

MERCURIUS CAPITAL INVESTMENT LIMITED
(previously known as CCFH LTD.)
(Incorporated in the Republic of Singapore)
(Company Registration No.198200473E)

Financial Statement Announcement for the Financial Year Ended 31/12/2016 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.

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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 YEAR ENDED 31 DECEMBER 2016

	Year Ended		Change
	31/12/2016	31/12/2015	
	S\$'000	S\$'000	%
Continuing Operations		(Re-presented)	
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Other income	161	2,146	-92%
Other losses, net	(680)	(401)	70%
Selling and distribution expenses	-	(2)	-100%
Administrative expenses	(595)	(737)	-19%
Finance costs	(2)	(233)	-99%
(Loss)/profit before income tax	(1,116)	773	-244%
Income tax expenses	-	-	-
Net (loss)/profit for the financial year from continuing operations	(1,116)	773	-244%
Discontinued operations			
Net loss for the financial year from discontinued operations, net of tax	(20,733)	(21,070)	-2%
Total loss for the financial year	(21,849)	(20,297)	
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
-Gains/(losses)	278	(20)	NM
-Reclassification	-	359	NM
Total comprehensive loss	(21,571)	(19,958)	8%
(Loss)/profit attributable to:			
Equity holders of the Company-Continuing operations	(1,116)	773	NM
Equity holders of the Company-Discontinued operations	(20,733)	(21,070)	-2%
	(21,849)	(20,297)	
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company-Continuing operations	(838)	1,112	NM
Equity holders of the Company-Discontinued operations	(20,733)	(21,070)	-2%
	(21,571)	(19,958)	

NM = Not Meaningful

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

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

	Continuing Operations			Discontinued Operations		
	Year Ended		Change	Year Ended		Change
	31/12/2016	31/12/2015		31/12/2016	31/12/2015	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Re-presented			Re-presented		
Interest income	-	-	-	6	12	-50%
Loss on liquidation/disposal/strike off of subsidiary corporations	-	(401)	-100%	-	-	-
Allowance for impairment of trade and other receivables, net	(80)	-	NM	(10,806)	(11,617)	-7%
Depreciation of property, plant and equipment	(4)	(4)	-	(115)	(244)	-53%
Loss on disposal of property, plant and equipment	-	-	-	(175)	-	NM
Write-back/(allowance) for impairment of property, plant and equipment	-	-	-	443	(444)	-200%
Allowance for impairment of intangible assets	-	-	-	-	(1,468)	NM
Salaries, bonuses and allowances	(98)	(223)	-56%	(1,012)	(3,818)	-73%
Rental expenses on operating lease	(29)	(29)	-	(399)	(384)	4%
Interest expense	(2)	(233)	-99%	(701)	(763)	-8%
Currency translation (losses)/gains, net	(671)	1,513	-144%	(1,050)	578	-282%

- 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 31 DECEMBER 2016 AND 31 DECEMBER 2015

	Group		Company	
	As at		As at	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	165	3,805	145	20
Trade and other receivables	1,033	47,008	2,466	33,107
Income tax recoverable	18	18	-	-
Inventories	-	17,552	-	-
	1,216	68,383	2,611	33,127
Assets held for sale	31,817	-	18,089	-
	33,033	68,383	20,700	33,127
Non-current assets				
Investments in subsidiaries	-	-	-	20,429
Property, plant and equipment	9	320	9	13
	9	320	9	20,442
TOTAL ASSETS	33,042	68,703	20,709	53,569
LIABILITIES				
Current liabilities				
Trade and other payables	3,063	18,536	4,337	32,879
Borrowings	-	27,959	-	-
Current income tax liabilities	-	78	-	-
	3,063	46,573	4,337	32,879
Liabilities held for sale	29,817	-	16,089	-
	32,880	46,573	20,426	32,879
TOTAL LIABILITIES	32,880	46,573	20,426	32,879
NET ASSETS	162	22,130	283	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	8,831	8,950	-	-
Accumulated losses	(57,522)	(35,673)	(132,449)	(112,042)
	383	22,351	283	20,690
Non-controlling interests	(221)	(221)	-	-
TOTAL EQUITY	162	22,130	283	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		Group	
	31/12/2016		31/12/2015	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Borrowings	-	-	27,959	-
Of which:				
Amount due within 1 year	-	-	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 properties, plant and equipment provided by a related company and related party.

