

MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.198200473E)

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE AUDIT FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Board of Directors (the “**Board**”) of Mercurius Capital Investment Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company's Independent Auditor, Nexia TS Public Accounting Corporation, have included a disclaimer of opinion based on the use of going concern assumption on the consolidated financial statements of the Group and the Company's balance sheet and statement of changes in equity (the “**Disclaimer Opinion**”) in their Independent Auditor's Report dated 6 April 2020 (the “**Independent Auditor's Report**”) in relation to the audited consolidated financial statements of the Group and the Company for the financial year ended 31 December 2019 (“**FY2019**”) (the “**Financial Statements**”).

A copy of the Independent Auditor's Report is attached to this announcement for information. The Independent Auditor's Report and a complete set of the Financial Statements will also be found in the Company's annual report for FY2019 (“**FY2019 Annual Report**”), which will be released on SGXNET in due course. Shareholders of the Company are advised to read this announcement in conjunction with the Financial Statements and the FY2019 Annual Report.

Notwithstanding the Disclaimer Opinion, the Board is of the opinion that the use of the going concern assumption in the preparation of the FY2019 Financial Statements is appropriate in view that the Group has obtained additional funds from a convertible loan on 3 January 2020 of \$800,000 and that the unrestricted available cash balances of the Group as at 31 December 2019 of \$1,290,000 would be sufficient to meet the Group's obligations for the next twelve months after taking into consideration the following:-

1. An undertaking letter obtained from a director that the director has agreed to ascertain sufficient cash balances in the Group and Company prior to demanding for payment of outstanding payables of \$500,000 in the financial year ended 31 December 2020;
2. That supplementary letters dated 6 April 2020 have been obtained from certain convertible loan holders (the “**Investors**”) in respect of the convertible loan agreements as at 31 December 2019 amounting to \$2,750,000, pursuant to which the Investors had agreed to take into consideration the available cash flow of the Company on or before the maturity dates of the convertible loan agreements in determining the repayment. In the case that the Company is not in the financial position to repay in cash, the Investors would agree to extend the maturity date of the convertible loan agreements; and
3. The ability of the Group and the Company to obtain additional sources of funds to settle/discharge their remaining current liabilities in the next twelve months from the end of the financial year.

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The Board is of the opinion that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner and confirmed that all material disclosures have been provided for trading of the Company's shares to continue.

Shareholders of the Company ("**Shareholders**") are advised to read the Financial Statements in its FY2019 Annual Report in its entirety, which will be despatched to Shareholders in due course.

The Board wishes to advise Shareholders and potential investors to exercise caution when dealing in the shares of the Company. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the actions they should take.

BY ORDER OF THE BOARD

CHANG WEI LU

Executive Chairman and Chief Executive Officer

6 April 2020

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

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

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

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.