MERCURIUS CAPITAL INVESTMENT LIMITED

PROVIDING SOLUTIONS DELIVERING VALUES

ANNUAL REPORT 2017

CORPORATE PROFILE

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

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

CONTENTS

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

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

MESSAGE FROM EXECUTIVE CHAIRMAN & CEO

DEAR SHAREHOLDERS,

Looking back at the year 2017, the Group went through significant but necessary changes. The Group disposed of China Children Fashion Holding Pte Ltd and its subsidiary corporations ("CCFHPL Group"), and discontinued the Original Design Manufacturing ("ODM") business due to accumulated losses with no prospect of profitability. Mr. Wong Leong Chui and Mr. Chieng You Ping were appointed on the board of directors of the Company to provide guidance to the Group. The Group has embarked into a new business by diversifying its core business to include property development and property investment ("New Business") through the joint venture agreement entered into with HM Realty Holdings Sdn. Bhd. to develop a plot of land at Kempas, Johor Bahru, Malaysia. Together with the joint venture agreement, 4 other option agreements were entered into with their respective land owners to secure the development rights of their respective lands in Permas Jaya, Senibong, and Senai, all in the vicinity of Johor Bahru, Malaysia.

THE NEW BUSINESS

While carefully evaluating the plots of land for development, the Group had decided to jointly develop with HM Realty Holdings Sdn. Bhd. the plot of land at Kempas into a mix

development property comprising of shopping mall, hotel, and offices, due to its strategic location and booming residential population in the vicinity. To commence work on the Kempas development, the Group had appointed Y. Architect Sdn. Bhd. as the architect for the proposed development and is sourcing for consultant and contractor for the proposed land development. The Group is currently in the process of converting the Kempas land title from residential use to commercial use and is aware of the prolonged process of conversion, partly due to the upcoming Malaysia General Election, which affected the approval process from the respective Government agencies. The Group is exploring exercising the option agreements signed with other land owners in order to diversify risk and fully utilised the Group's resources. The Group will keep shareholders of the Company ("Shareholders") informed of any updates from time to time where appropriate or required under the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist.

THE OUTLOOK

The prospects for the property market in Malaysia continues to be gloomy with oversupply in commercial properties and high-end residential properties in major states like Kuala Lumpur, Penang, and Johor. Despite the unfavorable Malaysian property market outlook, the Johor Housing and Local Government Committee remain optimistic on the purchasing power for both local and foreign home owners as the local government and developers work towards bringing in foreign investors and regulating the property market in Johor. With the upcoming mega project that will facilitate daily commute between the cross border of Johor Bahru and Singapore e.g. the Johor Bahru – Singapore Rapid Transit System and Kuala Lumpur – Singapore High Speed Rail which are targeted to complete in 2024 and 2026 respectively, the Group believes that there is significant potential in the Johor Bahru property market.

The Group remains cautious in strategising the development of the option lands and will continue to explore joint venture and/or strategic alliances to carry out the New Business. Going forward, the Group may consider other geographical markets in other states and/or countries that present growth opportunities for the New Business. Any expansion to new geographical markets will be evaluated and assessed by the Board on its own merit and the Group will seek Shareholders' approval for such expansion at the appropriate time.

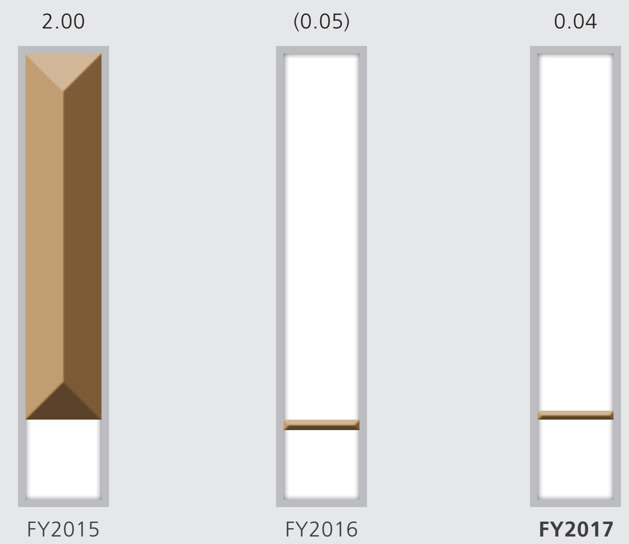
ACKNOWLEDGEMENTS

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

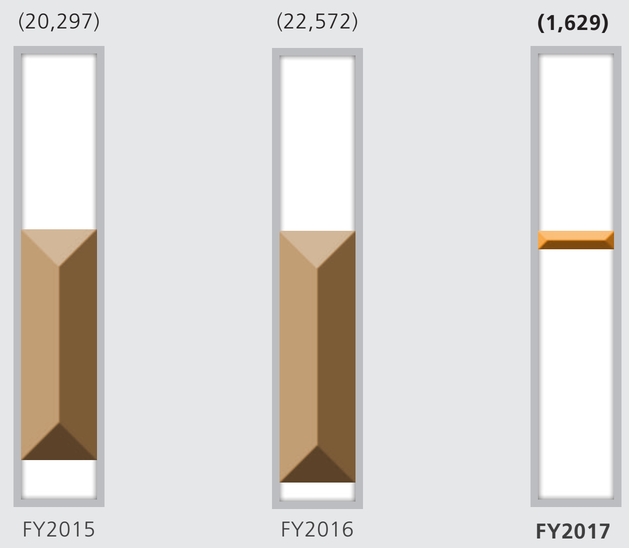
MR. CHANG WEI LU
Executive Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

NET ASSETS/(LIABILITIES) VALUE PER SHARE (CENTS)



TOTAL LOSS FOR THE FINANCIAL YEAR ($'000)



FINANCIAL AND OPERATION REVIEW

REVENUE AND GROSS PROFIT

Following the disposal of the children fashion business and pending revenue to be generated from the new business of property investment and property development, no revenue was recorded for the financial year ended 31 December 2017 ("FY2017") and the financial year ended 31 December 2016 ("FY2016"). The Group recorded a net profit from continuing operations of $0.45 million (FY2016: a net loss of $1.20 million) mainly due to a one-off net gain on disposal and striking off of subsidiary corporations of $0.85 million, partially offset by expenses incurred for FY2017 as explained below.

OTHER INCOME/(LOSSES), NET

As compared to FY2016, other income of $1.03 million for FY2017 was mainly derived from net gain on disposal and striking off of subsidiary corporations amounting to $0.85 million as a result of disposal of CCFHPL Group and striking off of Friven Eagleton Sourcing Limited, and waiver of payables amounting to $0.14 million. No such income was recorded in FY2016. Instead, a currency translation loss of $0.60 million was recorded in FY2016 as compared to gain in currency translation in FY2017 amounting to $0.04 million.

EXPENSES

Administrative expenses decreased from $0.60 million in FY2016 to $0.52 million in FY2017 mainly due to decrease in director fees and audit fees amounting to $0.08 million and $0.04 million respectively. Finance costs of $0.06 million incurred in FY2017 refers to recognition of the interest expense from the convertible loan.

FINANCIAL POSITION

Trade and other receivables increased to $0.09 million as at 31 December 2017, from $0.07 million as at 31 December 2016, mainly due to an increase in prepaid expenses of $0.03 million, which related to professional and listing fees.

Income tax recoverable decreased marginally to $3,000 as at 31 December 2017, from $0.02 million as at 31 December 2016.

Assets held-for-sale of $32.01 million as at 31 December 2016 related to the assets of CCFHPL Group, which was disposed of by the Company on 23 February 2017. No other assets held-for-sale was recorded as at 31 December 2017.

Non-current assets remained relatively stable at $0.01 million as at 31 December 2017 and 31 December 2016.

Trade and other payables decreased by $2.63 million, from $2.82 million as at 31 December 2016 to $0.19 million as at 31 December 2017. The decrease was mainly due to (i) the striking off of Friven Eagleton Sourcing Limited in the second quarter of FY2017, which had contributed $1.80 million in trade and other payables as at 31 December 2016; (ii) the decrease in advances from Director of $0.45 million as a result of the full settlement of the outstanding loan via the issuance of new Shares in October 2017; and (iii) repayment of other payable amounting to $0.16 million in FY2017.

Increase in share capital was due to the derecognition effect of the reverse acquisition on the Group's share capital following the disposal of CCFHPL Group which was considered to be the acquired group under the reverse acquisition on 3 August 2010. In FY2017, the Company had issued 10 million shares amounting to $0.45 million as full settlement of the outstanding loan to Director.

Other reserves included negative currency translation reserve of $2.14 million and equity component of convertible loan amounting to $1.06 million. On 17 March 2017, the Company entered into convertible loan agreements with two non-related investors for an aggregate total principal value of $1.0 million.

FINANCIAL AND OPERATION REVIEW

The Group had a positive working capital of $0.40 million as at 31 December 2017 as compared to a negative working capital of $0.57 million as at 31 December 2016. The Group had a net assets value of $0.41 million as at 31 December 2017 as compared to a net liabilities value of $0.56 million as at 31 December 2016.

CASH FLOW POSITION

Net cash used in operating activities amounted to $0.51 million for FY2017. This was due to (i) cash outflow before changes in working capital of $0.44 million; (ii) decrease in trade and other payables of $0.19 million as a result of the striking off of Friven Eagleton Sourcing Limited; and (iii) decrease in trade and other receivables of $0.04 million, partially offset by decrease in inventories of $0.14 million as a result of the disposal of CCFHPL Group.

Net cash used in investing activities of $0.06 million in FY2017 was mainly due to the disposal and striking off of subsidiary corporations during the financial year.

Net cash provided by financing activities of $0.87 million in FY2017 was mainly due proceeds from convertible loan and borrowings of $1.00 million and $0.15 million, respectively, partially offset by repayment of borrowings of $0.15 million and interest paid of $0.13 million.

As a whole, the Group had a net cash inflow of $0.30 million in FY2017. The cash and cash equivalents as at 31 December 2017 amounted to $0.50 million.

PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT

On 23 February 2017, the Group had entered into a joint venture agreement with HM Realty Holdings Sdn. Bhd. to develop a plot of freehold land in Kempas, Johor Bahru, Malaysia, into mixed development properties comprising shopping mall, hotels, and offices. Mercurius HM Realty Sdn. Bhd. was incorporated from this joint venture to oversee the progress of the Kempas development. The Group is currently applying for the conversion of the land title from residential use to commercial use and pending approval from the Malaysian government.

BOARD OF DIRECTORS

CHANG WEI LU

Executive Chairman and Chief Executive Officer

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

MAH SEONG KUNG

Lead Independent Non-Executive Director

Mr. Mah, appointed to the Board on 7 September 2012, is our Lead Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee. He is an associate partner of Biztrack Consultants, a nominated advisor of the National Stock Exchange of Australia. Mr. Mah gained his industry experience by having worked in management positions of an entertainment content production company, licensed capital market services advisory firm, listed education provider, and as an investment manager of a listed private equity fund.

