MERCURIUS CAPITAL INVESTMENT LIMITED

GROWING VALUES, DELIVERING RESULTS

ANNUAL REPORT **2016**

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of the Announcements including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.

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

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

CORPORATE PROFILE

Listed on SGX Catalist, Mercurius Capital Investment Limited ("Mercurius" or the "Company" and together with its subsidiary corporations, the "Group") is an investment holding company with key interests in the children fashion. The children's fashion business, under the Original Design Manufacturing arrangement, manufactures and exports children's wear to regions including its key markets in China and Europe.

At the Extraordinary General Meeting of the Company held on 30 March 2017, the Company obtained shareholders' approval to diversify into property development and property investment, which involves activities such as real estate-related investments, property-related activities, holding of investments in real estate and residential, hospitality (including hotels and/or serviced residences), commercial (retail and office), industrial and mix development properties, trading in and the development of property for sales and for long-term investment purposes. The Group will venture into the new business of property development and property investment so as to, *inter alia*, expand its revenue base, and offer new business opportunities so as to enhance shareholders' value. At the same time, the Group had discontinued its children fashion business through the disposal of its subsidiary corporation, China Children Fashion Holding Pte. Ltd.

MESSAGE FROM CHAIRMAN & CEO

DEAR SHAREHOLDERS,

2016 had proven to be yet another challenging year given the uncertainty surrounding the Brexit vote, and the policy stance of the incoming U.S administration and its global ramifications in the first half of 2016. The Group's children clothing manufacturing business or the Original Design Manufacturing ("ODM") business had taken a hit with significant drop in revenue due to decrease in international sales and recognition of allowances on trade receivables. As a result, the Group's ODM business had incurred a net loss of $21.4 million for the financial year ended 31 December 2016 ("FY2016").

DISPOSAL OF THE ODM BUSINESS

In light of the poor performance of the ODM business since FY2015, the Board is of the view that the ODM business has no prospect of profitability, and had since been exploring other opportunities for collaboration. In addition, the Board is aware of the substantial funding required for the ODM operations which has been loss making since FY2015 with no clear visibility of recovery or profitability. As such, the Company had announced on 27 February 2017 its intention to dispose of China Children Fashion Holdings Pte. Ltd. and its subsidiary corporations ("CCFHPL Group") which operates the ODM business. At the Extraordinary General Meeting of the Company held on 30 March 2017, shareholders had approved the disposal. The Board believes that the disposal of CCFHPL Group is in the best interests of the Group as it is in line with the Board's intention to streamline and focus the utilisation of its resources to the new business activities.

EMBARKING ON A NEW BUSINESS DIRECTION WITH DIVERSIFICATION

In our continued search for new business opportunities and to bring in more revenue and income streams to improve shareholders' value and return, the Board has been exploring new and different business opportunities for the Group. At the Extraordinary General Meeting of the Company held on 30 March 2017, the Group's proposal of business diversification to property development and property investment was approved by shareholders ("**Property Business**"). The Board is optimistic that the diversification of the Group's business and operations into the Property Business will provide additional revenue streams for the Group, enable the Group to expand its revenue base and replace the Group's reliance on its former manufacturing businesses, which were competitive and challenging. The Board also believes that the diversification into the Property Business will allow the Group to have better prospects of profitability and ensure long term growth through access to new business opportunities, which in turn could potentially enhance the return on the Group's assets and improve shareholders' value in the long run.

FUTURE PLANS

The Group proposes to conduct the Property Business in Malaysia and Australia. The Board is of the view that the property markets in Malaysia and Australia have potential for growth as there are indications of economic resilience and improving sentiment in those markets, consistent population growth, healthy investment demand by foreigners for properties in both the commercial and residential sectors, sustainable disposable incomes, presence of a mortgage lending market and increase in the rate of urbanization, all of which are expected to increase the demand for building and infrastructure that the Property Business will benefit from. On 23 February 2017, the Group had entered into a joint venture agreement with *inter alia*, HM Realty Holdings Sdn. Bhd. to develop a plot of freehold land in Kempas, Johor Bahru, Malaysia, into a mixed development properties comprising of shopping mall, hotels, and offices. The Group had also entered into option agreements with 4 other land owners to secure the development rights for their respective lands in Permas Jaya and Senai, both in the vicinity of Johor Bahru, Malaysia.

The Group will continue to explore joint venture and/or strategic alliances to carry out the Property Business as and when the opportunity arises. At a future stage, the Group may consider other geographical markets in other states and/or countries that present growth opportunities for the Property Business. Any expansion to new geographical markets will be evaluated and assessed by the Board on its own merit and the Group will seek shareholders' approval for such expansion at the appropriate time.

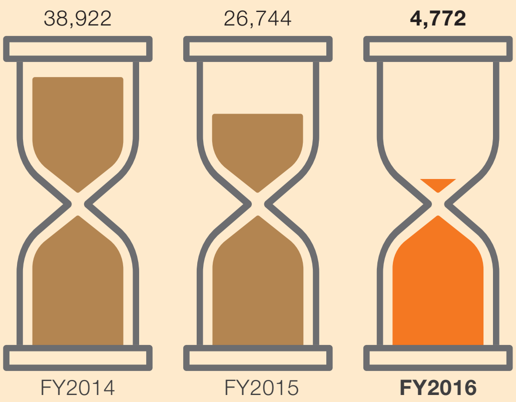
ACKNOWLEDGEMENTS

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

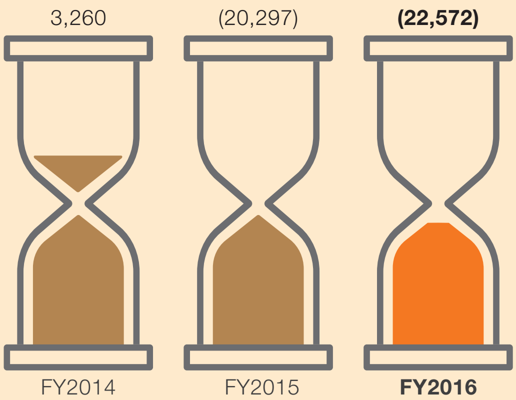
MR CHANG WEI LU
Executive Chairman and Chief Executive Officer

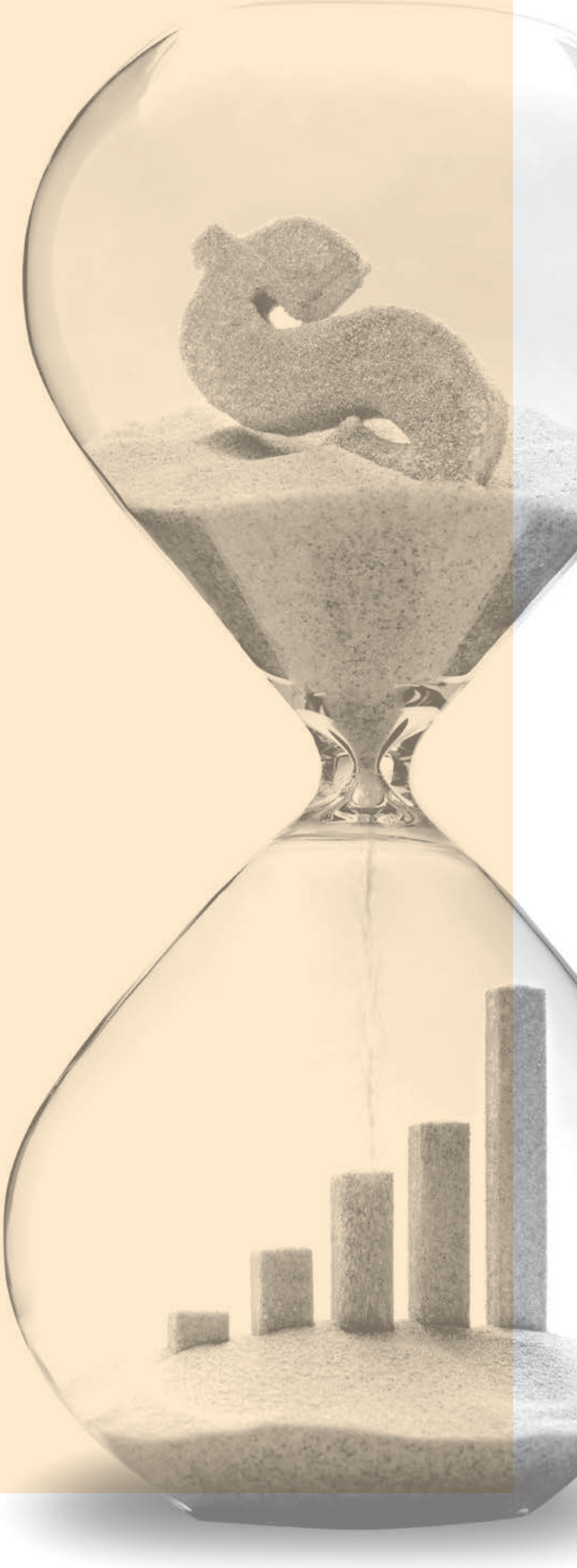
FINANCIAL HIGHLIGHTS

REVENUE ($'000) – ODM BUSINESS



NET PROFIT/(LOSS) FOR THE FINANCIAL YEAR ($'000)





FINANCIAL AND OPERATION REVIEW

REVENUE AND GROSS PROFIT

Pursuant to the discontinued operation of the children fashion business, no revenue and gross profit from the continuing operations was recorded for the financial year ended 31 December 2016 ("FY2016") and the financial year ended 31 December 2015 ("FY2015").

OTHER (LOSSES)/INCOME, NET

As compared to FY2015, no other income was recorded in FY2016. This was mainly due to currency translation loss of $0.6 million incurred in FY2016 as compared to gain in currency translation in FY2015 amounting to $1.5 million.

EXPENSES

No selling and distribution expenses was recorded in FY2016 for the continuing operations.

Administrative expenses decreased by $0.1 million from $0.7 million in FY2015 to $0.6 million in FY2016. The lower administrative expenses were mainly due to decrease in staff costs as a result of cessation of key management personnel during the financial year.

The decrease in finance cost by $0.2 million in FY2016 was due to settlement of borrowing in FY2015 and there was no borrowing for the continuing operations during the financial year.

Pursuant to the discontinued operation of the children fashion business through the disposal of China Children Fashion Holding Pte. Ltd., revenue and expenses generated from the discontinued operation had been separately disclosed as loss from discontinued operations. During the financial year, $21.4 million was recorded as loss from discontinued operations as compared to $21.1 million in FY2015.

FINANCIAL POSITION

On 27 February 2017, the Company had announced, *inter alia*, the proposed disposal of China Children Fashion Holdings Pte. Ltd. and its subsidiary corporations ("CCFHPL Group"). Subsequently on 30 March 2017, shareholders' approval had been obtained pertaining to the disposal. In accordance with the Financial Reporting Standard ("FRS") 105, the Company had separately disclosed the entire assets and liabilities of CCFHPL Group under "Assets held-for-sale" and "Liabilities held-for-sale".

Trade and other receivables decreased by $46.9 million to $0.1 million as at 31 December 2016 as compared to $47.0 million as at 31 December 2015, mainly due the followings:–

- Decrease in advances to suppliers by $10.2 million, where these advances had been ultilised to pay off the amount due to suppliers.
- Additional allowance for impairment during the financial year amounting to $10.8 million.
- Decrease in trade receivable in line with decrease in revenue during the financial year.
- Reclassification of trade and other receivables of approximately $18.9 million to assets held-for-sale.

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

- Decrease in inventories by $6.1 million mainly due to disposal of slow moving and obsolete raw material.
- Reclassification of inventories of approximately $11.4 million to assets held-for-sale.

Non-current assets decreased to $9,000 as at 31 December 2016 as a result of depreciation, disposal and write-off of property, plant and equipment during the financial year and reclassification to assets held-for-sale amounting to $52,000.

Trade and other payables decreased by $15.7 million to $2.8 million as at 31 December 2016 compared to $18.5 million as at 31 December 2015. This was mainly due to the following:–

- Decrease in advances from domestic customers as a result of lower revenue, and settlement of the amount due to suppliers through utilisation of advances from suppliers.
- Reclassification of trade and other payables of approximately $7.4 million to liabilities held-for-sale.

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

- Net settlement of bills payable by $8.9 million, offset by increase in short-term bank borrowings by $3.6 million.
- Reclassification of borrowings of approximately $22.6 million to liabilities held-for-sale.

