MERCURIUS CAPITAL
INVESTMENT LIMITED

DELIVERING VALUES AT ALL TIMES

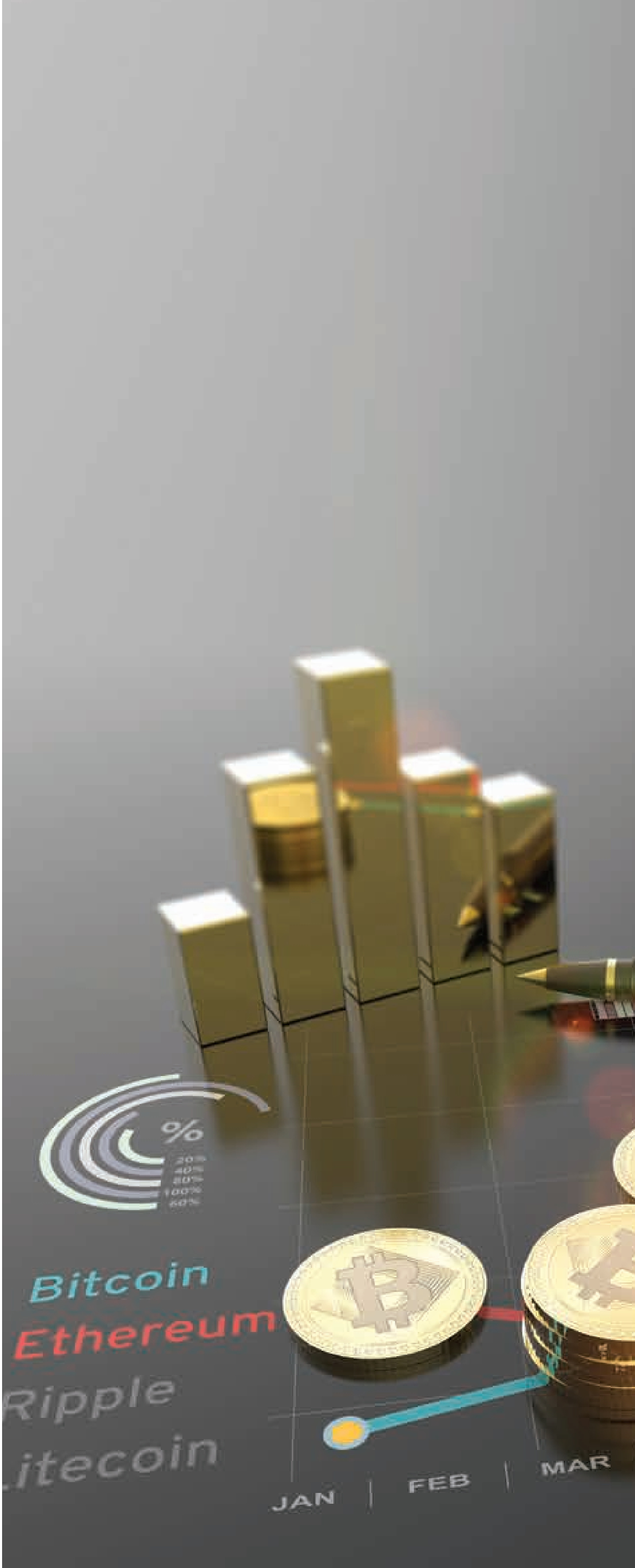
ANNUAL
REPORT
2019

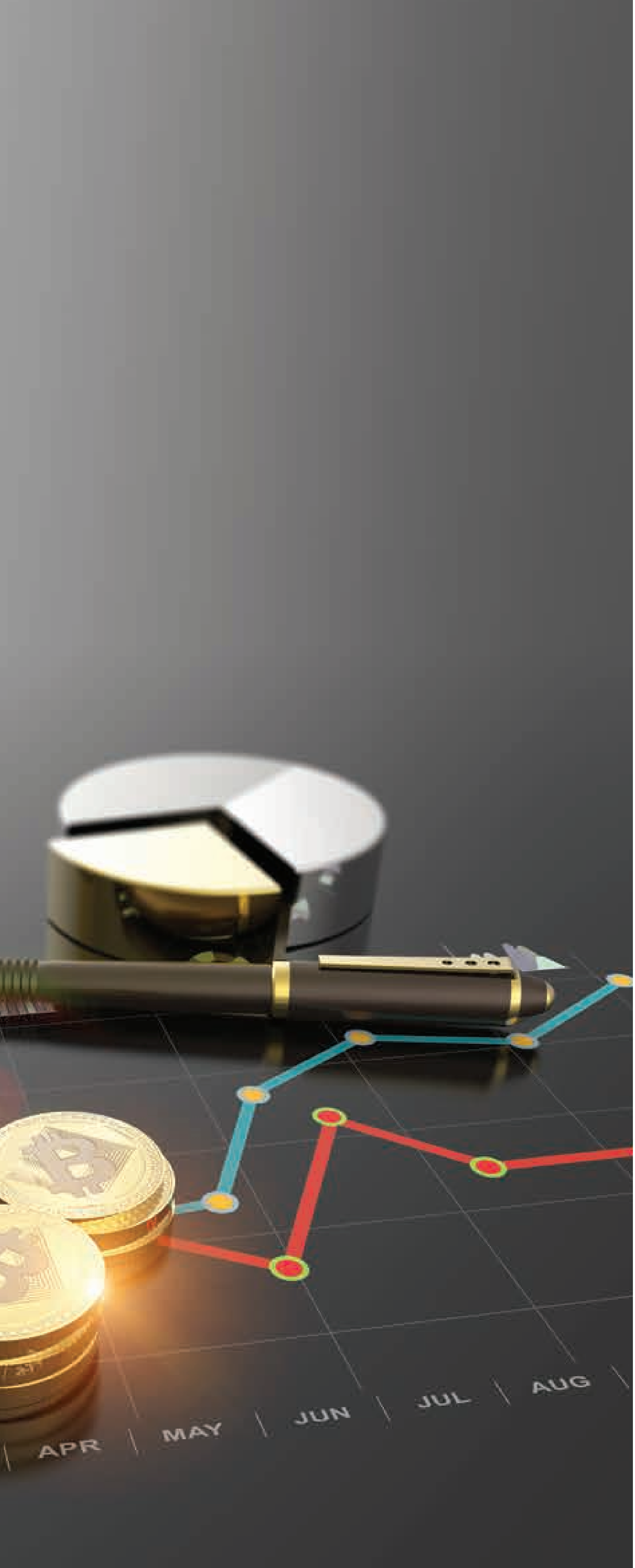
TABLE OF CONTENTS

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

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

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





CORPORATE PROFILE

Mercurius Capital Investment Limited ("**Mercurius**" or the "**Company**", and together with its subsidiaries, the "**Group**") is an investment holding company listed on the Catalist board of the Singapore Exchange Securities Trading Limited, principally engaged in property development and property investment, which involves (i) activities such as real estate-related investments and property development activities (including acquisition, development and/or sale of real estate) and holding of investments in real estate and residential, hospitality (including hotels and/or serviced residences), commercial (retail and office), industrial and any other suitable types of properties (including mixed development properties) ("**Property Related Assets**"); and (ii) acquisition and holding of investments in Property Related Assets, as well as trading in and holding the same for long term investment purposes.

MESSAGE FROM EXECUTIVE CHAIRMAN & CEO

DEAR SHAREHOLDERS,

The year 2019 had been an exciting year for the Company, leading to potential investment and the broadening of the Company's horizon. The Group however recorded a net loss of S$1.3 million due to the absence of revenue generated from the Company's new core business of property development and property investment, which was approved by shareholders in March 2017.

EMBARKING INTO NEW JOINT VENTURES

Our joint venture with HM Realty Holdings Sdn Bhd to develop a plot of land measuring approximately 3.09 hectares at Kempas, Johor Bahru, Malaysia was stalled due to impending approval from Majlis Bandaraya Johor Bahru for the conversion of the Kempas land from residential use to commercial use. With the over-supply of properties and adverse property market condition in Johor Bahru in 2018 and 2019, the Company had began exploring new investment opportunities. On 12 June 2019, the Company had entered into a joint venture agreement ("**JVA**") with Apex Development Public Company Limited ("**APEX**") and Grand Bay Hotel Co., Ltd ("**Grand Bay**") to acquire a 50% shareholding interest in Grand Bay from APEX; and to jointly develop a hotel property under the name of Sheraton Phuket Grand Bay Resort (the "**Sheraton Resort**") in Phuket, Thailand, with Grand Bay as the joint venture vehicle.

Sheraton Resort is part of an integrated development of Sheraton Phuket Grand Bay Resort and Residences situated with an exclusive hillside setting at Po Bay, east coast of Phuket, overlooking the beautiful Po Bay Grand Marina, Phang Nga National Park and Phi Phi Islands. Sheraton Resort will feature a host of five-star facilities for guests including all-day dining, specialty restaurants, infinity pool, spa and fitness centre, banquet hall, and 183 rooms comprising of hotel rooms, suites and pool villas. The Sheraton Resort shall, upon completion, be operated by Starwood Asia Pacific Hotels & Resorts Pte. Ltd. or its affiliates.

In completing the JVA, the Company had raised S$8.75 million during the financial year ended 31 December 2019 through placements of the Company's ordinary shares and convertible loans obtained from investors. On 7 January 2020, the Company completed the JVA and 50% of the shareholdings in Grand Bay was fully transferred to the Company. The Company, together with APEX, is in the midst of securing a loan with a reputable financial institution for the development of Sheraton Resort.

FUTURE PLAN

The Board of Directors ("**Board**") of the Company in acknowledging the absence of revenue generated by the Group, will continue to engage in a potential investment to bring in new revenue stream and operating cash flow for the Group. The Group will keep shareholders of the Company informed of any updates from time to time where appropriate or required under the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist.

The Group remains cautious in strategizing the development of the Company's core business, specifically during these time of economic uncertainty as a result of the COVID-19 pandemic, and will continue to explore joint ventures and/or strategic alliances to carry out its existing business. In the future, the Group may consider other geographical markets in other states and/or countries that present growth opportunities for the new business. Any expansion to new geographical markets will be evaluated and assessed by the Board on its own merit and the Group will seek shareholders' approval for such expansion at the appropriate time, if required.