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

BOARD OF DIRECTORS

WONG LEONG CHUI
Independent Non-Executive Director

CHIENG YOU PING
Non-Executive Non-Independent Director

Mr. Wong, 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 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.

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

KEY MANAGEMENT

RAPHAEL LIEW SOON CHEE

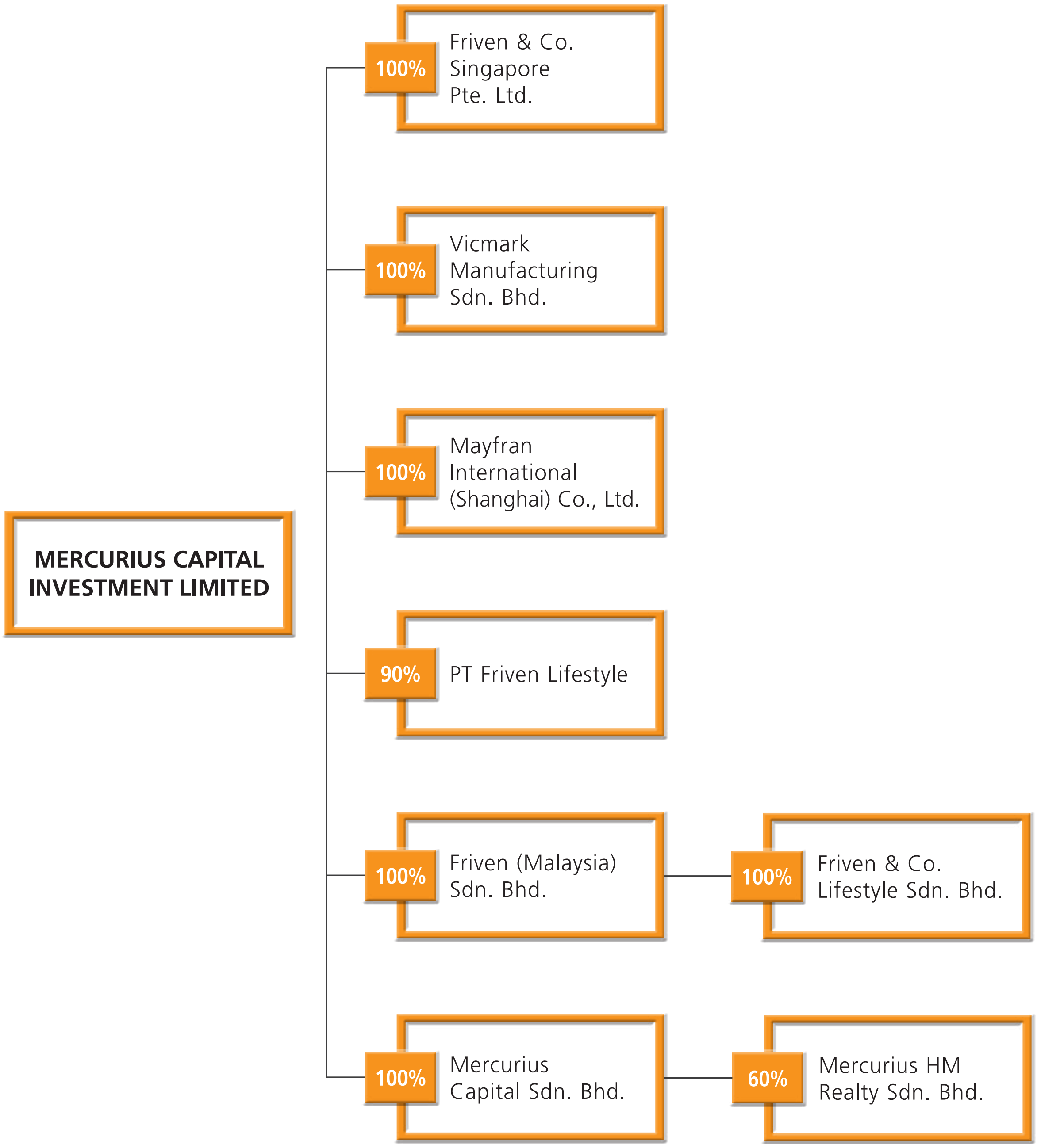
Group Finance Manager

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

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

CORPORATE STRUCTURE

AS AT 31 DECEMBER 2017



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

COMPANY SECRETARY

Ms. Nor Hafiza Alwi

REGISTERED OFFICE

8 Robinson Road
#03-00 ASO Building
Singapore 048544
Tel: (65) 6443 0618 or (60) 7362 0050
Fax: (65) 6438 7926
Email: enquiry@mercuriuscapital.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

SPONSOR

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

INDEPENDENT AUDITOR

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

PRINCIPAL BANKERS

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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

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 subsidiary corporations, 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 corporate governance and practices currently with specific references made to principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). The Board confirms that, for the financial year ended 31 December 2017 ("FY2017"), the Company has generally complied in all material aspects with the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations have been provided.

BOARD MATTERS

The Board's Conduct of Affairs

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

Role of the Board

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

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

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

CORPORATE GOVERNANCE REPORT

Board Processes

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

The Board conducts regular meetings, and additional meetings for particular matters will be convened as and when they are deemed necessary. The attendance of the Directors at the meetings of the Board and Board Committees during FY2017 is as follows:–

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Number of meetings held	4	4	1	1
Attendance:				
Chang Wei Lu	4	4(1)	1(1)	1(1)
Xu Rongsen(2)	–	–	–	–
Mah Seong Kung	3	3	1	1
Ke Lihong(3)	–	–	–	–
Feng Jianjia(4)	–	–	–	–
Wong Leong Chui(5)	4	4	1	1
Chieng You Ping(6)	3	3	–	–

Notes:–
(1) Attendance at meetings were "By Invitation".
(2) Mr. Xu Rongsen resigned as the Chief Executive Officer and Executive Director on 21 February 2017.
(3) Ms. Ke Lihong resigned as an Independent Non-Executive Director on 21 February 2017.
(4) Mr. Feng Jianjia resigned as an Independent Non-Executive Director 21 February 2017.
(5) Mr. Wong Leong Chui was appointed as an Independent Non-Executive Director with effect from 21 February 2017.
(6) Mr. Chieng You Ping was appointed as a Non-Executive Non-Independent Director with effect from 5 April 2017.

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

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

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

Newly appointed Directors will receive appropriate briefings and 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.

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

Board Composition and Guidance

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

As at the date of this report, the Board comprises four (4) members, three (3) of whom are Non-Executive Directors, including two (2) Independent Directors. Accordingly, the Board has satisfied the requirement for independent directors to make up at least half of the Board where the chairman of the board and chief executive officer is the same person (Guideline 2.2 of the Code). As such, together with the Non-Executive Directors, the Board is able to provide the Management with a diverse and objective perspective on the issues at hand and there is no individual or small group of individuals who dominates the Board's decision making. As at the date of this report, the composition of the Board and Board Committees are as follows:

CORPORATE GOVERNANCE REPORT

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

The size and composition of the Board are reviewed from time to time by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective discussions and decision making. The NC is of the view that the current Board size of four (4) members is appropriate and effective, taking into account the nature and scope of the Group's operations. Further, the NC is satisfied that the Board comprised Directors with a variety of core competencies and expertise necessary to discharge their duties and responsibilities and to provide strategic networking to enhance the business of the Group. Although there is currently no female Director appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration.

The independence of each Director is reviewed annually by the NC. The criterion of independence is based on the definition set out in the Code. Each of the Independent Director has confirmed to the Board that he does not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interests of the Company. The Board, based on the review conducted by the NC, has determined and confirmed the independence of the Independent Directors. None of the Independent Directors has served in the board beyond nine (9) years from the date of first appointment.

The Non-Executive Directors communicate regularly to discuss matters such as the Group's financial performance and corporate governance measures and provide constructive advice and guidance on directions in relation to the Group's business strategies. They also review the performance of the Management in achieving agreed goals and objectives and monitor the reporting of performance. Where necessary, the Non-Executive Directors meet and discuss on the Group's affairs without the presence of the Management.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

Mr. Chang Wei Lu is the Executive Chairman of the Board, and he assumed the role of the Chief Executive Officer of the Company ("CEO") following the resignation of the former CEO, Mr. Xu Rongsen, on 21 February 2017.

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 size, scope and the nature of the operations of the Group.

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 in consultation with the 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 particular strategic issues. The Chairman will also ensure that the Board members are provided with adequate and timely information prior to Board meetings, and also to promote a culture of openness and debate at the Board meetings.

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

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

CORPORATE GOVERNANCE REPORT

Board Membership

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

Nominating Committee

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

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

The NC is scheduled to meet at least once a year and at such other times as may be necessary.

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

- evaluating the effectiveness of the Board as a whole and the contributions of each Director;
- identifying the skills, expertise and capabilities for the effective functioning of the Board;
- reviewing the training and professional development programs for the Board:
- maintaining a formal process for the nomination of new Directors;
- 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 and appointing new directors to the Board. Where there is a need to appoint a new director, the NC will evaluate the balance of skills, knowledge and experience on the Board in order to identify the essential and desirable competencies of the candidate. Suitable candidates are sourced through the recommendations of the Directors or the Management or through other external sources. The NC will then meet up with the candidates to assess his or her suitability based on certain objective criteria such as integrity, independent mindedness and the ability to commit time, before making its recommendation to the Board.

The Board has determined that the maximum number of listed board representations which any director may hold is not more than five (5) directorships. None of the Directors has any current and/or past directorships in other listed company.

The Constitution of the Company provides that one-third of the Board, except the CEO, shall retire by rotation at every annual general meeting of the Company ("AGM") and at least once every three (3) years. All newly appointed Directors appointed during the year are required to retire and subject himself or herself for re-election at the next AGM following his appointment. For the forthcoming AGM, the NC has recommended Mr. Mah Seong Kung and Mr. Wong Leong Chui, who will retire pursuant to Article 95(2) of the Company's Constitution, be nominated for re-election. As members of the NC, each of Mr. Mah Seong Kung and Mr. Wong Leong Chui has abstained from voting on any resolutions in respect of the assessment of his own performance for re-appointment as a Director. In making the recommendation, the NC had considered the Directors' overall contributions 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

CORPORATE GOVERNANCE REPORT

the quality of input and contributions. The NC has also reviewed the independence of both Mr. Mah Seong Kung and Mr. Wong Leong Chui. In assessing their independence, the NC having considered the guidelines set out in the Code, is of the view that both Mr. Mah Seong Kung and Mr. Wong Leong Chui are independent and there are no relationships identified in the Code which would deem both Mr. Mah Seong Kung and Mr. Wong Leong Chui as not independent. Each of Mr. Mah Seong Kung and Mr. Wong Leong Chui has confirmed his independence to the Board. The NC has recommended the re-election of the retiring Directors and the Board has accepted the NC's recommendation. Please refer to the notice of AGM for the resolutions put forth in relation to their respective re-elections.

