015, mainly due to disposal of slowing moving and obsolete raw materials with carrying amount of S\$5.2 million during the financial period.

Non-current assets decreased by S\$145,000 as compared to 31 December 2015 as a result of depreciation of property, plant and equipment during the financial period.

Trade and other payables decreased by S\$2.4 million to S\$16.1 million as at 30 June 2016 compared to S\$18.5 million as at 31 December 2015. This was mainly due to decrease in advances from ODM customers as a result of lower orders.

Total borrowings decreased by S\$3.9 million to S\$24.1 million as at 30 June 2016 when compared to 31 December 2015, mainly due to settlement of notes payables amounting to S\$5.4 million.

The Group had a positive working capital of S\$18.5 million as at 30 June 2016 as compared to S\$21.8 million as at 31 December 2015.

Group's Cash Flow Position

Net cash provided by operating activities amounting to S\$2.1 million in 6M2016 was derived from net cash inflows from changes in working capital of S\$2.2 million. The net cash inflows from changes in working capital were mainly due to decrease in inventories of S\$5.1 million due to disposal of raw materials during the financial period. Accompanied by decrease in trade and other receivables of S\$3.1 million due to lower revenue and collections from trade debtors during the financial period.

Net cash used in financing activities of S\$1.9 million for 6M2016 was mainly due to net settlement of bills payables amounting to S\$5.4 million.

The Group had a net cash inflow of S\$0.2 million for 6M2016 as compared to a net cash outflow of S\$0.3 million for 6M2015.

As at 30 June 2016, cash and cash equivalents of the Group stood at S\$1.1 million (2015: S\$2.3 million)

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

In 2015, global economic activity remained subdued. Overall growth in China is evolving broadly as envisaged, but with a faster-than-expected slowdown in imports and exports, in part reflecting weaker investment and manufacturing activity¹. The risks to the global outlook remained tilted to the downside and relate to ongoing adjustment in the global economy which in turn continue to affects our market adversely, for example the generalised slowdown in emerging market economies, China's rebalancing and lower commodity prices. In view of all these factors and the Group's financial performance in FY2015, the Group is expecting its ODM business to continue operating under challenging business environment.

The Group will continue to focus on sales revenue and is monitoring and taking active steps to prevent the further decline of the Group's sales. As mentioned in the FY2015 Annual Report, the Group will also continue to exercise cost rationalization of the business, as well as explore other opportunities for collaboration in the current financial year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

¹ International Monetary Fund, *World Economic Outlook: "Subdued Demand, Diminished Prospects"*, published online on Jan 2016

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for 6M2016.

13. If the Group has obtained a general mandate from shareholders for interested person transactions (“IPT”) the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial period ended 30 June 2016 under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial period ended 30 June 2016 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Four Season Capital Pte Ltd (Note 1)	S\$14,400	Nil (Note 3)
Shishi Jijile Garments Weaving Co., Ltd. (Note 2)	S\$173,010	Nil (Note 3)

Note 1: Rental of office space from a company owned by the spouse of Xu Rongsen, CEO of the Company.

Note 2: Rental of office and production space from a company owned by the father-in-law of Xu Rongsen, CEO of the Company.

Note 3: The Group does not have a general mandate from shareholders for IPTs.

14. Confirmation by Directors pursuant to Rule 705(5) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to the attention of the Board of Directors that may render the unaudited financial statements for the 2nd quarter ended 30 June 2016 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company has procured the undertakings from all its directors and executive officers (in the updated format set out in Appendix 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules.

BY ORDER OF THE BOARD

Chang Wei Lu

Executive Chairman

12 August 2016