Shishi Haotian Dress Industry Co Ltd ("Shishi Haotian"), a fully owned subsidiary 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 up to RMB32,000,000. In December 2016, the corporate guarantee to Hua Xia Bank had been discharged. (2015: RMB24,000,000 of the facility was drawdown by Eagleton).

During FY2016, Shishi Haotian had extended a corporate guarantee to Industrial Bank Co., Ltd for Shishi Jijile Garments Weaving Co., Ltd's ("Shishi Jijile") banking facilities with the bank. The corporate guarantee is effective from 05 February 2016 to 05 February 2019 for an amount up to RMB10,000,000. As at 31 December 2016, the outstanding banking facility drawn down by Shishi Jijile was RMB 7,000,000.

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 THE YEAR ENDED 31 DECEMBER 2016 AND 2015

	12 Months Ended	
	31/12/2016	31/12/2015
	S\$'000	S\$'000
Cash flows from operating activities		
Net loss	(21,849)	(20,297)
Adjustments for:		
Income tax expense	17	153
Amortisation of intangible assets	-	1
Depreciation of property, plant and equipment	119	248
(Write-back)/Impairment loss on plant and equipment	-	444
Impairment loss on Intangible assets	-	1,468
Interest expense	703	996
Interest income	(6)	(12)
Loss on liquidation/disposal/strike off of subsidiaries	-	401
Gain on disposal of property, plant and equipment, net	(268)	-
Unrealised currency translation loss	1,721	193
Operating cash flows before working capital changes	(19,563)	(16,405)
Changes in working capital		
Trade and other receivables	24,822	1,566
Inventories	5,405	5,607
Trade and other payables	(8,319)	(6,579)
Cash used in operations	2,345	(15,811)
Interest received	6	12
Income tax paid	(85)	(474)
Net cash provided by/(used in) operating activities	2,266	(16,273)
Cash flows from investing activities		
Additions of property, plant and equipment	-	(74)
Proceeds from disposal of property, plant and equipment	368	-
Deferred consideration from disposal of subsidiary corporations	-	3,332
Disposal/liquidation/strike off of subsidiary corporations, net of cash disposed of	-	(61)
Net cash provided by investing activities	368	3,197
Cash flows from financing activities		
Proceeds from borrowings	29,974	58,723
Repayment of borrowings	(33,700)	(44,482)
Interest paid	(703)	(996)
Decrease/(increase) in bank deposits and bank balances pledged	1,134	(1,774)
Net cash (used in)/provided by financing activities	(3,295)	11,471
Net decrease in cash and cash equivalents	(661)	(1,605)
Cash and cash equivalents		
Cash and cash equivalent at beginning of financial year	1,040	2,557
Effects of currency translation on cash and cash equivalents	(183)	88
Cash and cash equivalent at end of financial year	<u>196</u>	<u>1,040</u>

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:

	Year Ended	
	31/12/2016	31/12/2015
	S\$'000	S\$'000
Continuing operations:-		
Cash and cash equivalents as per statement of financial position	<u>165</u>	<u>50</u>
Discounted operations:-		
Cash and cash equivalents as per statement of financial position	1,662	3,755
Less : bank balances pledged with banks	<u>(1,631)</u>	<u>(2,765)</u>
	<u>31</u>	<u>990</u>
Cash and cah equivalents per consolidated cash flow statement	<u>196</u>	<u>1,040</u>