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

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

Name of Director	**Board appointment**	**Date of first appointment**	**Date of last re-election**	**Directorship or Chairmanship both present and held over the preceding three (3) years in other listed companies**
Chang Wei Lu	Executive	12 May 2014	29 April 2017	Present Directorship or Chairmanship None Past Directorship or Chairmanship None
Mah Seong Kung	Non-Executive and Independent	7 September 2012	27 April 2015 (To be re-elected at the forthcoming AGM)	Present Directorship or Chairmanship None Past Directorship or Chairmanship None
Wong Leong Chui	Non-Executive and Independent	21 February 2017	29 April 2017 (To be re-elected at the forthcoming AGM)	Present Directorship or Chairmanship None Past Directorship or Chairmanship None
Chieng You Ping	Non-Executive and Non-Independent	5 April 2017	29 April 2017	Present Directorship or Chairmanship None Past Directorship or Chairmanship None

CORPORATE GOVERNANCE REPORT

Board Performance

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

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

The review of each Director and the Board's performance is undertaken collectively by the Board and the NC annually on a continual basis, without the engagement of an external facilitator(s). For FY2017, the Board is satisfied that each Director has allocated sufficient time and attention to the affairs of the Company, and is of the view that the performance of the Board as a whole and the contribution of each Director to the effectiveness of the Board and Board Committees has been satisfactory.

Access to Information

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

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

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

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

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

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Remuneration Committee

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

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

The RC meet at least once a year and at such other times as may be necessary.

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; and
- reviewing the Executive Director and the key management personnel compensation policies, structures and determine appropriate adjustments.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of each Director and key management personnel. The RC reviews and recommends to the Board the general framework of remuneration and specific remuneration packages for the Board and key management personnel, covering all aspects of remuneration including salaries, fees, allowances, bonuses and benefits-in-kind. 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 professional advice was sought by the RC in FY2017.

CORPORATE GOVERNANCE REPORT

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

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Director and key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

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

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

Non-Executive Directors receive Directors' fees appropriate to the level of their contributions, taking into account factors such as effort and time spent, and responsibilities of the Directors. Directors' fees are endorsed by the RC and recommended by the Board for Shareholders' approval at the AGM.

The Company's employee share option scheme, Friven & Co. Employee Share Option Scheme, approved and adopted by Shareholders at the Extraordinary General Meeting on 21 September 2007, had expired on 20 September 2017. The Company has not proposed a new employee share option scheme, and consequently, the Company currently does not have any share-based compensation schemes in place.

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

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

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

The remuneration of the Directors for FY2017 is as follows:–

Director	Director's Fee	Salary	Bonus	Benefits-in-kind	Total
Chang Wei Lu	–	–	–	–	–
Xu Rongsen(1)	–	–	–	–	–
Mah Seong Kung	–	–	–	–	–
Ke Lihong(2)	–	–	–	–	–
Feng Jianjia(3)	–	–	–	–	–
Wong Leong Chui(4)	–	–	–	–	–
Chieng You Ping(5)	–	–	–	–	–

Notes: -
(1) Mr. Xu Rongsen resigned as the CEO and Executive Director on 21 February 2017.
(2) Ms. Ke Lihong resigned as an Independent Non-Executive Director on 21 February 2017.
(3) Mr. Feng Jianjia resigned as an Independent Non-Executive Director on 21 February 2017.
(4) Mr. Wong Leong Chui was appointed as an Independent Non-Executive Director with effect from 21 February 2017.
(5) Mr. Chieng You Ping was appointed as an Non-Executive Non-Independent Director with effect from 5 April 2017.

The Board, with the recommendation of the RC, concurred that no Directors' fees will be recommended for payment in respect of FY2017. This decision was made after taking into consideration that the Group had not generated any revenue in FY2017, following the disposal of the Company's entire shareholding in China Children Fashion Holdings Pte Ltd and its subsidiary corporations on 23 February 2017. In addition, the Group's new business in property development and property investment is also at its early stage, and has not generated any revenue for the Group as of the date of this report.

Based on the same consideration as above, Mr. Chang Wei Lu (Executive Chairman and CEO) has also agreed not to receive any remuneration (including salary, bonus and benefits-in-kind) in respect of FY2017.

In FY2017, the remuneration of the key management personnel (who are not Directors or the CEO) in bands of $250,000 is set out below:–

Key Executive(1)	Salary(2) ($'000)	Bonus(2) ($'000)	Benefits-in-kind ($'000)	Total ($'000)
Below $250,000				
Raphael Liew Soon Chee	90	8	–	98

CORPORATE GOVERNANCE REPORT

Note:
(1) The Group has only one (1) key management personnel (who are not Directors or the CEO) in FY2017.
(2) Inclusive of employee retirement/pension funds.

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

There were no employees who are immediate family members of a Director or the CEO whose remuneration exceeded $50,000 during FY2017.

ACCOUNTABILITY AND AUDIT

Accountability

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

In presenting the quarterly and annual 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. Financial results are reviewed by the AC before it is recommended for adoption by the Board. The financial results announcement is reviewed carefully by the Board and the AC before being released on the SGXNet. If required, the Group's independent auditor's views will be sought.

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

The Management also maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full 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.

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

Risk Management and Internal Controls

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

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

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 had reviewed 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.

For FY2017, the Board has the Management representation letter ("Management Representation Letter") from the Executive Chairman and CEO and the Group Finance Manager that:

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

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

Based on various management controls put in place by the Management, the Management Representation Letter as well as the reports from the independent auditor on follow up actions taken by the Management, the Board, with the concurrence from the AC, is of the opinion that the system of risk management and internal controls maintained by the Group in addressing financial, operational, information technology and compliance risks of the Group are adequate and effective as at 31 December 2017. 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 12: **The Board should establish an audit committee with written terms of reference which clearly set out its authority and duties.**

Audit Committee

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

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

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

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

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

The AC has been given full access to and is provided with the cooperation of the Management. In addition, the AC has independent access to the independent auditor. The AC meets with the independent auditor without the presence of the Management at least once every financial year to review matters that might be raised privately. The AC has reasonable resources to enable it to discharge its functions properly.

CORPORATE GOVERNANCE REPORT

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 FY2017 in relation to tax compilation 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 81 of this Annual Report. The aggregate amount of fees paid or payable by the Group to the independent auditor for FY2017 amounted to $52,000 for audit services and $5,000 for non-audit services.

The AC is satisfied that the independent auditor of the Company, Nexia TS Public Accounting Corporation, which is registered with the Accounting and Corporate Regulatory Authority, are independent and that they had also provided a confirmation of their independence to the AC. The AC has assessed the independent auditor of the Company based on factors such as performance, adequacy of resources and experience of their audit engagement partner 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 Rules 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 at the forthcoming AGM.

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

In the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and their judgement 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	The AC considered the Group's new business in property development and property investment, and assessed the Group's ability to repay its debts as and when they fall due. The AC had obtained updates from the Management on the proposed property development in Malaysia, and determined that the proposed property development is at its initial stage and is currently seeking approval from the Malaysian Authorities. In assessing the Group's ability to repay its debts, the AC had considered whether the Group's available funds of $499,000 as at 31 December 2017 is sufficient to cover the operating expenses and liabilities for the next 12 months. The AC also took into consideration the convertible loan of $1,000,000 and the interest payable up to $160,000 (a supplemental agreement dated 29 March 2018 was entered into between the Company and the non-related investors to extend the maturity date of the convertible loan for another year), which would be converted into new ordinary shares upon maturity. The AC had determined that the Group was able to repay its debts based on the budgeted operating cost and the supporting assumptions presented to the AC. The going concern was also an area of focus for the independent auditor. The independent auditor had issued a material uncertainty related to going concern in its audit report for the financial year ended 31 December 2017. Please refer to pages 35-36 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Matters considered	How the AC reviewed these matters and what decisions were made
Accounting for convertible loan	The AC considered the judgements made by the Management in accounting and disclosing the convertible loan under the Financial Reporting Standards ("FRS"). The AC had reviewed the Management's assessment on the convertible loan based on the requirement of FRS 32 and FRS 39, and is in the opinion that it is properly disclosed. The convertible loan was also an area of focus for the independent auditor. The independent auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2017. Please refer to pages 36-37 of this Annual Report.

Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy. The policy encourages employees to raise concerns, in confidence, about possible irregularities to the whistle-blowing committee. It seeks to provide an avenue for employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals for whistle-blowing in good faith within the limits of the law.

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

Internal Audit

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

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

On 11 May 2017, the Company completed the disposal of its entire shareholding in China Children Fashion Holdings Pte Ltd and its subsidiary corporations. Since then, the Company had commenced its new business in property development and property investment, which remained to be in an early stage 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.

To ensure adequacy of the internal audit function, the AC meets on a regular basis to review this function. In FY2017, the AC had reviewed the audit plans and the findings of the independent auditor, which included reviews on the accounting and internal control system of the operating subsidiary corporations. 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 RESPONSIBILITIES

Shareholder Rights

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

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

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

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

Communication with Shareholders

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

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

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

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

The Company does not have a fixed dividend policy. The payment of dividends will be contingent on the Company's earnings, business and economic prospects, working capital requirements and other factors deem appropriate by the Directors. For FY2017, the Company will not be declaring dividends in view of the negative financial position of the Company. The Board deemed it more appropriate to retain the cash for the Group's working capital purposes.

CORPORATE GOVERNANCE REPORT

Conduct of Shareholder Meetings

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

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

The Directors, the respective Chairman of the Board Committees and the independent auditor of the Company will also be present to address any issues raised at the AGM.

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, and are available to the Shareholders upon their written request.

All resolutions at the general meetings of the Company will be put to vote by poll. The results of the poll voting on each resolution tabled at the general meetings of the Company are released on SGXNET on the same day.

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

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

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

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

DEALINGS IN SECURITIES

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

INTERESTED PERSON TRANSACTIONS ("IPT")

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

The Group does not have a general mandate from Shareholders for IPT pursuant to Rule 920(1)(a)(i) of the Catalist Rules. There were no IPTs entered into between the Company or its subsidiary corporations and any of its interested persons exceeding $100,000 during FY2017.

MATERIAL CONTRACTS

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

NON-SPONSOR FEES

With effect from 25 August 2017, ZICO Capital Pte. Ltd. was appointed as the Company's continuing sponsor in place of R & T Corporate Services Pte. Ltd..

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees paid to R & T Corporate Services Pte. Ltd. and ZICO Capital Pte. Ltd. in FY2017.

