



**MERCURIUS CAPITAL  
INVESTMENT LIMITED**

**MERCURIUS CAPITAL INVESTMENT LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No.198200473E)

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**INDEPENDENT AUDITOR'S COMMENTS ON FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**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, had, without qualifying its audit opinion, included in the Independent Auditor’s Report a material uncertainty related to going concern in the audited financial statements of the Group for the financial year ended 31 December 2018 (the “**Audited Financial Statements**”). A copy of the Independent Auditor’s Report and an extract of Notes 3, 11(d) and 25 to the Audited Financial Statements are attached to this announcement for information.

Notwithstanding the above, the Board is of the opinion that the Group will continue as a going concern for the following reasons:

1. Based on the consolidated statement of financial position of the Group as at 31 December 2018, the Group maintained a positive working capital of S\$90,000, and the Group’s cash and bank balances of S\$225,000 is sufficient to repay the Group’s total liabilities of S\$192,000, as at 31 December 2018.
2. The Company had, on 29 March 2019, entered into a convertible loan agreement with two investors, pursuant to which the two investors had extended to the Company a redeemable convertible loan of an aggregate principal value of S\$500,000. The net proceeds from the aforementioned convertible loan will be sufficient to fund the Company’s operating expenses for the next 12 months from 29 March 2019.

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 Audited Financial Statements in its 2018 annual report, 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. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

CHANG WEI LU

Executive Chairman and Chief Executive Officer

3 April 2019

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

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

## **Extracted from the Independent Auditor's Report to the Audited Financial Statements of Mercurius Capital Investment Limited for the financial year ended 31 December 2018**

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the accompanying financial statements of Mercurius Capital Investment Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, 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 47 to 109.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

#### *Basis for Opinion*

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

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 3 to the financial statements which shows that the Group has incurred a total loss of \$319,000 and generated net operating cash outflows of \$274,000 for the financial year ended 31 December 2018. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation of the consolidated financial statements for the financial year ended 31 December 2018 is appropriate in view that the unrestricted available cash balances as at 31 December 2018 of \$225,000 and additional funds raised from issuance of convertible loans to non-related investors amounting to \$500,000 on 29 March 2019 which would be classified as equity instruments of the Company (Note 25), are sufficient to cover the Group's liabilities for the next twelve months from the end of financial year.

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

#### *Key Audit Matters*

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

### *Other information*

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

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

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

### *Responsibilities of Management and Directors for the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### *Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary 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**  
**2 April 2019**

**Extracted from Notes 3, 11(d) and 25 to the Audited Financial Statements of Mercurius Capital Investment Limited for the financial year ended 31 December 2018**

**3. Going concern**

During the financial year ended 31 December 2018, the Group incurred a total loss of \$319,000 (2017: \$1,566,000) and generated net operating cash outflows of \$274,000 (2017: \$513,000). These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern is dependent on unrestricted available cash balances as at 31 December 2018 of \$225,000 and additional funds raised from issuance of convertible loans to non-related investors amounting to \$500,000 on 29 March 2019 which would be classified as equity instruments of the Company (Note 25), are sufficient to cover the Group's liabilities for the next twelve months from the end of the financial year.

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

**11. Other reserves**

(d) Equity component of convertible loans

	<b>Group and Company</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Beginning of financial year	1,063	-
Convertible loan – equity component	-	1,000
Interest on convertible loans classified as equity	80	63
End of financial year	<u>1,143</u>	<u>1,063</u>

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

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

On 29 March 2018 and 30 March 2019, the Company entered into a supplemental agreement with the 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 loans agreement. The accumulated interest amounted to \$143,000 as at 31 December 2018 will be convertible up to 1,600,000 new ordinary shares upon maturity.

**25. Event Occurring After Reporting Date**

On 29 March 2019, the Company entered into a convertible loan agreement with Cheah Bee Lin and Daniel Chieng Hien Tee for an aggregate loan amounting to \$500,000 which are subject to annual interest of 8% per annum and are convertible up to 13,000,000 new ordinary shares in the issued and paid-up equity capital of the Company at its sole and absolute discretion, subject to the terms and conditions of the convertible loan agreement. The convertible loan would be classified as equity instruments of the Company. The purpose of this loan is mainly for general working capital purpose, to reduce existing debt and/or to fund operating expenses, business growth and investment opportunities.