FINANCIAL AND OPERATION REVIEW

The Group had a negative working capital of $0.6 million as at 31 December 2016 as compared to a positive working capital of $21.8 million as at 31 December 2015.

The Group had a net liabilities of $0.6 million as at 31 December 2016 as compared to a net assets of $22.1 million as at 31 December 2015.

CASH FLOW POSITION

Net cash provided by operating activities amounting to $2.3 million in FY2016 was derived from net cash inflows from changes in working capital of $22.1 million. The net cash inflows from changes in working capital were mainly due to decrease in trade and other receivables by $24.9 million and decrease in trade and other payables by $8.3 million as a result of settlement of the amount due to suppliers via the advances to suppliers, accompanied by decrease in inventories of $6.1 million due to disposal of slow moving and obsolete raw materials during the financial year.

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

The Group had a net cash outflow of $0.6 million and $1.6 million for FY2016 and FY2015 respectively.

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

ORIGINAL DESIGN MANUFACTURING

The Group's Original Design Manufacturing ("ODM") is located in Shishi City, Fujian Province, China. With its in-house design and production capabilities, the ODM business is known for its capabilities to manufacture high quality children's wear at competitive prices, to customers from China, Euro Area, Africa, and Middle East. At the Extraordinary General Meeting of the Company held on 30 March 2017, shareholders' approval had been obtained to dispose the Group's subsidiary corporation, China Children Fashion Holding Pte. Ltd., together with its ODM operation.

BOARD OF DIRECTORS

MR CHANG WEI LU

Executive Chairman and Chief Executive Officer

Dr. Chang is our Executive Chairman and Chief Executive Officer. He was appointed to the Board on 12 May 2014 and was appointed as Chief Executive Officer on 21 February 2017. He is currently the Executive Chairman of M.W.Group and Managing Director of Golden Intervest Sdn Bhd, an investment group of companies based in Penang, Malaysia. Dr. Chang holds a medical degree from the Taipei Medical University, Taiwan. His business experience include hotelier, hotel management, property investment, food and beverage, and lifestyle management. He is also actively engaged in the associations' community and holds key appointments of the clan associations in Malaysia as the Chairman of Penang Teoh Si Cheng Ho Tong, Deputy Chairman of Penang Chinese Clan Council, Deputy President of The Federation of Zhang Clan Associations Malaysia and Vice President of The World Zhang Clan Association.

MR 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 holding the position of Audit Committee Chairman and a member of the Nominating Committee and Remuneration Committee. Mr Mah is a Chartered Accountant (Singapore) who graduated with an accountancy degree from the National University of Singapore, with core competency in corporate finance and investment. He is an associate partner of Biztrack Consultants, a nominated advisor of the National Stock Exchange of Australia. Mr Mah gained his industries experience by having worked in the management position of entertainment content production company, licensed capital market services advisory firm, listed education provider, and as investment manager of listed private equity fund.

BOARD OF DIRECTORS

MR WONG LEONG CHUI

Independent Non-Executive Director

Mr Wong Leong Chui is our Independent Non-Executive Director and was appointed to the Board on 21 February 2017. Mr Wong is the Chairman of the Nominating Committee and Remuneration Committee and 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 over the span of his career building high-rise, low-rise, commercial and residential buildings and is currently the Managing Director of Chong Tong Construction Pte Ltd.

MR CHIENG YOU PING

Non-Executive Non-Independent Director

Mr Chieng You Ping is our Non-Executive Non-Independent Director and was appointed to the Board on 5 April 2017. Mr Chieng is the member of the Nominating Committee, Remuneration Committee and Audit Committee. Mr Chieng, with his extensive working experience, is diversely involved in the shipping industry, construction industry, land development industry and manufacturing industry. He is currently the Director for several entities, however he is more actively involved in Sin Matu Group, United Medicare Pte. Ltd., Double Power Sdn. Bhd., and Syarikat Lista Sdn. Bhd. Mr Chieng is also an active community member of the Foochow Association in Limbang. In recognition of his community service, the State Governor of Sarawak conferred him the honor title of Bintang Belia Sarawak (B.B.S.).

CORPORATE STRUCTURE

MERCURIUS CAPITAL INVESTMENT LIMITED

- 100% China Children Fashion Holdings Pte. Ltd.
  - 100% Shishi Haotian Dress Industry Co., Ltd.
  - 100% Hong Kong Endi International Trading Co., Ltd.
  - 100% Zhangzhou Yiwa Garments Weaving Co., Ltd.
  - 100% Macao Endi International Trading Company Limited
- 100% Friven & Co. Singapore Pte. Ltd.
- 100% Vicmark Manufacturing Sdn. Bhd.
- 100% Mayfran Distribution (M) Sdn. Bhd.
- 100% Friven Eagleton Sourcing Limited
- 100% Mayfran International (Shanghai) Co., Ltd.
- 90% PT Friven Lifestyle
- 100% Friven (Malaysia) Sdn. Bhd.
  - 100% Friven & Co. Lifestyle Sdn. Bhd.
- 100% Mercurius Capital Sdn. Bhd.
  - 60% Mercurius HM Realty Sdn. Bhd.

NOTE: At the Extraordinary General Meeting of the Company held on 30 March 2017, shareholders' approval had been obtained to dispose of China Children Fashion Holdings Pte. Ltd. and its subsidiary corporations.

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 Goh Khai Eung

REGISTERED OFFICE

33 Ubi Avenue 3
#08-38 Vertex
Singapore 408868

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. Private Limited
8 Robinson Road
#03-00 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

Agricultural Bank of China
Bank of China
China Construction Bank
China Merchants Bank
The Export-Import Bank of China
Hua Xia Bank
Industrial Bank Co., Ltd
Malayan Banking Berhad
Overseas-Chinese Banking Corporation Limited
The Development Bank of Singapore Ltd

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PROXY FORM

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 will help shareholders to better understand the Group's practices which were in place throughout the financial year ended 31 December 2016 ("FY2016") and guided by the Code of Corporate Governance 2 May 2012 (the "Code"). Save as disclosed below, the Company has complied in all material aspects with the principles and guidelines of the Code. Appropriate explanations have been provided where there are deviations from the guidelines of the Code.

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 the Management remains accountable to the Board.

As at the date of this report, the Board comprises the following members:–

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

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.

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"). These Board committees function within clearly defined terms of reference and operating procedures, which are reviewed by the Board on a regular basis. The effectiveness of each Board committee is also constantly monitored. The attendance of the Board members at the Board and Board committees meetings of the Company and the frequency of such meetings during FY2016 are set out as follows:–

	Board		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
Name	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Chang Wei Lu	4	3	4	3[1]	1	1[1]	1	1[1]
Xu Rongsen[2]	4	2	4	2[1]	1	1[1]	1	1[1]
Mah Seong Kung	4	4	4	4	1	1	1	1
Ke Lihong[3]	4	4	4	4	1	1	1	1
Feng Jianjia[4]	4	2	4	2	1	1	1	1
Wong Leong Chui[5]	4	–	4	–	1	–	1	–
Chieng You Ping[6]	4	–	4	–	1	–	1	–

Notes:–

(1) Attendance at meetings were "By Invitation".

(2) Mr Xu Rongsen resigned as Chief Executive Officer and Executive Director of the Company on 21 February 2017.

(3) Ms Ke Lihong resigned as Independent Non-Executive Director of the Company on 21 February 2017.

(4) Mr Feng Jianjia resigned as Independent Non-Executive Director of the Company on 21 February 2017.

(5) Mr Wong Leong Chiu was appointed as Independent Non-Executive Director of the Company with effect from 21 February 2017.

(6) Mr Chieng You Ping was appointed as Non-Executive Non-Independent Director of the Company 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.

The Directors are regularly briefed on the Group's activities to keep them updated on the Group's recent developments as well as new and/or updates on relevant rules and regulations. The Directors are free to request sponsorship from the Company, subject to the approval from the Chairman, to attend courses to update their knowledge and better equip themselves to discharge their duties as the Directors of the Company. An orientation program will be conducted for newly appointed Directors to ensure that they are familiar with the Company's business and governance practices.

Matters that require the Board's approval are extended to the following:–

- Corporate strategy and business plans;
- Major funding proposals and investments;
- The appointment/cessation and remuneration packages of the Directors and Executive Officers;
- The Group's quarterly and annual financial result announcements;
- Annual report and accounts for each financial year;
- Material acquisitions and disposals of assets;
- Share issuances, interim dividends and other returns to shareholders; and
- Matters involving a conflict of interest for a substantial shareholder or a Director.

CORPORATE GOVERNANCE REPORT

While matters relating to the Group's strategies and policies require the Board's direction and approval, 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.

Currently, the Board comprises four (4) Directors, two (2) of whom are independent, which complies with the Code's guideline on the proportion of independent directors on the Board. The Board composition is as follows:

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

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive for effective discussions and decision making.

The NC is of the view that the current Board size of four (4) directors, of which two (2) are independent directors, is appropriate and effective, taking into account the nature and scope of the Company's operations.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. The NC has reviewed and determined that the Independent Directors are independent.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interest of the Company.

The Board and the NC, having reviewed the composition of the Board, is satisfied that the present size of the Board is effective for decision making and is appropriate for the nature and scope of the Group's operations. The Board's composition is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience. 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.

None of the independent directors has served in the board beyond nine (9) years from the date of first appointment.

The names and the key information of the Directors in office are set out in the "Board of Directors" section on pages 7 to 8 of this Annual Report.

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.

For the financial year ended 31 December 2016, Mr Chang Wei Lu served as the Executive Chairman of the Board and Mr Xu Rongsen assumed the role of Chief Executive Officer ("CEO") of the Company. There is a separation of the roles of the Company's leadership as the Board and the executive responsibilities of the Group are assumed by different persons.

Mr Xu Rongsen resigned as CEO and Executive Director of the Company with effect from 21 February 2017 and Mr Chang Wei Lu assumed the role of Executive Chairman and CEO thereupon. Accordingly, 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 size, scope and the nature of the operations of the Group, the disposal of the Company's entire shareholding interests in China Children Fashion Holdings Pte. Ltd. and its subsidiary corporations, and the proposed diversification of the Group's business to include property development and property investment which had been approved by shareholders at the Extraordinary General Meeting of the Company held on 30 March 2017.

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

As the CEO of the Company, Mr Chang Wei Lu oversees the management of the Group's business. Mr Chang Wei Lu has considerable industry experience and a wide business network and has also 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.

As the Executive 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, in particular for strategic issues, of Board Meetings. 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.

The Board has also appointed Mr Mah Seong Kung as the Lead Independent Non-Executive Director to co-ordinate and lead the Independent Non-Executive Directors, to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Non-Executive Directors and the Executive Chairman and CEO. He is available to any shareholders who may have concerns, where contact through the normal channels via the Executive Chairman and CEO, and/or the Company's Executive Officer has failed to provide satisfactory resolution, or where such contact is inappropriate. 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

As at the date of this report, the NC comprises of three (3) members, as set out below. Two (2) of the NC members are Independent Non-Executive Directors and one (1) of the NC members is a Non-Executive Non-Independent Director.

Mr Wong Leong Chui	Chairman	Independent Non-Executive Director
Mr Mah Seong Kung	Member	Lead Independent Non-Executive Director
Mr Chieng You Ping	Member	Non-Executive Non-Independent Director

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:–

- 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, and make its recommendation to the Board.

The year of initial appointment and last re-election of each Director, are set out below:–

Director	Date of Initial Appointment	Date of re-election
Chang Wei Lu	12 May 2014	27 April 2015
Mah Seong Kung	7 September 2012	27 April 2015
Wong Leong Chui	21 February 2017	NA
Chieng You Ping	5 April 2017	NA

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.

CORPORATE GOVERNANCE REPORT

The Constitution of the Company provides that one-third (1/3) of the Directors, except the Managing Director, shall retire from office at every annual general meeting and at least every three (3) years. The Directors appointed during the course of the year will be subject to re-election at the next annual general meeting following his appointment. For the forthcoming annual general meeting, the NC has recommended Mr Chang Wei Lu, Mr Wong Leong Chui and Mr Chieng You Ping, who will retire pursuant to Article 95(2) and/or Article 96 of the Company's Constitution, be nominated for re-election. In making the recommendation, the NC had considered the Directors' overall contributions and performance. The NC has also reviewed the independence of Mr Wong Leong Chui. In assessing his independence, the NC having considered the guidelines set out in the Code, is of the view that Mr Wong Leong Chui is independent and there are no relationships identified in the Code which would deem Mr Wong Leong Chui as not independent. Mr Wong Leong Chui has also declared that he is independent. The Board has accepted the NC's recommendation.