USE OF PROCEEDS

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

Use of net proceeds	Amount allocated	Amount utilised	Balance as at 29 March 2018
	($'000)	($'000)	($'000)
Working capital[(1)]	985	603	382
Total	985	603	382

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

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 41 to 97 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 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

	Holdings registered in name of director		
	At 21.01.2018	**At 31.12.2017**	**At 1.1.2017**
The Company			
(No. of ordinary shares)			
Chang Wei Lu	328,041,534	328,041,534	318,041,534

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Share options

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

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

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

Audit committee

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

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

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

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

- the scope and the results of internal audit procedures with the internal auditor;

- 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 2017 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 failing within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules");

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Audit committee (Continued)

- the independence and objectivity of the independent auditor; and

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

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

Independent auditor

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

On behalf of the directors

....

Chang Wei Lu
Director

....

Mah Seong Kung
Director

2 April 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mercurius Capital Investment Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 41 to 97.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the financial statements, which indicate that the Group has incurred a total loss of $1,629,000 and generated net operating cash outflows of $513,000 for the financial year ended 31 December 2017. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation of the consolidated financial statements for the financial year ended 31 December 2017 is appropriate after taking into consideration the following assumptions and measures:

(a) Sufficiency of working capital fund

As at 31 December 2017, the Group has cash and bank balances of $499,000 which are considered to be sufficient to meet the Group's obligations for the next twelve months from the end of current financial year. The Group has incurred total expenses of $579,000 for the financial year ended 31 December 2017, which mainly comprises a non-recurring amount of corporate and professional fees ("non-recurring expenses") in relation to the disposal of its wholly-owned subsidiary corporation, China Children Fashion Holdings Pte. Ltd. and its subsidiary corporations. Based on financial budgets approved by the directors of the Company, by taking into consideration the actual expenses incurred during the financial year ended 31 December 2017 and excluding the non-recurring expenses, the forecasted recurring expenses for the next twelve months are estimated to be lower than the Group's available funds as at 31 December 2017, if the Group remains at its current operating level in the next twelve months from the end of current financial year.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Material Uncertainty Related to Going Concern (Continued)

(b) New businesses of property development and property investment

The Group has ventured into new business of property development and property investment in Malaysia (the "Development activities") during the financial year ended 31 December 2017 through its partially-owned subsidiary corporation, Mercurius HM Realty Sdn. Bhd., a collaboration with HM Realty Holdings Sdn. Bhd. and Goh Siik Mee@Goh Siok Bee. Management will not be utilising the existing working capital funds as at 31 December 2017 to finance the Development activities. In the event of any commencement of the Development activities in the next twelve months from the end of current financial year, these will be financed through the allotment of new shares to potential investors and/or bank borrowings.

In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may has to provide for further liabilities that might arise and to reclassify non-current assets as current assets. Our opinion is not modified in respect of this matter. In addition to the matters described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be key audit matters to be communicated in our report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for convertible loans
Refer to Note 12(d) to the financial statements

Area of focus

On 17 March 2017, the Company entered into convertible loan agreements (the "Agreements") with Hii Siew Chung and Cheah Bee Lin (referring to as the "non-related investors") for an aggregate loan amounting to $1,000,000 which are subject to annual interest rate of 8% per annum and are convertible up to 10,800,000 new ordinary shares in the capital of the Company at its sole and absolute discretion, subject to the terms and conditions of the convertible agreements (the "Agreements").

Key Audit Matters (Continued)

Accounting for convertible loans (Continued)
Refer to Note 12(d) to the financial statements (Continued)

Area of focus (Continued)

Management has performed internal assessment for the recognition of the convertible loans and concluded that the entire proceeds of convertible loans of $1,000,000 shall be accounted for as equity of the Company at the inception date. The assessment was made after taking into consideration the followings:

- The purpose of raising funds from convertible loans was mainly for working capital of the Company, business growth and investment opportunities. At the inception date, the Group and the Company were in net loss position and net liabilities position as well as having minimal free cash on hands, therefore were unable to support the Group's growth with such existing free cash. Accordingly, the redemption of convertible loans and payment of interest by cash are remote.

- The conversion of convertible loans is at the Company's sole and absolute discretion of which management has represented and assessed that based on the Group's and Company's financial performance and position at the inception date, management has intention to settle the redemption of convertible loans and payment of interest through ordinary shares of the Company at inception date.

We have identified this area as key audit matters due to the judgement applied in basis of recognition of the convertible loans.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures were carried out:

- Critically assessed the terms and conditions of the convertible loans stipulated in the Agreements.

- Challenged and evaluated the appropriateness of management's judgements and basis of recognition of the convertible loans.

- Inspected board minutes and other appropriate documentation of authorisation to assess whether the transaction was appropriately authorised.

- Reviewed management's disclosures in the consolidated financial statements.

Other information

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

Our opinion on the financial statements does not cover the information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also: (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

corporation incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

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

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

2 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	4	**499**	165	**482**	145
Trade and other receivables	5	**87**	69	**62**	24
Income tax recoverable	19(b)	**3**	18	**–**	–
		589	252	**544**	169
Assets of disposal group classified as held-for-sale	6(c),(d)	**–**	32,008	**–**	18,089
		589	32,260	**544**	18,258
Non-current assets					
Investments in subsidiary corporations	7	**–**	–	*****	–
Property, plant and equipment	8	**8**	9	**5**	9
		8	9	**5**	9
TOTAL ASSETS		**597**	32,269	**549**	18,267
LIABILITIES					
Current liabilities					
Trade and other payables	10	**190**	2,822	**126**	781
Liabilities directly associated with disposal group classified as held-for-sale	6(e)	**–**	30,008	**–**	18,089
TOTAL LIABILITIES		**190**	32,830	**126**	18,870
NET ASSETS/(LIABILITIES)		**407**	(561)	**423**	(603)
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	11	**133,182**	49,074	**133,182**	132,732
Other reserves	12	**(1,081)**	8,831	**1,063**	–
Accumulated losses	13	**(131,702)**	(58,245)	**(133,822)**	(133,335)
		399	(340)	**423**	(603)
Non-controlling interests	7	**8**	(221)	**–**	–
TOTAL EQUITY		**407**	(561)	**423**	(603)

* Less than $1,000

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Continuing operations			
Revenue	14	–	–
Cost of sales		–	–
Gross profit		–	–
Other income/(losses), net	15	**1,028**	(598)
Expenses:			
– Administrative	17	**(516)**	(597)
– Finance	16	**(63)**	–
Profit/(loss) before income tax		**449**	(1,195)
Income tax expense	19(a)	–	–
Net profit/(loss) from continuing operations		**449**	(1,195)
Discontinued operations			
Loss from discontinued operations – net of tax	6(a)	**(2,078)**	(21,377)
Total loss		**(1,629)**	(22,572)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Gains/(losses)	12(c)	**3**	(119)
– Reclassification on disposal and struck-off of subsidiary corporations	12(c)	**852**	–
Other comprehensive income/(loss), net of tax		**855**	(119)
Total comprehensive loss		**(774)**	(22,691)
Net profit/(loss) attributable to:			
Equity holders of the Company – Continuing operations		**449**	(1,195)
Equity holders of the Company – Discontinued operations		**(2,078)**	(21,377)
		(1,629)	(22,572)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company – Continuing operations		**1,304**	(1,314)
Equity holders of the Company – Discontinued operations		**(2,078)**	(21,377)
		(774)	(22,691)
Earnings/(losses) per share for profit/(loss) from continuing and discontinued operations attributable to equity holders of the Company (cents per share)	20		
Basic earnings/(losses) per share			
– From continuing operations		**0.04**	(0.11)
– From discontinued operations		**(0.19)**	(1.94)
Diluted earnings/(losses) per share			
– From continuing operations		**0.04**	(0.11)
– From discontinued operations		**(0.19)**	(1.94)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	← Attributable to equity owners of the Company						→		
	Share capital $'000	**Statutory surplus reserve $'000**	**Capital reserve $'000**	**Currency translation reserve $'000**	**Equity component of convertible loans $'000**	**Accumulated losses $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Group									
2017									
Beginning of financial year	**49,074**	**1,911**	**6,992**	**(72)**	**–**	**(58,245)**	**(340)**	**(221)**	**(561)**
Loss for the financial year	–	–	–	–	–	**(1,629)**	**(1,629)**	–	**(1,629)**
Other comprehensive income for the financial year	–	–	–	**855**	–	–	**855**	–	**855**
Total comprehensive loss for the financial year	–	–	–	**855**	–	**(1,629)**	**(774)**	–	**(774)**
Issuance of new ordinary shares (Note 10)	**450**	–	–	–	–	–	**450**	–	**450**
Derecognised pursuant to disposal of subsidiary corporations (Notes 11 and 12)	**83,658**	**(1,911)**	**(6,992)**	**(2,927)**	–	**(71,828)**	–	**229**	**229**
Convertible loans – equity component (Note 12)	–	–	–	–	**1,063**	–	**1,063**	–	**1,063**
End of financial year	**133,182**	**–**	**–**	**(2,144)**	**1,063**	**(131,702)**	**399**	**8**	**407**
2016									
Beginning of financial year	49,074	1,911	6,992	47	–	(35,673)	22,351	(221)	22,130
Loss for the financial year	–	–	–	–	–	(22,572)	(22,572)	–	(22,572)
Other comprehensive income for the financial year	–	–	–	(119)	–	–	(119)	–	(119)
Total comprehensive loss for the financial year	–	–	–	(119)	–	(22,572)	(22,691)	–	(22,691)
End of financial year	49,074	1,911	6,992	(72)	–	(58,245)	(340)	(221)	(561)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Net loss		**(1,629)**	(22,572)
Adjustments for:			
– Income tax expense		**–**	17
– Bad debts written off		**13**	–
– Depreciation of property, plant and equipment		**4**	119
– Reversal of impairment on property, plant and equipment		**–**	(444)
– Interest expense		**190**	703
– Interest income on bank deposits		**(2)**	(6)
– Net gain on disposal and struck-off of subsidiary corporations		**(848)**	–
– Gain on disposal of property, plant and equipment		**–**	(194)
– Property, plant and equipment written-off		**–**	368
– Unrealised currency translation loss		**1,833**	1,718
		(439)	(20,291)
Change in working capital, net of effects from disposal and struck-off of subsidiary corporations:			
– Trade and other receivables		**(38)**	24,920
– Inventories		**141**	6,111
– Trade and other payables		**(192)**	(8,367)
Cash (used in)/generated from operations		**(528)**	2,373
Interest received		**2**	6
Income tax refunded/(paid)		**13**	(85)
Net cash (used in)/provided by operating activities		**(513)**	2,294
Cash flows from investing activities			
Additions of property, plant and equipment		**(3)**	–
Proceeds from disposal of property, plant and equipment		**–**	368
Disposal and struck-off of subsidiary corporations, net of cash disposed of		**(52)**	–
Net cash (used in)/provided by investing activities		**(55)**	368
Cash flows from financing activities			
Proceeds from convertible loans		**1,000**	–
Proceeds from borrowings		**153**	29,973
Repayment of borrowings		**(155)**	(33,699)
Interest paid		**(127)**	(703)
Decrease in bank deposits and bank balances pledged		**–**	1,134
Net cash provided by/(used in) financing activities		**871**	(3,295)
Net increase/(decrease) in cash and cash equivalents		**303**	(633)
Cash and cash equivalents			
Beginning of financial year		**196**	1,040
Effects of currency translation on cash and cash equivalents		**–**	(211)
End of financial year	4	**499**	196