MESSAGE FROM EXECUTIVE CHAIRMAN & CEO

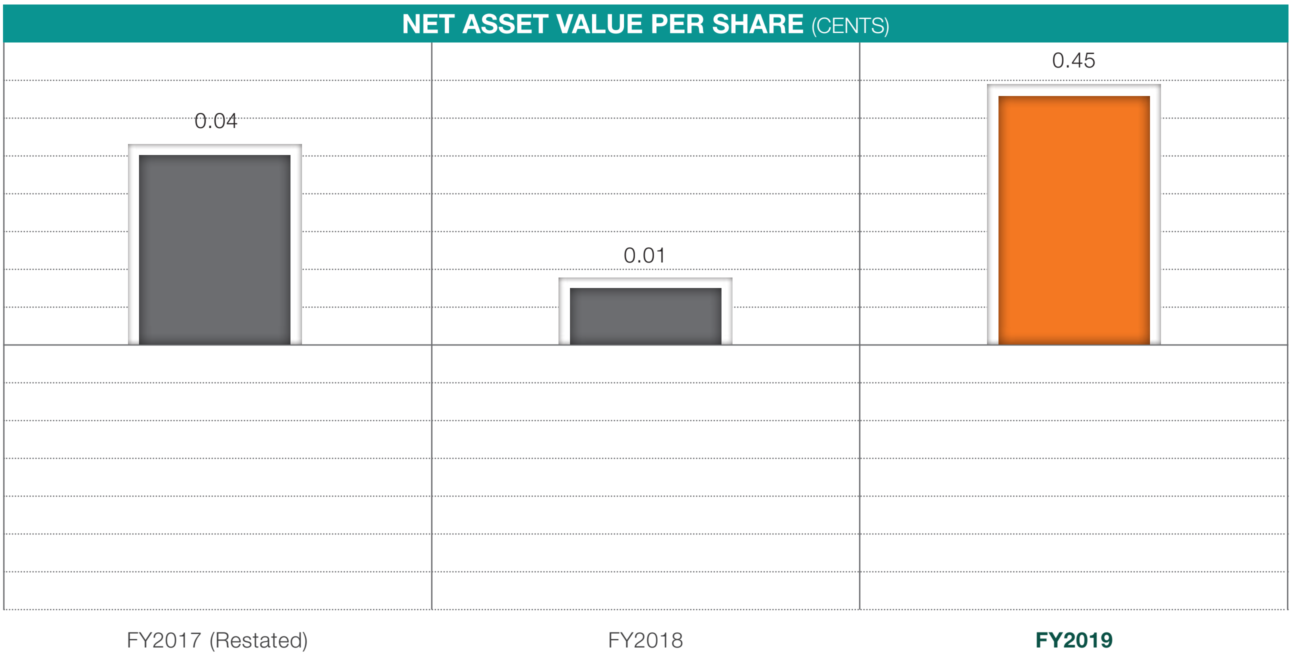
ACKNOWLEDGEMENTS

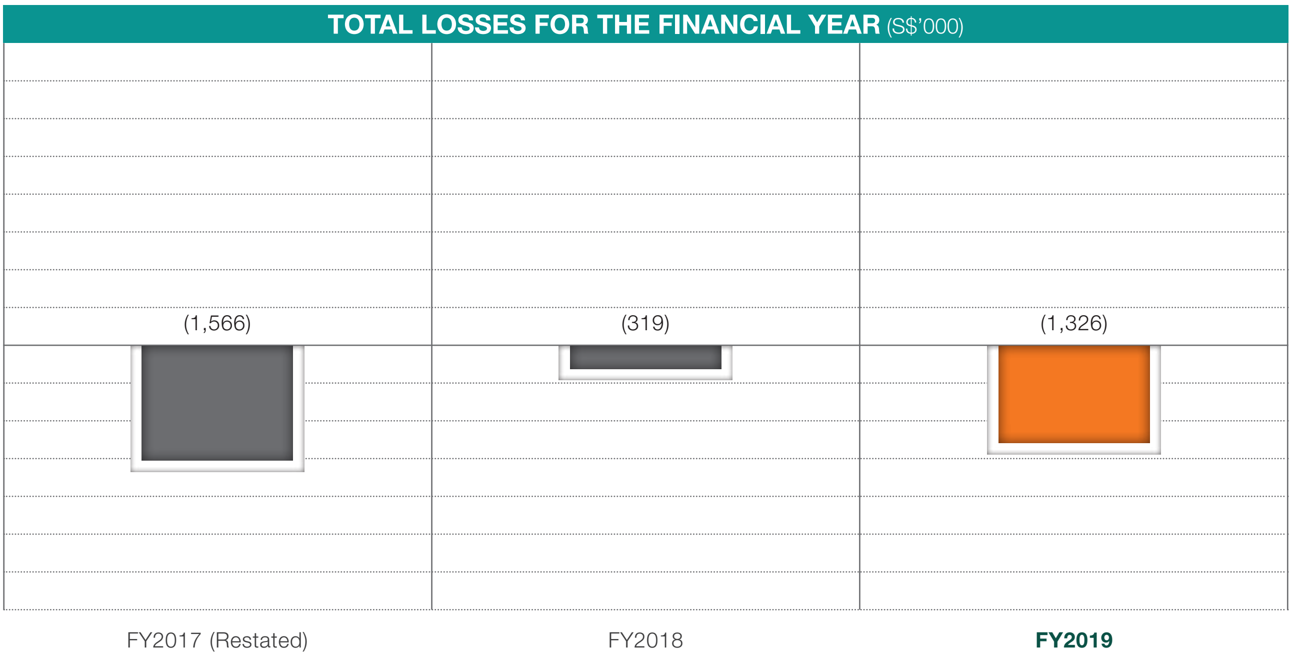
On behalf of the Board and management, we would like to thank our business partners, customers and shareholders for their unwavering support and staunch faith in the Group over the years. We look forward to growing the Group's new business strategically to provide greater value to our shareholders.

MR CHANG WEI LU
Executive Chairman and Chief Executive Officer

15 April 2020

FINANCIAL HIGHLIGHTS





FINANCIAL AND OPERATION REVIEW

REVENUE AND GROSS PROFIT

The Group's new business in property development and property investment which was approved by shareholders of the Company on 30 March 2017, is still in its early stages and has not generated any revenue for the Group. As such, the Group did not record any revenue, cost of sales and gross profit for the financial year ended 31 December ("**FY**") 2019.

OTHER INCOME, NET

In FY2019, net other income increased from S$22,000 in FY2018 to S$46,000 in FY2019, mainly due to adjustment of over-provision of prior year accrued expenses amounting to S$15,500 in FY2019. The increase was also due to currency translation gain of S$5,000 recorded in FY2019, as compared to currency translation loss of S$6,000 recorded in FY2018.

ADMINISTRATIVE EXPENSES

Administrative expenses increased significantly from S$0.34 million in FY2018 to S$1.32 million in FY2019, mainly due to on-going professional and operating expenses in relation to the Group's business restructuring and the joint venture with Apex Development Public Company Limited ("**APEX**"). Overall, professional and consultant fees had increased by S$0.83 million, travelling expenses had increased by S$0.04 million, and depreciation of right-of-use assets increased by S$0.06 million in FY2019 when compared to FY2018.

FINANCE COSTS

Finance costs refers to accrued interest from the convertible loans obtained during the year amounting to S$39,000, and the interest expenses incurred as a result of recognition of right-of-use assets and lease liabilities pursuant to the adoption of SFRS(I) 16 – Leases amounting to S$7,000. No interest expense was recorded in FY2018.

FINANCIAL POSITIONS

Trade and other receivables increased significantly from approximately S$0.05 million as at 31 December 2018 to approximately S$7.66 million as at 31 December 2019, mainly due to an increase in deposits paid for office rental and utilities amounting to S$0.05 million; and instalment made for the Company's investment in a joint venture amounting to S$7.58 million, which had been classified as other receivables while pending completion of the joint venture.

Non-current assets increased from S$4,000 as at 31 December 2018 to S$0.43 million as at 31 December 2019, due to recognition of right-of-use assets pursuant to the adoption of SFRS(I) 16 – Leases, which became effective on 1 January 2019. The right-of-use assets were derived from a new operating lease commencing August 2019. As at 31 December 2019, the right-of-use assets were calculated at approximately S$0.38 million, taking into consideration the lease term, discount rate, and measurement principle.

Property, plant and equipment increased by S$44,000 as compared to S$4,000 as at 31 December 2018, due to purchase of new office equipment and renovation amounting to S$48,000, after taking into account depreciation charges.

Trade and other payables increased from approximately S$0.19 million as at 31 December 2018, to approximately S$0.77 million as at 31 December 2019. This was mainly due to (i) an interest-free advancement of S$0.50 million received from a Director of the Company; and (ii) increase in other payables and accrued operating expenses amounting to S$0.08 million as compared to prior year.

Lease liabilities were recognised pursuant to the adoption of SFRS(I) 16 – Leases, concurrent with the recognition of right-of-use assets. As at 31 December 2019, the lease liabilities were calculated at S$0.38 million, taking into consideration the lease term, discount rate, and measurement principle (the "**Calculated Lease Liabilities**"). The Calculated Lease Liabilities is recorded as S$0.14 million under current liabilities and the remaining S$0.24 million under non-current liabilities.

Convertible loans of S$2.54 million were obtained in December 2019. Upon evaluation of the terms of agreement, the convertible loans were recognised as current liabilities.

The Group's equity increased from approximately S$0.09 million as at 31 December 2018 to approximately S$5.69 million as at 31 December 2019, mainly due to an increase in share capital of the Company through (i) the allotment of 137,500,000 shares pursuant to the Placement for an aggregate consideration of S$5.50 million; (ii) the allotment of 11,966,000 shares in settlement of the 2017 convertible loans signed on 17 March 2017 ("**2017 Convertible Loan**") at an aggregate consideration of S$1.20 million; and (iii) the allotment of 13,000,000 shares in settlement of the convertible loan obtained on 29 March 2019 at an aggregate consideration of S$0.52 million.

FINANCIAL AND OPERATION REVIEW

Other reserves as at 31 December 2019 included negative currency translation reserve of S$2.07 million, share-based payment of S$0.69 million and equity component of convertible loans of S$0.25 million. Decrease in other reserves of S$0.21 million when compared to FY2018 was mainly due to conversion of the 2017 Convertible Loan amounting to S$1.14 million, offset by share-based payments related to professional and directors' fees amounting to S$0.69 million and equity component of convertible loans of S$0.25 million.

The Group recorded a positive working capital of approximately S$5.51 million as at 31 December 2019, as compared to a positive working capital of approximately S$0.09 million as at 31 December 2018. The Group's net asset value increased from S$0.09 million as at 31 December 2018 to S$5.70 million as at 31 December 2019, mainly due to increase in trade and other receivables in FY2019.

CASH FLOW POSITION

Net cash provided by operating activities amounted to S$9,000 for FY2019, mainly due to increase in trade and other payables of approximately S$0.57 million mainly as a result of advances provided by a director of S$0.50 million.

Net cash used in investing activities of approximately S$7.64 million was due to purchase of new office equipment, renovation and payment made to APEX pursuant to the Joint Venture.

Net cash provided by financing activities of approximately S$8.69 million was due to cash received from convertible loans obtained during the financial year and the proceeds from the placement of new shares during the year, amounting to S$3.25 million and S$5.50 million respectively, offset by repayment of lease liabilities amounting to S$0.06 million.

As a whole, the Group had a net cash inflow of approximately S$1.07 million in FY2019. The cash and cash equivalents as at 31 December 2019 amounted to S$1.29 million.

PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT

On 12 June 2019, the Company had entered into a joint venture agreement ("**JVA**") with APEX and Grand Bay Hotel Co., Ltd ("**Grand Bay**") for the acquisition of a 50% shareholding interest in Grand Bay from APEX, and the parties shall jointly develop a hotel property under the name of "Sheraton Phuket Grand Bay Resort" in Phuket, Thailand, with Grand Bay as the joint venture vehicle (the "**Joint Venture**"). On 20 August 2019, the Company had obtained shareholders' approval to proceed with the Joint Venture. As at 31 December 2019, S$7.58 million had been paid to APEX pursuant to the acquisition.

SUBSEQUENT DEVELOPMENT

On 7 January 2020, the Company had completed the Joint Venture through a final instalment made to APEX and the shares had been transferred to the Company, resulting in the Company holding 50% of the total shareholdings of Grand Bay. The Company and APEX are currently working on securing a construction loan for the development of Sheraton Phuket Grand Bay Resort and will keep shareholders updated accordingly.

BOARD OF DIRECTORS

CHANG WEI LU

Executive Chairman and Chief Executive Officer

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

MAH SEONG KUNG

Lead Independent Non-Executive Director

Mr. Mah, who was appointed to the Board on 7 September 2012, is our Lead Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee. He is an associate partner of Biztrack Consultants, a Nominated Advisor with the National Stock Exchange of Australia ("**NSX**") and a Listed Advisor with the Dutch Caribbean Securities Exchange. He is on the board of directors of I M Quarries Limited, a company listed on NSX and K2 F&B Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Mah gained his industry experience by having worked in managerial positions of an entertainment content production company, licensed capital market services advisory firm, public listed education provider, and as an investment manager of public listed private equity fund.

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

BOARD OF DIRECTORS

WONG LEONG CHUI

Independent Non-Executive Director

Mr. Wong, who was appointed to the Board on 21 February 2017, is our Independent Non-Executive Director, Chairman of the Nominating Committee and the Remuneration Committee, and a member of the Audit Committee. Mr. Wong has over 50 years of experience in the building construction industry in Singapore, where he had managed more than 50 construction projects involving high-rise, low-rise, commercial and residential buildings. He is currently the managing director of Chong Tong Construction Pte. Ltd..

CHIENG YOU PING

Non-Independent Non-Executive Director

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

BOARD OF DIRECTORS

CHEW HAI CHIENE HESTER ARTHUR

Independent Non-Executive Director

Mr. Chew was appointed to the Board on 25 July 2019 as an Independent Non-Executive Director. He has over 35 years of experience in the Quick Service Restaurant & Fast-Moving Consumer Goods sectors, operating in South East Asia. Since August 2019, Hester has been the vice-chairman of McThai Co., Ltd (McDonald's Thailand). He was previously the chief executive officer of McThai Co., Ltd, a position that he had held since 2006. Prior to that he was the chief executive officer of Delifrance Asia from 2002 to 2003, and the vice president/managing director of Tricon Indochina from 1988 to 2002, operating KFC, Pizza Hut and Taco Bell in Singapore, Thailand and Indochina.

Hester is an active member of the Young Presidents' Organization since 2009 and a member of its international committee. He was the recipient of the 2018 Hickok Distinguished Service Award in recognition of his contribution and leadership in the organization.

Hester studied in St Joseph's Institution in Singapore and attended the Executive Master of Business Administration program in Michigan University.