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 individual Director. All Directors completed a Board Evaluation Questionnaire which sought to assess the effectiveness of the Board and the results were considered by the NC. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, communication with the Management and standards of conduct of the Directors. The NC also assesses the 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.

The NC is satisfied that sufficient time and attention has been given by the Directors to the Group. The NC has assessed the current Board's and each individual Director's performance to-date and is of the view that the performance of the Board as a whole and each individual Director is 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 meetings of the Board and Board committees 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 ("Rules of Catalist") are complied with. The appointment and removal of the Company Secretary are subject to the Board's approval.

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 from the Board are dealt with promptly by the Management.

CORPORATE GOVERNANCE REPORT

Prior to each Board meeting, the Board is provided with the relevant background or explanatory information relating to the business of meeting and information on major operational, financial and corporate issues in a timely manner. In respect of budgets, any material variances between the projections and actual results are disclosed and explained during Board meetings.

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 selected by the group or individual and approved by the Chairman, at the Company's cost, to render the advice.

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

As at the date of this report, the RC comprises of three (3) members, as set out below. Two (2) of the RC members are Independent Non-Executive Directors and one (1) of the RC members is a Non-Executive Non-Independent Director.

Mr Wong Leong Chui	Chairman	Independent Non-Executive Director
Mr Mah Seong Kung	Member	Lead Independent Non-Executive Director
Mr Chieng You Ping	Member	Non-Executive Non-Independent Director

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

The RC is responsible for:–

- reviewing and approving the structure of the compensation plans and recruitment strategies of the Group so as to align compensation with shareholders' interests;
- reviewing the Executive Directors' and the senior Management's compensation and determine appropriate adjustments; and
- administering the Friven & Co. Employee Share Option Scheme.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and the Management. No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board. If necessary, the RC members may seek expert advice within and/or outside the Company on the remuneration of all Directors and management.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors 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.

CORPORATE GOVERNANCE **REPORT**

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 an overall remuneration policy for Executive Directors 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.

The remuneration of Non-Executive Directors is paid by way of Directors' fees. The amount of Directors' fees payable is dependent on the respective Independent Director's level of responsibility and contributions. The payment of Directors' fees is subject to the approval of shareholders of the Company at the annual general meeting.

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 Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

Disclosure on Remuneration

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

The remuneration of the Directors for FY2016 is as follows:–

Director	Director's Fee (%)	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
Below $250,000					
Chang Wei Lu	–	–	–	–	–
Xu Rongsen[(1)]	–	–	–	–	–
Mah Seong Kung	100	–	–	–	100
Ke Lihong[(2)]	100	–	–	–	100
Feng Jianjia[(3)]	100	–	–	–	100

Notes:–

(1) Mr Xu Rongsen resigned as Chief Executive Officer and Executive Director of the Company on 21 February 2017.

(2) Ms Ke Lihong resigned as Independent Non-Executive Director of the Company on 21 February 2017.

(3) Mr Feng Jianjia resigned as Independent Non-Executive Director of the Company on 21 February 2017.

CORPORATE GOVERNANCE **REPORT**

The remuneration of the key management personnel (who are not Directors) in the bands of $250,000 are set out below:–

Key Management Personnel	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
Below $250,000				
Raphael Liew Soon Chee	92	8	–	100

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).

To preserve confidentially on the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual Director and key management personnel.

The total remuneration paid to the key management personnel (who are not Directors or the CEO) for FY2016 was $85,000.

There were no employees who are immediate family members of a Director or the CEO whose remuneration exceeded $50,000 during FY2016.

The Company currently has an employee share option scheme which was approved by the shareholders at the Annual General Meeting held on which is administered by the RC, more details of which may be found in the Directors' Statement on pages 27 to 30 of this Annual Report. No share options had been granted to any employees and any non-executive Directors during the financial year.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Company takes adequate steps to ensure compliance with the legislative and regulatory requirements, including requirements under the Rules of Catalist. During FY2016, the Company released its quarterly results within 45 days from the end of each quarter and annual results within 60 days from the end of financial year.

The shareholders are provided with detailed analysis, explanation and assessment of the Group's financial position and performance via the issue of the quarterly and annual financial results announcements and the annual reports.

CORPORATE GOVERNANCE REPORT

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.

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 Group 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 Group 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 external auditor performs tests over the operating effectiveness of certain controls that they intend to rely on, that are relevant to the preparation of its financial statements. Material non-compliance and internal control weaknesses and recommendations for improvements are noted in their audit report to the AC. The AC has reviewed the effectiveness of the action taken by Management on the recommendations made by the external auditor in this respect.

The Board, with concurrence from the AC, are satisfied with the Group's internal controls system and is of the opinion that the internal controls system maintained by the Group throughout FY2016 in addressing financial, operational and compliance risks are adequate and effective as at 31 December 2016. The Board believes that the Group's internal controls provide reasonable, but not absolute assurance against material financial misstatements or losses.

The Executive Chairman and Executive Officer have provided a letter of confirmation that as at the end of FY2016:

(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 Company's risk management and internal control systems are effective.

CORPORATE GOVERNANCE **REPORT**

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Audit Committee

As at the date of this report, the AC comprises three (3) members, as set out below. Two (2) of the AC members are Independent Non-Executive Directors and one (1) of the AC members is a Non-Executive Non-Independent Director.

Mr Mah Seong Kung	Chairman	Lead Independent Non-Executive Director
Mr Wong Leong Chui	Member	Independent Non-Executive Director
Mr Chieng You Ping	Member	Non-Executive Non-Independent Director

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 and have the following principal functions:–

- review the scope and results of the audit undertaken by the external auditors, including non-audit services performed by the external auditors to ensure that there is a balance between maintenance of their objectivity and cost effectiveness;
- review changes in accounting standard and issues highlighted by the external auditors which have direct impact on the financial statements;
- review the effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls;
- review the financial statements and other announcements to shareholders and the SGX-ST, prior to submission to the Board;
- 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 external auditors;
- recommend to the Board on the appointment or re-appointment of external auditors;
- review the assistance given by the Company's officers to the external auditors; and
- review interested person transactions falling within the scope of Chapter 9 of the Rules of Catalist.

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 external auditors. The AC meets with the external auditors 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 has met with the external auditors of the Company, Nexia TS Public Accounting Corporation (herein referred to as “Independent Auditor”), without the presence of the Management for FY2016.

The AC will review the independence of the Independent Auditor annually. The AC has reviewed the volume of non-audit services to the Group provided by the Independent Auditor (see details on page 26) during FY2016 in relation to tax advisory services, and is satisfied that the nature of such non-audit services will not prejudice the independence and objectivity of the Independent Auditor and is pleased to recommend their re-appointment.

The Company is in compliance with Rule 712 and Rule 715 of the Rules of Catalist in relation to its external auditors.

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 size of the operations of the Group does not warrant the Group having an in-house internal audit function. As of the date of this report, no internal auditors have been appointed by the Company for FY2016 in view of the Company’s intention to restructure, diversify, and dispose of China Children Fashion Holding Pte. Ltd. which operates the Original Design Manufacturing business activities. At the Extraordinary General Meeting of the Company held on 30 March 2017, shareholders’ approval on the proposed diversification into property development and property investment business had been obtained. The AC will look into formation of the internal audit function for the new business activities, and whether this function should be outsourced to a qualified and professional firm or undertaken internally. The Company will update its shareholders in due course.

To ensure adequacy of the internal function, the AC meets on a regular basis to review this function. During the financial year, the AC had reviewed the audit plans and the findings of the external auditors which include review on the accounting and internal control system of the operating subsidiary corporations. The AC will ensure that the Group follows up on the auditors’ recommendations raised, if any, during the audit process. 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.

CORPORATE GOVERNANCE **REPORT**

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.

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Act, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that would be likely to materially affect the price or value of the Company's shares.

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. There is no provision in the Company's Constitution that limits the number of proxies for nominee companies.

Communications 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 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 FY2016, the Company will not be declaring dividends due to the poor financial performance in FY2016 and working capital requirements for the ODM business.

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. Members of the Board are present to address questions raised by shareholders at annual general meetings.

The Chairman of the AC, the RC and the NC as well as the Company's Independent Auditor will also be present and on hand to address any issues raised at the annual general meetings.

CORPORATE GOVERNANCE REPORT

The Constitution of the Company allows members of the Company to appoint not more than two proxies to attend and vote at the annual general meetings of the Company.

Issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and Management. The Company will make available minutes of general meetings to shareholders upon their request. Resolutions are passed at the general meetings by poll. As the number of shareholders who attend the general meetings are generally not large, it is not cost effective to have voting by electronic polling. The results of the general meeting are released on SGXNET on the same day.

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 financial 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 annual 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 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 aggregate value of IPT entered into during the financial year, disclosed in accordance with Rule 907 of the Rules of Catalist, is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	$'000	$'000
Shishi Jijile Garments Weaving Co., Ltd. ("Jijile")[1]	222	–
Four Seasons Capital Pte Ltd[2]	29	–

(1) Jijile is wholly owned by Wu Shidai, father of Wu Lianhua and she is the wife of Xu Rongsen, the former Chief Executive Officer and Executive Director of the Company. Shishi Haotian Dress Industry Co., Ltd, the wholly-owned subsidiary corporation of the Company has entered into an annual lease arrangement with Jijile for the office and production facilities on 1 Jan 2016.

(2) Four Seasons Capital Pte Ltd is wholly owned by Wu Lianhua. She is the wife of Xu Rongsen, the former Chief Executive Officer and Executive Director of the Company. The Company had entered into a 2 years lease agreement with Four Seasons Capital Pte Ltd for their office space on 1 June 2014.

CORPORATE GOVERNANCE REPORT

The AC and the Board have reviewed the transactions and were satisfied that the terms were fair and reasonable and were not prejudicial to the interests of the Company and its minority shareholders.

Mr Xu Rongsen resigned as Chief Executive Officer and Executive Director of the Company with effect from 21 February 2017. The Company confirms that there were no interested person transactions since then.

The Group does not have a general mandate pursuant to Rule 920 of the Rules of Catalist from shareholders for IPTs.

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiary corporations involving the interest of the CEO, any Director or controlling shareholder of the Company, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is R&T Corporate Services Pte. Ltd. (the "Sponsor"). There was no non-sponsor fee paid by the Company to the Sponsor during the financial year ended 31 December 2016.

The amount of fees paid to Rajah & Tann Singapore LLP, an affiliate of the Sponsor, for work done in FY2016 was $82,000.

AUDIT AND NON-AUDIT FEES

The aggregate amount of fees paid to the external auditors of the Company, broken down into audit and non-audit services during FY2016 are as follows:

Audit Fees	:	$95,000
Non-audit fees in relation to tax services	:	$8,250

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

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 36 to 92 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 2016 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 assumption as set out in Note 4, 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 (Appointed on 21 February 2017)
Chieng You Ping (Appointed on 5 April 2017)

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, other than as disclosed under "Share options" in this statement.

Directors' interests in shares or debentures

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

	Holdings registered in name of director		
	At 21.1.2017	**At 31.12.2016**	**At 1.1.2016**
Company			
(No. of ordinary shares)			
Chang Wei Lu	318,041,534	318,041,534	263,041,534

Share options

Friven & Co. Employee Share Option Scheme (the "Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting on 21 September 2007 and administered by the Remuneration Committee comprising Wong Leong Chui (Chairman), Mah Seong Kung and Chieng You Ping. The Scheme continues to remain in force after the completion of the Reverse Takeover Offer ("RTO") on 3 August 2010, and may continue in force with the approval of shareholders by ordinary resolution in general meeting.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Share options (Continued)

Employees (including executive directors and employees of the Company's subsidiary corporations) and non-executive directors, subject to certain conditions, are eligible to participate in the Scheme. The Scheme provides means to recruit, retain, and give recognition to employees, and to give recognition to non-executive directors, who have contributed to the success and development of the Company and/or the Group.

The principal terms of the Scheme are as follows:

– The exercise price of the granted options is equal to the average of the last dealt prices for the share on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the three (3) consecutive trading days immediately prior to the relevant date of grant of the options.

– The value of share options is determined using the Black Scholes option pricing model (taking into account relevant assumptions).