Reconciliation of liabilities arising from financing activities

			Non-cash movement			
	1 January 2017 $'000	**Proceed received $'000**	**Equity conversion $'000**	**Interest expenses $'000**	**Equity component $'000**	**31 December 2017 $'000**
Non-trade payables – Director	450	–	(450)	–	–	–
Convertible loans	–	1,000	–	63	(1,063)	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 a listed company on the Singapore Exchange Securities Trading Limited ("SGX-ST") Catalist and incorporated and domiciled in Singapore. The address of its registered office is 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

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

On 23 February 2017, the Company entered into a conditional sale and purchase agreement (the "SPA") with a non-related party to dispose its 100% interest in China Children Fashion Holdings and its subsidiary corporations ("CCFHPL Group"). Following the approval from shareholders at the Extraordinary General Meeting dated 30 March 2017, the Company had on 11 May 2017, completed the disposal of CCFHPL Group. Accordingly, the results of CCFHPL Group and effect from the deconsolidation of CCFHPL Group had been recognised in accordance to the contractual terms of the SPA (Note 6).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements except for going concern assumptions and measures are disclosed in Note 3 to the financial statements. The consolidated financial statements are presented in Singapore Dollar ("$") and all values are rounded to the nearest thousand ('000) except otherwise indicated.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") 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 FRS and INT FRS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Interpretations and amendments to published standards effective in 2017 (Continued)

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in consolidated statement of cash flows to the financial statements.

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 to direct the activities of 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, intercompany transactions and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting (Continued)

(a) Subsidiary corporations (Continued)

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

(iii) Disposals

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Reverse acquisition

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Investments in subsidiary corporations

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

2.4 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.

(ii) Components of costs

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

(b) Depreciation

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

	Useful lives
Leasehold improvements	5 years
Office equipment	5 – 10 years
Motor vehicles	5 – 10 years
Machinery and equipment	5 – 10 years

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(c) Subsequent expenditure

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

(d) Disposal

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

2.5 Intangible assets

(a) Goodwill

Goodwill on acquisition of subsidiary corporations and businesses, represents the excess of (i) the sum of 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 acquire over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to entity sold.

(b) Acquired computer software licenses

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

(c) Customer relationship, brand names and trademarks

Customer relationship, brand names and trademarks acquired in business combination are initially recognised at costs which represent fair values at the date of acquisition and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss on a straight-line method over their estimated useful lives as follows:

	Useful lives
Customer relationship	6 years
Brand names	20 years
Trademarks	5 – 11 years

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefits from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets (Continued)

(b) Intangible assets
Property, plant and equipment
Investments in subsidiary corporations

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

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

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

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

An impairment loss for an asset other than goodwill 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 other than goodwill is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets

(a) Classification

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 5) and "Cash and cash equivalents" (Note 4) on the statement of financial position.

(b) Recognition and derecognition

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

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

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

(c) Measurement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

(d) Impairment

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

Loans and receivables

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

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

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

2.8 Offsetting of financial instruments

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

2.9 Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Cash and cash equivalents

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

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

2.11 Trade and other payables

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

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

2.12 Provisions

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

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

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

2.13 Borrowings

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Convertible loans

(a) Compound financial instruments

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

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

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

(b) Equity instruments

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

2.15 Operating leases

When the Group is the lessee:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

(a) Sale of goods

Revenue from sale of goods are recognised upon passage of title to the customer which coincides with the delivery and acceptance.

(b) Interest income

Interest income are recognised using the effective interest rate method.

(c) Dividend income

Dividend income are recognised when the right to receive payment is established.

2.17 Income taxes

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Income taxes (Continued)

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.

2.18 Employee compensation

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

(a) 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.

(b) Share-based compensation

The Group operates an equity-settled, shared-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each reporting date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee compensation (Continued)

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(d) Defined contribution benefits

The Group is required to provide certain staff pension benefits to their employees under existing regulations of the People's Republic of China ("PRC"). Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary corporations' employees. The Group has no further payment obligations once the contributions have been paid. Pension contributions are recognised as expense in the period in which the related services are performed.

2.19 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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/(losses), 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 of the entity giving rise to such reserve.

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

2.20 Segment reporting

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

2.21 Share capital

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Dividends to Company's shareholders

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

2.23 Government grants

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

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

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

2.24 Borrowing costs

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

2.25 Fair value estimation

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. GOING CONCERN

During the financial year ended 31 December 2017, the Group incurred a total loss of $1,629,000 (2016: $22,572,000) and generated net operating cash outflows of $513,000 (2016: cash inflows of $2,294,000). These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern is dependent on followings:

(a) Sufficiency of working capital fund

As at 31 December 2017, the Group has cash and bank balances of $499,000 (2016: $165,000) which are considered to be sufficient to meet the Group's obligations for the next twelve months from the end of current financial year. The Group has incurred total expenses of $579,000 (2016: $597,000) for the financial year ended 31 December 2017, which mainly comprises a non-recurring amount of corporate and professional fees ("non-recurring expenses") in relation to the disposal of its wholly-owned subsidiary corporation, China Children Fashion Holdings Pte. Ltd. and its subsidiary corporations. Based on financial budgets approved by the directors of the Company, by taking into consideration the actual expenses incurred during the financial year ended 31 December 2017 and excluding the non-recurring expenses, the forecasted recurring expenses for the next twelve months are estimated to be lower than the Group's available fund as at 31 December 2017, if the Group remains at its current operating level in the next twelve months from the end of current financial year.

(b) New businesses of property development and property investment

The Group has ventured into new business of property development and property investment in Malaysia (the "Development activities") during the financial year ended 31 December 2017 through its partially-owned subsidiary corporation, Mercurius HM Realty Sdn. Bhd., a collaboration with HM Realty Holdings Sdn. Bhd. and Goh Siik Mee@Goh Siok Bee. Management will not be utilising the existing working capital funds as at 31 December 2017 to finance the Development activities. In the event of any commencement of the Development activities in the next twelve months from the end of current financial year, these will be financed through the allotment of new shares to potential investors and/or bank borrowings.

After considering the measures taken described above, the directors believe that the Group has adequate resources to continue the operations as a going concern. For these reasons, the Group continues to adopt the going concern assumption in the preparation of the financial statements.

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

4. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at banks and on hand	**499**	165	**482**	145

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2017	2016
	$'000	$'000
Continuing operations:		
Cash and cash equivalents per statements of financial position	**499**	165
Discontinued operations:		
Cash and cash equivalents per statements of financial position (Note 6(c))	**–**	1,662
Less: Bank balances pledged	**–**	(1,631)
	–	31
Cash and cash equivalents per consolidated statement of cash flows	**499**	196

As at 31 December 2016, bank balances of the Group amounted to $1,631,000 were pledged to banks as securities for bills payables granted to a subsidiary corporation under disposal group.

Disposal and struck-off of subsidiary corporations

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. CASH AND CASH EQUIVALENTS (CONTINUED)

Disposal and struck-off of subsidiary corporations (Continued)

The effects of the disposal and struck-off of the subsidiary corporations on the cash flows of the Group were:

	Disposed of CCFHPL Group 2017 $'000	Struck-off Friven Eagleton 2017 $'000	Total 2017 $'000
Carrying amounts of assets and liabilities of subsidiary corporations disposed and struck-off			
Cash and cash equivalents	42	10	52
Bank balances pledged	1,602	–	1,602
Trade and other receivables	18,932	8	18,940
Inventories	11,300	–	11,300
Property, plant and equipment	47	–	47
Income tax recoverable	24	2	26
Total assets	31,947	20	31,967
Trade and other payables	(7,789)	(1,903)	(9,692)
Borrowings	(22,204)	–	(22,204)
Total liabilities	(29,993)	(1,903)	(31,896)
Net assets/(liabilities) derecognised	1,954	(1,883)	71
Add: Non-controlling interests	229	–	229
Net assets/(liabilities) of subsidiary corporations disposed and struck-off	2,183	(1,883)	300

4. CASH AND CASH EQUIVALENTS (CONTINUED)

Disposal and struck-off of subsidiary corporations (Continued)

The aggregate cash outflows arising from the disposal and struck-off of subsidiary corporations were:

	Disposed of CCFHPL Group 2017 $'000	Struck-off Friven Eagleton 2017 $'000	Total 2017 $'000
Net assets/(liabilities) of subsidiary corporations disposed and struck-off (as above)	2,183	(1,883)	300
Reclassification of currency translation reserve (Note 12(c))	102	750	852
	2,285	(1,133)	1,152
(Loss)/gain on disposal and struck-off of subsidiary corporations (Note 15)	(285)	1,133	848
Consideration received for disposal of subsidiary corporations	2,000	–	2,000
Less: Liabilities assigned	(2,000)	–	(2,000)
	–	–	–
Less: Cash and cash equivalents in subsidiary corporations disposed and struck-off	(42)	(10)	(52)
Cash and cash equivalents in subsidiary corporations disposed and struck-off, representing the net cash outflow on disposal and struck-off of subsidiary corporations	(42)	(10)	(52)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade receivables				
– Non-related parties	**20**	4,852	**–**	–
– Subsidiary corporations	**–**	–	**133**	133
	20	4,852	**133**	133
Less: Allowance for impairment of trade receivables (Note 23(b)(ii))				
– Non-related parties	**(20)**	(4,850)	**–**	–
– Subsidiary corporations	**–**	–	**(133)**	(133)
	(20)	(4,850)	**(133)**	(133)
Trade receivables – net	**–**	2	**–**	–
Non-trade receivables				
– Non-related parties	**801**	807	**795**	800
– Subsidiary corporations	**–**	–	**807**	800
	801	807	**1,602**	1,600
Less: Allowance for impairment of non-trade receivables (Note 23(b)(ii))				
– Non-related parties	**(786)**	(788)	**(785)**	(785)
– Subsidiary corporations	**–**	–	**(800)**	(800)
	(786)	(788)	**(1,585)**	(1,585)
Non-trade receivables – net	**15**	19	**17**	15
Deposits	**8**	17	**4**	9
Prepayments	**64**	31	**41**	–
	87	69	**62**	24

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

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

On 23 February 2017, the Group entered into a conditional sale and purchase agreement (the "SPA") with a non-related party to dispose of its wholly-owned subsidiary corporation, China Children Fashion Holdings Pte. Ltd. ("CCFHPL") and its subsidiary corporations (collectively, the "CCFHPL Group") (the "Proposed Disposal").