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 parent S\$'000	Non-controlling interests S\$'000	Total Equity S\$'000
Balance at 1 January 2016	49,074	1,911	6,992	47	(35,673)	22,351	(221)	22,130
Total comprehensive loss for the financial year	-	-	-	(119)	(21,849)	(21,968)	-	(21,968)
Balance at 31 December 2016	49,074	1,911	6,992	(72)	(57,522)	383	(221)	162
Balance at 1 January 2015	49,074	1,911	6,992	(292)	(15,376)	42,309	(221)	42,088
Total comprehensive loss for the financial year	-	-	-	339	(20,297)	(19,958)	-	(19,958)
Balance at 31 December 2015	49,074	1,911	6,992	47	(35,673)	22,351	(221)	22,130
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 loss for the financial year	-	(20,327)	(20,327)					
Balance at 31 December 2016	132,732	(132,369)	363					
Balance at 1 January 2015	132,732	(77,023)	55,709					
Total comprehensive loss for the financial year	-	(35,019)	(35,019)					
Balance at 31 December 2015	132,732	(112,042)	20,690					

- 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 December 2015 to 31 December 2016.

As at 31 December 2015 and 31 December 2016, 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 31 December 2015 and 31 December 2016.

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

- 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 year 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 auditor.

- 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 year 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 year 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.

	12 Months Ended	
	31-12-2016	31-12-2015
<u>Continuing Operations</u>		
Net (loss)/profit for the financial year (S\$'000)	(1,116)	773
Weighted average number of ordinary shares in issue for computation of basic earnings and diluted (loss)/earnings per share	1,045,849,949	1,045,849,949
Basic and diluted (loss)/earnings per shares (cents)	(0.11)	0.07
<u>Discontinued Operations</u>		
Net loss for the financial year (S\$'000)	(20,733)	(21,070)
Weighted average number of ordinary shares in issue for computation of basic earnings and diluted loss per share	1,045,849,949	1,045,849,949
Basic and diluted loss per shares (cents)	(1.98)	(2.01)

For the financial year ended 31 December 2015 and 31 December 2016, the fully diluted earnings per share was equivalent to the basic earnings 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	
	31/12/2016	31/12/2015
Net Asset Value Per Ordinary Share		
- Based on issued share capital at the end of financial period/year	0.01 cents	2.00 cents
- Number of existing issued shares at the end of financial period/year	1,104,008,940	1,104,008,940
	Company	
	31/12/2016	31/12/2015
Net Asset Value Per Ordinary Share		
- Based on issued share capital at the end of financial period/year	0.01 cents	1.87 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 followings:-

- (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**

As announced by the Company on 27 February 2017, the Group intends to dispose of China Children Fashion Holdings Pte Ltd and its subsidiary corporations. Hence, all income and expenses relating to the disposing entities had been disclosed under "Discontinued operations". The statement of comprehensive income had taken into account discontinued operations as follow:-

	Continuing Operation	Discontinued operation	FY2016 Total	FY2015 Total
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	-	4,772	4,772	26,744
Cost of sales	-	(4,409)	(4,409)	(25,370)
Gross Profit	-	363	363	1,374
Other income	161	1,921	2,083	2,417
Sell & distribution exp	-	(323)	(323)	(949)
Administrative cost	(595)	(1,715)	(2,310)	(2,763)
Finance cost	(2)	(702)	(703)	(996)
Other losses, net	(680)	(20,261)	(20,941)	(19,227)
Net loss before tax	(1,116)	(20,716)	(21,832)	(20,144)
Income tax expenses	-	(17)	(17)	(153)
Net loss	(1,116)	(20,733)	(21,849)	(20,297)

- (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)**

Turnover

Divisions	Year ended		Variance %
	31/12/16 ("FY2016") S\$'000	31/12/15 ("FY2015") S\$'000	
Original Design Manufacturing ("ODM")	4,772	26,744	-82.2
Total	4,772	26,744	(82.2)

Revenue decreased significantly by S\$22.0 million from S\$26.7 million in FY2015 to S\$4.8 million in FY2016. The decrease in revenue was mainly due to slow market condition in China during the financial year which had affected orders from our existing domestic customers. Due to slow recovery of trade receivables from its international customers, the Group has ceased its international sales orders beginning from the third quarter of FY2016 and instead focused its efforts on the domestic market of mainland China.