KEY MANAGEMENT

RAPHAEL LIEW SOON CHEE

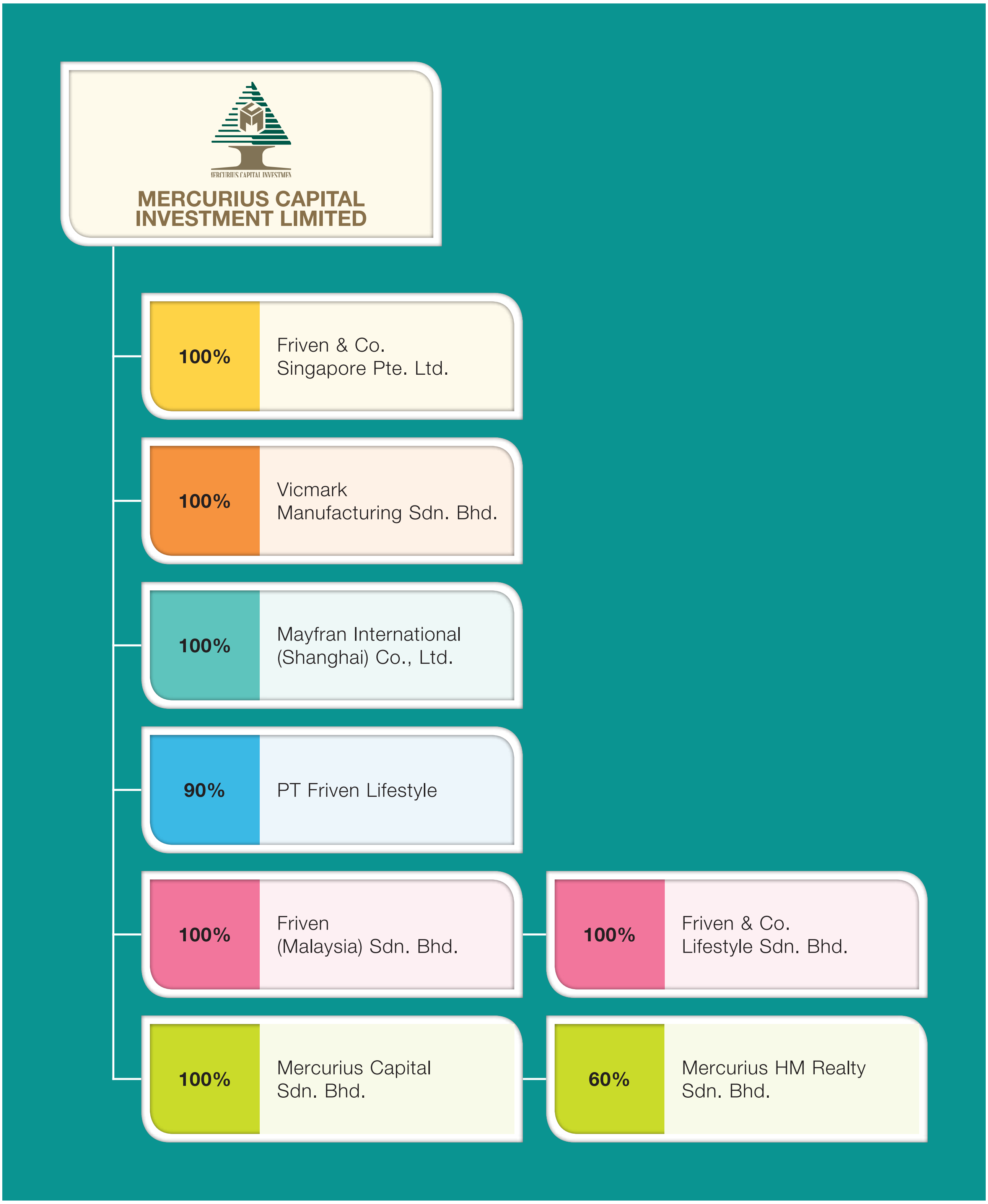
Group Finance Manager

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

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

CORPORATE STRUCTURE

AS AT 31 DECEMBER 2019



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-Independent Non-Executive Director
Mr. Chew Hai Chiene Hester Arthur Independent Non-Executive 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

Mr. Chua Kern

Registered address

6 Shenton Way
#42-04 OUE Downtown 1
Singapore 068809
Tel: (65) 6816 6768
Email: enquiry@mercuriuscapital.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

SPONSOR

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

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
80 Robinson Road
#25-00
Singapore 068898
Director-In-Charge:
Ms. Meriana Ang Mei Ling
(Appointed since the financial year ended 31 December 2016)

PRINCIPAL BANKERS

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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

Introduction

The board of directors (the "**Board**" or the "**Directors**") and the management (the "**Management**") of Mercurius Capital Investment Limited (the "**Company**", and together with its subsidiaries, the "**Group**") are committed to maintaining a high standard of corporate governance. Underlying this commitment is the belief that good governance will help to enhance corporate performance and accountability.

This report sets out the Group's current corporate governance and practices with specific references made to principles and guidelines of the Code of Corporate Governance 2018 (the "**Code**") issued on 6 August 2018 as applied to annual reports of issuers listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") covering financial years commencing from 1 January 2019.

The Board confirms that, for the financial year ended 31 December ("**FY**") 2019, the Company has generally complied in all material aspects with the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations have been provided.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Role of the Board

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

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

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

CORPORATE GOVERNANCE REPORT

Board Processes

To assist the Board in discharging its responsibilities and to enhance the Company's corporate governance framework, the Board has delegated some of its authorities to three (3) Board committees, namely the Audit Committee (the "**AC**"), the Remuneration Committee (the "**RC**") and the Nominating Committee (the "**NC**") (collectively, the "**Board Committees**"). The Board Committees function within clearly defined terms of reference setting out, amongst others, their respective compositions, authorities and duties, which are reviewed by the Board on a regular basis to ensure their continued relevance and effectiveness. The effectiveness of each Board Committee is also constantly monitored. While the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters still lies with the entire Board. The terms of reference of each Board Committees is set out under Principles 4, 6 and 10 of this report.

The Board conducts regular meetings on a quarterly basis, and additional meetings for particular matters will be convened as and when they are deemed necessary. The attendance of the Directors at the meetings of the Board and Board Committees during FY2019 is as follows:–

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	**4**	**4**	**1**	**1**
Attendance:				
Chang Wei Lu	2	4[(1)]	–	–
Mah Seong Kung	4	4	1	1
Wong Leong Chui	4	4	1	1
Chieng You Ping	3	2	1	1
Mr. Chew Hai Chiene Hester Arthur[(2)]	1	1[(1)]	–	–

Notes:–

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

(2) Mr. Chew Hai Chiene Hester ("**Mr. Hester Chew**") was appointed to the Board on 25 July 2019.

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

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

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

- corporate strategy and business plans;
- major funding proposals and investments;
- appointment/cessation, and remuneration packages, of the Directors and Executive Officers;
- interim and full year financial result announcements on SGXNET;
- annual reports and financial statements for each financial year;
- material acquisitions and disposals of assets and businesses;
- share issuances, interim dividends and other returns to shareholders; and
- matters involving a conflict of interest for a substantial shareholder or a Director.

CORPORATE GOVERNANCE REPORT

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

The Directors understand the Company's business as well as their directorship duties (including their roles as Executive, Non-Executive and Independent Directors). The Management regularly brief the Directors on the Group's activities to keep them updated on the Group's recent developments. Further, Directors are provided with regular updates on changes in the relevant rules and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. Directors are encouraged to attend courses to update their knowledge and better equip themselves to discharge their duties as a Director and such courses may be funded by the Company, subject to the approval of the Chairman.

Newly appointed Directors will receive appropriate briefings and an orientation program will be conducted to ensure that they are familiar with the Company's business and governance practices. A formal letter of appointment will also be sent to any newly appointed Director setting out his/her duties and obligations upon his/her appointment.

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

The Company Secretary attends all of the Board and Board Committees meetings and ensures that board procedures are followed and that applicable rules and regulations of the Companies Act, Chapter 50 of Singapore and the Catalist Rules are complied with. The appointment and removal of the Company Secretary is decided by the Board as a whole.

The Management also provides the Board with complete, adequate and timely information on issues requiring the Board's deliberations prior to meetings and on an on-going basis, so as to enable the Board to make informed decisions and discharge their duties and responsibilities. The Board is also informed of all material events and transactions as and when they occur. Requests for additional information by the Board are dealt with promptly by the Management.

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

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

As at the date of this report, the Board comprises five (5) members, four (4) of whom are Non-Executive Directors, including three (3) Independent Directors, as follows:

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

The Board has satisfied the requirement set out under Provisions 2.2 and 2.3 of the Code for Independent Directors to make up majority of the Board where the Chairman is not independent and for the Non-Executive Directors to make up a majority of the Board. As such, together with the Non-Executive Directors, the Board is able to provide the Management with a diverse and objective perspective on the issues at hand and there is no individual or small group of individuals which dominates the Board's decision making.

The size and composition of the Board and Board Committees are reviewed from time to time by the NC to ensure that the Board and Board Committees have the appropriate balance and mix of skills, knowledge, expertise and experience and other aspects of diversity such as age, so as to avoid groupthink and foster constructive debate, and ensure that the Board collectively possesses the necessary core competencies for effective discussions and decision making. The NC is of the view that the current Board size of five (5) members is appropriate and effective, taking into account the nature and scope of the Group's operations. Further, the NC is satisfied that the Board comprised Directors with a variety of core competencies and expertise necessary to discharge their duties and responsibilities and to provide strategic networking to enhance the business of the Group.

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

CORPORATE GOVERNANCE REPORT

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

	No. of Directors	Proportion of Board
Core Competencies		
Accounting/Finance/Legal/Corporate governance	2	40%
Industry/Customer based-knowledge or experience	3	60%
Strategic planning experience	2	40%

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

The Non-Executive Directors communicate regularly to discuss matters such as the Group's financial performance and corporate governance measures and provide constructive advice and guidance on directions in relation to the Group's business strategies. They also review the performance of the Management in achieving agreed goals and objectives and monitor the reporting of performance. The Non-Executive Directors and/or Independent Directors, led by the Lead Independent Director, are aware of the guidance for regular meetings to discuss the Group's affairs without the presence of the Management, and for the chairman of such meetings to provide feedback to the Board and/or Chairman as appropriate. As the Group's property development and property investment businesses is still in its early stages in FY2019, the Non-Executive Directors did not meet without the presence of Management during the year under review, but will continue to monitor the need to do so in the upcoming financial year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

The Group currently has a single leadership structure, where the Chairman and CEO of the Company is the same person. The Board is of the view that it is in the interests of the Group to adopt a single leadership structure, taking into consideration the current status of the Group's business affairs.

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

CORPORATE GOVERNANCE REPORT

As the CEO of the Company, Mr. Chang Wei Lu oversees the management of the Group's business. Mr. Chang Wei Lu has considerable industry experience in business investments and has a wide business network. Further, he has provided the Group with strong leadership and vision. The CEO plays an instrumental role in developing the business of the Group and exercising control over the quality and timeliness of information flow between the Board and the Management.

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

As the Chairman of the Board, Mr. Chang Wei Lu is responsible for the workings of the Board to ensure its effectiveness on all aspects of its role and sets the agenda for Board meetings in consultation with the Directors. The Chairman will also ensure that the Board members are provided with adequate and timely information prior to Board meetings, and promote a culture of openness and debate at the Board meetings.

To promote a high standard of corporate governance as the Chairman and the CEO is the same person, Mr. Mah Seong Kung has been appointed as the Lead Independent Director. He provides leadership in situations where the Chairman may be conflicted, and acts as the focal point for the Independent Directors to provide their input to the Executive Chairman and CEO as well as the Management. As the Lead Independent Director, Mr. Mah Seong Kung is available to shareholders of the Company ("**Shareholders**") where they have concerns and for which contact through the normal channels of the Executive Chairman and CEO, and/or the Group Finance Manager have failed to resolve, or where such contact is inappropriate or inadequate. Where necessary, the Independent Directors meet without the presence of the other Directors, and the Lead Independent Director provides feedback to the Executive Chairman and CEO after such meetings, if necessary.

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

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nominating Committee

The NC comprises three (3) Non-Executive Directors, two (2) of whom, including the NC Chairman, are Independent Directors. The Lead Independent Director, Mr. Mah Seong Kung, is a member of the NC. As at the date of this report, the NC comprises the following members:

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

CORPORATE GOVERNANCE REPORT

The NC is scheduled to meet at least once a year and at such other times as may be necessary. In respect of FY2019, one (1) NC meeting was held. The purpose of the meeting was primarily to review the performance of the Board and to confirm matters regarding the re-election of Directors at the forthcoming Annual General Meeting as reported below.

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

- evaluating the performance and effectiveness of the Board as a whole, its Board Committees and the contributions of each Director;
- making recommendations to the Board on the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- identifying the skills, expertise and capabilities for the effective functioning of the Board;
- reviewing the training and professional development programs for the Board and Directors;
- maintaining a formal process for the nomination of new Directors;
- reviewing the board succession plans for Directors, in particular, for the Chairman of the Board, the CEO and key management personnel;
- making recommendations to the Board on the appointment and re-appointment of Directors (including alternate Directors, if any);
- re-nominating the Directors for re-election at the annual general meetings; and
- evaluating and determining the independence of each Director annually.

The Company has put in place a process for selecting, appointing new Directors and re-appointing Directors to the Board. Where there is a need to appoint a new Director, the NC will evaluate the balance and mix of skills, knowledge and experience on the Board and Board Committees in order to identify the essential and desirable competencies of the candidate. The NC has also encouraged the Board to go beyond their immediate circle of contacts, including using third party search firms and institutions, to identity a broader range of suitable candidates. The NC will then meet up with the candidates to assess his or her suitability based on certain objective criteria such as integrity, independent mindedness and the ability to commit time, before making its recommendation to the Board.

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

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

In determining the Director's ability to commit time to the Company in order to discharge his duties as a Director, the Board has determined that the maximum number of listed board representations which any Director may hold is not more than five (5) directorships. None of the Directors has any current directorships in another listed company, save for Mr. Mah Seong Kung, who serves as an independent director on the board of IM Quarries Limited, a company listed on the National Stock Exchange of Australia.