As at 31 December 2016, the entire assets and liabilities of CCFHPL Group were classified as a disposal group held-for-sale on the statements of financial position, and its entire results were presented separately on the consolidated statement of comprehensive income as "Discontinued Operations". The assets of the Group's Proposed Disposal classified as held-for-sale and liabilities directly associated with Proposed Disposal classified as held-for-sale were written-down to their fair value less costs to sell of $2,000,000. This is classified as Level 2 in the fair value hierarchy.

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

(a) The results of the discontinued operations from 1 January 2017 to 23 February 2017 and comparative results for the financial year ended 31 December 2016 which have been included in the financial statements, were as follows:

	Group	
	For the financial period from 1 January 2017 to 23 February 2017 $'000	For the financial year ended 31 December 2016 $'000
Revenue	**728**	4,772
Expenses	**(2,806)**	(26,132)
Loss before income tax from discontinued operations (Note 19(a))	**(2,078)**	(21,360)
Income tax expense (Note 19(a))	**–**	(17)
Net loss from discontinued operations	**(2,078)**	(21,377)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

	Group	
	For the financial period from 1 January 2017 to 23 February 2017	For the financial year ended 31 December 2016
	$'000	$'000
Operating cash inflows	**98**	2,140
Investing cash inflows	**–**	368
Financing cash outflows	**(129)**	(3,293)
Total cash outflows	**(31)**	(785)

(c) Details of the assets in disposal group classified as held-for-sale as at 31 December 2016 were as follows:

	Group	Company
	2016	2016
	$'000	$'000
Property, plant and equipment (Note 8)	52	–
Cash and cash equivalents	1,662	–
Trade and other receivables	18,853	16,089
Inventories	11,441	–
	32,008	16,089

(d) Details of assets in non-current asset classified as held-for-sale as at 31 December 2016 were as follows:

	Company
	2016
	$'000
Investments in subsidiary corporations (Note 7)	2,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(e) Details of the liabilities directly associated with disposal group classified as held-for-sale as at 31 December 2016 were as follows:

	Group 2016 $'000	Company 2016 $'000
Trade and other payables	7,410	18,089
Borrowings	22,598	–
	30,008	18,089

7. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2017	2016
	$'000	$'000
Equity investments at cost		
Beginning of financial year	**64,075**	64,075
Addition[1]	*****	–
Disposal and struck-off	**(56,515)**	–
	7,560	64,075
Less: Impairment loss	**(7,560)**	(62,075)
	–	2,000
Reclassified to disposal group (Note 6(d))	**–**	(2,000)
End of financial year	*****	–

* Less than $1,000

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

Movements in impairment loss of investments in subsidiary corporations are as follows:

	Company	
	2017	2016
	$'000	$'000
Beginning of financial year	**62,075**	43,646
Struck-off	**(54,515)**	–
Impairment loss	**–**	18,429
End of financial year	**7,560**	62,075

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

As at 31 December 2016, the management carried out a review on the recoverable amount of its investments in subsidiary corporations and recognised an impairment loss of approximately $18,429,000. The recoverable amounts of the subsidiary corporations were derived based on fair value of the subsidiary corporations, representing the sale consideration of $2,000,000. This is classified as Level 2 in the fair value hierarchy.

Details of the subsidiary corporations are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity interest held by the Group	
			2017	2016
			%	%
Held by the Company:				
Friven Eagleton Sourcing Limited[d]	Dormant	Hong Kong	**–**	100
China Children Fashion Holdings Pte. Ltd.[h]	Investment holding	Singapore	**–**	100
Friven (Malaysia) Sdn. Bhd.[b]	Dormant	Malaysia	**100**	100
Vicmark Manufacturing Sdn. Bhd.[b]	Dormant	Malaysia	**100**	100
Mayfran International (Shanghai) Co., Ltd.[e]	Dormant	People's Republic of China	**100**	100
Mayfran Distribution (M) Sdn. Bhd.[c]	Dormant	Malaysia	**–**	100
Mercurius Capital Sdn. Bhd.[e][f]	Investment holding	Malaysia	**100**	–
PT Friven Lifestyle[e]	Dormant	Indonesia	**90**	90
Friven & Co. Singapore Pte. Ltd.[a]	Dormant	Singapore	**100**	100
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.[e][g]	Property investment and property development	Malaysia	**60**	–

7. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Name of companies	Principal activities	Country of business/ incorporation	Equity interest held by the Group	
			2017 **%**	2016 %
Held by China Children Fashion Holdings Pte. Ltd.:				
Shishi Haotian Dress Industry Co., Ltd. (石獅市好田服飾實業有限公司)[(h)]	Manufacture, retail and wholesale of children and infants wear and retail sale of children wear	People's Republic of China	–	100
Hong Kong Endi International Trading Co., Ltd.[(h)]	Dormant	Hong Kong	–	100
Zhangzhou Yiwa Garments Weaving Co., Ltd. (漳州市藝娃服飾織造有限公司)[(h)]	Dormant	People's Republic of China	–	100
Macao Endi International Trading Company Limited[(h)]	Wholesale of children and infants wear	Macau	–	100

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

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.
(b) Audited by SSY Partners, Chartered Accountants, Malaysia, member of Nexia International.
(c) Deregistered with the Companies Commission of Malaysia.
(d) Struck-off with the Companies Registry in Hong Kong.
(e) Presently dormant and does not have significant impact on the Group's consolidated financial statements.
(f) On 22 February 2017, the Company incorporated a wholly-owned subsidiary corporation, Mercurius Capital Sdn. Bhd. ("MCSB"), in Malaysia as an investment holding company.
(g) On 23 February 2017, MCSB entered into a conditional agreement with HM Realty Holdings Sdn. Bhd. ("HM Realty") to incorporate a company, Mercurius HM Realty Sdn. Bhd. ("MHMR"), in Malaysia. MCSB owns 60% shareholding interest in MHMR.
(h) On 23 February 2017, the Group has entered into a conditional sale and purchase agreement with the Purchaser to dispose its entire shareholding interests in CCFHPL Group. The sales transaction was completed on 11 May 2017.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Significant restrictions

As at 31 December 2016, cash and bank balances amounted to $1,662,000 was held in the People's Republic of China and are subject to local exchange control regulations. Those local exchange control regulations places restrictions on exporting capital from the country, other than through normal dividends.

Carrying value of non-controlling interests

	Group	
	2017	2016
	$'000	$'000
CCFHPL Group	**–**	(229)
PT Friven Lifestyle	**8**	8
Mercurius HM Realty Sdn. Bhd.	*****	–
End of financial year	**8**	(221)

* Less than $1,000

The summarised financial information of PT Friven Lifestyle and Mercurius HM Realty Sdn. Bhd. are not disclosed as they are insignificant to the Group.

8. PROPERTY, PLANT AND EQUIPMENT

	Office equipment
	$'000
Group	
2017	
Cost	
Beginning of financial year	**52**
Additions	**3**
End of financial year	**55**
Accumulated depreciation	
Beginning of financial year	**43**
Depreciation charge (Note 17)	**4**
End of financial year	**47**
Net book value	
End of financial year	**8**

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements $'000	Office equipment $'000	Motor vehicles $'000	Machinery and equipment $'000	Total $'000
Group					
2016					
Cost					
Beginning of financial year	42	502	98	2,880	3,522
Currency translation differences	(2)	(23)	(6)	(145)	(176)
Disposals	–	(158)	–	(1,166)	(1,324)
Write-off	(40)	(253)	(19)	(1,148)	(1,460)
Reclassified to disposal group (Note 6(c))	–	(16)	(73)	(421)	(510)
End of financial year	–	52	–	–	52
Accumulated depreciation and impairment losses					
Beginning of financial year	12	410	66	2,714	3,202
Currency translation differences	(1)	(19)	(4)	(110)	(134)
Depreciation charge					
– continuing operations (Note 17)	–	4	–	–	4
– discontinued operations	1	17	5	92	115
Disposals	–	(141)	–	(1,009)	(1,150)
Write-off	(12)	(214)	(18)	(848)	(1,092)
Reversal of impairment loss[1]	–	–	–	(444)	(444)
Reclassified to disposal group (Note 6(c))	–	(14)	(49)	(395)	(458)
End of financial year	–	43	–	–	43
Net book value					
End of financial year	–	9	–	–	9

1 The impairment loss of $444,000 was reversed as the impaired assets were sold during the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment $'000
Company	
2017	
Cost	
Beginning of financial year	52
Written-off	(14)
End of financial year	38
Accumulated depreciation	
Beginning of financial year	43
Depreciation charge	4
Written-off	(14)
End of financial year	33
Net book value	
End of financial year	5
2016	
Cost	
Beginning of financial year	64
Disposal	(12)
End of financial year	52
Accumulated depreciation	
Beginning of financial year	51
Depreciation charge	4
Disposal	(12)
End of financial year	43
Net book value	
End of financial year	9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. INTANGIBLE ASSETS

	Goodwill arising on consolidation $'000	Computer software $'000	Customer relationship $'000	Brand names $'000	Trademarks $'000	Total $'000
Group						
2017						
Cost						
Beginning of financial year	16,968	59	10,506	3,189	3	30,725
Written-off	(16,968)	(59)	(10,506)	(3,189)	(3)	(30,725)
End of financial year	–	–	–	–	–	–
Accumulated amortisation and impairment						
Beginning of financial year	16,968	59	10,506	3,189	3	30,725
Written-off	(16,968)	(59)	(10,506)	(3,189)	(3)	(30,725)
End of financial year	–	–	–	–	–	–
Net book value						
End of financial year	–	–	–	–	–	–
2016						
Cost						
Beginning and end of financial year	16,968	59	10,506	3,189	3	30,725
Accumulated amortisation and impairment						
Beginning and end of financial year	16,968	59	10,506	3,189	3	30,725
Net book value						
End of financial year	–	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade payables				
– Non-related parties	**5**	1,883	**–**	–
– Subsidiary corporations	**–**	–	**1**	7
	5	1,883	**1**	7
Non-trade payables				
– Non-related parties	**39**	215	**22**	193
– Directors	**30**	480	**30**	480
	69	695	**52**	673
Accruals for operating expenses				
– Employment compensation	**5**	5	**5**	5
– Other operating expenses	**111**	239	**68**	96
	116	244	**73**	101
	190	2,822	**126**	781

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

11. SHARE CAPITAL

	Group		Company	
	Number of ordinary shares	**Amount**	**Number of ordinary shares**	**Amount**
	'000	**$'000**	**'000**	**$'000**
2017				
Beginning of financial year	**1,104,009**	**49,074**	**1,104,009**	**132,732**
Derecognised pursuant to disposal of subsidiary corporations	**–**	**83,658**	**–**	**–**
Share issued[1]	**10,000**	**450**	**10,000**	**450**
End of financial year	**1,114,009**	**133,182**	**1,114,009**	**133,182**
2016				
Beginning and end of financial year	1,104,009	49,074	1,104,009	132,732

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

11. SHARE CAPITAL (CONTINUED)

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

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

These newly issued shares rank pari passu in all respects with the existing ordinary shares.

