

## MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in Singapore)

(Company Registration No. 198200473E)

(the “**Company**”)

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### RESPONSE TO QUERIES FROM THE SGX-ST IN RELATION TO THE COMPANY’S ANNOUNCEMENT OF 24 SEPTEMBER 2020 ON CHANGES TO THE COMPOSITION OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES (THE “24 SEPTEMBER 2020 ANNOUNCEMENT”)

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#### 1. INTRODUCTION

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

- (a) the announcement by the Company dated 27 February 2017 in relation to, *inter alia*, the proposed diversification of the Group’s business to include property development and property investment;
- (b) the circular to shareholders dated 15 March 2017 (“**Circular**”) in relation to, *inter alia*, the Proposed Diversification;
- (c) the corrigendum to the Circular dated 17 March 2017; and
- (d) the 24 September 2020 Announcement by the Company.

*Unless as otherwise defined, all capitalised terms used herein shall have the same meaning ascribed to them in the 24 September 2020 Announcement and the Circular.*

#### 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 24 September 2020 Announcement as follows:

##### Query 1

*Mr Chieng You Ping was re-designated from a Non-Independent Non-Executive Director to an Independent Non-Executive Director.*

*The Company’s wholly-owned subsidiary, Mercurius Capital Sdn. Bhd., had on 23 February 2017, entered into the Option Agreements pursuant to which Mr Chieng had an interest in by virtue of his directorship and shareholdings in the parties to the Option Agreements, namely GCA Capital, JBL Capital and ACG Holdings (collectively, the “**Grantors**”). Mr Chieng was subsequently on 5 April 2017, appointed as the Company’s Non-Executive Non-Independent Director.*

*Entry into the Option Agreements was to secure future opportunities to jointly develop real estate properties in Malaysia owned by the Grantors. The Option Agreements expired on 27 February 2020.*

- (a) *What did the Option Agreement encompass? Were there payments to or from or provision of services or receipt of services?*

The Option Agreements entered into by the Mercurius Capital Sdn. Bhd. (“**MCSB**”) were entered into with, among others:

- (i) JBL Capital Sdn. Bhd. (“**JBL Capital**”) as option grantor and Chieng Leek Chee (as guarantor for the obligations of JBL Capital);
- (ii) GCA Capital Sdn. Bhd. (“**GCA Capital**”) as option grantor and Chieng Leek Chee (as guarantor for the obligations of GCA Capital); and
- (iii) ACG Holdings Sdn. Bhd. (“**ACG Holdings**”) as option grantor and Goh Siik Mee@Goh Siok Bee (as the guarantor for the obligations of ACG Holdings).

Pursuant to the Option Agreements, MCSB, a wholly owned subsidiary of the Company, was granted the option for the rights to jointly develop, with the respective Grantors, certain real estate properties in Malaysia owned by the Grantors at the option fee of RM1,000.00 for each Option Agreement.

The option fee was payable within 60 days from the execution of the respective Option Agreements. Save for the option fee, there were no payments made between the Grantors and the Group. There was no provision of services or receipt of services between the Grantors and the Group.

- (b) *What was the progress made under the Option Agreements? What did both parties (the Company and Grantors) consider in allowing the Option Agreements to expire?*

After entering into the Option Agreements in 2017, the Company took the commercial decision to first focus on its joint venture with HM Realty Holdings Sdn Bhd to develop a plot of land at Kempas, Johor Bahru, Malaysia (“**Kempas Land**”). The Company had decided to develop the Kempas Land before exploring further opportunities under the Option Agreements. Neither the Grantors nor Mr Chieng had any involvement with the development of the Kempas Land.

The development of the Kempas Land was stalled, pending approval from Majlis Bandaraya Johor Bahru for conversion of the use of the Kempas Land from residential to commercial. Due to unforeseen circumstances partly due to changes in the Malaysia political administration during the Malaysia General Election in May 2018, and the adverse property market condition in Johor Bahru resulting in over-supply of commercial and residential properties, the joint venture did not progress as expected. This was also set out in the Company’s annual reports for the financial years ended 31 December 2017, 2018 and 2019.

As a result, the Company did not actively pursue the development of real estate under the Option Agreements in Malaysia and started to explore and focus on other investment opportunities.

At the start of 2020, the Company and the Grantors decided to let the Option Agreements expire in accordance with their terms and conditions, after considering the fruitless efforts over the past three years and the current geopolitical situation in Malaysia. The Company is of the view that in light of the current unfavorable economic and business environment caused largely by the Covid-19 epidemic, it is in the Company’s best interests to focus on the joint venture in Thailand.

- (c) *Other than the Option Agreement, are there any other relationships or associations (business or otherwise) between the Company and the Grantors?*

There are no other relationships or associations (business or otherwise) between the Company and the Grantors.