CORPORATE GOVERNANCE REPORT

The Constitution of the Company provides that one-third of the Board, except the CEO, shall retire by rotation at every annual general meeting of the Company ("**AGM**") and at least once every three (3) years. All newly appointed Directors appointed during the year are required to retire and subject himself or herself for re-election at the next AGM following his appointment. With effect from 1 January 2019, pursuant to Rule 720(4) the Catalist Rules, all Directors (including executive directors) must submit themselves for re-nomination and re-appointment at least once every three (3) years. Within three (3) years of 1 January 2019, a director appointed or re-appointed before 1 January 2019, must submit himself for re-nomination and re-appointment to the Board at a general meeting no later than 31 December 2021. For the forthcoming AGM, the NC has recommended Mr. Chang Wei Lu, Mr. Wong Leong Chui and Mr. Hester Chew, who will retire pursuant to Article 95(2), 95(4) and 96 of the Company's Constitution respectively, be nominated for re-election. As a member of the NC, Mr. Wong Leong Chui has abstained from voting on any resolutions in respect of the assessment of his own performance for re-appointment as a Director. In making the recommendation, the NC had considered the Directors' overall contributions and performance. The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of input and contributions. The NC has reviewed and is satisfied that Mr. Chang Wei Lu, Mr. Wong Leong Chui and Mr. Hester Chew, being the Director(s) who are retiring in accordance with the Company's Constitution at the forthcoming AGM, are properly qualified for re-election by virtue of their skills, experience and contributions. The NC has recommended the re-election of the retiring Director(s) and the Board has accepted the NC's recommendation. Please refer to the notice of AGM for the resolutions put forth in relation to their respective re-elections, as well as the section entitled "Additional Information on Directors Nominated for Re-election – Appendix 7F to the Catalist Rules" of this report.

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

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

Name of Director	Board appointment	Date of first appointment	Date of last re-election	Directorships both present and held over the preceding three (3) years in other listed companies	Principal Commitments
Chang Wei Lu	Executive Chairman	12 May 2014	26 April 2019	Present Directorships None Past Directorships None	M.W. Group
Mah Seong Kung	Lead Independent Non-Executive Director	7 September 2012	27 April 2018	Present Directorships IM Quarries Limited K2 F&B Holdings Limited Past Directorships None	Biztrack Consultants I M Quarries Limited K2 F&B Holdings Limited

CORPORATE GOVERNANCE REPORT

Name of Director	Board appointment	Date of first appointment	Date of last re-election	Directorships both present and held over the preceding three (3) years in other listed companies	Principal Commitments
Wong Leong Chui	Independent Non-Executive Director	21 February 2017	27 April 2018	Present Directorships None Past Directorships None	Chong Tong Construction Pte. Ltd.
Chieng You Ping	Non-Independent Non-Executive Director	5 April 2017	26 April 2019	Present Directorships None Past Directorships None	Sin Matu Sdn Bhd Sin Matu Realty Sdn Bhd Sin Matu Shipyard Sdn Bhd Panorama Bina Sdn. Bhd. Top Edge Bricks Factory Sdn. Bhd.
Hester Chew Arthur	Independent Non-Executive Director	25 July 2019	To be re-elected at the forthcoming AGM	Present Directorships None Past Directorships None	McThai Co., Ltd. HC & Associates

CORPORATE GOVERNANCE REPORT

BOARD PERFORMANCE

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

The NC has established processes for evaluating the effectiveness of the Board as a whole, each of the Board Committees and the contribution of the Chairman and each individual Director. All Directors completed a Board Evaluation Questionnaire which sought to assess the effectiveness of the Board and the results were considered by the NC. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, communication with the Management and standards of conduct of the Directors. The NC also assesses the performance and contribution of each Director to the effectiveness of the Board as a whole, taking into consideration the Director's attendance record, overall participation, expertise, strategic vision, financial savvy, business judgement and sense of accountability.

The NC will continue to review and evaluate its appraisal process and consider how best to fine tune the appropriate performance criteria, and where circumstances deem it necessary for any of the criteria to be changed, taking into consideration peer comparisons and other objective third party benchmarks. and thereafter propose amendments if any, to the Board for approval. The performance criteria should not be changed from year to year and the onus will be on the Board to justify the change.

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

For FY2019, the Board is satisfied that the Chairman and each individual Director has allocated sufficient time and attention to the affairs of the Company, and is of the view that the effectiveness of the Board as a whole and of each of the Board Committees as well as the contribution of each Director to the effectiveness of the Board and Board Committees has been satisfactory.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Remuneration Committee

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

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

CORPORATE GOVERNANCE REPORT

The RC meets at least once a year and at such other times as may be necessary. In respect of FY2019, one (1) RC meeting was held. The purpose of the meeting was to review the Directors' fees payable for FY2019 and to consider matters regarding the remuneration policies of the Company as reported in Principle 7 below.

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

- reviewing and recommending to the Board for endorsement, the structure of the compensation plans and recruitment strategies of the Group so as to align compensation with Shareholders' interests;
- reviewing and making recommendations to the Board for endorsement of a framework of remuneration for the Board and key management personnel; and
- reviewing and recommending to the Board for endorsement, the specific remuneration packages for each Director as well as for the key management personnel.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of each Director and key management personnel. The RC considers all aspects of remuneration including salaries, director's fees, allowances, bonuses, options, share-based incentives, benefits-in-kind and termination terms, to ensure they are fair and avoid rewarding poor performance. The RC's recommendations are submitted for endorsement by the Board. The RC may seek professional advice when necessary on the remuneration of the Directors and key management personnel. No external professional advisers or remuneration consultants were engaged by the RC in FY2019.

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

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Director and key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. In FY2017, the RC had reviewed the service agreements of its Executive Chairman and CEO, Mr. Chang Wei Lu, and Group Finance Manager, Mr. Raphael Liew, and determined that there were no unfair or unreasonable termination clauses which are overly generous. For FY2019, there was no change to the service agreements of the aforementioned personnel since the last review in FY2017 and accordingly, no further review was done on the termination clauses in their service agreements.

CORPORATE GOVERNANCE REPORT

LEVEL AND MIX OF REMUNERATION

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

The Company adopts a remuneration policy for the Executive Director and key management employees comprising a fixed component in the form of a base salary, and a variable component in the form of a bonus that is linked to the performance of the Company, the individual, the industry and the economy. A significant and appropriate proportion of the Executive Director's and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of Shareholders and other stakeholders and promotes the long-term success of the Company.

Non-Executive Directors receive Directors' fees appropriate to the level of their contributions, taking into account factors such as effort and time spent, and responsibilities of the Directors. Directors' fees are endorsed by the RC and recommended by the Board for Shareholders' approval at the AGM. In respect of FY2019, taking into consideration that no revenue was generated, the RC recommended that, except for Mr. Hester Chew, no Directors' fees would be payable to the Directors for FY2019. The Company had agreed to issue to Mr. Hester Chew, 2.5 million shares in the capital of the Company at S$0.045 as payment for his director fees for the period from 25 July 2019 to 24 July 2020, subject to Shareholders' approval to be obtained in due course. In addition, Mr. Chang Wei Lu (Executive Chairman and CEO) has also agreed not to receive any remuneration (including salary, bonus and benefits-in-kind) in respect of FY2019, while the remuneration package of Mr. Raphael Liew (Group Finance Manager) remains unchanged since FY2017.

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

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

DISCLOSURE ON REMUNERATION

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

Save for Mr. Hester Chew, none of the Directors received any form of remuneration (including Directors' fees, salary, bonus and benefits-in-kind) in FY2019.

After taking into consideration that the Group had not generated any revenue in FY2019, Mr. Chang Wei Lu (Executive Chairman and CEO) has agreed not to receive any remuneration (including salary, bonus and benefits-in-kind) in respect of FY2019.

CORPORATE GOVERNANCE REPORT

In FY2019, the Company only identified one (1) key management personnel (who is not a Director or the CEO) and the remuneration of this key management personnel is set out below:–

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

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).

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

There were no employees who are substantial shareholders of the Company, or are immediate family members of a Director, CEO or substantial shareholder of the Company.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Management is accountable to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems, and for providing assurance to the Board that it has done so. The Board acknowledges that it is responsible for determining the Company's level of risk tolerance and risk policies, and the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation and reviewing the adequacy and effectiveness of the Group's risk management and internal control systems. The Board recognises that all internal control systems contain inherent limitations and no system of internal controls can provide absolute assurance against the occurrence of material errors, poor 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.

CORPORATE GOVERNANCE REPORT

The Management regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

Separately, in performing the audit of the financial statements of the Group, the independent auditor perform tests over the operating effectiveness of certain controls that they intend to rely on, that are relevant to the preparation of its financial statements. Material non-compliance and internal control weaknesses and recommendations for improvements are noted in their audit report to the AC. The AC has reviewed the effectiveness of the action taken by Management on the recommendations made by the independent auditor in this respect. With respect to FY2019, the AC noted that no material non-compliance or internal control weaknesses were identified by the independent auditor in their Audit Report for FY2019.

For FY2019, the Board has received the Management representation letter ("**Management Representation Letter**") from the Executive Chairman and CEO and the Group Finance Manager that:

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

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

Based on various management controls put in place by the Management, the Management Representation Letter as well as the reports from the independent auditor on follow up actions taken by the Management, the Board, with the concurrence from the AC, is of the opinion that the system of risk management and internal controls maintained by the Group in addressing financial, operational, information technology and compliance risks of the Group are adequate and effective as at 31 December 2019. The Board believes that the Group's internal controls provide reasonable, but not absolute assurance against material financial misstatements or losses.

AUDIT COMMITTEE

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

Audit Committee

The AC comprises three (3) Non-Executive Directors, two (2) of whom, including the AC Chairman, are Independent Directors. At least two (2) members of the AC, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience. The AC comprises the following members:

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

The Board has reviewed and is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. The members of the AC are scheduled to meet at least four (4) times a year. In respect of FY2019, four (4) AC meetings were held.

CORPORATE GOVERNANCE REPORT

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

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the company's financial performance;
- reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal controls and internal audit function;
- reviewing the independent auditor's audit plan and audit report, and the independent auditor's evaluation of the system of internal accounting controls;
- reviewing changes in accounting standard and issues highlighted by the independent auditor which have direct impact on the financial statements;
- reviewing the internal audit plans, the scope and results of internal audit procedures;
- meeting with the independent auditor, and with the internal auditors, in each case without the presence of Management, at least annually in connection with the discharge of its duties and responsibilities;
- reviewing at least annually, the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems;
- reviewing the assurances from the CEO and the Group Finance Manager on the financial records and financial statements;
- reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;
- conducting investigations into any matter within the AC's scope of responsibility and reviewing any significant findings of such investigations;
- assessing the independence and objectivity of the independent auditor;
- making recommendations to the Board on (i) the proposals to Shareholders on the appointment or re-appointment of independent auditor; and (ii) the remuneration and terms of engagement of the independent auditor; and
- reviewing interested person transactions (as defined in Chapter 9 of the Catalist Rules) to ensure that each transaction has been conducted on an arm's length basis.

The AC has reasonable resources to enable it to discharge its functions properly.

The AC has been given full access to and is provided with the cooperation of the Management. In addition, the AC has independent access to the independent auditor. The AC meets with the independent auditor without the presence of the Management at least once every financial year to review matters that might be raised privately. In respect of FY2019, the AC and independent auditor determined that it was not necessary to meet without the presence of Management as the principle business operations for the Group had yet to commence and the AC was of the view that there were no material concerns with regard to the Group's corporate governance or internal controls.

CORPORATE GOVERNANCE REPORT

External Audit

The AC will review the independence of the independent auditor annually. The AC has reviewed the non-audit services provided to the Group by the independent auditor during FY2019 in relation to tax advisory services, and is satisfied that the nature of such non-audit services will not prejudice the independence and objectivity of the independent auditor. A breakdown of the audit and non-audit fees paid to the independent auditor is disclosed in Note 17 to the Financial Statement on page 82 of this Annual Report. The aggregate amount of fees paid or payable by the Group to the independent auditor for FY2019 amounted to S$55,000 for audit services and S$7,000 for non-audit services, namely for tax filing and valuation services.

The AC is satisfied that the independent auditor of the Company, Nexia TS Public Accounting Corporation, which is registered with the Accounting and Corporate Regulatory Authority, are independent and that they had also provided a confirmation of their independence to the AC. The AC has assessed the independent auditor of the Company based on factors such as performance (taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority), adequacy of resources and experience of their audit engagement partners and audit team assigned to the Group's audit as well as the size and complexity of the Group. Accordingly, the AC is satisfied that Rules 712 and Rule 715 of the Catalist Rules have been complied with and has recommended to the Board the nomination of Nexia TS Public Accounting Corporation for re-appointment at the forthcoming AGM.