Reverse acquisition

The acquisition of the Acquired Group in 2010 has been accounted for as a reverse acquisition in the consolidated financial statements of the Group. Acquired Group, which is the legal subsidiary corporations, is considered the acquirer for accounting purposes. Accordingly, the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group have been prepared as a continuation of the Acquired Group's financial statements, in accordance with the Group's accounting policies as described in Note 2.2(c).

During the financial year ended 31 December 2017, the Company disposed of its investment in CCFHPL Group, the Acquired Group which was accounted for as a reverse acquisition as explained above (Notes 4 and 6). As a result, the reverse acquisition effect of the Acquired Group on the share capital of the Group of $83,658,000 and the accumulated losses of the Group of $71,828,000 (Note 13) were derecognised. At the same time, capital reserve of $6,992,000 (Note 12(a)), statutory surplus reserve of $1,911,000 (Note 12(b)) and currency translation reserve of $2,927,000 (Note 12(c)) related to the Acquired Group were also derecognised.

12. OTHER RESERVES

	Group	
	2017	2016
	$'000	$'000
Composition:		
Capital reserve (Note (a))	**–**	6,992
Statutory surplus reserve (Note (b))	**–**	1,911
Currency translation reserve (Note (c))	**(2,144)**	(72)
Equity component of convertible loans (Note (d))	**1,063**	–
	(1,081)	8,831

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. OTHER RESERVES (CONTINUED)

Other reserves are non-distributable.

(a) Capital reserve

	Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**6,992**	6,992
Derecognised pursuant to disposal of subsidiary corporations (Note 11)	**(6,992)**	–
End of financial year	**–**	6,992

Capital reserve comprised:

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

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

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

(b) Statutory surplus reserve

	Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**1,911**	1,911
Derecognised pursuant to disposal of subsidiary corporations (Note 11)	**(1,911)**	–
End of financial year	**–**	1,911

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

12. OTHER RESERVES (CONTINUED)

(c) Currency translation reserve

	Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**(72)**	47
Derecognised pursuant to disposal of subsidiary corporations (Note 11)	**(2,927)**	–
Reclassification on disposal and struck-off of subsidiary corporations (Note 4)	**852**	–
Net currency translation differences of financial statements of foreign subsidiary corporations	**3**	(119)
End of financial year	**(2,144)**	(72)

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.

(d) Equity component of convertible loans

	Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**–**	–
Convertible loan – equity component*	**1,063**	–
End of financial year	**1,063**	–

* Inclusive of interest expenses accrued for current financial year, amounting to $63,000.

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

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

On 29 March 2018, the Company entered into a supplemental agreement with the investors to extend the maturity date of convertible loans to 17 March 2019. There are no changes to the term and conditions of the initial convertible loans agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. ACCUMULATED LOSSES

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

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(58,245)**	(35,673)	**(133,335)**	(112,042)
Derecognised pursuant to disposal of subsidiary corporations (Note 12)	**(71,828)**	–	**–**	–
Total loss	**(1,629)**	(22,572)	**(487)**	(21,293)
End of financial year	**(131,702)**	(58,245)	**(133,822)**	(133,335)

14. REVENUE

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

15. OTHER INCOME/(LOSSES), NET

	Group	
	2017	2016
	$'000	$'000
Currency exchange gains/(losses), net	**45**	(591)
Net gain on disposal and struck-off of subsidiary corporations (Note 4)	**848**	–
Waiver of other payables – non-related parties	**135**	–
Other	**–**	(7)
	1,028	(598)

16. FINANCE COSTS

	Group	
	2017	2016
	$'000	$'000
Interest expense on convertible loan	**63**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. EXPENSES BY NATURE

	Group	
	2017	2016
	$'000	$'000
Depreciation of property, plant and equipment (Note 8)	**4**	4
Employee compensation (Note 18)	**98**	98
Directors' fees	**4**	84
Audit fee paid/payable to auditors:		
– auditor of the Company	**52**	93
– other auditors	**5**	5
Non-audit fee paid/payable to auditors of the Company	**5**	8
Entertainment expenses	**–**	1
Insurance expenses	**1**	1
Office expenses	**20**	15
Professional fee	**294**	234
Rental expense on operating leases	**1**	29
Travelling expenses	**14**	20
Bad debt written-off	**13**	–
Other expenses	**5**	5
Total administrative expenses	**516**	597

18. EMPLOYEE COMPENSATION

	Group	
	2017	2016
	$'000	$'000
Wages, salaries and short-term benefits	**85**	1,061
Employer's contribution to defined contribution plans, including Central Provident Fund	**13**	50
	98	1,111
Less: Amounts attributable to discontinued operations	**–**	(1,013)
Amounts attributable to continuing operations (Note 17)	**98**	98

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19. INCOME TAXES

(a) Income tax expense

	Group	
	2017	2016
	$'000	$'000
Tax expense attributable to profit/(loss) is made up of:		
– Profit/(loss) from current financial year:		
Current income tax:		
Continuing operations	**–**	–
Discontinued operations (Note 6(a))	**–**	17
	–	17

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

	Group	
	2017	2016
	$'000	$'000
Profit/(loss) before income tax		
– continuing operations	**449**	(1,195)
– discontinued operations (Note 6(a))	**(2,078)**	(21,360)
	(1,629)	(22,555)
Tax calculated at tax rate of 17% (2016: 17%)	**(277)**	(3,834)
Effects of:		
– Different tax rates in other countries	**(17)**	(1,106)
– Expenses not deductible for tax purposes	**316**	2,763
– Income not subject to tax	**(24)**	(27)
– Deferred tax assets not recognised	**2**	2,221
	–	17

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

Deferred income tax assets are recognised for capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has capital allowances of approximately $9,000 (2016: $Nil) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised capital allowances in their respective countries of incorporation. The capital allowances have no expiry date.

As at 31 December 2016, the unrecognised tax losses related to CCFHPL Group amounted to $56,897,000 and no deferred income tax liabilities have been recognised for withholding and other taxes that would be payable on unremitted earnings of the Group's subsidiary corporations of $4,356,000, established in the PRC as the Group is in a position to control the timing of the remittance of earnings and these unremitted profits are deemed to be permanently reinvested. The deferred tax income liabilities not recognised amounted to $218,000. Subsequent to the disposal of CCFHPL Group in the financial year ended 31 December 2017, the Group does not have such deferred income tax liabilities and unrecognised tax losses.

19. INCOME TAXES (CONTINUED)

(b) Movement in current income tax liabilities and income tax recoverable:

	Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**(18)**	60
Currency translation differences	**–**	(10)
Struck-off of subsidiary corporations (Note 4)	**2**	–
Income tax refunded/(paid)	**13**	(85)
Income tax expense	**–**	17
End of financial year	**(3)**	(18)
Presented as:		
Income tax recoverable	**3**	18

20. EARNINGS/(LOSSES) PER SHARE

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

	2017		2016	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
Net profit/(loss) attributable to equity holders of the Company ($'000)	**449**	**(2,078)**	(1,195)	(21,377)
Weighted average number of ordinary shares outstanding for basic earnings/(losses) per share ('000)	**1,106,255**	**1,106,255**	1,104,009	1,104,009
Basic earnings/(losses) per share (cents)	**0.04**	**(0.19)**	(0.11)	(1.94)

For the purpose of calculating diluted earnings per share, profit/(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 2017, the Company has dilutive potential ordinary shares from convertible loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

	2017		2016	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
Net profit/(loss) attributable to equity holders of the Company ($'000)	**449**	**(2,078)**	(1,195)	(21,377)
Weighted average number of ordinary shares outstanding for diluted earnings/(losses) per share ('000)	**1,106,255**	**1,106,255**	1,104,009	1,104,009
Adjustments for ('000)				
– Convertible loans (Note 12(d))	**10,800**	**–**	10,800	–
	1,117,055	**1,106,255**	1,114,809	1,104,009
Diluted earnings/(losses) per share (cents)	**0.04**	**(0.19)**	(0.11)	(1.94)

21. 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:

(a) Sales and purchases of goods and services

	Group	
	2017 **$'000**	2016 $'000
Lease payment relating to continuing operations to related parties	**–**	(29)

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

Outstanding balances as at 31 December 2017 and 2016, arising from sales/purchases of goods and services, 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 2017

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2017	2016
	$'000	$'000
Salaries and short term benefits	**85**	85
Employer's contribution to defined contribution plans, including Central Provident Fund	**13**	13
Directors' fees	**–**	84
	98	182
Analysed as:		
Directors of the Company	**–**	84
Other key management personnel	**98**	98
	98	182

22. COMMITMENTS

Operating lease commitments – where the Group and the Company is a lessee

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

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

	Group	
	2017	2016
	$'000	$'000
Not later than one year	**2**	–

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Interest rate risk

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

The Group's exposure to market risk in interest rates primarily to short-term bank deposits and convertible loans. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group's results are affected by changes in interest rates due to impact of such changes on interest expenses from bank borrowings which are floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group has no significant exposure in interest rates as the Group's equity instruments are at fixed rates.

(ii) Price risk

The Group does not have significant exposure to the equity price as it does not hold equity financial asset as of financial year ended 31 December 2017 and 2016.

(iii) Currency risk

The Group operates in Asia with dominant operations in Singapore, the PRC 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.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

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

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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

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

	SGD	USD	HKD	MYR	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2016						
Financial assets						
Cash and cash equivalents	140	3	12	8	2	165
Trade and other receivables	24	–	–	14	–	38
Receivables from subsidiary corporations	140	–	1,623	1,323	–	3,086
	304	3	1,635	1,345	2	3,289
Financial liabilities						
Trade and other payables	(779)	–	(1,992)	(33)	(18)	(2,822)
Payables to subsidiary corporations	(140)	–	(1,623)	(1,323)	–	(3,086)
	(919)	–	(3,615)	(1,356)	(18)	(5,908)
Net financial (liabilities)/assets	(615)	3	(1,980)	(11)	(16)	(2,619)
Less: Net financial liabilities denominated in functional currencies	(615)	–	(1,992)	(33)	(18)	(2,658)
Currency exposure on financial assets net of those denominated in the respective entities' functional currencies	**–**	**3**	**12**	**22**	**2**	**39**

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

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

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

* Less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

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

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Total $'000
2016					
Financial assets					
Cash and cash equivalents	140	3	2	–	145
Trade and other receivables	24	–	–	–	24
	164	3	2	–	169
Financial liabilities					
Trade and other payables	(781)	–	–	–	(781)
Net financial (liabilities)/assets	(617)	3	2	–	(612)
Less: Net financial liabilities denominated in the Company's functional currency	(617)	–	–	–	(617)
Currency exposure on financial assets net of those denominated in the Company's functional currency	–	3	2	–	5

As at 31 December 2017 and 2016, any change in the exchange rate of the USD, HKD and RMB against the SGD with all other variable including tax rate being held constant, are unlikely to result in significant impact on the profit or loss of the Group as a result of currency translation gains/losses on the foreign currencies denominated financial assets and liabilities.

