

MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.198200473E)

MATERIAL VARIANCES BETWEEN UNAUDITED AND AUDITED FULL YEAR FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the “**Board**”) of Mercurius Capital Investment Limited (the “**Company**”) refers to the unaudited full year financial results announcements for the financial year ended 31 December 2015 (“**FY2015**”) released via the SGXNET on 29 February 2016 (the “**Unaudited Financial Statements**”). Further reference is made to the audited financial statements of the Company for FY2015 (the “**Audited Financial Statements**”) and the report thereon by the Company’s auditors which will be found in the Company’s annual report for FY2015 which will be issued to shareholders of the Company and released on SGXNET in due course.

Pursuant to Rule 704(5) of Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board wishes to highlight that there are certain adjustments made by the Company to the Consolidated Statement of Comprehensive Income, Balance Sheet and Consolidated Statement of Cash Flow in the Audited Financial Statements compared to what was disclosed in the Unaudited Financial Statements. The adjustments were made following the finalisation of the audit and a summary of the adjustments is set out in the appendix to this announcement.

BY ORDER OF THE BOARD

CHANG WEI LU

Chairman and Executive Director

6 April 2016

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. (“**Sponsor**”), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.*

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

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

Appendix

Consolidated statement of comprehensive income for FY2015

	12 Months Ended 31/12/2015		Variance	Note
	As per audited financial statement	As per unaudited financial announcement on 29/02/2016		
	S\$'000	S\$'000	S\$'000	
<u>Continuing Operations</u>				
Revenue	26,744	26,605	139	1
Cost of sales	(25,370)	(22,701)	(2,669)	2
Gross profit	1,374	3,904	(2,530)	
Other income	2,417	3,023	(606)	3
Other losses, net	(19,227)	(19,645)	418	4
Selling and distribution expenses	(949)	(886)	(63)	5
Administrative expenses	(2,763)	(2,763)	-	
Finance costs	(996)	(996)	-	
(Loss)/profit before income tax	(20,144)	(17,363)	(2,781)	
Income tax expenses	(153)	(153)	-	
Net (loss)/profit for the financial year from continuing operations	(20,297)	(17,516)	(2,781)	
<u>Discontinued operations</u>				
Net profit for the financial year from discontinued operations, net of tax	-	-	-	
Total net (loss)/profit for the financial year	(20,297)	(17,516)	(2,781)	
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation				
-(Losses)/Gains	(20)	278	(298)	6
-Reclassification	359	-	359	6
Total comprehensive (loss)/income	(19,958)	(17,238)	(2,720)	
Net (loss)/profit attributable to:				
Equity holders of the Company - Continuing operations	(20,297)	(17,516)	(2,781)	
Equity holders of the Company - Discontinued operations	-	-	-	
Non-controlling interests	-	-	-	
	(20,297)	(17,516)	(2,781)	
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company - Continuing operations	(20,317)	(17,238)	(3,079)	
Equity holders of the Company - Discontinued operations	-	-	-	
Non-controlling interests	-	-	-	
	(20,317)	(17,238)	(3,079)	

Balance sheets as at 31 December 2015

	Group			Company			Note
	As per audited financial statement	As per unaudited financial statement on 29/02/2016	Variance	As per audited financial statement	As per unaudited financial statement on 29/02/2016	Variance	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
ASSETS							
Current assets							
Cash and cash equivalents	3,805	3,954	(149)	20	20	-	7
Trade and other receivables	47,008	47,215	(207)	33,107	32,975	132	8
Income tax recoverable	18	18	-	-	-	-	
Inventories	17,552	20,221	(2,669)	-	-	-	2
	68,383	71,408	(3,025)	33,127	32,995	132	
Non-current assets							
Investments in subsidiaries	-	-	-	20,429	20,429	-	
Property, plant and equipment	320	320	-	13	13	-	
Intangible assets	-	-	-	-	-	-	
	320	320	-	20,442	20,442	-	
TOTAL ASSETS	68,703	71,728	(3,025)	53,569	53,437	132	
LIABILITIES							
Current liabilities							
Trade and other payables	18,536	18,694	(158)	32,879	32,561	318	9
Borrowings	27,959	28,107	(148)	-	-	-	7
Current income tax liabilities	78	78	-	-	-	-	
	46,573	46,879	(306)	32,879	32,561	318	
TOTAL LIABILITIES	46,573	46,879	(306)	32,879	32,561	318	
NET ASSETS	22,130	24,849	(2,719)	20,690	20,876	318	
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	49,074	49,074	-	132,732	132,732	-	
Other reserves	8,950	8,889	61	-	-	-	
Accumulated losses	(35,673)	(32,893)	(2,780)	(112,042)	(111,856)	(186)	
	22,351	25,070	(2,719)	20,690	20,876	(186)	
Non-controlling interests	(221)	(221)	-	-	-	-	
TOTAL EQUITY	22,130	24,849	(2,719)	20,690	20,876	(186)	