Gross Profit

Gross profit decreased by S\$1.0 million from S\$1.4 million in FY2015 to S\$0.4 million in FY2016. Gross profit margin increased slightly from 5.1% in FY2015 to 7.6% in FY2016 following cost rationalisation to maintain profit margin.

Other Income

Other income decreased by S\$0.3 million from S\$2.4 million in FY2015 to S\$2.1 million in FY2016. This was mainly due to currency translation loss recorded in FY2016 as compared to gain in currency translation in FY2015. Other income in FY2016 included reversal of allowance for impairment of trade receivables amounting to S\$1.9 million.

Expenses

Increase in other losses by S\$1.7 million in FY2016 was due to loss from currency translation amounting to S\$1.7 million as a result of the volatility in USD and Malaysian Ringgit during the financial year.

Other losses also included allowance for doubtful debts of S\$10.8 million (FY2015 : S\$10.5 million), and loss from disposal of slow moving and obsolete cotton fabric amounting to S\$8.5 million (FY2015: S\$5.7 million).

(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)

Selling and distribution expenses decreased by S\$0.6 million from S\$0.9 million in FY2015 to S\$0.3 million in FY2016 as a result of cost rationalisation and lower sales activities as compared to FY2015.

Administrative expenses decreased by S\$0.5 million from S\$2.8 million in FY2015 to S\$2.3 million in FY2016. The lower administrative expenses were mainly due to decrease in staff costs as a result of cessation of key managements and reduction in factory workers during the financial period.

The decrease of finance cost by 26% from S\$1.0 million in FY2015 to S\$0.7 million in FY2016 was in line with decrease in borrowing during the financial year.

The Group reported a net loss of S\$1.1 million from continuing operations in FY2016 as compared to a net profit of S\$0.8 million in FY2015.

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

On 27 February 2017, the Company had announced, *inter alia*, the proposed disposal of China Children Fashion Holdings Pte Ltd and its subsidiary corporations. In accordance with the International Financial Reporting Standard (IFRS) 5, the Company had separately disclosed the assets and liabilities of the disposing group under "Asset held for sale" and "Liabilities held for sale".

Trade and other receivables decreased by S\$46.0 million to S\$1.0 million as at 31 December 2016 as compared to S\$47.0 million as at 31 December 2015, mainly due the followings:-

- (i) Decrease in advances to suppliers by S\$11.8 million, where these advances had been utilised to pay off the amount due to suppliers.
- (ii) Allowance for doubtful debts during the year amounting to S\$10.8 million
- (iii) Decrease in trade receivable in line with decrease in revenue during the year.
- (iv) Reclassification of trade and other receivables of approximately S\$18.0 million to assets held for sale.

Inventories was recorded as Nil as at 31 December 2016 due to the following:-

- (i) Decrease in inventories by S\$5.1 million mainly due to disposal of slow moving and obsolete raw material.
- (ii) Reclassification of inventories of approximately S\$12.1 million to assets held for sale.

Non-current assets decreased to S\$61,000 as at 31 December 2016 as a result of depreciation of property, plant and equipment and disposal of property, plant and equipment during the financial year.

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

Trade and other payables decreased by S\$15.4 million to S\$3.1 million as at 31 December 2016 compared to S\$18.5 million as at 31 December 2015. This was mainly due to the following:-

- (i) Decrease in advances from domestic customers as a result of lower revenue, and settlement of the amount due to suppliers through utilisation of advances from suppliers.
- (ii) Reclassification of trade and other payables of approximately S\$6.9 million to liabilities held for sale.

Total borrowings was recorded as Nil as at 31 December 2016 due to the following:-

- (i) Net settlement of bills payable by S\$8.0 million, offset by increase in short-term bank borrowing by S\$4.1 million.
- (ii) Reclassification of borrowings of approximately S\$22.6 million to liabilities held for sale.