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. The major classes of financial assets of the Group and the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and performs ongoing credit evaluation of their counterparties' financial condition and generally do not require collaterals. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

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

	Group	
	2017	2016
	$'000	$'000
By geographical areas		
Other countries	–	2
By types of customers		
Non-related parties – individuals	–	2

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

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

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

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

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

	Group	
	2017	2016
	$'000	$'000
Past due > 6 months	–	2

As at 31 December 2017, the Group has fully impaired the trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

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

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Past due over 6 months	**20**	4,852	**133**	133
Less: Allowance for impairment	**(20)**	(4,850)	**(133)**	(133)
	–	2	**–**	–
Beginning of financial year	**4,850**	16,728	**133**	13,026
Allowance made	**–**	10,806	**–**	9,857
Allowance written-back	**–**	(1,922)	**–**	(1,922)
Currency translation difference	**(214)**	66	**–**	–
Reclassified to disposal group	**(4,616)**	(20,828)	**–**	(20,828)
End of financial year (Note 5)	**20**	4,850	**133**	133

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

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

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Past due over 6 months	**786**	788	**1,585**	1,585
Less: Allowance for impairment	**(786)**	(788)	**(1,585)**	(1,585)
	–	–	**–**	–
Beginning of financial year	**788**	788	**1,585**	3,559
Allowance utilised	**(2)**	–	**–**	(1,974)
End of financial year (Note 5)	**786**	788	**1,585**	1,585

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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

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

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.

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Less than one year				
Trade and other payables	**190**	2,822	**126**	781

(d) Capital risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk (Continued)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Net debt	**(309)**	2,657	**(356)**	636
Total equity	**407**	(561)	**423**	(603)
Total capital	**98**	2,096	**67**	33
Gearing ratio	**N/M**	N/M	**N/M**	N/M

* N/M: Not meaningful

The Group and the Company are not subject to externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

(e) Fair value measurements

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

(f) Financial instruments by category

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

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Loans and receivables	**522**	203	**503**	169
Financial liabilities at amortised cost	**190**	2,822	**126**	781

24. SEGMENT INFORMATION

Following the disposal of CCFHPL Group which is in the business of Original Design Manufacturing ("ODM") business (Note 6) during the financial year ended 31 December 2017 and in view that the new business of property development and property investment has not commenced, no segmental information is presented. The ODM business had been classified as discontinued operations and disposal group in the financial year ended 31 December 2016.

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 2018 or later periods and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2018

- FRS 109 *Financial Instruments**
- FRS 115 *Revenue from Contracts with Customers***
- Amendments to FRS 28 *Investments in Associates and Joint Ventures*
- Amendments to FRS 40 *Transfers of Investment Property*
- Amendments to FRS 101 *First-Time Adoption of Financial Reporting Standards*
- Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*
- INT FRS 122 *Foreign Currency Transactions and Advance Consideration*

Effective for annual periods beginning on or after 1 January 2019

- FRS 116 *Leases****
- Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*
- Amendments to FRS 109 *Prepayment Features with Negative Compensation*
- INT FRS 123 *Uncertainty over Income Tax Treatments*
- Amendments to FRS 103 *Business Combinations*
- Amendments to FRS 111 *Joint Arrangements*
- Amendments to FRS 12 *Income Taxes*
- Amendments to FRS 23 *Borrowing Costs*

Effective date to be determined

- Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

*FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI ("FVOCI"). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

*FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018) (Continued)

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 26). The new accounting framework has similar requirements of FRS 109 and management has assessed that there would not be significant impact on the adoption of the equivalent FRS 109.

**FRS 115 Revenue from Contracts and Customers

FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

– Step 1: Identify the contract(s) with a customer
– Step 2: Identify the performance obligations in the contract
– Step 3: Determine the transaction price
– Step 4: Allocate the transaction price to the performance obligations in the contract
– Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 26). The new accounting framework has similar requirements of FRS 115 and management has assessed that there would not be significant impact on the adoption of the equivalent FRS 115.

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

***FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

As at the reporting date, the Group and the Company have only short-term and low-value leases. However, the Group and the Company have yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's and the Company's profit and classification of cash flows.

26. ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in April 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 *First-time Adoption of IFRS*. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent to IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group plans to elect relevant optional exemptions and the exemptions resulting in significant adjustments to the Group's financial statements prepared under SFRS are as follows:

Cumulative translation differences

The Group plans to elect to set the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and retained profits as at 1 January 2017 and 31 December 2017 would be reduced/increased by $72,000 and $2,144,000 respectively.

27. AUTHORISATION OF FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mercurius Capital Investment Limited on 2 April 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 19 MARCH 2018

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

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	7	0.49	396	0.00
100 – 1,000	347	24.11	155,588	0.01
1,001 – 10,000	407	28.28	1,569,982	0.14
10,001 – 1,000,000	602	41.84	96,809,558	8.69
1,000,001 and above	76	5.28	1,015,473,416	91.16
	1,439	100.00	1,114,008,940	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Chang Wei Lu	328,041,534	29.45
2.	Phillip Securities Pte Ltd	56,158,250	5.04
3.	Calina Ho Yim Peng	55,000,000	4.94
4.	Chieng Lik Ngiong	55,000,000	4.94
5.	Goh Tai Siang	55,000,000	4.94
6.	OCBC Securities Private Ltd	50,705,600	4.55
7.	Cheah Bee Lin	45,862,707	4.12
8.	Maybank Kim Eng Securities Pte Ltd	39,922,900	3.58
9.	UOB Kay Hian Pte Ltd	33,415,400	3.00
10.	RHB Securities Singapore Pte Ltd	28,718,900	2.58
11.	DBS Vickers Securities (S) Pte Ltd	22,434,182	2.01
12.	Wong Hock Chung	21,189,100	1.90
13.	Liu Lingyu	15,962,082	1.43
14.	Chieng Leek Chee	12,151,900	1.09
15.	CGS-CIMB Securities (S) Pte Ltd	11,896,480	1.07
16.	Siaw Teck Hee	11,300,000	1.01
17.	Daniel Chieng Hien Tee	10,000,000	0.90
18.	Ang Ban Liong	9,853,000	0.88
19.	Pax Realty And Development Pte Ltd	9,080,000	0.82
20.	Wong Ik Ming	8,700,000	0.78
	Total	880,392,035	79.03

STATISTICS OF SHAREHOLDINGS

AS AT 19 MARCH 2018

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 19 March 2018, approximately 70.55% of the issued ordinary shares of the Company is held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mercurius Capital Investment Limited (the "**Company**") will be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu, Singapore 436899 on Friday, 27 April 2018 at 9.30 a.m., to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To re-elect Mr. Mah Seong Kung 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. Wong Leong Chui who is retiring pursuant to Article 95(2) of the Company's Constitution, as a Director of the Company. **(Resolution 3)**
[See Explanatory Note (ii)]

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

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

AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares

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

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

      (ii) make or grant offers, agreements or options (collectively, "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 was 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 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) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, 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 purpose of determining the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (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 share 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 Part VIII of Chapter 8 of the Catalist Rules; and

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

(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 Annual General Meeting of the Company, or on the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
[See Explanatory Note (iii)] **(Resolution 5)**

By Order of the Board

Chang Wei Lu
Executive Chairman and Chief Executive Officer

12 April 2018
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Mah Seong Kung will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee. Mr. Mah Seong Kung has no relationships (including immediate family relationships) with the rest of the Directors, the Company, its related corporation, its 10% shareholders or its officers. The Board considers Mr. Mah Seong Kung to be independent for the purpose of Rule 704(7) of the Catalist Rules.

(ii) Mr. Wong Leong Chui will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and the Remuneration Committee, and a member of the Audit Committee. Mr. Wong Leong Chui has no relationships (including immediate family relationships) with the rest of the Directors, the Company, its related corporation, its 10% shareholders or its officers. The Board considers Mr. Wong Leong Chui to be independent for the purpose of Rule 704(7) of the Catalist Rules.

(iii) Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors to 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 one hundred per centum (100%) of the total number of issued Shares (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.

For the purpose of determining the aggregate number of Shares and Instruments that may be issued, the percentage of the total number of issued Shares and Instruments will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of Resolution 5, after adjusting for (i) new Shares arising from the conversion or exercise of any convertible securities or the Instruments; (ii) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 5, provided the options or awards which are outstanding or subsisting at the time when Ordinary Resolution 5 is passed; and (iii) any subsequent bonus issue, consolidation or sub-division of Shares.

NOTES:

1. A member who is not a Relevant Intermediary may appoint not more than two (2) proxies to attend, speak and vote at the Annual General Meeting on his/her behalf. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

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

   "Relevant Intermediary" is:

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

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

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

3. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be under the hand of the appointor or on his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing the proxy must be deposited at the registered office of the Company at 8 Robinson Road #03-00 ASO Building, Singapore 048544 not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

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

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

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

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

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MERCURIUS CAPITAL INVESTMENT LIMITED
(Incorporated in the Republic of Singapore)
(Registration No.: 198200473E)

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

PROXY FORM

ANNUAL GENERAL MEETING

(Please see notes overleaf before completing)

I/We, ______________________________ (Name)

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

of ______________________________ (Address)

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

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

and/or (delete as appropriate)

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

or failing him/her the Chairman of the annual general meeting of the Company ("AGM") as my/our proxy/proxies to vote on my/our behalf at the AGM to be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu, Singapore 436899, on Friday, 27 April 2018 at 9.30 a.m., and at any adjournment thereof.

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

No.	Ordinary Resolutions relating to:	No. of Votes For*	No. of Votes Against*
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Independent Auditor's Report thereon		
2.	Re-election of Mr. Mah Seong Kung as a Director of the Company		
3.	Re-election of Mr. Wong Leong Chui as a Director of the Company		
4.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Independent Auditor of the Company and authority to the Directors of the Company to fix their remuneration		
5.	Authority to issue shares		

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

Dated this ____________ day of ________________ 2018

Total number of Shares held	

____
Signature(s) of member(s) and/or
Common Seal of corporate member

IMPORTANT:
PLEASE READ NOTES OVERLEAF

Notes:

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

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

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

   "Relevant Intermediary" is:

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

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

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

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

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

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

General:

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

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

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MERCURIUS CAPITAL INVESTMENT LIMITED

8 Robinson Road ■ #03-00 ASO Building ■ Singapore 048544
Tel: (65) 6443 0618 or (60) 7362 0050 ■ Fax: (65) 6438 7926
Email: enquiry@mercuriuscapital.com
www.mercuriuscapital.com