The AC does not comprise former partners or directors of the Company's existing audit firm or auditing corporation (a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

In the review of the financial statements, the Audit Committee has discussed with the Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with the Management and the independent auditor, and were reviewed by the Audit Committee:

Matters considered	**How the Audit Committee reviewed these matters and what decisions were made**
Going concern issues	The AC considered (i) the Group's JVA with APEX and Grand Bay, to jointly develop Sheraton Resort in Phuket Thailand, with Grand Bay as the joint venture vehicle; and (ii) assessed the Group's ability to repay its debts as and when they fall due. The AC had obtained updates from the Management that the Company had completed the JVA on 7 January 2020 pursuant to which 50% shareholdings in Grand Bay had been transferred to the Company and Grand Bay is in the midst of securing a loan from a reputable financial institution.

CORPORATE GOVERNANCE REPORT

Matters considered	How the Audit Committee reviewed these matters and what decisions were made
	In assessing the Group's ability to repay its debts, the AC had considered whether the Group's available funds of S$1,290,000 as at 31 December 2019 is able to cover the operating costs and liabilities for the next 12 months. The AC had determined the appropriateness of the going concern assumption, taking into consideration (i) the convertible loan agreements entered in FY2019 and January 2020; (ii) the development of Sheraton Resort; (iii) the progress of setting up the private equity fund focusing on resort and leisure property investments; and (iv) the settlement of Company's liabilities through share-based payment. The AC had determined that the Group's ability to continue as going concern would depend on additional sources of funding raised from non-related investors during the financial year. The independent auditor had expressed the going concern as the basis of their disclaimer opinion in its audit report for the financial year ended 31 December 2019. Please refer to page 49 of this Annual Report.
Convertible loans	The AC considered the approach and the methodology used in accounting and the disclosure of the convertible loans in the financial statements of the Group for FY2019. The AC had reviewed the Management's assessment on the convertible loans based on the guidance provided by Singapore Financial Reporting Standards International ("**SFRS(I)**") 1-32 Financial Instruments: Presentation, and SFRS(I) 1-39 Financial Instruments: Recognition and Measurement, and is of the opinion that the convertible loans should be classified as financial liabilities with equity element.

CORPORATE GOVERNANCE REPORT

Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy. The policy encourages employees and any other person to raise concerns, in confidence, about possible irregularities to the whistle-blowing committee. It seeks to provide an avenue for employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals for whistle-blowing in good faith within the limits of the law. Employees of the Company are aware of the whistle-blowing policy and have access to the Directors' and key management's contacts such as email address and telephone number to provide any feedback. External parties can raise their concerns though the email address: enquiry@mercuriuscapital.com as provided on the Company's corporate website at www.mercuriuscapital.com.

The AC oversees the administration of the policy and for independent investigations to be carried out, if required, and for the appropriate follow-up action to be taken. Periodic reports will be submitted to the AC stating the number and the nature of complaints received, the results of the investigations, follow-up actions and unresolved complaints.

Internal Audit

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

On 11 May 2017, the Company completed the disposal of its entire shareholding in China Children Fashion Holdings Pte Ltd and its subsidiaries. Since then, the Group's property development and property investment businesses is still in its early stages and had not generated any revenue as at the date of this report. The current size of operations of the Group does not warrant the Group having an in-house internal audit function, or to commission an external firm to perform internal audit on the Group. The AC will look into the need for the formation of such internal audit function or the engagement of an external firm to perform internal audit on the Group, as and when the circumstances warrant them.

To ensure adequacy of the internal audit function, the AC meets on a regular basis to review this function. In FY2019, the AC had reviewed the audit plans and the findings of the independent auditor, which included reviews on the accounting and internal control system of the operating subsidiaries. The AC will ensure that the Management addresses the management letter points raised, if any, by the independent auditor. The AC is generally satisfied with the adequacy of the current arrangement and will continue to assess the adequacy and effectiveness of the internal audit function regularly.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

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

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

The annual general meeting of the Company provides a principal forum for dialogue and interaction with Shareholders. Participation of Shareholders is encouraged at the Company's general meetings. Each item of business is in separate resolutions and will be accompanied by the relevant explanatory notes where required, to enable the Shareholders to understand the nature and effect of the proposed resolutions.

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

The Constitution allows members of the Company to appoint up to two (2) proxies to attend and vote on his/her behalf at the AGMs of the Company through proxy forms sent in advance. There is no provision in the Constitution that limits the number of proxies for nominee companies.

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

The Company has not amended the Constitution to provide for absentia voting method. As the authentication of Shareholders' identity information and other related security issues remain a concern, the Company has decided, for the time being, not implement voting in absentia by mail, e-mail or fax, noting Shareholders' ability to vote through proxy forms.

CORPORATE GOVERNANCE REPORT

All Directors, key management personnel, the Company's independent auditor and if necessary, the Company's lawyers, attend the general meeting of the Company. The respective Chairman of the AC, NC and RC are usually present at such general meetings to address questions relating to the work of their respective Board Committees at general meetings while the independent auditor are present to address Shareholders' queries about the conduct of audit and the preparation and content of the auditor's report. Save for Mr. Chang Wei Lu and Mr. Hester Chew (who was appointed on 25 July 2019), all Directors have attended the AGM which was held on 26 April 2019.

At the AGM, the Shareholders are given the opportunity to express their views and raise any queries regarding the Company. The proceedings of all general meetings including questions and answers exchange between the Company and Shareholders are recorded in the minutes books of the Company. The Company will publish the minutes of general meetings of Shareholders, prepared by the Company Secretary, on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

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. The Company will not be declaring dividends as it was not profitable in FY2019.

ENGAGEMENT WITH SHAREHOLDERS

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

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

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

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

The Management will provide all members of the Board with management accounts of the Group's performance, with explanatory details on its operations on a half-yearly basis at the minimum. The Management also maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board. Financial results are reviewed by the AC before it is recommended for adoption by the Board. The financial results announcement is carefully reviewed by the Board and the AC before being released on the SGXNet. If required, the Group's independent auditor's views will be sought.

CORPORATE GOVERNANCE REPORT

In line with the Catalist Rules, the Board provides a negative assurance statement to the Shareholders in its financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial results false or misleading in any material aspect. All the Directors and key management personnel of the Group will also sign a letter of undertaking pursuant to Rule 720(1) of the Catalist Rules.

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

The Company maintains an updated corporate website (www.mercuriuscapital.com) to keep Shareholders abreast with the Company's developments and to serve as a platform to gather the Shareholders' feedback. Shareholders can reach out to the Company via the "Contact Us" section of the corporate website (http://www.mercuriuscapital.com/contact-us.html), which is monitored by the Management and Lead Independent Director of the Company.

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

MANAGING STAKEHOLDER RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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

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

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups, including engaging with stakeholders via its sustainability reports. Key concerns of stakeholders and the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the relevant reporting period will be announced via its Sustainability Report for the financial year ended 31 December 2019, which the Company intends to announce by May 2020.

CORPORATE GOVERNANCE REPORT

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

DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors, Management and officers of the Group. This internal code is modelled on the Catalist Rules relating to dealings in securities and is regularly disseminated to the Directors, Management and officers of the Group. The Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares (a) during the periods commencing two (2) weeks before the announcement of the Group's quarterly financial results for the first three (3) quarters of its financial year and one (1) month before the announcement of the Group's full year financial results and ending on the date of announcement of such financial results, or (b) when they are in possession of unpublished price-sensitive information on the Group.

In addition, the Directors, the Management and officers of the Group are discouraged from dealing in the Company's shares on short term considerations. The Directors, the Management and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS ("IPT")

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

The Group does not have a general mandate from Shareholders for IPTs pursuant to Rule 920(1)(a)(i) of the Catalist Rules. There were no IPTs entered into between the Company or its subsidiary corporations and any of its interested persons exceeding S$100,000 during FY2019.

MATERIAL CONTRACTS

Save for an unsecured, interest-free advancement of $500,000 extended by the Company's Executive Chairman and CEO, Mr. Chang Wei Lu, to the Company for working capital purposes during FY2019, there were no material contracts entered into between the Company or any of its subsidiaries involving the interests of the CEO, any Director or controlling Shareholder, which were still subsisting at the end of the financial year reported on or, if not then subsisting, entered into since the end of the previous financial year. The amount remained unpaid by the Company as at 31 December 2019 and there is no stated due date for repayment of the advancement.

CORPORATE GOVERNANCE REPORT

NON-SPONSOR FEES

The Company had on 3 September 2019 changed its Sponsor from ZICO Capital Pte. Ltd. to Novus Corporate Finance Pte. Ltd.

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees paid to ZICO Capital Pte. Ltd. from 1 January 2019 to 2 September 2019 and to Novus Corporate Finance Pte. Ltd. from 3 September 2019 to 31 December 2019.

USE OF PROCEEDS

On 29 March 2019, the Company entered into a convertible loan agreement with two (2) investors whereby the investors provided redeemable convertible loans of an aggregate principal value of S$0.50 million ("**29 Mar 2019 CL**") to the Company. The use of the net proceeds from the 29 Mar 2019 CL is as follows:

Use of net proceeds	Amount allocated (S$'000)	Amount utilised (S$'000)	Balance as at the date of this report (S$'000)
Business and investment opportunities[1]	384	384	–
Working capital[2]	100	100	–
Total	**484**	**484**	**–**

On 18 July 2019, the Company had issued and allotted 137.5 million shares to 11 subscribers for an aggregate consideration of S$5.5 million pursuant to a separate conditional placement agreement entered into on 12 June 2019 (the "**Placement**"). The use of the net proceeds from the Placement is as follows:

Use of net proceeds	Amount allocated (S$'000)	Amount utilised (S$'000)	Balance as at the date of this report (S$'000)
Business and investment opportunities[1]	5,400	5,400	–
Working capital[2]	60	60	–
Total	**5,460**	**5,460**	**–**

CORPORATE GOVERNANCE REPORT

On 13 December 2019, the Company entered into a convertible loan agreement with three (3) investors whereby the investors provided redeemable convertible loans of an aggregate principal value of S$1.75 million ("**13 Dec 2019 CL**") to the Company. The use of the net proceeds from the 13 Dec 2019 CL is as follows:

Use of net proceeds	Amount allocated (S$'000)	Amount utilised (S$'000)	Balance as at the date of this report (S$'000)
Business and investment opportunities(1)	1,600	1,600	–
Working capital(2)	138	128	10
Total	**1,738**	**1,728**	**10**

On 23 December 2019, the Company entered into a convertible loan agreement with an investor whereby the investor provided a redeemable convertible loan of S$1.0 million ("**23 Dec 2019 CL**") to the Company. The use of the net proceeds from the 23 Dec 2019 CL is as follows:

Use of net proceeds	Amount allocated (S$'000)	Amount utilised (S$'000)	Balance as at the date of this report (S$'000)
Business and investment opportunities(1)	988	988	–
Total	**1,738**	**1,738**	**–**

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

Use of net proceeds	Amount allocated (S$'000)	Amount utilised (S$'000)	Balance as at the date of this report (S$'000)
Business and investment opportunities(1)	788	596	192
Total	**788**	**596**	**192**

Notes:
(1) Business and investment opportunities include the final instalment of the purchase price and expenses incurred in connection with the joint venture with Apex Development Public Company Limited and Grand Bay Hotel Co., Ltd. and opportunities in other property development projects as and when they arise.
(2) General working capital includes day-to-day operating expenses for the Group such as professional fees, listing fees, staff cost and office expenses.

The use of proceeds had also been announced by the Company via SGXNET as and when they were materially utilised. The proceeds were utilised in accordance with the stated use of proceeds in the respective announcements, and there has been no material deviation.