The Group had a positive working capital of S\$0.2 million as at 31 December 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\$2.3 million in FY2016 was derived from net cash inflows from changes in working capital of S\$10.9 million. The net cash inflows from changes in working capital were mainly due to decrease in trade and other receivables by S\$13.9 million and decrease in trade and other payables by S\$8.3 million as a result of settlement of the amount due to suppliers via the advances to suppliers, accompanied by decrease in inventories of S\$5.1 million due to disposal of slow moving and obsolete raw materials during the financial year.

Net cash used in financing activities of S\$3.3 million for FY2016 was mainly due to net settlement of bills payables amounting to S\$8.0 million.

The Group had a net cash outflow of S\$0.7 million and S\$1.6 million for FY2016 and FY2015 respectively.

As at 31 December 2016, cash and cash equivalents of the Group stood at S\$0.2 million (FY2015: S\$1.0 million).

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

Based on our disclosure in the first quarter, second quarter and third quarter of 2016 financial results announcements, no prospects statement was provided.

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.

FY2016 had proven to be a challenging year given the uncertainty surrounding the Brexit vote, and the policy stance of the incoming U.S administration and its global ramifications. The Group's children clothing manufacturing business had taken a hit with significant drop in revenue due to decrease in international sales.

As mentioned in the third quarter financial result announcement, the Group is exploring other opportunities for collaboration. In this regard, the Company had on 27 February 2017 announced, *inter alia*, a proposed diversification of core business to include property development and property investment (“**Proposed New Business**”). The Board is cautiously optimistic of the Proposed New Business and believes that it will allow the Group to have better prospects of profitability and improve Shareholders’ value in the long run.

In addition, the Group is aware of the substantial funding required for the operations of China Children Fashion Holdings Pte Ltd and its subsidiary corporations ("CCFHPL Group"), which has been loss making since FY2015 with no clear visibility of recovery or profitability. As such, as announced by the Company on 27 February 2017, the Group proposes to dispose of CCFHPL Group. The Board believes that the proposed disposal is in the best interests of the Group as it is in line with the Board’s intention to streamline and focus the utilisation of its resources and transform its core business activities from the existing business of the Company to the Proposed New Business.

The Group will keep the shareholders informed of any updates pertaining to the above mentioned proposals.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) dividend has been declared (recommended); and

No.

(b)(i) Amount per share?

Not applicable.

(b)(ii) Previous corresponding period

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5:00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

No dividend has been declared or recommended for the financial year ended 31 December 2016.

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 year ended 31 December 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 31 December 2016 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Four Season Capital Pte Ltd (Note 1)	S\$28,800	Nil (Note 3)
Shishi Jijile Garments Weaving Co., Ltd. (Note 2)	S\$383,702	Nil (Note 3)

Note 1: Rental of office space from a company owned by the spouse of Xu Rongsen, ex-Chief Executive Officer of the Company. Xu Rongsen had resigned as Chief Executive Officer and Executive Director of the Company on 21 February 2017.

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

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

14. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year. (Continued).

Beginning from FY2015, the Group operated principally in a single business segment which is the original design manufacturing (“ODM”) business in relation to the manufacturing of children's and infant's apparel in China, hence no reporting by business segments is presented.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to section 8 for further details.

16. A breakdown of sales.

	FY2016	FY2015	% increase /
	\$'000	\$'000	(decrease)
	Group	Group	Group
(a) Sales reported for first half year	1,968	9,216	-79%
(b) Operating (loss)/profit after tax before deducting minority interests reported for first half year	(3,450)	(869)	297%
(c) Sales reported for second half year	2,804	17,528	-84%
(d) Operating (loss)/profit after tax before deducting minority interests reported for second half year	(18,399)	(19,428)	-5%

17. A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year.

Not applicable. No dividend was declared and paid for the FY2016 and FY2015.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There is no person occupying a managerial position in the issuer or any of its principal subsidiaries who is relative of a director or chief executive officer or substantial shareholder of the issuer.

19. 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 confirms that it has procured 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 and Chief Executive Officer

1 March 2017