– Granted options shall be exercisable, in whole or in part, during the exercise period applicable to the options and in accordance with the vesting schedule applicable to the options or other condition (if any) that may be imposed by the Remuneration Committee in relation to the options. Options may be exercised, in whole or in part in respect of 1,000 shares or any multiple thereof, by a participant giving notice in writing, accompanied by a remittance for the aggregate subscription cost in respect of the shares for which the options are exercised. The method of settlement could be in cheque, cashier's order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. There are no restrictions on the eligibility of the persons to whom the options have been granted to participate in any other share options or share incentive scheme, whether or not implemented by any of the other companies within the Group or any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

– The vesting schedule for the share options (market price option) granted to eligible employees (including executive directors) and non-executive directors is as follows:

Vesting period	Proportion of total share options that are exercisable
Before the first anniversary of the Date of Grant	Nil
Between the first anniversary and the second anniversary of the Date of Grant	25%
Between the second anniversary and the third anniversary of the Date of Grant	25%
Between the third anniversary and the fourth anniversary of the Date of Grant	25%
Between the fourth anniversary and the fifth anniversary of the Date of Grant	25%

– The vesting schedule for the share options (discounted options) granted to eligible employees (including executive directors) and non-executive directors is as follows:

Vesting period	Proportion of total share options that are exercisable
Before the second anniversary of the Date of Grant	Nil
Between the second anniversary and the third anniversary of the Date of Grant	30%
Between the third anniversary and the fourth anniversary of the Date of Grant	30%
Between the fourth anniversary and the fifth anniversary of the Date of Grant	40%

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Share options (Continued)

Share options granted to eligible employees (including executive directors) and non-executive directors vest after one year from the date of grant and are exercisable for a period of five years.

The total number of shares over which options may be granted under the Scheme on any date, when added to the nominal amount of shares issued and issuable and in respect of all options granted under the Scheme, shall not exceed 15 per cent of the issued share capital of the Company on the day preceding that date.

No share options were outstanding as at end of the financial year.

No share options had been granted to any employees and non-executive directors during the financial year.

No participant under the Scheme has received 5% or more of the total number of shares under options available under the Scheme.

Audit committee

The members of the Audit Committee at the date of this statement are set out 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. Two previous members of the Audit Committee, Ke Lihong and Feng Jianjia resigned on 21 February 2017.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. 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 2016 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 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 2016

Audit committee (Continued)

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

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Chang Wei Lu
Director

....

Mah Seong Kung
Director

13 April 2017

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 2016, 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 36 to 92.

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 2016 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 4 in the financial statements, which indicates that the Group and the Company have incurred a total loss of $22,572,000 and $21,293,000 respectively during the financial year ended 31 December 2016 and, as of that date, the Group and the Company are in net liabilities position of $561,000 and $603,000 respectively. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. 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 2016 is appropriate after taking consideration the following assumptions and measures:

(a) Diversification of the Group's business

The Group plans to diversify the Group's existing business to include property development and property investment. The Group through its newly incorporated subsidiary corporation, Mercurius HM Realty Sdn. Bhd., will be engaging in real estate activities with a focus on development of residential, commercial and industrial properties. The Group is of the view that the property market in Malaysia and Australia shows potential for growth as there are indications of economic resilience and improving sentiment in those markets, consistent population growth, healthy investment demand by foreigners for properties in both the commercial and residential sectors, sustainable disposable incomes, presence of a mortgage lending market and increase in the rate of urbanisation, all of which are expected to increase the demand for buildings and infrastructure that the Group's new business will benefit from. Although it is anticipated that the new business requires capital investments or cash outlay, the Group does not foresee significant capital investments or cash outlay to be incurred in the next twelve months while the Group is in its transition period to the new business activities. Further fundings of the new business will be made through a combination of internal sources of funds, progress payments from pre-sales of future projects and borrowings from financial institutions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Material Uncertainty Related to Going Concern (Continued)

(b) Raising new funds from convertible loans

The Group plans to raise $1,000,000 by issuing convertible loans to non-related parties. The terms and conditions of this issuance have already been agreed in-principle. Other plans include a private equity placement and/or rights issue, should there be a need to raise further funding to meet the Group's debt obligations as and when they fall due. On 17 March 2017, the Company had entered into two convertible loan agreements for the provision of redeemable convertible loans of an aggregate value of $1,000,000 by non-related investors to the Company, convertible up to 10,800,000 new ordinary shares in the issued and paid-up equity capital of the Company pursuant to terms and subject to the conditions of the convertible loan agreements. The proceeds (after deducting direct expenses) from convertible loans of $500,000 each were received subsequently on 30 March and 5 April 2017 respectively. Proceeds of approximately $635,000 will be used as working capital of the Company and $350,000 will be used for business growth and investment opportunities.

(c) Settlement of liabilities via issuance of new ordinary shares

The Group plans to discharge and settle the Company's obligation to repay the loan payable amounting to $450,000 via issuance of new ordinary shares to a director of the Company pursuant to the subscription agreement signed with a director of the Company on 17 March 2017, for the proposed subscription of 10,000,000 new ordinary shares in the issued and paid-up equity capital of the Company.

In the event that the Group and the Company are 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 and the Company may have 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 matter 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.

Classification and measurement of disposal group classified as held-for-sale
Refer to Note 8 to the financial statements

Risk:

During the financial year, the Company committed to a plan to sell its wholly-owned subsidiary corporation, China Children Fashion Holdings Pte. Ltd. ("CCFHPL") and the subsidiary corporations held by CCFHPL (collectively, the "Disposal Group" or "CCFHPL Group") which are in the business of manufacturing and sale of children's wear products (the "Original Design Manufacturing" or "ODM" segment). Subsequently, on 27 February 2017, the Company announced that it had entered into a conditional sale and purchase agreement ("SPA") on 23 February 2017 with a non-related party (the "Purchaser") to dispose of its entire shareholding interests of 57,472 shares, representing 100% of the entire issued and paid up share capital of CCFHPL to the Purchaser for an aggregate cash consideration of $2,000,000 and subject to the terms and conditions of the SPA. Management has therefore assessed that the planned sale of CCFHPL Group be classified and presented as disposal group classified as held-for-sale and as a discontinued operations in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*. The asset and liabilities of the Disposal Group are reclassified as "Assets held-for-sale" and "Liabilities held-for-sale" respectively, as at 31 December 2016 and the results of the ODM segment are presented and classified as "Discontinued operations" for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Key Audit Matters (Continued)

Classification and measurement of disposal group classified as held-for-sale *(Continued)*
Refer to Note 8 to the financial statements (Continued)

Due to the level of judgements involved in assessing the criteria for separate classification and presentation of assets and liabilities as disposal group classified as held-for-sale and discontinued operations, estimating the fair value of the Disposal Group and also the significance of the carrying amounts of the assets and liabilities associated with the Disposal Group, we considered this to be a key audit matter.

Our response:

In obtaining sufficient audit evidence, we:

- Challenged the Group's judgement on the Disposal Group's classification as held-for-sale through understanding the status and process of the Disposal Group and examining minutes of the Directors' board meetings and written correspondences between the Company and the Purchaser to determine whether the assets and liabilities should be classified as held-for-sale and whether it represents a discontinued operations;

- Challenged the Group's assumptions used for the basis of allocating the assets and liabilities associated with the Disposal Group and distinguished between the continuing and discontinued operations of the ODM business related to the Disposal Group and reconciled them to the underlying accounting records;

- Assessed and reviewed the write-down of the Disposal Group to its fair value less costs to sell based on the sale consideration agreed with the Purchaser; and

- Assessed the adequacy of related disclosures made in the financial statements.

Other information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Responsibilities of Management and Directors for the Financial Statements (Continued)

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 Group's internal control.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

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

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

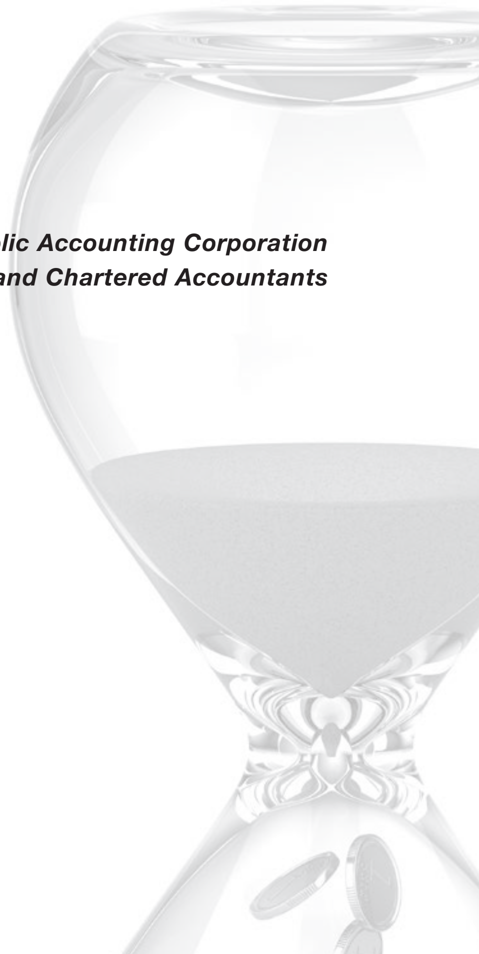
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors 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

13 April 2017

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	**2016**	2015
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	**165**	3,805	**145**	20
Trade and other receivables	6	**69**	47,008	**24**	33,107
Income tax recoverable	22(b)	**18**	18	**–**	–
Inventories	7	**–**	17,552	**–**	–
		252	68,383	**169**	33,127
Assets of disposal group classified as held-for-sale	8(c),(d)	**32,008**	–	**18,089**	–
		32,260	68,383	**18,258**	33,127
Non-current assets					
Investments in subsidiary corporations	9	**–**	–	**–**	20,429
Property, plant and equipment	10	**9**	320	**9**	13
		9	320	**9**	20,442
TOTAL ASSETS		**32,269**	68,703	**18,267**	53,569
LIABILITIES					
Current liabilities					
Trade and other payables	12	**2,822**	18,536	**781**	32,879
Borrowings	13	**–**	27,959	**–**	–
Current income tax liabilities	22(b)	**–**	78	**–**	–
		2,822	46,573	**781**	32,879
Liabilities directly associated with disposal group classified as held-for-sale	8(e)	**30,008**	–	**18,089**	–
TOTAL LIABILITIES		**32,830**	46,573	**18,870**	32,879
NET (LIABILITIES)/ASSETS		**(561)**	22,130	**(603)**	20,690
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	**49,074**	49,074	**132,732**	132,732
Other reserves	15	**8,831**	8,950	**–**	–
Accumulated losses	16	**(58,245)**	(35,673)	**(133,335)**	(112,042)
		(340)	22,351	**(603)**	20,690
Non-controlling interests	9	**(221)**	(221)	**–**	–
TOTAL EQUITY		**(561)**	22,130	**(603)**	20,690

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Continuing operations			
Revenue	17	**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Other (losses)/income, net	18	**(598)**	1,745
Expenses:			
– Selling and distribution		**–**	(2)
– Administrative		**(597)**	(741)
– Finance	19	**–**	(229)
(Loss)/profit before income tax		**(1,195)**	773
Income tax expense	22(a)	**–**	–
Net (loss)/profit from continuing operations		**(1,195)**	773
Discontinued operations			
Loss from discontinued operations – net of tax	8(a)	**(21,377)**	(21,070)
Total loss		**(22,572)**	(20,297)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Losses	15(c)	**(119)**	(20)
– Reclassification	15(c)	**–**	359
Other comprehensive (loss)/income, net of tax		**(119)**	339
Total comprehensive loss		**(22,691)**	(19,958)
Net loss attributable to:			
Equity holders of the Company – Continuing operations		**(1,195)**	773
Equity holders of the Company – Discontinued operations		**(21,377)**	(21,070)
		(22,572)	(20,297)
Total comprehensive loss attributable to:			
Equity holders of the Company – Continuing operations		**(1,314)**	1,112
Equity holders of the Company – Discontinued operations		**(21,377)**	(21,070)
		(22,691)	(19,958)
(Losses)/Earnings per share for (loss)/profit from continuing and discontinued operations attributable to equity holders of the Company (cents per share)	23		
Basic (losses)/earnings per share			
– From continuing operations		**(0.11)**	0.07
– From discontinued operations		**(1.94)**	(1.91)
Diluted (losses)/earnings per share			
– From continuing operations		**(0.11)**	0.07
– From discontinued operations		**(1.94)**	(1.91)