CORPORATE GOVERNANCE REPORT

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

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F of the Catalist Rules relating to Mr. Chang Wei Lu, Mr. Wong Leong Chui and Mr. Hester Chew, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Directors	**Mr. Chang Wei Lu (“Mr. Chang”)**	**Mr. Wong Leong Chui (“Mr. Wong”)**	**Mr. Hester Chew**
Date of appointment	12 May 2014	21 February 2017	25 July 2019
Date of last re-appointment (if applicable)	26 April 2019	27 April 2018	Not applicable
Age	58	81	58
Country of principal residence	Malaysia	Singapore	Thailand
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Chang as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Chang's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr. Wong as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Wong's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr. Hester Chew as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr. Hester Chew's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Yes. Executive Chairman and CEO	No	No
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Chairman and CEO	Independent Non-Executive Director and a member of the Audit Committee, Chairman of the Nominating Committee and Chairman of the Remuneration Committee.	Independent Non-Executive Director
Professional qualifications	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chang Wei Lu (“Mr. Chang”)	Mr. Wong Leong Chui (“Mr. Wong”)	Mr. Hester Chew
Working experience and occupation(s) during the past 10 years	Mercurius Capital Investment Limited – Executive Chairman and CEO (Current) M.W. Group – Chairman (Current) Golden Intervest Sdn Bhd – Managing Director (2014-2017)	Chong Tong Construction Pte Ltd – Director (Current)	McThai Co., Ltd. – Vice-Chairman (Current) Ronald Mcdonalds’ House Charity – Director (Current) HC & Associates – Principle Partner (Current)
Shareholding interest in the listed issuer and its subsidiaries	Mercurius Capital Investment Limited – 25.7% shareholdings	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No. Mr. Chang is the Company’s substantial shareholder, CEO and Executive Chairman.	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chang Wei Lu (“Mr. Chang”)	Mr. Wong Leong Chui (“Mr. Wong”)	Mr. Hester Chew
Other Principal Commitments* Including Directorships * “Principal Commitments” has the same meaning as defined in the Code.			
Past (for the last 5 years)	Directorships: Golden Intervest Sdn Bhd – Managing Director Principal Commitment (other than Directorships): Nil	Directorships: Nil Principal Commitment (other than Directorships): Nil	Directorships: Major Cineplex Group Public Company Limited Eastern Printing Public Company Limited Oishi Group Public Company Limited Principal Commitment (other than Directorships): Nil
Present	Directorships: Mercurius Capital Investment Limited M.W. Group Principal Commitment (other than Directorships): Nil	Directorships: Chong Tong Construction Pte Ltd Principal Commitment (other than Directorships): Nil	Directorships: McThai Co., Ltd. Ronald Mcdonalds’ House Charity HC & Associates Principal Commitment (other than Directorships): Nil
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chang Wei Lu (“Mr. Chang”)	Mr. Wong Leong Chui (“Mr. Wong”)	Mr. Hester Chew
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chang Wei Lu (“Mr. Chang”)	Mr. Wong Leong Chui (“Mr. Wong”)	Mr. Hester Chew
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chang Wei Lu (“Mr. Chang”)	Mr. Wong Leong Chui (“Mr. Wong”)	Mr. Hester Chew
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chang Wei Lu ("Mr. Chang")	Mr. Wong Leong Chui ("Mr. Wong")	Mr. Hester Chew
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Directors	Mr. Chang Wei Lu ("Mr. Chang")	Mr. Wong Leong Chui ("Mr. Wong")	Mr. Hester Chew
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

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 52 to 96 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 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, subject to the going concern assumptions and measures as set out in Note 4 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Chang Wei Lu
Mah Seong Kung
Wong Leong Chui
Chieng You Ping
Hester Arthur Chew Hai Chiene (Appointed on 25 July 2019)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

	Holdings registered in name of director		
	At 21.1.2020	**At 31.12.2019**	**At 1.1.2019**
The Company			
(No. of ordinary shares)			
Chang Wei Lu	328,041,534	328,041,534	328,041,534

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Share options

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

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

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

Audit committee

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

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

Two (2) members of the Audit Committee are non-executive independent directors and one (1) member of the Audit Committee is non-executive non-independent director.

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

- the 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 2019 before their submission to the Board of Directors as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group;

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

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

- the independence and objectivity of the independent auditor.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Audit committee (Continued)

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

Independent auditor

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

On behalf of the directors

....

Chang Wei Lu
Director

....

Mah Seong Kung
Director

6 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying 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 2019, 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 52 to 96.

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

Basis for Disclaimer of Opinion

Going concern

As disclosed in Note 4 to the financial statements, the Group has incurred a net loss of $1,326,000 for the financial year ended 31 December 2019 and, as of that date, the Group and the Company are in net current liabilities of $2,071,000 and $1,999,000 (excluding partial payments made for an investment in a joint venture of $7,581,000 as disclosed in Note 5 to the financial statements) respectively. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

The directors of the Company believe that the going concern basis of preparation of financial statements is appropriate, having considered the unrestricted cash balances of the Group and the Company of $1,290,000 and $1,282,000 as at 31 December 2019 respectively and the additional fund raised from a convertible loan on 3 January 2020 of $800,000. In addition, the Company has obtained an undertaking letter from a director to ascertain sufficient cash balances in the Group and the Company prior to demanding for payment of outstanding payables of $500,000 in the financial year ending 31 December 2020, and signed supplementary letters with certain convertible loan holders (the "investors") in respect of convertible loan agreements amounting to $2,750,000 (the "agreements") that the investors agreed to take into consideration the available cash flow of the Company on or before the maturity date of the convertible loan agreements in determining the payment and in case that the Company is not in the financial position to repay, the investors would agree to extend the maturity date of the agreements.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Basis for Disclaimer of Opinion (Continued)

Going concern (Continued)

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

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

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 SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporation incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

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

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

6 April 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Current assets					
Cash and cash equivalents		**1,290**	225	**1,282**	195
Trade and other receivables	5	**7,662**	54	**7,700**	76
Income tax recoverable	20(b)	**1**	3	**–**	–
		8,953	282	**8,982**	271
Non-current assets					
Investments in subsidiary corporations	6	**–**	–	*****	*
Property, plant and equipment	7	**48**	4	**48**	2
Right-of-use assets	8	**382**	–	**382**	–
		430	4	**430**	2
TOTAL ASSETS		**9,383**	286	**9,412**	273
LIABILITIES					
Current liabilities					
Trade and other payables	9	**762**	192	**719**	127
Lease liabilities	10	**144**	–	**144**	–
Convertible loans	11	**2,537**	–	**2,537**	–
		3,443	192	**3,400**	127
Non-current liabilities					
Lease liabilities	10	**241**	–	**241**	–
TOTAL LIABILITIES		**3,684**	192	**3,641**	127
NET ASSETS		**5,699**	94	**5,771**	146
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	12	**140,399**	133,182	**140,399**	133,182
Other reserves	13	**(1,135)**	(923)	**938**	1,143
Accumulated losses	14	**(133,571)**	(132,172)	**(135,566)**	(134,179)
		5,693	87	**5,771**	146
Non-controlling interests	6	**6**	7	**–**	–
TOTAL EQUITY		**5,699**	94	**5,771**	146

* Less than $1,000

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Revenue	15	**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Other income, net	16	**46**	22
Expenses:			
– Administrative	17	**(1,324)**	(341)
– Finance	19	**(46)**	–
Loss before income tax		**(1,324)**	(319)
Income tax expense	20(a)	**(2)**	–
Net loss		**(1,326)**	(319)
Other comprehensive loss, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
– Currency translation (losses)/gains arising from consolidation	13(b)	**(7)**	6
Total comprehensive loss		**(1,333)**	(313)
Net loss attributable to:			
Equity holders of the company		**(1,325)**	(318)
Non-controlling interests		**(1)**	(1)
		(1,326)	(319)
Total comprehensive loss attributable to:			
Equity holders of the company		**(1,332)**	(312)
Non-controlling interests		**(1)**	(1)
		(1,333)	(313)
Losses per share attributable to equity holders of the Company (cents per share)	21		
Basic losses per share		**(0.11)**	(0.03)
Diluted losses per share		**(0.11)**	(0.03)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	← Attributable to equity owners of the Company →						
	Share capital $'000	Other reserves $'000	Equity component of convertible loans $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group							
2019							
Beginning of financial year	**133,182**	**(2,066)**	**1,143**	**(132,172)**	**87**	**7**	**94**
Loss for the financial year	**–**	**–**	**–**	**(1,325)**	**(1,325)**	**(1)**	**(1,326)**
Other comprehensive loss for the financial year	**–**	**(7)**	**–**	**–**	**(7)**	**–**	**(7)**
Total comprehensive loss for the financial year	**–**	**(7)**	**–**	**(1,325)**	**(1,332)**	**(1)**	**(1,333)**
Issuance of new ordinary shares (Note 12)	**5,500**	**–**	**–**	**–**	**5,500**	**–**	**5,500**
Conversion of convertible loans (Notes 12 and 13(c))	**1,717**	**–**	**(1,717)**	**–**	**–**	**–**	**–**
Share-based payment (Note 13(a))	**–**	**686**	**–**	**–**	**686**	**–**	**686**
Equity components of convertible loans (Notes 11 and 13(c))	**–**	**–**	**252**	**–**	**252**	**–**	**252**
Convertible loans classified as equity (Note 13 (c))	**–**	**–**	**500**	**–**	**500**	**–**	**500**
Interest on convertible loans classified as equity (Note 13(c))	**–**	**–**	**74**	**(74)**	**–**	**–**	**–**
End of financial year	**140,399**	**(1,387)**	**252**	**(133,571)**	**5,693**	**6**	**5,699**
2018							
Beginning of financial year	133,182	(2,072)	1,063	(131,774)	399	8	407
Loss for the financial year	–	–	–	(318)	(318)	(1)	(319)
Other comprehensive income for the financial year	–	6	–	–	6	–	6
Total comprehensive loss for the financial year	–	6	–	(318)	(312)	(1)	(313)
Interest on convertible loans classified as equity (Note 13(c))	–	–	80	(80)	–	–	–
End of financial year	133,182	(2,066)	1,143	(132,172)	87	7	94

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Net loss		**(1,326)**	(319)
Adjustments for:			
– Bad debts written off	17	**–**	13
– Depreciation of property, plant and equipment	17	**8**	4
– Depreciation of right-of-use assets	17	**62**	–
– Income tax expenses	20	**2**	–
– Interest expense	19	**46**	–
– Share-based payment expenses	13(a)	**686**	–
– Unrealised currency translation (gains)/losses	16	**(5)**	6
		(527)	(296)
Change in working capital:			
– Trade and other receivables		**(27)**	20
– Trade and other payables		**570**	2
Cash generated from/(used in) operations		**16**	(274)
Interest paid		**(7)**	–
Net cash provided by/(used in) operating activities		**9**	(274)
Cash flows used in investing activities			
Partial payments for investment in a joint venture	5	**(7,581)**	–
Additions to property, plant and equipment	7	**(54)**	–
Net cash used in investing activities		**(7,635)**	–
Cash flows from financing activities			
Proceeds from convertible loans	11, 13(c)	**3,250**	–
Proceeds from issuance of new ordinary shares	12	**5,500**	–
Repayment of lease liabilities		**(59)**	–
Net cash provided by financing activities		**8,691**	–
Net increase/(decrease) in cash and cash equivalents		**1,065**	(274)
Cash and cash equivalents			
Beginning of financial year		**225**	499
End of financial year		**1,290**	225

Reconciliation of liabilities arising from financing activities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Mercurius Capital Investment Limited (the "Company") is listed on the Singapore Exchange Securities Trading Limited (the "Singapore Exchange" or "SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office is 6 Shenton Way, #42-04 OUE Downtown 1, Singapore 068809.

The principal activities of the Company are property development and property investment. The principal activities of the subsidiary corporations are set out in Note 6 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 3 and 4 to the financial statements.

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

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Adoption of SFRS(I) 16 *Leases*

When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the statement of financial position. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.12 to the financial statements.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Lease* and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

(ii) On a lease-by-lease basis, the Group has:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

(c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

(d) excluded initial direct costs in the measurement of the right-of-use asset at the date of initial application; and

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

As disclosed in the Group's financial statements as at 31 December 2018, the Group has lease commitments payable of $2,000 which was accounted for as short-term operating lease as the lease term was less than 12 months as at 1 January 2019. Accordingly, the adoption of SFRS(I) 16 did not has any impact on the opening balances of the Group's and the Company's statements of financial position as at 1 January 2019. No adjustment was made to the Group's and the Company's accumulated losses as at 1 January 2019 and comparative information was not restated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting

(a) Subsidiary corporations

(i) Consolidation

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

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting (Continued)

(a) Subsidiary corporations (Continued)

(ii) Acquisitions (Continued)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

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

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

Please refer to the paragraph "Investments in subsidiary corporations" 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 interests and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

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

(ii) Components of costs

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

(b) Depreciation

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

	Useful lives
Office equipment	5 years
Renovation	3 years

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

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

(c) Subsequent expenditure

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

(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 gains, net”.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Impairment of non-financial assets

Property, plant and equipment
Right-of-use assets
Investments in subsidiary corporations

Property, plant and equipment, right-of-use assets 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 cash-generating units ("CGU") to which the asset belongs.

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

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

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior financial years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.6 Financial assets

(a) Classification and measurement

The Group classifies its financial assets as amortised cost.

The classification of debt instruments depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (Continued)

(a) Classification and measurement (Continued)

At subsequent measurement

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9 *Financial Instruments* which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Offsetting of financial instruments

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

2.8 Cash and cash equivalents

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

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

2.9 Trade and other payables

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

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

2.10 Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Convertible loans

(a) Compound financial instruments

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

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

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

(b) Equity instruments

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

(c) Interest cost

Interest relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument shall be recognised by the entity directly in equity. Transactions costs of an equity transaction shall be accounted for as a deduction from equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

When the Group is the lessee

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

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

(b) The accounting policy for leases from 1 January 2019 are as follows:

When the Group is the lessee

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

(i) Right-of-use assets

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

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

(ii) Lease liabilities

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

Lease payments include the fixed payment (including in-substance fixed payments), less any lease incentives receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.12 Leases (Continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (Continued)

(ii) Lease liabilities (Continued)

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

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

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

2.13 Share-based payment

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

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 13(a). The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. As at each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Revenue recognition

(a) Sale of goods

Sales are recognised when the Group satisfied a performance obligation by transferring a promised goods to the customer, which is when the customer obtains control of the goods. A performance obligation is satisfied at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Licensing fee

Licensing fee is earned from the right to use the Group's proprietary brands for a fixed fee under a non-cancellable contract, where a contract is granted to the licensee which permits the licensee to exploit the brands over the licensing period in any designated territory. Revenue is recognised over time based on the duration of the services are rendered to the licensee and where the Group has no remaining obligation to perform.

