

MERCURIUS CAPITAL INVESTMENT LIMITED
(Incorporated in Singapore)
(Company Registration No. 198200473E)
(the "**Company**")

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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, CLA Global TS Public Accounting Corporation, have issued a disclaimer of opinion based on (a) the use of going concern assumption on the consolidated financial statements of the Group and the Company; (b) the opening balance for the Group's investment in a joint venture, Grand Bay Hotel Co., Ltd; (c) limitation of audit scope on significant subsidiary corporations, Songmart Holdings Sdn. Bhd. and its subsidiary corporations ("**Songmart Group**"); (d) impairment assessment of investment in subsidiary corporations, Songmart Group; and (e) recognition of financial guarantee as guarantor (the "**Disclaimer Opinion**") in their Independent Auditor's Report dated 13 April 2023 (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 2022 ("**FY2022**") (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 can also be found in the Company's annual report for FY2022 ("**FY2022 Annual Report**"), which will be released on SGXNET in due course. Shareholders of the Company ("**Shareholders**") are advised to read this announcement in conjunction with the Financial Statements and the FY2022 Annual Report.

The Company sets out its responses to the bases for the disclaimer of opinion as follows:

Going Concern

Notwithstanding the Disclaimer Opinion, the Board is of the opinion that the use of the going concern assumption in the preparation of the Group's and the Company's financial statements for FY2022 is appropriate after taking into consideration the following:

- A letter of undertaking was obtained from a director of the Company, in which he expressed his commitment not to demand payment for the outstanding payables of \$0.35 million for the next twelve months from 31 December 2022;
- The Group has secured a one-year extension of the maturity date for all outstanding convertible loans to 13 June 2024, 23 June 2024 and 3 July 2024, amounting to a total principal amount of \$3.3 million (i.e. \$4.37 million including interest) as at 31 December 2022;
- The Group is planning to divest all of its properties held by Songmart Holdings Sdn. Bhd. in order to generate cashflow, which will be used for repayment of its outstanding bank loans;
- Subject to approval by the Company's shareholders at the upcoming annual general meeting, the salaries and fees of the Board of Directors for FY2022 will be settled by way of the issuance of new ordinary shares in the Company's share capital ("**Shares**"). In addition, the Company also intends to pay its Executive Chairman and Chief Executive Officer in Shares for the financial year ending 31 December 2023; and

- The Group and the Company are sourcing and evaluating various avenues to secure additional funds, including potential placements of shares and/or convertible loans, with the aim of settling/discharging their current liabilities in the next twelve months from 31 December 2022.

Opening balance of investment in a joint venture, Grand Bay Hotel Co., Ltd (“Grandbay”)

The Group accounts for its investment in a joint venture, Grandbay using the equity method. For the financial year ended 31 December 2021, the external auditor were unable to obtain sufficient appropriate audit evidence to ascertain that the unaudited management accounts are free from material misstatements, whether due to fraud or error, in all material respects, in accordance with SFRS(I), accordingly this matter was included in the modified opinion issued by the external auditor on the consolidated statements of the Group for the financial year ended 31 December 2021 dated 11 April 2022.

In view of the aforementioned modified opinion on the financial statements for the prior financial year, the external auditor was unable to carry out alternative audit procedures to obtain sufficient and appropriate audit evidence to determine whether adjustments, if any, are required to be made to the opening balances, and whether possible effect on the comparability of current year’s figures with corresponding figures. For FY2022, notwithstanding that the Company’s external auditors were able to obtain sufficient appropriate audit evidence for the audit as the Group was actively working with the management of the joint venture partner, Apex Development Public Company Limited (“Apex”), the opening balance of Grandbay remains unresolved due to insufficient audit evidence, resulting from the aforementioned issue that was brought forward from the prior year. The Group is working with the management of Apex to prevent the recurrence of same audit issue for the financial year ending 31 December 2023.

Limitation of scope on significant subsidiary corporations, Songmart Holdings Sdn. Bhd. and its subsidiary corporations

The Group will be implementing and tighten the internal controls processes on Songmart Group’s accounting records, particularly in relation to the purchases and inventory cycle. The management will also conduct a cyclical stock count at the Songmart Group outlets periodically to ensure the accuracy and existence of the stock on hand, balances and proper standard operating procedures for purchasing and receipt of goods. The Company will ensure that the relevant measures are in place and in order within the business operations of Songmart.

Meanwhile, the Group is actively looking to engage a suitable internal auditor to perform the internal audit for the Group to ensure that the internal controls systems are in place and maintained.

Impairment assessment of investment in subsidiary corporations, Songmart

The Group is currently working with the management of Songmart to obtain necessary information and data in order to perform impairment assessment of investment in subsidiary corporations at the group level. The Group will then be able to assess its impairment on investments with the necessary information and data produced by the management of Songmart.

Recognition of financial guarantee as guarantor

The Group will be taking remedial actions for the breach of loan covenants and perform relevant assessments on expected credit loss if necessary.

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 disclosure has been provided for trading of the Company’s shares to continue.

Shareholders are advised to read the Financial Statements in its FY2022 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

Chew Hai Chiene Hester Arthur
Group Chief Executive Officer and Executive Director
13 April 2023

*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 Catalyst.*

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 7 Temasek Boulevard, #18-03B, Suntec Tower 1, Singapore 038987, telephone (65) 69502188.