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital	Statutory surplus reserve	Capital reserve	Currency translation reserve	Accumulated losses	Total attributable to equity owners of the Company	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2016								
Beginning of financial year	49,074	1,911	6,992	47	(35,673)	22,351	(221)	22,130
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)**
2015								
Beginning of financial year	49,074	1,911	6,992	(292)	(15,376)	42,309	(221)	42,088
Total comprehensive income/(loss) for the financial year	–	–	–	339	(20,297)	(19,958)	–	(19,958)
End of financial year	49,074	1,911	6,992	47	(35,673)	22,351	(221)	22,130

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Total loss		**(22,572)**	(20,297)
Adjustments for:			
– Income tax expense		**17**	153
– Amortisation of intangible assets		**–**	1
– Depreciation of property, plant and equipment		**119**	248
– (Reversal of impairment)/impairment loss on property, plant and equipment		**(444)**	444
– Impairment loss on intangible assets		**–**	1,468
– Interest expense		**703**	996
– Interest income on bank deposits		**(6)**	(12)
– Loss on struck-off of subsidiary corporations		**–**	401
– Gain on disposal of property, plant and equipment		**(194)**	–
– Property, plant and equipment written-off		**368**	–
– Unrealised currency translation loss		**1,718**	193
		(20,291)	(16,405)
Changes in working capital, net of effects from struck-off of subsidiary corporations:			
– Trade and other receivables		**24,920**	1,566
– Inventories		**6,111**	5,607
– Trade and other payables		**(8,367)**	(6,579)
Cash provided by/(used in) operations		**2,373**	(15,811)
Interest received		**6**	12
Income tax paid		**(85)**	(474)
Net cash provided by/(used in) operating activities		**2,294**	(16,273)
Cash flows from investing activities			
Additions of property, plant and equipment		**–**	(74)
Proceeds from disposal of property, plant and equipment		**368**	–
Deferred consideration received from disposal of subsidiary corporations		**–**	3,332
Struck-off of subsidiary corporations, net of cash disposed of		**–**	(61)
Net cash provided by investing activities		**368**	3,197
Cash flows from financing activities			
Proceeds from borrowings		**29,973**	58,723
Repayment of borrowings		**(33,699)**	(44,482)
Interest paid		**(703)**	(996)
Decrease/(Increase) in bank deposits and bank balances pledged		**1,134**	(1,774)
Net cash (used in)/provided by financing activities		**(3,295)**	11,471
Net decrease in cash and cash equivalents		**(633)**	(1,605)
Cash and cash equivalents			
Beginning of financial year		**1,040**	2,557
Effects of currency translation on cash and cash equivalents		**(211)**	88
End of financial year	5	**196**	1,040

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 SGX-ST Catalist and incorporated and domiciled in Singapore. The address of its registered office is 33 Ubi Avenue 3, #08-38, Vertex, Singapore 408868.

The principal activities of the Company are those relating to the manufacturing and wholesale of children and infant wear. The principal activities of the subsidiary corporations are described in Note 9 to the financial statements.

On 23 February 2017, the Group has entered into a conditional sale and purchase agreement with a non-related party (the "Purchaser") to dispose of its entire shareholding interests of 57,472 shares, representing 100% of the entire issued and paid-up share capital of a subsidiary corporation, China Children Fashion Holdings Pte. Ltd. ("CCFHPL"). CCFHPL and its subsidiary corporations (collectively, the "CCFHPL Group") are in the business of Original Design Manufacturing ("ODM") which is the existing sole core business of the Group. As a result, the ODM business segment is classified as discontinued operations for the financial year ended 31 December 2016 and the entire assets and liabilities of CCFHPL Group are classified as a disposal group held-for-sale as at 31 December 2016 (Note 8). The proposed disposal of CCFHPL Group was subsequently approved by shareholders of the Company at the Extraordinary General Meeting ("EGM") dated 30 March 2017.

At the EGM, the Company also obtained shareholders' approval and passed the special resolution on diversification of the Group's business activities to include property development and property investment.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting

(a) Subsidiary corporations

(i) Consolidation

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

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. 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 which 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 their results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

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

The consideration transferred for the acquisition of a subsidiary corporation or business comprises of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting (Continued)

(a) Subsidiary corporations (Continued)

(ii) Acquisitions (Continued)

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-held equity interest in the acquiree over the (b) fair value of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill on acquisition" for the accounting policy on goodwill subsequent to initial recognition.

(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.

(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;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting (Continued)

(c) Reverse acquisition (Continued)

(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.

2.3 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

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

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. Cost also includes borrowing costs (refer to Note 2.24 on borrowing costs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(b) Depreciation

Depreciation 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.

(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 expense 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 (losses)/income, net".

2.5 Intangible assets

(a) Goodwill on acquisitions

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 benefit 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

(a) Goodwill on acquisitions (Continued)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the 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.

(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 recognised as an expense 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 three years.

(c) Customer relationship, brand names, trademarks and license agreement

Customer relationship, brand names, trademarks and license agreement 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.6 Impairment of non-financial assets (Continued)

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

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

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 6) and "Cash and cash equivalents" (Note 5) 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 subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 financial 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 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's statement of financial position.

Intra-group transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 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.

2.12 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.

2.13 Operating leases

When the Group is the lessee:

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

Leases where 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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 is recognised upon passage of title to the customer which coincides with the delivery and acceptance.

(b) Interest income

Interest income is recognised using the effective interest rate method.

(c) Dividend income

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

2.15 Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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 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 profit or loss as finance costs.

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

2.17 Borrowings

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

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

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee compensation (Continued)

(b) Share-based compensation (Continued)

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

(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 and have been rounded to the nearest thousand, unless otherwise stated.

(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 translation 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Currency translation (Continued)

(b) Transactions and balances (Continued)

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

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

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

(c) Translation of Group entities' financial statements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 (losses)/income, net".

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

2.24 Borrowing costs

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

2.25 Fair value estimation

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

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 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Estimated impairment of non-financial assets

Goodwill is tested for impairment at least annually and whenever there is indication that the goodwill may be impaired. 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.

The recoverable amounts of these assets and, where applicable, cash-generating units, have been determined based on the higher of value-in-use calculations or fair value less costs to sell.

No impairment charges were recognised for the Group's and the Company's non-financial assets during the financial year ended 31 December 2016, other than an impairment charge of $18,429,000 (2015: $25,142,000) recognised by the Company for its investments in subsidiary corporations. Further details are provided in Note 9.

In the financial year ended 31 December 2015, the Group has recognised impairment charges of $1,468,000 and $444,000 for its goodwill and property, plant and equipment respectively. The impairment charges were included within the results of the discontinued operations [Note 8(a)]. The estimates and key assumptions used in the impairment assessments for goodwill and property, plant and equipment are disclosed in Note 11. The carrying amounts of intangible assets and property, plant and equipment are disclosed in Note 11 and Note 10 respectively.

(b) Impairment of trade receivables

Management reviews its trade receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of trade receivables is disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(c) Net realisable value of inventories

A review is made periodically on inventories for excess inventory, obsolescence and declines in net realisable value below cost. These require management to estimate future demand for products and their selling prices. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting financial year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount to write-down includes ageing analysis, utilisation of inventories, the purpose of the inventories held, category and conditions of inventories and subsequent events.

In general, such an evaluation process requires significant judgement which may materially affects the carrying amount of inventories at the end of the financial year. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the inventories at the reporting date is disclosed in Note 7.

A write-down of inventories amounting to $1,072,000 (2015: $2,669,000) was recognised in the financial year ended 31 December 2016 for the Group's slow moving and obsolete inventories.

4. GOING CONCERN

As at 31 December 2016, the Group and the Company incurred a total loss of $22,572,000 and $21,293,000 respectively during the financial year ended 31 December 2016 and, as of that date, the Group and the Company are in net liabilities position of $561,000 and $603,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

The ability of the Group and the Company to continue as going concerns is dependent on followings:

(a) Diversification of the Group's business

The Group plans to diversify the Group's existing business to include property development and property investment. The Group through its newly incorporated subsidiary corporation, Mercurius HM Realty Sdn. Bhd., will be engaging in real estate activities with a focus on development of residential, commercial and industrial properties. The Group is of the view that the property market in Malaysia and Australia shows potential for growth as there are indications of economic resilience and improving sentiment in those markets, consistent population growth, healthy investment demand by foreigners for properties in both the commercial and residential sectors, sustainable disposable incomes, presence of a mortgage lending market and increase in the rate of urbanisation, all of which are expected to increase the demand for buildings and infrastructure that the Group's new business will benefit from. Although it is anticipated that the new business requires capital investments or cash outlay, the Group does not foresee significant capital investments or cash outlay to be incurred in the next twelve months while the Group is in its transition period to the new business activities. Further fundings of the new business will be made through a combination of internal sources of funds, progress payments from pre-sales of future projects and borrowings from financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. GOING CONCERN (CONTINUED)

(b) Raising new funds from convertible loans

The Group plans to raise $1,000,000 by issuing convertible loans to non-related parties. The terms and conditions of this issuance have already been agreed in-principle. Other plans include a private equity placement and/or rights issue, should there be a need to raise further funding to meet the Group's debt obligations as and when they fall due. On 17 March 2017, the Company had entered into two convertible loan agreements for the provision of redeemable convertible loans of an aggregate value of $1,000,000 by non-related investors to the Company, convertible up to 10,800,000 new ordinary shares in the issued and paid-up equity capital of the Company pursuant to terms and subject to the conditions of the convertible loan agreements. The proceeds from convertible loans of $500,000 each were received subsequently on 30 March and 5 April 2017 respectively. Proceeds (after deducting direct expenses) of approximately $635,000 will be used as working capital of the Company and $350,000 will be used for business growth and investment opportunities.

(c) Settlement of liabilities via issuance of new ordinary shares

The Group plans to discharge and settle the Company's obligation to repay the loan payable amounting to $450,000 via issuance of new ordinary shares to a director of the Company pursuant to the subscription agreement signed with a director of the Company on 17 March 2017, for the proposed subscription of 10,000,000 new ordinary shares in the issued and paid-up equity capital of the Company.

After considering the measures taken described above, the Group and the Company believes that they have adequate resources to continue their operations as going concerns. For these reasons, the Group and the Company continue 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 and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue as going concerns, adjustments may have to be made to reflect the situation that assets may need to realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets as current assets.

5. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**165**	3,805	**145**	20

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group	
	2016	2015
	$'000	$'000
Continuing operations:		
Cash and cash equivalents per statement of financial position	**165**	3,805
Less: Bank balances pledged	**–**	(2,765)
	165	1,040
Discontinued operations:		
Cash and cash equivalents per statement of financial position [Note 8(c)]	**1,662**	–
Less: Bank balances pledged	**(1,631)**	–
	31	–
Cash and cash equivalents per consolidated statement of cash flows	**196**	1,040

Bank balances of the Group amounting to $1,631,000 (2015: $2,765,000) are pledged to banks as securities for bills payables granted to a subsidiary corporation as disclosed in Note 13 to the financial statements.

As at 31 December 2016, cash and cash equivalents of the Group amounting to $1,662,000 are reclassified as assets in disposal group classified as held-for-sale [Note 8(c)].

Struck-off of subsidiary corporations

In the financial year ended 31 December 2015, the Group struck-off its subsidiary corporations, Smart Easy Corporation and Eagleton Houseware (Shenzhen) Limited.