- (d) *Do the Grantors hold any shares in the Company?*

The Grantors do not hold any shares in the Company.

(e) *Is Mr Chieng a nominee of the Grantors?*

At the time of appointment of Mr Chieng to the Board in 2017, Mr Chieng was to be a representative as he was a shareholder and director of each Grantor, notwithstanding the fact that the Company had chosen to focus on the Kempas Land before exploring any opportunities under the Option Agreements.

Nonetheless, the Company is of the view that this has not affected Mr Chieng's role as a director of the Company, as shown by Mr Chieng contributing to the Group with his valuable input as an individual familiar with the real estate industry. Notwithstanding the termination of the Option Agreements, Mr Chieng has indicated his willingness to continue as a director of the Company in light of his familiarity with the Group and its operations, and there is no present intention for the Group to enter into any agreements or to explore any business opportunities with Mr Chieng or his associates.

*Given that the Option Agreements had only expired in February 2020, which is less than a year ago:*

(f) *What are the NC's considerations in assessing Mr Chieng's independence?*

As stated in the 24 September 2020 Announcement, as the NC comprised of Mr Wong Leong Chui and Mr Chieng, the redesignation of Mr Chieng was reviewed and approved by the Board with Mr Chieng abstaining from participating in the discussion and decision making. The Board has assessed Mr Chieng's independence in line with the definition of an "independent" director under the Code of Corporate Governance 2018 (the "**Code**"), being that an "independent" director is one who is independent in conduct, character and judgment, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers which could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment in the best interests of the Company.

The Board had also considered that while the Option Agreements had only expired in February 2020, the Company has not had the opportunity to carry out any property development in Malaysia since the entry into the Option Agreements. This was largely due to the unforeseen change in geopolitical situation in Malaysia which in turn posted a negative impact on the Malaysian market condition.

The Board noted and refer to the reports by the Executive Chairman and CEO in the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019. In the Company's Annual Report 2017, it was reported that the prolonged process of converting the Kempas Land title from residential use to commercial use was partly due to the then upcoming Malaysia General election that caused a delay in the approval process from the respective Government agencies. The Kempas Land development is a joint venture with Mercurius HM Realty Sdn. Bhd., a 60% owned subsidiary of the Company.

In the Company's Annual Report 2018, it was reported that the joint venture to develop the Kempas Land was stalled partly due to the changes in the Malaysia political administration during the Malaysia General Election in May 2018. In the Company's Annual Report 2019, it was reported that the situation in Malaysia remained the same as the past two years. In 2019, Malaysia continued to experience instability in the political environment and experienced changes in political leadership. These resulted in the Board changing its focus to the joint venture in Thailand in 2019.

Further, as a Non-Executive Non-Independent Director, Mr Chieng was not involved in the executive functions of the Company and has been performing his role as a director at arm's length. Save for the entry into the Option Agreements, the Board is of the view that Mr Chieng fulfilled the independence requirements in the Code. As such, upon the expiry of the Option Agreements, and the fact that there was no progress in any business opportunity for the past few years, and that there is no intention to pursue any other opportunities with Mr Chieng and/or

his associates, the Board was able to assess and take the view that Mr Chieng has no relationship which could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment in the best interests of the Company.

Based on the aforementioned, and having taken into account Mr Chieng's experience, the Board is of the view that Mr Chieng is independent, qualified and suitable to be the Company's Independent Non-Executive Director and it is in the interests of the Company to retain his services to constitute a stable board of directors for the management to work with and to tap on his knowledge of the business and industry in which the Group operates.

(g) *What are the Sponsor's considerations in assessing Mr Chieng's independence?*

In assessing Mr Chieng's independence in line with the requirements under the Code, the Sponsor had considered the Company's rationale for re-designating Mr Chieng as set out in the Company's response in (f) above, and has further considered, *inter alia*, the following:

- (i) since his appointment to the Board in 2017, Mr Chieng has not been involved in decisions in an executive capacity;
- (ii) Mr Chieng has confirmed that he has no plans to enter into any contracts similar to the Option Agreements or to work on any business opportunities with the Group;
- (iii) that while the Group had entered into the Option Agreements with the Grantors, the Group had not commenced any business activity with the Grantors or Mr Chieng and the Option Agreements have since lapsed; and
- (iii) upon the termination of the Option Agreements, Mr Chieng has no other relationship with the Company (save in his capacity as a director), its related corporations, its substantial shareholders or its officers, and does not have any relatives or family members working for the Group.

In view of the above, the Sponsor is not aware of any matters which would interfere or be reasonably perceived to interfere with the exercise of Mr Chieng's independent business judgment in the best interests of the Company.

