



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 consolidated 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 2020, 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.

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 matters described in the *Bases 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.

Bases for Disclaimer of Opinion

1. Going concern

As disclosed in Note 4 to the financial statements, the Group has incurred a net loss of \$1,989,000 for the financial year ended 31 December 2020 and, as of that date, the Group and the Company are in net current liabilities of \$4,196,000 and \$4,110,000 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 the financial statements is appropriate, having considered the unrestricted cash balances of the Group and the Company of \$247,000 and \$240,000 as at 31 December 2020 respectively. 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 \$300,000 in the financial year ending 31 December 2021, and signed supplementary letter with all convertible loan holders (the "investors") in respect of convertible loan agreements amounting to \$3,813,000 (the "agreements") that the investors agreed to extend the maturity date of the agreements to 12 June 2021, 22 June 2021 and 2 July 2021 respectively.



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Bases for Disclaimer of Opinion (Continued)

1. Going concern (Continued)

The ability of the Group and the Company to continue as going concerns also depend 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.

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 be realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustments which may arise from these uncertainties.

2. Investment in a joint venture

The Group accounts for its investment in a joint venture, Grand Bay Hotel Co., Ltd ("Grand Bay"), using the equity method as described in Note 2.2(c) to the financial statements.

We understand that for the purpose of consolidation, management has used the unaudited management accounts of Grand Bay for the financial year ended 31 December 2020 to equity account for Grand Bay in the consolidated financial statements of the Group.

We are unable to obtain sufficient appropriate audit evidence to ascertain that the unaudited management accounts present a true and fair view with no material misstatement and as such we are unable to ascertain the share of losses of Grand Bay and the carrying amount of the investment in the joint venture due to the absence of satisfactory audit evidence and explanation from management.



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TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Bases for Disclaimer of Opinion (Continued)

2. Investment in a joint venture (Continued)

Due to the limitation in the scope of our work, we are unable to determine if the share of losses of Grand Bay and the carrying value of Grand Bay are appropriately stated for the financial year ended 31 December 2020.

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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("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 *Bases 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.



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Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Bases for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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 Titus Kuan Tjian.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

30 March 2021