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

	Group
	2015
	$'000
Carrying amounts of assets and liabilities of subsidiary corporations struck-off	
Cash and cash equivalents	61
Trade and other receivables	13
Total assets	74
Trade and other payables	(32)
Net assets derecognised	42
Less: Non-controlling interests	–
Net assets of subsidiary corporations struck-off	42

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. CASH AND CASH EQUIVALENTS (CONTINUED)

Struck-off of subsidiary corporations (Continued)

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

	Group 2015 $'000
Net assets of subsidiary corporations struck-off (as above)	42
Reclassification of currency translation reserve [Note 15(c)]	359
Loss on struck-off of subsidiary corporations (Note 18)	401
Cash and cash equivalents in subsidiary corporations struck-off, represent the net cash outflow on struck-off of subsidiary corporations	(61)

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Trade receivables				
– Non-related parties	**4,852**	47,028	**–**	39,980
– Subsidiary corporations	**–**	–	**133**	2,211
	4,852	47,028	**133**	42,191
Less: Allowance for impairment of trade receivables [Note 27(b)(ii)]				
– Non-related parties	**(4,850)**	(16,728)	**–**	(11,944)
– Subsidiary corporations	**–**	–	**(133)**	(1,082)
	(4,850)	(16,728)	**(133)**	(13,026)
Trade receivables – net	**2**	30,300	**–**	29,165
Non-trade receivables				
– Non-related parties	**807**	7,199	**800**	796
– Subsidiary corporations	**–**	–	**800**	5,724
	807	7,199	**1,600**	6,520
Less: Allowance for impairment of non-trade receivables [Note 27(b)(ii)]				
– Non-related parties	**(788)**	(788)	**(785)**	(785)
– Subsidiary corporations	**–**	–	**(800)**	(2,774)
	(788)	(788)	**(1,585)**	(3,559)
Non-trade receivables – net	**19**	6,411	**15**	2,961
Advances to suppliers – non-related parties	**–**	10,227	**–**	–
Deposits	**17**	29	**9**	6
Prepayments	**31**	41	**–**	975
	69	47,008	**24**	33,107

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2015, the Group has factored/discounted certain trade receivables with carrying amount of $2,400,000 to banks in exchange for cash. The transaction had been accounted for as collateralised borrowings as the banks have full recourse to the Group in the event of default by the debtors.

Included in the Group's advances to suppliers as at 31 December 2015 were refundable advances to non-related parties of approximately $7,443,000. The refundable advances to non-related parties were unsecured, interest-free and refundable on demand.

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

As at 31 December 2016, trade and other receivables of the Group and the Company amounting to $18,853,000 and $16,089,000 respectively are reclassified as assets in disposal group classified as held-for-sale [Note 8(c)].

7. INVENTORIES

	Group	
	2016	2015
	$'000	$'000
Finished goods	–	3,850
Work-in-progress	–	4,890
Raw materials	–	8,812
	–	17,552

The cost of inventories recognised as an expense and included in expenses of discontinued operations amounts to $4,408,000 (2015: $19,813,000). The Group recognised a write-down in inventories amounting to $1,072,000 (2015: $2,669,000) and disposed of slow-moving and obsolete inventories amounting to $16,941,000 (2015: $7,627,000) at a loss of $11,013,000 (2015: $5,684,000). The write-down of inventories and loss on disposal of slow-moving and obsolete inventories are included within the results of the discontinued operations [Note 8(a)].

As at 31 December 2016, inventories of the Group amounting to $11,411,000 are reclassified as assets in disposal group classified as held-for-sale [Note 8(c)].

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

On 23 February 2017, the Group had 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 its subsidiary corporations (collectively, the “CCFHPL Group”) (the “Proposed Disposal”).

The entire assets and liabilities of CCFHPL Group are classified as a disposal group held-for-sale on the statement of financial position, and its entire results are presented separately on the consolidated statement of comprehensive income as “Discontinued Operations”. The Proposed Disposal is expected to be completed within the next twelve months. The Proposed Disposal of CCFHPL Group was subsequently approved by shareholders of the Company at the Extraordinary General Meeting dated 30 March 2017.

(a) The results of the discontinued operations are as follows:

	Group	
	2016	2015
	$’000	$’000
Revenue	**4,772**	26,744
Expenses	**(26,132)**	(47,661)
Loss before income tax from discontinued operations	**(21,360)**	(20,917)
Income tax expense [Note 22(a)]	**(17)**	(153)
Net loss from discontinued operations	**(21,377)**	(21,070)

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

	Group	
	2016	2015
	$’000	$’000
Operating cash inflows/(outflows)	**2,140**	(18,548)
Investing cash inflows/(outflows)	**368**	(74)
Financing cash (outflows)/inflows	**(3,293)**	11,705
Total cash outflows	**(785)**	(6,917)

(c) Details of the assets in disposal group classified as held-for-sale are as follows:

	Group	Company
	2016	**2016**
	$’000	**$’000**
Property, plant and equipment (Note 10)	**52**	**–**
Cash and cash equivalents (Note 5)	**1,662**	**–**
Trade and other receivables (Note 6)	**18,853**	**16,089**
Inventories (Note 7)	**11,441**	**–**
	32,008	**16,089**

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(d) Details of assets in non-current asset classified as held-for-sale are as follows:

	Company
	2016
	$'000
Investments in subsidiary corporations (Note 9)	**2,000**

(e) Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:

	Group	**Company**
	2016	**2016**
	$'000	**$'000**
Trade and other payables (Note 12)	**7,410**	**18,089**
Borrowings (Note 13)	**22,598**	**–**
	30,008	**18,089**

In accordance with FRS 105 *Non-Current Assets Held for Sale and 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.

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2016	2015
	$'000	$'000
Equity investments at cost		
Beginning of financial year	**64,075**	64,075
Less: Impairment loss	**(62,075)**	(43,646)
	2,000	20,429
Reclassified to disposal group [(Note 8(d)]	**(2,000)**	–
End of financial year	**–**	20,429

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

	Company	
	2016	2015
	$'000	$'000
Beginning of financial year	**43,646**	18,504
Impairment loss	**18,429**	25,142
End of financial year	**62,075**	43,646

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

As at 31 December 2016, the Company carried out a review on the recoverable amount of its investments in subsidiary corporations and recognised an impairment loss of approximately $18,429,000 (2015: $25,142,000). 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.

The impairment loss recognised in the financial year ended 31 December 2015 was based on the value-in-use calculation. The calculation requires the use of estimates and key assumptions that are disclosed in Note 11.

Details of the subsidiary corporations are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity interest held by the Group	
			2016 %	2015 %
Held by the Company:				
Friven Eagleton Sourcing Limited[(d)(g)]	Dormant	Hong Kong	**100**	100
China Children Fashion Holdings Pte. Ltd.[(a)(f)]	Investment holding	Singapore	**100**	100
Friven (Malaysia) Sdn. Bhd.[(c)]	Dormant	Malaysia	**100**	100
Vicmark Manufacturing Sdn. Bhd.[(c)]	Dormant	Malaysia	**100**	100
Mayfran International (Shanghai) Co., Ltd.[(d)]	Dormant	China	**100**	100
Mayfran Distribution (M) Sdn. Bhd.[(e)]	Dormant	Malaysia	**100**	100
PT Friven Lifestyle[(d)]	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.[(c)]	Dormant	Malaysia	**100**	100
Held by China Children Fashion Holdings Pte. Ltd.:				
Shishi Haotian Dress Industry Co., Ltd. (石狮市好田服饰实业有限公司)[(b)(f)]	Manufacture, retail and wholesale of children and infants wear and retail sale of children wear	China	**100**	100
Hong Kong Endi International Trading Co., Ltd.[(d)(f)]	Dormant	Hong Kong	**100**	100
Zhangzhou Yiwa Garments Weaving Co., Ltd. (漳州市艺娃服饰织造有限公司)[(d)(f)]	Dormant	China	**100**	100
Macao Endi International Trading Company Limited[(d)(f)]	Wholesale of children and infants wear	Macau	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

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

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

(b) Audited by Shanghai Nexia TS Certified Public Accountants, for consolidation purpose.

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

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

(e) In the process of striking off to the Companies Commission of Malaysia.

(f) 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 China Children Fashion Holdings Pte. Ltd. and its subsidiary corporations.

(g) In the process of deregistration with the Companies Registry in Hong Kong.

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.

Significant restrictions

Cash and bank balances amounting to $1,660,000 (2015: $3,748,000) are 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.

Non-controlling interests

The carrying amount of non-controlling interests of $221,000 (2015: $221,000) relates to 10% interest held by non-controlling interests of PT Friven Lifestyle. The summarised financial information of PT Friven Lifestyle is not disclosed as it is insignificant to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. PROPERTY, PLANT AND EQUIPMENT

	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 8(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 20)	–	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 8(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 is 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 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements $'000	Office equipment $'000	Motor vehicles $'000	Machinery and equipment $'000	Total $'000
Group					
2015					
Cost					
Beginning of financial year	41	491	95	2,741	3,368
Currency translation differences	1	11	3	65	80
Additions	–	–	–	74	74
End of financial year	42	502	98	2,880	3,522
Accumulated depreciation and impairment losses					
Beginning of financial year	10	360	56	2,028	2,454
Currency translation differences	–	8	1	47	56
Depreciation charge					
– continuing operations (Note 20)	–	4	–	–	4
– discontinued operations	2	38	9	195	244
Impairment loss	–	–	–	444	444
End of financial year	12	410	66	2,714	3,202
Net book value					
End of financial year	30	92	32	166	320

As at 31 December 2015, the Group carried out a review of the recoverable amount of its property, plant and equipment following an impairment loss recognised for the goodwill allocated to the cash-generating units ("CGU") to which the property, plant and equipment belongs. The recoverable amount of the property, plant and equipment was based on the value-in-use calculation. The calculation requires the use of estimates and key assumptions that are disclosed in Note 11.

An impairment loss of $444,000 had been recognised in the financial year ended 31 December 2015 and was included within the results of the discontinued operations [Note 8(a)].

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment $'000
Company	
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**
2015	
Cost	
Beginning and end of financial year	64
Accumulated depreciation	
Beginning of financial year	48
Depreciation charge	3
End of financial year	51
Net book value	
End of financial year	13

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. INTANGIBLE ASSETS

	Goodwill arising on consolidation $'000	Computer software $'000	Customer relationship $'000	Brand names $'000	Trademarks $'000	Total $'000
Group						
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	–	–	–	–	–	–
2015						
Cost						
Beginning of financial year	16,931	59	10,506	3,189	3	30,688
Currency translation differences	37	–	–	–	–	37
End of financial year	16,968	59	10,506	3,189	3	30,725
Accumulated amortisation and impairment						
Beginning of financial year	15,500	59	10,506	3,189	2	29,256
Amortisation charge	–	–	–	–	1	1
Impairment loss	1,468	–	–	–	–	1,468
End of financial year	16,968	59	10,506	3,189	3	30,725
Net book value						
End of financial year	–	–	–	–	–	–

Amortisation charge and impairment loss of $1,000 and $1,468,000 respectively recognised in the financial year ended 31 December 2015 were included within the results of the discontinued operations [Note 8(a)].

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. INTANGIBLE ASSETS (CONTINUED)

Goodwill arising on consolidation

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to countries of operation and business segments which was Original Design Manufacturing ("ODM") and operated in The People's Republic of China ("PRC").

In the financial year ended 31 December 2015, the Group carried out a review of the recoverable amount of goodwill. The recoverable amount of a CGU was determined based on value-in-use ("VIU"). Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the ODM business in which CGU operates.

Key assumptions used for value-in-use calculations:

	2015
Gross margin[1]	15.5%
Growth rate[2]	3.0%
Discount rate[3]	15.7%

1 Budgeted gross margin

2 Weighted average growth rate used to extrapolate cash flows beyond the budget period

3 Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

Based on the impairment assessment, the Group recognised an impairment charge of $1,468,000 for its goodwill. If the management's estimated growth rate used in the VIU calculation for this CGU has been lower by 1% or the estimated pre-tax discount rate applied to the discounted cash flows had been raised by 1%, the VIU calculation as at 31 December 2015 would have decreased by $2,242,000 and $2,082,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade payables				
– Non-related parties	**1,883**	8,179	**–**	–
– Subsidiary corporations	**–**	–	**7**	13,489
	1,883	8,179	**7**	13,489
Non-trade payables				
– Non-related parties	**215**	690	**193**	170
– Related parties	**–**	19	**–**	–
– Subsidiary corporations	**–**	–	**–**	15,194
– Directors	**480**	129	**480**	119
	695	838	**673**	15,483
Advances from customers – Non-related parties	**–**	8,051	**–**	3,793
Accrued operating expenses				
– Employment compensation	**5**	1,148	**5**	12
– Other operating expenses	**239**	320	**96**	102
	244	1,468	**101**	114
	2,822	18,536	**781**	32,879

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

As at 31 December 2016, trade and other payables of the Group and the Company amounting to $7,410,000 and $18,089,000 respectively are reclassified as liabilities directly associated with disposal group classified as held-for-sale [Note 8(e)].

13. BORROWINGS

	Group	
	2016	2015
	$'000	$'000
Current		
Bills payable	**–**	18,244
Bank borrowings	**–**	9,715
	–	27,959

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the reporting dates are as follows:

	Group	
	2016	2015
	$'000	$'000
Not later than one year	**–**	9,715

13. BORROWINGS (CONTINUED)

All of the Group's borrowings were secured liabilities.