Consolidated statement of cash flow for FY2015

	As per audited financial statement	As per unaudited financial statement on 29/02/2016	Variances	Note
	S\$'000	S\$'000	S\$'000	
Cash flows from operating activities				
Total net loss	(20,297)	(17,516)	(2,781)	
Adjustments for:				
Income tax expense	153	153	-	
Allowance for impairment of receivables, net	-	11,645	(11,645)	10
Amortisation of intangible assets	1	-	1	
Depreciation of property, plant and equipment	248	248	-	
Impairment loss on plant and equipment	444	444	-	
Impairment loss on Intangible assets	1,468	1,468	-	
Interest expense	996	996	-	
Interest income	(12)	(12)	-	
Loss on liquidation/disposal/strike off of subsidiaries	401	401	-	
Unrealised currency translation (gain)/loss	193	(2,425)	2,618	10
Operating cash flows before working capital changes	(16,405)	(4,598)	(11,807)	
Changes in working capital				
Trade and other receivables	1,566	(4,398)	5,964	10
Inventories	5,607	2,938	2,669	2
Trade and other payables	(6,579)	(6,421)	(158)	
Cash used in operations	(15,811)	(12,479)	(3,332)	
Interest received	12	12	-	
Income tax paid	(474)	(474)	-	
Net cash used in operating activities	(16,273)	(12,941)	(3,332)	
Cash flows from investing activities				
Additions of property, plant and equipment	(74)	(74)	-	
Deferred consideration from disposal of subsidiary corporations	3,332	-	3,332	11
Liquidation/disposal/strike off of subsidiaries, net of cash disposed of subsidiary corporations	(61)	(61)	-	
Net cash used in investing activities	3,197	(135)	3,332	
Cash flows from financing activities				
Proceeds from borrowings	58,723	58,722	1	
Repayment of borrowings	(44,482)	(44,333)	(149)	7
Interest paid	(996)	(996)	-	
(Increase)/decrease in bank deposits and bank balances pledged	(1,774)	(1,773)	(1)	
Net cash provided by financing activities	11,471	11,620	(149)	
Net decrease in cash and cash equivalents	(1,605)	(1,456)	(149)	
Cash and cash equivalent				
Cash and cash equivalent at beginning of financial year	2,557	2,557	-	
Effects of currency translation on cash and cash equivalents	88	88	-	
Cash and cash equivalent at end of financial year	1,040	1,189	(149)	

Notes:-

1. Adjustment for understatement of revenue due to omission of sales recognised during FY2015.
2. Adjustment to recognised write down of inventories due to subsequent loss from sales of inventories in the first quarter of 2016. The adjustment was noted after finalisation of our subsequent management accounts for January 2016 and February 2016. The Company, in consultation with our independent auditor on Financial Reporting Standards 2: Inventories, which requires the Group's inventories to be stated at net realisable value as a result of the subsequent loss from sales of inventories, had identified these inventories to be written down in accordance to the aforementioned reporting standards.
3. Reclassification of loss from striking off of subsidiary corporations from other losses to other income for consistency purpose; and adjustment for foreign exchange losses derived from revaluation of deposit received from customers denominated in USD.
4. Reclassification of loss from striking off of subsidiary corporation from other losses to other income for consistency purpose; and reclassification of net bad debts written back.
5. Adjustment for understatement of professional fees omitted from selling and distribution expenses.
6. Adjustment to currency translation as a result of the subsequent adjustment to the consolidated statement of comprehensive income.
7. Adjustment to bank balances resulting from repayment of bills payable by the Group during FY2015 which was omitted in the Unaudited Financial Statements. The bank confirmation confirming the bank and bills payable balances was obtained subsequent to the release of the Unaudited Financial Statements on 29 February 2016.
8. Adjustment to trade receivables due to understatement of revenue, offset by reclassification of VAT tax payables from other receivables to other payables.
9. Adjustment to trade and other payable due to unrecorded purchases from subsidiary to the Company, revaluation of deposit received from customers denominated in USD, and reclassification of VAT tax payables from other receivables.
10. Allowance for trade receivables and currency translation gain as a result of revaluation of trade and other receivables denominated in USD had been recalculated under changes in trade and other receivables for proper financial disclosure.
11. Deferred consideration from disposal of subsidiary corporations had been extracted for proper financial disclosure.