2.15 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Income taxes (Continued)

Deferred income tax is measured:

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

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

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

2.16 Employee compensation

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

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

2.17 Currency translation

(a) Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Currency translation (Continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments) and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investments hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

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

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

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

(c) Translation of Group entities' financial statements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.18 Segment reporting

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

2.19 Share capital

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

2.20 Dividends to Company's shareholders

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

2.21 Government grants

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

Convertible loans

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

The convertible loans are hybrid financial instruments which have been classified and measured as financial liabilities with equity element based on the requirements of SFRS(I) 1-32 *Financial Instruments: Presentation* and SFRS(I) 1-39 *Financial Instruments: Recognition and Measurement*.

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

The carrying amount of the liability component of the convertible loans on initial recognition and the end of financial year is disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. GOING CONCERN

During the financial year ended 31 December 2019, the Group has incurred a net loss of $1,326,000 (2018: $319,000). In addition, the Group and the Company are in net current liabilities of $2,071,000 and $1,999,000 (excluding partial payments made for an investment in a joint venture of $7,581,000 as disclosed in Note 5 to the financial statements) respectively as at 31 December 2019 (2018: net current assets of $90,000 and $144,000 respectively). These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concerns and discharge their liabilities in the ordinary course of business.

Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2019 is appropriate in view that the Group has obtained additional funds raised from issuance of convertible loans to non-related investor amounting to $800,000 on 3 January 2020 and that the unrestricted available cash balances of the Group and the Company as at 31 December 2019 of $1,290,000 and $1,282,000 respectively are considered to be sufficient to meet the Group's and the Company's obligations for the next twelve months from the end of the financial year after taking into consideration the followings:

- An undertaking letter obtained from a director to ascertain sufficient cash balances in the Group and the Company prior to demanding for payment of outstanding payables of $500,000 in the financial year ending 31 December 2020;

- The supplementary letters signed with certain convertible loan holders (the "investors") in respect of convertible loan agreements amounting to $2,750,000 (the "agreements") that the investors agreed to take into consideration the available cash flow of the Company on or before the maturity date of the convertible loan agreements in determining the payment and in case that the Company is not in the financial position to repay, the investors would agree to extend the maturity date of the agreements; and

- The ability of the Group and the Company to obtain additional fund through future placement of shares and/or convertible loans to settle/discharge their remaining current liabilities in the next twelve months from the end of financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables				
– Non-related parties	**20**	20	**–**	–
– Subsidiary corporations	**–**	–	**133**	133
	20	20	**133**	133
Less: Allowance for impairment of trade receivables (Note 24(b))				
– Non-related parties	**(20)**	(20)	**–**	–
– Subsidiary corporations	**–**	–	**(133)**	(133)
	(20)	(20)	**(133)**	(133)
Trade receivables – net	**–**	–	**–**	–
Other receivables				
– Non-related parties	**815**	795	**811**	790
– Subsidiary corporations	**–**	–	**841**	826
	815	795	**1,652**	1,616
Less: Allowance for impairment of other receivables (Note 24(b))				
– Non-related parties	**(786)**	(786)	**(785)**	(785)
– Subsidiary corporations	**–**	–	**(800)**	(800)
	(786)	(786)	**(1,585)**	(1,585)
Other receivables – net	**29**	9	**67**	31
Deposits	**52**	4	**52**	4
Partial payments for investment in a joint venture (Note 27(b))	**7,581**	–	**7,581**	–
Prepayments	**–**	41	**–**	41
	7,662	54	**7,700**	76

The other receivables from subsidiary corporations are unsecured, interest-free and are receivable on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2019	**2018**
	$'000	**$'000**
Equity investments at cost		
Beginning and end of financial year	**7,560**	7,560
Allowance for impairment		
Beginning and end of financial year	**7,560**	7,560
Net carrying amount	*****	*

* Less than $1,000

Details of the subsidiary corporations as at 31 December 2019 and 2018 are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity interest held by the Group 2019 %	Equity interest held by the Group 2018 %
Held by the Company:				
Friven & Co. Singapore Pte. Ltd.[a]	Dormant	Singapore	**100**	100
Friven (Malaysia) Sdn. Bhd.[b]	Dormant	Malaysia	**100**	100
Vicmark Manufacturing Sdn. Bhd.[b]	Dormant	Malaysia	**100**	100
Mercurius Capital Sdn. Bhd.[c]	Investment holding	Malaysia	**100**	100
Mayfran International (Shanghai) Co., Ltd.[d]	Dormant	People's Republic of China	**100**	100
PT Friven Lifestyle[d]	Dormant	Indonesia	**90**	90
Held by Friven (Malaysia) Sdn. Bhd.:				
Friven & Co. Lifestyle Sdn. Bhd.[b]	Dormant	Malaysia	**100**	100
Held by Mercurius Capital Sdn. Bhd.:				
Mercurius HM Realty Sdn. Bhd.[c]	Property investment and property development	Malaysia	**60**	60

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

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

(c) Audited by LK Chai & Associates, Chartered Accountants, Malaysia.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Carrying value of non-controlling interests

	Group	
	2019	**2018**
	$'000	**$'000**
PT Friven Lifestyle	**8**	8
Mercurius HM Realty Sdn. Bhd.	**(2)**	(1)
End of financial year	**6**	7

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

7. PROPERTY, PLANT AND EQUIPMENT

	Office equipment $'000	Renovation $'000	Total $'000
Group			
2019			
Cost			
Beginning of financial year	**55**	**–**	**55**
Additions	**29**	**25**	**54**
Disposal	**(4)**	**–**	**(4)**
End of financial year	**80**	**25**	**105**
Accumulated depreciation			
Beginning of financial year	**51**	**–**	**51**
Depreciation charge (Note 17)	**6**	**2**	**8**
Disposal	**(2)**	**–**	**(2)**
End of financial year	**55**	**2**	**57**
Net book value			
End of financial year	**25**	**23**	**48**
2018			
Cost			
Beginning and end of financial year	55	–	55
Accumulated depreciation			
Beginning of financial year	47	–	47
Depreciation charge (Note 17)	4	–	4
End of financial year	51	–	51
Net book value			
End of financial year	4	–	4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment $'000	Renovation $'000	Total $'000
Company			
2019			
Cost			
Beginning of financial year	**38**	**–**	**38**
Additions	**29**	**25**	**54**
Disposal	**(1)**	**–**	**(1)**
End of financial year	**66**	**25**	**91**
Accumulated depreciation			
Beginning of financial year	**36**	**–**	**36**
Depreciation charge	**6**	**2**	**8**
Disposal	**(1)**	**–**	**(1)**
End of financial year	**41**	**2**	**43**
Net book value			
End of financial year	**25**	**23**	**48**
2018			
Cost			
Beginning and end of financial year	38	–	38
Accumulated depreciation			
Beginning of financial year	33	–	33
Depreciation charge	3	–	3
End of financial year	36	–	36
Net book value			
End of financial year	2	–	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. RIGHT-OF-USE ASSETS

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

	Office unit $'000
Group and Company	
31 December 2019	
Cost	
Beginning of financial year	–
Additions	**444**
End of financial year	**444**
Accumulated depreciation	
Beginning of financial year	–
Depreciation charge (Note 17)	**62**
End of financial year	**62**
Net book value	
End of financial year	**382**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
– Non-related parties	**3**	5	**–**	–
– Subsidiary corporations	**–**	–	**1**	1
	3	5	**1**	1
Other payables				
– Non-related parties	**128**	68	**113**	26
– Directors	**530**	30	**530**	30
	658	98	**643**	56
Accruals for operating expenses				
– Employment compensation	**10**	2	**5**	2
– Other operating expenses	**102**	87	**70**	68
	112	89	**75**	70
	762	192	**719**	127

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

10. LEASE LIABILITIES — THE GROUP AND THE COMPANY AS LESSEE

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

	Group and Company
	2019
	$'000
Current	**144**
Non-current	**241**
Total	**385**

11. CONVERTIBLE LOANS

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. CONVERTIBLE LOANS (CONTINUED)

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

	Group and Company 2019 $'000
Face value of convertible loans at issuance	**2,750**
Equity conversion component on initial recognition (Note 13(c))	**(252)**
Liability component on initial recognition	**2,498**
Accumulated amortisation of interest expenses	**53**
Accumulated payments of interest	**(14)**
Liability component at end of financial year	**2,537**

12. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares '000	Amount $'000
2019		
Beginning of financial year	**1,114,009**	**133,182**
Issuance of new ordinary shares[1]	**137,500**	**5,500**
Conversion of convertible loan (Note 13(c))	**24,966**	**1,717**
End of the financial year	**1,276,475**	**140,399**
2018		
Beginning and end of financial year	1,114,009	133,182

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

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

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

13. OTHER RESERVES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Composition:				
Share-based payment (Note (a))	**686**	–	**686**	–
Currency translation reserve (Note (b))	**(2,073)**	(2,066)	**–**	–
Equity component of convertible loans (Note (c))	**252**	1,143	**252**	1,143
	(1,135)	(923)	**938**	1,143

Other reserves are non-distributable.

(a) Share-based payment

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Beginning of financial year	**–**	–
Granted during the financial year	**686**	–
End of financial year	**686**	–

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

(i) On 25 July 2019, the Company entered into an agreement with a third party for an aggregate value of $480,000 via the issuance of 10,000,000 new ordinary shares of the Company at the fair value price of $0.048 per share as commission for the referral of the joint venture arrangement (Note 27(b));

(ii) On 25 July 2019 and 4 November 2019, the Company entered into a service agreement and a supplement letter respectively with one of the director of the Company for an aggregate value of $50,000 via the issuance of 2,500,000 new ordinary shares of the Company at a fair value price of $0.048 per share as director's fee;

(iii) On 26 July 2019 and 4 November 2019, the Company entered into an agreement and a supplement letter respectively with a third party for an aggregate value of $111,000 via the issuance of 5,000,000 new ordinary shares of the Company at a fair value price of $0.049 per share as appointment fee for acting as the advisor and member of the Company's investment committee for the Company's private equity fund; and

(iv) On 27 August 2019 and 4 November 2019, the Company entered into an agreement and a supplement letter respectively with a third party for an aggregate value of $45,000 via the issuance of 889,000 new ordinary shares of the Company at a fair value price of $0.050 per share as consultant fee.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. OTHER RESERVES (CONTINUED)

(b) Currency translation reserve

	Group	
	2019	**2018**
	$'000	**$'000**
Beginning of financial year	**(2,066)**	(2,072)
Currency translation (losses)/gains of financial statements of foreign subsidiary corporations	**(7)**	6
End of financial year	**(2,073)**	(2,066)

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.

(c) Equity component of convertible loans

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Beginning of financial year	**1,143**	1,063
Convertible loan – equity component (Note 11)	**252**	–
Convertible loans classified as equity (See Note (ii) below)	**500**	–
Interest on convertible loans classified as equity (Note 14)	**74**	80
Conversion to ordinary shares (Note 12)	**(1,717)**	–
End of financial year	**252**	1,143

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

On 29 March 2018 and 29 March 2019, the Company entered into a supplemental agreement with the non-related investors to extend the maturity date of convertible loans to 17 March 2019 and 17 March 2020 respectively. There are no changes to the term and conditions of the initial convertible loan agreements.

On 9 September 2019, the convertible loans and interest charged were converted into 11,966,000 new ordinary shares of the Company amounting to $1,197,000 (Note 12).

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

On 4 October 2019, the convertible loans and interest charged were converted into 13,000,000 new ordinary shares of the Company amounting to $520,000 (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. OTHER RESERVES (CONTINUED)

(c) Equity component of convertible loans (Continued)

The entire proceeds and interest charged on the above convertible loans for the financial years ended 31 December 2019 and 2018 were recognised as equity instruments in other reserves as the redemption of the convertible loans and settlement of interest through issuance of ordinary shares of the Company are at the Company's sole and absolute discretion of which the management has intention to settle the convertible loans through the Company's ordinary shares, since inception date.