Bills payable of the Group were non-interest bearing and secured over certain bank balances (Note 5). Bank borrowings of the Group were secured over a pledge of certain properties, plant and equipment provided by a related corporation and related party of the Company's previous director.

As at 31 December 2016, bank borrowings of the Group amounting to $22,598,000 (2015: Nil) are reclassified as liabilities directly associated with disposal group classified as held-for-sale [Note 8(e)].

In the financial year ended 31 December 2016, Shishi Haotian Dress Industry Co., Ltd. ("Shishi Haotian"), a wholly-owned subsidiary corporation of the Group provided a corporate guarantee to Industrial Bank Co., Ltd. for Shishi Jijile Garments Weaving Co., Ltd.'s ("Shishi Jijile") banking facilities with the bank. The corporate guarantee is effective from 5 February 2016 to 5 February 2019 for an amount up to RMB10,000,000. As at 31 December 2016, the outstanding banking facilities drawdown by Shishi Jijile was RMB7,000,000 (approximately $1,454,000).

In the financial year ended 31 December 2015, Shishi Haotian extended a corporate guarantee to Hua Xia Bank in China for Eagleton (Xiamen) Import & Export Co. Ltd.'s ("Eagleton") banking facilities with the bank. The corporate guarantee is effective from 12 August 2014 to 12 August 2017 for an amount up to RMB32,000,000. As at 31 December 2015, the outstanding banking facilities drawdown by Eagleton was RMB24,000,000 (approximately $5,294,000). The corporate guarantee to Hua Xia Bank had been discharged in the financial year ended 31 December 2016.

14. SHARE CAPITAL

	Group		Company	
	Number of ordinary shares '000	Amount $'000	Number of ordinary shares '000	Amount $'000
2016				
Beginning and end of financial year	**1,104,009**	**49,074**	**1,104,009**	**132,732**
2015				
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.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by 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 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 Acquired Group's financial statements, in accordance with the Group's accounting policies as described in Note 2.2(c).

NOTES TO THE FINANCIAL STATEMENTS

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15. OTHER RESERVES

	Group	
	2016	2015
	$'000	$'000
Composition:		
Capital reserve [Note (a)]	**6,992**	6,992
Statutory surplus reserve [Note (b)]	**1,911**	1,911
Currency translation reserve [Note (c)]	**(72)**	47
	8,831	8,950

Other reserves are non-distributable.

(a) Capital reserve

	Group	
	2016	2015
	$'000	$'000
Beginning and end of financial year	**6,992**	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	
	2016	2015
	$'000	$'000
Beginning and end of financial year	**1,911**	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. OTHER RESERVES (CONTINUED)

(c) Currency translation reserve

	Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**47**	(292)
Reclassification on struck-off of subsidiary corporations (Note 5)	**–**	359
Net currency translation differences of financial statements of foreign subsidiary corporations	**(119)**	(20)
End of financial year	**(72)**	47

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.

16. ACCUMULATED LOSSES

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

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(35,673)**	(15,376)	**(112,042)**	(77,023)
Net loss	**(22,572)**	(20,297)	**(21,293)**	(35,019)
End of financial year	**(58,245)**	(35,673)	**(133,335)**	(112,042)

17. REVENUE

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

18. OTHER (LOSSES)/INCOME, NET

	Group	
	2016	2015
	$'000	$'000
Currency exchange (losses)/gains, net	**(591)**	1,513
Loss on struck-off of subsidiary corporations (Note 5)	**–**	(401)
License fee	**–**	92
Waiver of other payables – non related parties	**–**	493
Other	**(7)**	48
	(598)	1,745

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. FINANCE COSTS

	Group	
	2016	2015
	$'000	$'000
Interest expense on bank borrowings	**–**	229

20. EXPENSES BY NATURE

	Group	
	2016	2015
	$'000	$'000
Depreciation of property, plant and equipment (Note 10)	**4**	4
Employee compensation (Note 21)	**98**	223
Directors' fees	**84**	80
Audit fee paid/payable to auditors:		
– auditor of the Company	**93**	88
– other auditors	**5**	23
Non-audit fee paid/payable to auditors of the Company	**8**	11
Entertainment expenses	**1**	3
Insurance expenses	**1**	1
Office expenses	**15**	25
Professional fee	**234**	232
Rental expense on operating leases	**29**	29
Travelling expenses	**20**	16
Other expenses	**5**	8
Total selling and distribution and administrative expenses	**597**	743

21. EMPLOYEE COMPENSATION

	Group	
	2016	2015
	$'000	$'000
Wages, salaries and short-term benefits	**1,061**	3,952
Employer's contribution to defined contribution plans, including Central Provident Fund	**50**	90
	1,111	4,042
Less: Amounts attributable to discontinued operations	**(1,013)**	(3,819)
Amounts attributable to continuing operations (Note 20)	**98**	223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. INCOME TAXES

(a) Income tax expense

	Group	
	2016	2015
	$'000	$'000
Tax expense attributable to (loss)/profit is made up of:		
– Profit from current financial year:		
Current income tax:		
Continuing operations	**–**	–
Discontinued operations [Note 8(a)]	**17**	153
	17	153

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

	Group	
	2016	2015
	$'000	$'000
(Loss)/profit before income tax		
– continuing operations	**(1,195)**	773
– discontinued operations [Note 8(a)]	**(21,360)**	(20,917)
	(22,555)	(20,144)
Tax calculated at tax rate of 17% (2015: 17%)	**(3,834)**	(3,424)
Effects of:		
– Different tax rates in other countries	**(1,106)**	(593)
– Expenses not deductible for tax purposes	**2,763**	1,816
– Income not subject to tax	**(27)**	(393)
– Deferred tax assets not recognised	**2,221**	2,747
	17	153

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 tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately $56,897,000 (2015: $43,832,000) and capital allowances of approximately $218,000 (2015: $218,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses and capital allowances have no expiry date.

As at 31 December 2016, 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 (2015: $11,962,000), 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 is approximately $218,000 (2015: $598,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. INCOME TAXES (CONTINUED)

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

	Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**60**	372
Currency translation differences	**(10)**	9
Income tax paid	**(85)**	(474)
Income tax expense	**17**	153
End of financial year	**(18)**	60
Presented as:		
Income tax recoverable	**18**	18
Current income tax liabilities	**–**	(78)
	18	(60)

23. (LOSSES)/EARNINGS PER SHARE

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

	2016		2015	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(1,195)**	**(21,377)**	773	(21,070)
Weighted average number of ordinary shares outstanding for basic and diluted (losses)/earnings per share ('000)	**1,104,009**	**1,104,009**	1,104,009	1,104,009
Basic and diluted (losses)/earnings per share (cents)	**(0.11)**	**(1.94)**	0.07	(1.91)

There are no potentially dilutive ordinary shares during the financial years ended 31 December 2016 and 2015.

24. 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	
	2016	2015
	$'000	$'000
Lease payment relating to continuing operations to related parties	**(29)**	(29)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sales and purchases of goods and services (Continued)

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 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 6 and 12 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2016	2015
	$'000	$'000
Salaries and short term benefits	**85**	190
Employer's contribution to defined contribution plans, including Central Provident Fund	**13**	15
Directors' fees	**84**	80
	182	285
Analysed as:		
Directors of the Company	**84**	101
Other key management personnel	**98**	184
	182	285

25. COMMITMENTS

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

The Group and the Company lease office premises and warehouse from non-related parties 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		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Not later than one year	**–**	10	**–**	10

The above operating lease commitments relating to continuing operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. CONTINGENT LIABILITIES

Group

In the financial year ended 31 December 2016, Shishi Haotian Dress Industry Co., Ltd. ("Shishi Haotian"), a wholly-owned subsidiary corporation of the Group had provided a corporate guarantee to Industrial Bank Co., Ltd. in China for Shishi Jijile Garments Weaving Co., Ltd.'s ("Shishi Jijile") banking facilities with the bank. The corporate guarantee is effective from 5 February 2016 to 5 February 2019 for an amount up to RMB10,000,000. As at 31 December 2016, the outstanding banking facilities drawndown by Shishi Jijile was RMB7,000,000 (approximately $1,454,000).

In the financial year ended 31 December 2015, Shishi Haotian extended a corporate guarantee to Hua Xia Bank in China for Eagleton (Xiamen) Import & Export Co., Ltd.'s ("Eagleton") banking facilities with the bank. The corporate guarantee is effective from 12 August 2014 to 12 August 2017 for an amount up to RMB32,000,000. As at 31 December 2015, the outstanding banking facilities drawdown by Eagleton was RMB24,000,000 (approximately $5,294,000). The corporate guarantee to Hua Xia Bank had been discharged in the financial year ended 31 December 2016.

No liabilities were recognised in the statement of financial position of the Group as it is unlikely that the Group will be held liable as a result of the obligations as the Group had obtained indemnity in favour of Shishi Haotian for the corporate guarantees from the shareholders of Shishi Jijile and Eagleton as at 31 December 2016 and 2015 respectively and the fair values of the corporate guarantees were considered as insignificant at initial recognition.

The above contingent liabilities related to the Disposal Group.

27. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including interest rate risk and currency risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(a) Market risk

(i) Interest rate risk

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

The Group's exposure to market risk in interest rates primarily to short-term bank deposits and bank borrowings. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

The following table sets out the carrying amounts as at reporting date, by maturity or repricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Group	
	2016	2015
	$'000	$'000
Less than one year		
Financial liabilities		
Bank borrowings – Fixed rate	**–**	9,715

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group has no significant exposure in interest rates as the Group's financial assets and financial liabilities are at fixed rates.

(ii) 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"), Chinese Renminbi ("RMB"), 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 the PRC and 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.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

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

	SGD $'000	USD $'000	RMB $'000	HKD $'000	MYR $'000	Others $'000	Total $'000
At 31 December 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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

	SGD $'000	USD $'000	RMB $'000	HKD $'000	MYR $'000	Others $'000	Total $'000
At 31 December 2015							
Financial assets							
Cash and cash equivalents	23	711	2,857	16	18	180	3,805
Trade and other receivables	17	28,035	8,640	18	30	–	36,740
Receivables from subsidiary corporations	10,011	16,591	7,388	3,192	2,124	–	39,306
	10,051	45,337	18,885	3,226	2,172	180	79,851
Financial liabilities							
Trade and other payables	(429)	–	(8,019)	(1,982)	(37)	(18)	(10,485)
Borrowings	–	–	(27,959)	–	–	–	(27,959)
Payables to subsidiary corporations	(10,011)	(16,591)	(7,388)	(3,192)	(2,124)	–	(39,306)
	(10,440)	(16,591)	(43,366)	(5,174)	(2,161)	(18)	(77,750)
Net financial (liabilities)/assets	(389)	28,746	(24,481)	(1,948)	11	162	2,101
Less: Net financial liabilities denominated in functional currencies	(389)	–	(27,245)	(1,950)	11	(16)	(29,589)
Currency exposure on financial assets net of those denominated in the respective entities' functional currencies	–	28,746	2,764	2	–	178	31,690

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

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

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 2015						
Financial assets						
Cash and cash equivalents	13	6	–	1	–	20
Trade and other receivables	626	28,035	–	1,541	1,930	32,132
	639	28,041	–	1,542	1,930	32,152
Financial liabilities						
Trade and other payables	(787)	(16,728)	(1,311)	(3,622)	(6,638)	(29,086)
Net financial (liabilities)/assets	(148)	11,313	(1,311)	(2,080)	(4,708)	3,066
Less: Net financial liabilities denominated in the Company's functional currency	(148)	–	–	–	–	(148)
Currency exposure on financial assets/(liabilities) net of those denominated in the Company's functional currency	–	11,313	(1,311)	(2,080)	(4,708)	3,214

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

Sensitivity analysis

If the USD, RMB, HKD and MYR change against the SGD by 6% (2015: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to net profit will be as follows:

	Increase/(Decrease)			
	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
USD against SGD				
– Strengthened	**–**	1,193	**–**	469
– Weakened	**–**	(1,193)	**–**	(469)
RMB against SGD				
– Strengthened	**–**	115	**–**	(54)
– Weakened	**–**	(115)	**–**	54
HKD against SGD				
– Strengthened	**1**	–	**–**	(86)
– Weakened	**(1)**	–	**–**	86
MYR against SGD				
– Strengthened	**1**	–	**–**	–
– Weakened	**(1)**	–	**–**	–

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

As at 31 December 2016, the trade receivables of the Group and the Company were individually represented less than 10% of trade receivables.

