

MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in Singapore)

(Company Registration No. 198200473E)

(the “**Company**”)

RESPONSE TO QUERIES FROM THE SGX-ST IN RELATION TO THE COMPANY’S ANNOUNCEMENTS OF 24 SEPTEMBER 2020, 28 SEPTEMBER 2020 AND 29 JANUARY 2021 ON CHANGES TO THE COMPOSITION OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES (THE “ANNOUNCEMENTS”)

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of the Company (together with its subsidiaries, the “**Group**”) refers to the Announcements.

On 24 September 2020, the Company announced changes to composition of its board. As a result, the Remuneration Committee (“**RC**”) comprised the Chairman, Mr Wong Leong Chui, and the newly re-designated Independent Non-Executive Director, Mr Chieng You Ping (who was a Non-Executive Non-Independent Director prior to the re-designation) (“**Mr Chieng**”).

The Company also announced that the Company will endeavour to identify and appoint a director to fill the vacancy in the Remuneration Committee as soon as possible.

On 28 September 2020, the Company released its responses to the SGX-ST’s queries which includes, amongst others, the Nominating Committee’s (“**NC**”) and Sponsor’s assessment of Mr Chieng’s independence.

On 29 January 2021, the Company announced that while Mr Chang Wei Lu (“**Mr Chang**”) is an Executive Director of the Company, the Board, having considered the recommendation of the NC and having assessed the qualifications and working experience of Mr Chang, in particular of his business experience in hotel management, property management, food and beverage, and lifestyle management, is of the view that Mr Chang has the related management expertise and experience required as a member of the RC to work with the existing committee members to formulate a remuneration solution that is suitable and relevant to the current business operations of the Group.

As such, despite the Code of Corporate Governance 2018 Provision 6.2 stating that the RC should comprise at least three directors and all members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent, the Company has appointed Mr Chang, who is currently the Executive Chairman and Chief Executive Officer (“**CEO**”), as a member of the RC with effect from 1 February 2021.

The RC therefore comprises the following:

- (1) Wong Leong Chui, Chairman (Independent Non-Executive Director);
- (2) Chieng You Ping (who was re-designated from Non-Executive Non-Independent Director to Independent Non-Executive Director); and
- (3) Chang Wei Lu (Executive Chairman and CEO of the Board).

2. RESPONSE TO QUERIES FROM THE SGX-ST

The Board would like to provide the Company's response to queries raised by the SGX-ST in relation to the Announcements as follows:

Query 1

Please explain the efforts of the Company in identifying and appointing a director to fill the vacancy in the RC, since its announcement on 24 September 2020. Why did the Company eventually decide to appoint Mr Chang, who is currently the Executive Chairman and CEO, as a member of the RC?

The Company had identified and had preliminary discussions with a few potential candidates, and explored appointing a director in greater detail with at least two candidates, one being a Singapore citizen based in Singapore and the other a Malaysia citizen based in Malaysia. The discussion did not lead to a fruitful outcome due to personal reasons of the individuals not disclosed to the Company. The Company had also considered engaging an external firm to identify potential candidates for a board position. However, the Company subsequently dismissed this idea, taking into consideration that the Company is in a loss-making position and this would not be cost effective.

After considering that the position has been vacant for a long period of time, the Board initially contemplated to constitute the committee in the same composition as that of the Audit Committee and the Nominating Committee, given the situation that the Board comprises only three Independent Directors and one Executive Director. However, the Board decided that it is not in the interests of the Company to do so as the board committees would not be diverse. Further discussion led to the invitation of Mr Chang to be a member of the RC, given his relevant working experiences that is in line with the current business of the company and such experience enables Mr Chang to provide invaluable contributions to the deliberations of the RC.

Query 2

Given that Provision 6.2 of the Code of Corporate Governance 2018 requires all members of the RC to be non-executive directors – how does the Company comply with the Provision?

The Company notes that it does not comply with Provision 6.2 of the Code of Corporate Governance 2018. Notwithstanding this, the Company wish to highlight that the Code of Corporate Governance 2018 states that "Companies are expected to comply with the Provisions, and variations from Provisions are acceptable to the extent that companies explicitly state and explain how their practices are consistent with the aim and philosophy of the Principle in question. The explanations of variations should be comprehensive and meaningful." Accordingly, the Company is of the view that it is not mandatory to comply with the aforementioned Provision.

The Company wishes to further highlight that its sole business is at present, the joint venture investment in Thailand. Neither the Company nor Mr Chang is involved in the executive operations of the joint venture company in which the Company owns 50% of. Therefore, the board and the Nominating Committee is of the view that while Mr Chang is an executive director, his executive function is limited to providing stewardship to the Company's sole operation of investment monitoring.

Query 3

Please provide the Board's views as to whether there are risks of potential conflicts of interest, and how they will be addressed.

The Board does not view that there are potential risks of potential conflicts of interest as the majority of the members of the RC, including the chairman, are Independent Directors. The RC

is also supported by the Board of Directors who are all independent and non-executive except for Mr Chang.

In respect of matters relating to himself which are to be deliberated on by the RC, Mr Chang shall abstain from voting on all such matters. As of the date of this announcement, none of Mr Chang's relatives (as defined under the Catalist Rules) are working in the Group and the subject of any RC deliberations. Nonetheless, should such a situation arise in future, Mr Chang shall also abstain from voting on any such matters.

Query 4

How will the RC assess Mr Chang's remuneration given his position as Executive Chairman and CEO?

The RC (with Mr Chang abstaining in respect of himself) will work out a remuneration framework for the board's consideration and approval. As of the date of this announcement, the RC is in the midst of establishing the remuneration framework. Mr Chang will abstain from any discussion in relation to his remuneration and his remuneration will be recommended by the remaining members of the RC, and put before the Board for discussion and approval. The Board and the RC will then implement the remuneration plan with Mr Chang abstaining from any decision and voting with regard to his own remuneration.

Query 5

Does the Board have plans to renew / alter the composition of RC moving forward?

The Board is aware of Provision 6.2 of the Code of Corporate Governance 2018 and intends to comply where possible. As such, it has plans and intends to consider, from time to time, to renew or alter the composition of the RC in future where appropriate, bearing in mind the Group's continual plans for expansion of its business in due course.

BY ORDER OF THE BOARD

Wong Leong Chui
Independent and Non-Executive Director
4 February 2021

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.

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