#### Query 2

*Mr Chew, who is currently an Independent Non-Executive Director of the Company, will be re-designated as the Company's Lead Independent Non-Executive Director, and appointed as a member and Chairman of the Company's AC and as a member of the Company's NC with effect from 24 September 2020. Mr Chew has no prior experience as a member of the AC and NC of the Company or any other issuer listed on the SGX-ST.*

(a) *What are the Board's reasons for appointing Mr Chew as the Lead ID?*

*In assessing whether Mr Chew has the relevant experience and expertise to take on the role of AC Chair and NC member,*

(b) *What are the NC's considerations of Mr Chew's suitability?*

As the Company's Chairman of the Board and chief executive officer is the same person, the Company had decided to appoint a lead independent director in line with the recommendations under the Code.

The Board, upon the NC's recommendation, had considered the following factors in assessing Mr Chew's suitability as the Lead ID, Chairman of the Audit Committee and member of the NC:

- (i) Experience in financial management and corporate governance

Mr Chew was previously the chief executive officer of McThai Co., Ltd., (“**McThai**”) a company appointed as the developmental licensee for Thailand by McDonald’s Corporation since 1985. Mr Chew joined the company in 2006 and at the time of his retirement in July 2019, he had grown the business with over 230 McDonald’s restaurants nationwide with an annual turnover in excess of THB6,000 million (approximately S\$260 million).

Since his retirement, Mr Chew continues to remain on McThai’s board of directors and was re-designated as vice chairman in August 2019. During his term as chief executive officer, Mr Chew was also accountable for the corporate governance and financial control functions of the business operations with the finance department reporting directly to him. He was in turn, answerable to the board of directors of McThai.

Further, Mr Chew also has extensive experience in other large organisations and previously sat on the board of directors of three public companies which are listed on the Stock Exchange of Thailand. While Mr Chew does not have any prior experience as a member of the AC or the NC of an SGX-ST listed issuer, the Board had taken into account his past board positions in Thailand, namely:

- October 2018 to May 2019 - Eastern Printing Public Company Limited (“**EPPC**”) (currently known as Eastern Power Group PCL), as an independent director and a member of the audit committee.

EPPC runs a printing business and works with leading media publishers of Thailand and others in Asia.

- 2002 to 2006 - Major Cineplex Group Public Company Limited (“**MAJOR**”), as an independent director and a member of the audit committee.

MAJOR is a lifestyle entertainment company with core businesses in cinemas, bowling, karaoke and ice-skating rink operations, rental and advertising services and movie content.

- 2003 to 2007 - Oishi Group Public Company Limited (“**Oishi**”), as an executive director.

Oishi is a Japanese food and beverage business that also exports its products to countries in South East Asia, the European Union, Australia, and New Zealand.

Mr Chew was also the vice chairman of Ronald McDonald House Charities of Thailand since 2007 and has been the chairman since August 2019. Ronald McDonald House Charities worldwide are local charities sponsored by the McDonald’s Corporation and the respective local franchise developers to promote social responsibility. As the chairman of Ronald McDonald House Charities of Thailand, Mr Chew is accountable for the corporate governance matters and the use of the proceeds of the organisation.

(ii) Current business of the Company

The Board had also taken into consideration that the Company intends to focus on its existing joint venture in Thailand and believes that Mr Chew’s working experience and contacts in Thailand would be beneficial to the Group.

(iii) Commitment to the Company

The Board understands that Mr Chew has retired and does not hold any full-time position in any companies. As such, the NC and the Board is of the view that Mr Chew will be able to commit to the time required of his role as a Lead ID, Chairman of the AC and member of the NC.

In view of the foregoing, the Board, after having taken into consideration the NC's recommendation, was of the view that Mr Chew has the relevant experience which will enable him to discharge his responsibilities as the Lead ID and as the Chairman of the Audit Committee.

The NC further notes that Mr Chew will enroll for the relevant courses to be conducted by the Singapore Institute of Directors. This will ensure that Mr Chew will be familiar with his roles and responsibilities as Chairman of the AC and as a member of the NC.

(c) *What are the Sponsor's considerations of Mr Chew's suitability?*

In assessing Mr Chew's suitability, the Sponsor took into consideration the Board and NC's rationale and recommendation as set out in the Company's response to Queries 2(a) and 2(b) above. In particular, the Sponsor considered Mr Chew's extensive management experience and his familiarity with financial control functions and corporate governance stemming from his positions as the previous chief executive officer of McThai Co., Ltd., his experience as a director on public companies listed on the Stock Exchange of Thailand and his position as chairman of Ronald McDonald House Charities of Thailand.

## **BY ORDER OF THE BOARD**

Chang Wei Lu  
Executive Chairman and Chief Executive Officer  
28 September 2020

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*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.*

*The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.*