As at 31 December 2015, the trade receivables of the Group and the Company comprise of 1 debtor that individually represented 16% and 18% respectively of total trade receivables of the Group and the Company.

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

	Group		**Company**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
By geographical areas				
Singapore	**–**	28,035	**–**	29,165
PRC	**–**	2,263	**–**	–
Other countries	**2**	2	**–**	–
	2	30,300	**–**	29,165
By types of customers				
Non-related parties – individuals	**2**	30,300	**–**	28,036
Subsidiary corporations	**–**	–	**–**	1,129
	2	30,300	**–**	29,165

(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 and other receivables.

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

	Group		**Company**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Past due < 3 months	**–**	3,785	**–**	3,785
Past due 3 to 6 months	**–**	2,100	**–**	2,100
Past due > 6 months	**2**	15,162	**–**	14,399
	2	21,047	**–**	20,284

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. 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	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Past due over 6 months	**4,852**	22,589	**133**	18,885
Less: Allowance for impairment	**(4,850)**	(16,728)	**(133)**	(13,026)
	2	5,861	**–**	5,859
Beginning of financial year	**16,728**	4,804	**13,026**	1,102
Allowance made	**10,806**	11,645	**9,857**	11,924
Allowance written-back	**(1,922)**	–	**(1,922)**	–
Currency translation difference	**66**	279	**–**	–
Reclassified to disposal group	**(20,828)**	–	**(20,828)**	–
End of financial year (Note 6)	**4,850**	16,728	**133**	13,026

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	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Past due over 6 months	**788**	788	**1,585**	3,559
Less: Allowance for impairment	**(788)**	(788)	**(1,585)**	(3,559)
	–	–	**–**	–

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**788**	816	**3,559**	3,586
Allowance utilised	**–**	–	**(1,974)**	–
Allowance written-back	**–**	(28)	**–**	(27)
End of financial year (Note 6)	**788**	788	**1,585**	3,559

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. 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 short term deposits as disclosed in Note 5.

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	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Less than one year				
Trade and other payables	**2,882**	10,485	**781**	29,086
Borrowings	**–**	27,959	**–**	–
	2,882	38,444	**781**	29,086

(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 subsidiary corporations of the Group in the PRC are required by the relevant regulations in PRC to contribute and to maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant the PRC authorities. This externally imposed capital requirement has been complied with by these subsidiary corporations in the PRC for the financial years ended 31 December 2016 and 2015 respectively.

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 2016

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk (Continued)

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Net debt	**2,657**	42,690	**636**	32,859
Total equity	**(340)**	22,351	**(603)**	20,690
Total capital	**2,317**	65,041	**33**	53,549
Gearing ratio	**N/M**	65.6%	**N/M**	61.4%

*N/M: Not meaningful

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

(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	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Loans and receivables	**203**	40,545	**169**	32,152
Financial liabilities at amortised cost	**2,822**	38,444	**781**	29,086

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker comprises the Chief Executive Officer and the heads of each business within each primary geographic segment.

Management considers the business from a business segment perspective. Management manages and monitors the business in these business segments.

During the financial years ended 31 December 2016 and 2015, the Group derived revenue solely from its Original Design Manufacturing ("ODM") business. The ODM business segment related to the contract manufacturing of children's and infants' apparel in PRC.

The ODM business segment has been classified as discontinued operations and disposal group in the financial years ended 31 December 2016 and 2015 [Note 8(a)]. As such, no segmental information is presented.

29. EVENTS OCCURRING AFTER REPORTING DATE

On 22 February 2017, the Company incorporated a wholly-owned subsidiary corporation, Mercurius Capital Sdn. Bhd. ("MCSB"), in Malaysia as an investment holding company.

On 23 February 2017, the following events occurred:

- MCSB entered into a conditional agreement with HM Realty Holdings Sdn. Bhd. ("HM Realty") to incorporate a corporation, Mercurius HM Realty Sdn. Bhd. ("MHMR"), in Malaysia. MCSB owns 60% shareholding interest in MHMR which is the joint venture vehicle for the proposed joint venture with HM Realty.

- MCSB entered into the option agreements and was granted the option in respect of the rights to jointly develop in the future with the respective grantors, real estate properties in Malaysia owned by the grantors. The followings are the option agreements:

  (a) with JBL Capital Sdn. Bhd. ("JBL Capital") as option grantor and Chieng Leek Chee as guarantor for JBL Capital;

  (b) with GCA Capital Sdn. Bhd. ("GCA Capital") as option grantor and Chieng Leek Chee as guarantor for GCA Capital;

  (c) with GCS Realty Holdings ("GCS Realty") as option grantor and Leu Huang Ding as guarantor for GCS Realty; and

  (d) with ACG Holdings Sdn. Bhd. ("ACG Holdings") as option grantor and Goh Siik Mee@Goh Siok Bee as the guarantor for ACG Holdings.

- the Company entered into a conditional sale and purchase agreement with a third party to dispose of its entire shareholding interests of 57,472 shares, representing 100% of its entire issued and paid-up share capital of CCFHPL for an aggregate cash consideration of $2,000,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. EVENTS OCCURRING AFTER REPORTING DATE (CONTINUED)

On 17 March 2017, the Company:

- entered into the Convertible Loan Agreement for the provision of a redeemable convertible loan of an aggregate principal value of $1,000,000 by Hii Siew Chung and Cheah Bee Lin to the Company, convertible up to 10,800,000 new ordinary shares in the issued and paid-up equity capital of the Company. The purpose of this loan is mainly for general working capital purpose, to reduce existing debt and/or to fund operating expenses, business growth and investment opportunities; and
- entered into the Subscription Agreement for the proposed subscription of 10,000,000 new shares at $0.045 per share by Chang Wei Lu ("Subscriber"), who is also the Director of the Company, to be allotted and issued to the Subscriber in discharge and settlement of the Company's obligation to repay the loan payable amounted to $450,000.

The above events are not expected to have a material effect to the Group for the financial year ended 31 December 2016.

30. 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 2017 or later periods and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 7 *Disclosure Initiative*
- Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Improvements to FRS (December 2016)
  - Amendments to FRS 112 *Disclosure of Interests In Other Entities*

Effective for annual periods beginning on or after 1 January 2018

- FRS 115 *Revenue from Contracts with Customers**
- FRS 109 *Financial Instruments***
- Amendments to FRS 40 *Transfers of Investment Property*
- 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*
- Improvements to FRSs (December 2016)
  - Amendments to FRS 28 *Investments in Associates and Joint Ventures*
  - Amendments to FRS 101 *First-Time Adoption of Financial Reporting Standards*

Effective for annual periods beginning on or after 1 January 2019

- FRS 116 *Leases****

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*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. 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:

FRS 115 Revenue from Contracts and Customers

This is the converged standard on revenue recognition. It replaces FRS11 *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.

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

The complete version of FRS 109 replaces most of the guidance in FRS 39. 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.

The Group' financial assets currently represent financial assets at amortised cost. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

There is 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. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

The standard will affect primarily the accounting for the Group's and the Company's operating leases. 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 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.

31. 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 13 April 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2017

Issued and fully paid-up capital	:	$132,732,529
No. of shares issued	:	1,104,008,940
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	4	0.27	246	0.00
100 – 1,000	348	23.26	156,788	0.01
1,001 – 10,000	416	27.81	1,606,882	0.15
10,001 – 1,000,000	651	43.51	104,045,008	9.42
1,000,001 and above	77	5.15	998,200,016	90.42
	1,496	100.00	1,104,008,940	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Chang Wei Lu	318,041,534	28.81
2.	Calina Ho Yim Peng	55,000,000	4.98
3.	Chieng Lik Ngiong	55,000,000	4.98
4.	Goh Tai Siang	55,000,000	4.98
5.	Phillip Securities Pte Ltd	54,817,450	4.97
6.	Maybank Kim Eng Securities Pte Ltd	52,354,900	4.74
7.	Cheah Bee Lin	46,809,907	4.24
8.	OCBC Securities Private Ltd	39,924,800	3.62
9.	UOB Kay Hian Pte Ltd	34,455,400	3.12
10.	DBS Vickers Securities (S) Pte Ltd	25,988,082	2.35
11.	Daniel Chieng Hien Tee	20,479,800	1.86
12.	Liu Lingyu	15,962,082	1.45
13.	Chieng Leek Chee	12,151,900	1.10
14.	RHB Securities Singapore Pte Ltd	11,408,300	1.03
15.	Wong Hock Chung	11,168,900	1.01
16.	Pax Realty and Development Pte Ltd	9,000,000	0.82
17.	Ang Ban Liong	8,853,000	0.80
18.	Wong Ik Ming	8,700,000	0.79
19.	Siaw Teck Hee	8,000,000	0.72
20.	Raffles Nominees (Pte) Ltd	6,861,750	0.62
	Total	849,977,805	76.99

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2017

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS

	Direct Interest	%	Deemed Interest	%
Chang Wei Lu	318,041,534	28.81	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 15 March 2017, approximately 71.19% of the issued ordinary shares of the Company is held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Accordingly, Rule 723 of the Catalist Rules is complied with.

TREASURY SHARES – RULE 1207(9)(F)

The Company does not hold any Treasury Shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu Road, Singapore 436899 on Saturday, 29 April 2017 at 9.30 a.m., for the following purposes:

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 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Chang Wei Lu, a Director retiring pursuant to Article 95(2) of the Company's Constitution. **(Resolution 2)**

3. To re-elect Mr Wong Leong Chui, a Director retiring pursuant to Article 96 of the Company's Constitution. [See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect Mr Chieng You Ping, a Director retiring pursuant to Article 96 of the Company's Constitution. **(Resolution 4)**

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

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

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without modifications:

7. **GENERAL SHARE ISSUE MANDATE**

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 to allot and issue shares whether by way of rights, bonus or otherwise and 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, from time to 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 (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 of the Company while this Resolution was in force, provided that:

(a) 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) in the capital of the Company (as calculated in accordance with sub-paragraph (b) 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 shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);

NOTICE OF
ANNUAL GENERAL MEETING

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued share capital shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of passing of this Resolution, after adjusting for (i) new shares arising from the conversion or exercise of the Instruments; (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of this Resolution provided the 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 (iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) 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) and the Constitution of the Company; and

(d) unless previously revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or on the date by which the next AGM is required by law to be held, whichever is earlier." [See Explanatory Note ii] **(Resolution 6)**

By Order of the Board

Chang Wei Lu
Executive Chairman and Chief Executive Officer

Date: 13 April 2017
Singapore

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Wong Leong Chui, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee. Mr Wong Leong Chui is an Independent Non-Executive Director. Mr Wong Leong Chui will be considered independent for the purposes of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited.

(ii) The Ordinary Resolution 6 proposed in item 7 above, if passed, is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 6 (including shares to be issued in pursuance of instruments made or granted) shall not exceed one hundred per cent. (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, with a sub-limit of fifty per cent. (50%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company will be calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time of the passing of Resolution 6, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from 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 were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. Save as provided in the Constitution, a member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on its behalf.

4. The instrument appointing the proxy must be deposited at the registered office of the Company at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868 not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.

NOTICE OF
ANNUAL GENERAL MEETING

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) 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 (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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.

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), 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.

MERCURIUS CAPITAL INVESTMENT LIMITED
(Incorporated in Singapore)
(Registration No. 198200473E)

PROXY FORM –

ANNUAL GENERAL MEETING
(Please see notes overleaf before completing)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name)

of ______________________________ (Address)

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

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

and/or failing him/her (delete as appropriate)

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

or failing him/her the Chairman of the Annual General Meeting of the Company ("AGM") as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the AGM to be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu Road, Singapore 436899, on Saturday, 29 April 2017 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.

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 together with the Independent Auditor's Report thereon		
2.	Re-election of Mr Chang Wei Lu as a Director of the Company		
3.	Re-election of Mr Wong Leong Chui as a Director of the Company		
4.	Re-election of Mr Chieng You Ping as a Director of the Company		
5.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors of the Company		
	SPECIAL BUSINESS		
6.	Authority for Directors to allot and issue new shares		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ____________ day of ______________ 2017

Total Number of Shares held	

____
Signature(s) of member(s)
or Common Seal of Corporate Shareholder

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 member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868 not less than 48 hours before the time set for the AGM.

4. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

5. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting 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 Meeting.

7. 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.

8. 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 Companies Act, Cap. 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.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) 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 (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in 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.

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 13 April 2017.

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MERCURIUS CAPITAL INVESTMENT LIMITED

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