14. ACCUMULATED LOSSES

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of financial year	**(132,172)**	(131,774)	**(134,179)**	(133,822)
Net loss	**(1,325)**	(318)	**(1,313)**	(277)
Interest on convertible loans classified as equity (Note 13(c))	**(74)**	(80)	**(74)**	(80)
End of financial year	**(133,571)**	(132,172)	**(135,566)**	(134,179)

15. REVENUE

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

16. OTHER INCOME, NET

	Group	
	2019	**2018**
	$'000	**$'000**
Currency exchange gains/(losses), net	**5**	(6)
Licensing fees income	**25**	21
Other	**16**	7
	46	22

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. EXPENSES BY NATURE

	Group 2019 $'000	Group 2018 $'000
Audit fee paid/payable to auditors:		
– auditor of the Company	**55**	47
– other auditors	**5**	7
Non-audit fee paid/payable to auditors of the Company	**7**	6
Depreciation of property, plant and equipment (Note 7)	**8**	4
Depreciation of right-of-use assets (Note 8)	**62**	–
Employee compensation (Note 18)	**98**	90
Directors' fees	**50**	–
Office expenses	**26**	18
Professional fees	**967**	139
Travelling expenses	**38**	1
Bad debt written-off	**–**	13
Property tax	**–**	8
Rental expense on operating leases	**–**	3
Other	**8**	5
Total administrative expenses	**1,324**	341

18. EMPLOYEE COMPENSATION

	Group 2019 $'000	Group 2018 $'000
Wages, salaries and short-term benefits	**85**	78
Employer's contribution to defined contribution plans, including Central Provident Fund	**13**	12
	98	90

19. FINANCE EXPENSES

	Group 2019 $'000	Group 2018 $'000
Interest expense		
– Convertible loans	**39**	–
– Lease liabilities (Note 8)	**7**	–
	46	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. INCOME TAXES

(a) Income tax expense

	Group	
	2019	**2018**
	$'000	**$'000**
Tax expense attributable to profit or loss were made up of:		
– Under provision of current income tax in prior financial years	**2**	–

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

	Group	
	2019	**2018**
	$'000	**$'000**
Loss before income tax	**(1,324)**	(319)
Tax calculated at tax rate of 17% (2018: 17%)	**(225)**	(54)
Effects of:		
– Different tax rates in other countries	**(17)**	(2)
– Expenses not deductible for tax purposes	**149**	58
– Income not subject to tax	**–**	(2)
– Deferred tax assets not recognised	**93**	–
– Under provision of tax in prior financial years	**2**	–
	2	–

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 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 $16,902,000 (2018: $16,355,000) 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 capital allowances in their respective countries of incorporation. The tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. INCOME TAXES (CONTINUED)

(b) Movement in current income tax recoverable:

	Group	
	2019	**2018**
	$'000	**$'000**
Beginning of financial year	**(3)**	(3)
Under provision in prior financial years	**2**	–
End of financial year	**(1)**	(3)
Presented as:		
Income tax recoverable	**1**	3

21. LOSSES PER SHARE

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

	2019	**2018**
Net loss attributable to equity holders of the Company ($'000)	**(1,325)**	(318)
Weighted average number of ordinary shares outstanding for basic losses per share ('000)	**1,183,382**	1,114,009
Basic losses per share (cents)	**(0.11)**	(0.03)

For the purpose of calculating diluted losses per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. As at 31 December 2019, the Company has dilutive potential ordinary shares from convertible loans and share based payments.

21. LOSSES PER SHARE (CONTINUED)

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

	2019	2018
Net loss attributable to equity holders of the Company ($'000)	**(1,325)**	(318)
Add back: Interest expense on convertible loans, net of tax ($'000)	**39**	–
Net loss used to determine diluted losses per share ($'000)	**(1,286)**	(318)
Weighted average number of ordinary shares outstanding for basic losses per share ('000)	**1,183,382**	1,114,009
Adjustments for ('000)		
– Convertible loans (Notes 11 and 13(c))	**30,250**	11,600
– Share based payments (Note 13(a))	**18,389**	–
	1,232,021	1,125,609
Diluted losses per share (cents)	**(0.11)***	(0.03)*

* As loss was recorded in financial years ended 31 December 2019 and 2018, no changes has been made to the diluted losses per share.

22. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

Key management personnel compensation

	Group	
	2019	**2018**
	$'000	**$'000**
Salaries and short term benefits	**85**	78
Employer's contribution to defined contribution plans, including Central Provident Fund	**13**	12
Director's fee	**50**	–
	148	90
Analysed as:		
Director of the Company	**50**	–
Other key management personnel	**98**	90
	148	90

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 2019 and 2018 are unsecured and receivable/payable within 12 months from reporting date and are disclosed in Notes 5 and 9 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. COMMITMENTS

Operating lease commitments – where the Group is a lessee

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

As at 31 December 2018, 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 $'000
Not later than one year	2

As disclosed in Note 2.1 to the financial statements, the Group has adopted SFRS(I) 16 on 1 January 2019. The lease payments have been recognised as ROU assets and lease liabilities on the statements of financial position as at 31 December 2019.

24. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

(a) Market risk

(i) Interest rate risk

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

The Group's exposure to market risk in interest rates primarily to short-term bank deposits and convertible loans. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. As the amount of short-term bank deposits are of low value and the convertible loans are at fixed interest rate, the Group has no significant exposure in interest rates.

(ii) Price risk

The Group does not have significant exposure to the equity price as it does not hold any equity investment as at 31 December 2019 and 2018 respectively.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk

The Group operates in Asia with dominant operations in Singapore and Malaysia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Hong Kong Dollar ("HKD") and Malaysia Ringgit ("MYR").

In addition, the Group is exposed to currency translation risk on the net assets of foreign operations in Malaysia. There is no hedging policy with respect to foreign currency exposure. Exposure to currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The Group currently relies on the natural hedges between such transactions and will consider enter into currency forward contracts when the need arises.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) *Currency risk* (Continued)

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

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Others $'000	Total $'000
2018						
Financial assets						
Cash and cash equivalents	190	3	1	29	2	225
Trade and other receivables	8	–	–	5	–	13
Receivables from subsidiary corporations	26	–	–	–	–	26
	224	3	1	34	2	264
Financial liabilities						
Trade and other payables	(131)	–	–	(44)	(17)	(192)
Payables to subsidiary corporations	(26)	–	–	–	–	(26)
	(157)	–	–	(44)	(17)	(218)
Net financial assets/ (liabilities)	67	3	1	(10)	(15)	46
Less: Net financial assets denominated in functional currencies	(67)	–	–	–	–	(67)
Currency exposure on financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	–	3	1	(10)	(15)	(21)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) *Currency risk* (Continued)

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

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Total $'000
2019					
Financial assets					
Cash and cash equivalents	1,278	3	1	*	1,282
Trade and other receivables	119	–	–	–	119
	1,397	3	1	*	1,401
Financial liabilities					
Trade and other payables	(719)	–	–	–	(719)
Lease liabilities	(385)	–	–	–	(385)
Convertible loans	(2,537)	–	–	–	(2,537)
	(3,641)	–	–	–	(3,641)
Net financial (liabilities)/assets	(2,244)	3	1	*	(2,240)
Less: Net financial liabilities denominated in the Company's functional currency	2,244	–	–	–	2,244
Currency exposure on financial assets net of those denominated in the Company's functional currency	–	3	1	*	4

* Less than $1,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

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

	SGD $'000	USD $'000	HKD $'000	MYR $'000	Total $'000
2018					
Financial assets					
Cash and cash equivalents	191	3	1	*	195
Trade and other receivables	35	–	–	–	35
	226	3	1	*	230
Financial liabilities					
Trade and other payables	(127)	–	–	–	(127)
Net financial assets	99	3	1	*	103
Less: Net financial assets denominated in the Company's functional currency	(99)	–	–	–	(99)
Currency exposure on financial assets net of those denominated in the Company's functional currency	–	3	1	*	4

* Less than $1,000

As at 31 December 2019 and 2018, any change in the exchange rate of the USD, HKD and MYR against the SGD with all other variable including tax rate being held constant, management had assessed that the impact arising from the currency translation gain/(losses) on the Group's and the Company's financial assets and liabilities denominated in foreign currencies are unlikely to be significant.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The major classes of financial assets of the Group and the Company are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and performs ongoing credit evaluation of their counterparties' financial condition and generally do not require collaterals. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Executive Directors based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the Directors.

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

Trade receivables

The Group applies the SFRS(I) 9 simplified model of recognising lifetime expected credit for all trade receivables as these items do not have a significant financing component.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Trade receivables (Continued)

The movements in credit loss allowance were as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables				
Beginning and end of financial year	**20**	20	**133**	133

As at 31 December 2019 and 2018, the bank deposits are not past due nor subject to any material credit losses.

Other receivables

The Group and the Company uses the 12-month expected credit losses approach to assess for impairment for the remaining outstanding amount. The assessment reflects a low credit risk exposure and there is no indication that the outstanding amount is not recoverable.

The movements in credit loss allowance were as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Other receivables				
Beginning and end of financial year	**786**	786	**1,585**	1,585

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through on adequate amount of committed credit facilities, and the ability to close out market positions as a short notice.

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

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year $'000	Between 1 to 5 years $'000
Group		
2019		
Trade and other payables	**762**	**–**
Lease liabilities	**144**	**241**
Convertible loans	**2,537**	**–**
	3,443	**241**
2018		
Trade and other payables	192	–
Company		
2019		
Trade and other payables	**719**	**–**
Lease liabilities	**144**	**241**
Convertible loans	**2,537**	**–**
	3,400	**241**
2018		
Trade and other payables	127	–

(d) Capital risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk (Continued)

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Net debt	**2,009**	(33)	**1,974**	(68)
Total equity	**5,699**	94	**5,771**	146
Total capital	**7,708**	61	**7,745**	78
Gearing ratio	**26.1%**	N/M	**25.5%**	N/M

* N/M: Not meaningful

The Group and the Company are not subject to externally imposed capital requirements for the financial years ended 31 December 2019 and 2018 respectively.

(e) Fair value measurements

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

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position, except for the following:

	Group	Company
	$'000	$'000
2019		
Financial assets at amortised cost	**1,371**	**1,401**
Financial liabilities at amortised cost	**3,684**	**3,641**
2018		
Financial assets at amortised cost	238	230
Financial liabilities at amortised cost	192	127

25. SEGMENT INFORMATION

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

26. 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 2020 or later periods and which the Group has not early adopted:

<u>Effective for annual periods beginning on or after 1 January 2021</u>
- SFRS(I) 17 Insurance Contracts

<u>Effective date: to be determined*</u>
- Amendments to SFRS(I) 10 and SFRS(I) 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* *The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.*

The directors do not anticipate that the adoption of the above SFRS(I)s, INT SFRS(I) and amendments to SFRS(I) in future financial periods will have a material impact on the financial statement of the Group and the Company.

27. EVENT OCCURRING AFTER REPORTING DATE

(a) On 3 January 2020, the Company entered into a convertible loan agreement with Cheah Bee Lin for an aggregate amount of $800,000 which is subject to annual interest of 10% and is convertible up to 8,800,000 new ordinary shares in the capital of the Company, subject to the terms and conditions of the convertible loan agreement. The convertible loan would be classified as financial instruments of the Company. The purpose of this loan is mainly for general working capital purpose and payment of the final instalment for the joint venture agreement entered into with Apex Development Public Company Limited ("Apex").

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. EVENT OCCURRING AFTER REPORTING DATE (CONTINUED)

(c) The impact of the coronavirus disease 2019 (COVID-19) outbreak in various countries, including the jurisdictions in which the Group operates, has brought about uncertainties to the Group's operating environment and its financial performance subsequent to the financial year end. The Group is aware of the challenges posed by this developing event which potentially could result in adverse impact on the Group's business. The Group is unable to quantify the magnitude and duration of such impact and has not considered such impact (if any) given the fluidity of the situation.

28. 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 6 April 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2020

Issued and fully paid-up capital	:	$140,399,129
Number of shares issued	:	1,276,474,940
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	9	0.68	496	0.00
100 – 1,000	351	26.61	157,938	0.01
1,001 – 10,000	389	29.49	1,476,615	0.12
10,001 – 1,000,000	495	37.53	76,602,958	6.00
1,000,001 and above	75	5.69	1,198,236,933	93.87
	1,319	100.00	1,276,474,940	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Chang Wei Lu	328,041,534	25.70
2.	Citibank Nominees Singapore Pte Ltd	97,782,800	7.66
3.	Phillip Securities Pte Ltd	87,422,132	6.85
4.	Cheah Bee Lin	62,586,707	4.90
5.	Chieng Lik Ngiong	55,000,000	4.31
6.	Goh Tai Siang	55,000,000	4.31
7.	UOB Kay Hian Pte Ltd	47,826,400	3.75
8.	OCBC Securities Private Ltd	45,749,600	3.58
9.	RHB Securities Singapore Pte Ltd	25,103,900	1.96
10.	Gwee Sung	25,000,000	1.96
11.	Hung Ping-Kun	25,000,000	1.96
12.	Wong Hock Chung	21,189,100	1.66
13.	Maybank Kim Eng Securities Pte. Ltd	19,311,900	1.51
14.	Liu Lingyu	15,962,082	1.25
15.	Chieng Leek Chee	13,613,900	1.07
16.	CGS-CIMB Securities (Singapore) Pte Ltd	13,119,197	1.03
17.	Calina Ho Yim Peng	12,500,000	0.98
18.	Chang Hung-Chih	12,500,000	0.98
19.	Kuo Fong-Yu	12,500,000	0.98
20.	Yang Cheng-Chuan	12,500,000	0.98
	Total	987,709,252	77.38

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2020

SHAREHOLDINGS OF THE SUBSTANTIAL SHAREHOLDER

	No. of Shares in which a Direct Interest is held	%	No. of Shares in which a Deemed Interest is held	%
Chang Wei Lu	328,041,534	25.70	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 18 March 2020, approximately 74.30% of the issued ordinary shares of the Company were 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.

This page has been intentionally left blank

This page has been intentionally left blank

MERCURIUS CAPITAL INVESTMENT LIMITED

6 Shenton Way ■ #42-04 OUE Downtown ■ Singapore 068809
Tel: (65) 6816 6768
Email: enquiry@mercuriuscapital.com
www.mercuriuscapital.com