

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 ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (“FY2021”) DATED 11 APRIL 2022 AND THE COMPANY’S FIRST QUARTER RESULTS ANNOUNCEMENT (“1QFY2022”) DATED 13 MAY 2022 (THE “ANNOUNCEMENTS”)

The Board of Directors of Mercurius Capital Investment Limited (the “Company”) refers to the following queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 7 June 2022 and would like to provide further information in relation to the Company’s announcements “Annual Report for FY2021 dated 11 April 2022” and “1QFY2022 results announcement dated 13 May 2022”.

Unless otherwise defined, all terms and references used in this announcement shall bear the same meaning as ascribed to them in the Company’s Announcements.

SGX Query 1:

We noted that Company obtained an undertaking letter from a director to ascertain the sufficiency of cash balance in the Group and the Company prior to demanding for payment of outstanding payables of S\$300,000 (and any accrued interest) for the financial year ending 31 December 2022.

- a. Please elaborate and provide more details regarding the undertaking letter.
- b. Please provide details on who the director is?
- c. What is the basis taken into account by the director in providing the undertaking that there is sufficient cash balance in the Group and the Company?
- d. Please provide more details on what the S\$300,000 of outstanding payables pertain to? Noted from Note 17 of Financial Statement in Annual Report Pg 90 that payables of 300k is relating to Director.
 - i. Please state if it is regarding outstanding payment to Mr Chang Wei Lu’s interest free advancement of \$500,000 in August 2019. If not, please elaborate.
 - ii. Noted that it was initially an interest free advancement, however, subsequently changed to 10% interest per annum from 1 July 2021. Please explain how the Board and Mr Chang arrived at and agreed with the 10% interest, and why this is in the best interest of the Company and its shareholders.
- e. Please state if the S\$300,000 of outstanding payables has been repaid to the said director?

Company’s response to Query 1a:

The undertaking letter refers to the advancement provided by Mr. Chang Wei Lu, Executive Chairman and Chief Executive Officer, to the Company on 19 August 2019, and relates to an amount of S\$315,000, inclusive of interest payable of S\$15,000, that remained outstanding as at 31 December 2021.

In order to preserve the Company’s cash for its operating and investing activities, the director has agreed to ascertain sufficient cash balances in the Company prior to demanding repayments of the advancement for the financial year ending 31 December 2022 (“FY2022”).

Company’s response to Query 1b:

The director referred to is the Executive Chairman and Chief Executive Officer of the Company, Mr. Chang Wei Lu ("**Mr. Chang**").

Company's response to Query 1c:

The Director will consider the following:

- Whether the Company will need to repay existing convertible loans; and
- The ability of the Company to meet the working capital requirements of its operations for FY2022.

Company's response to Query 1d(i):

Yes.

Company's response to Query 1d(ii):

The Board had considered the following factors in arriving at the 10% interest rate:

- The inability of the Company to obtain loans from financial institutions;
- The prime lending rate of most banks was 6%;
- The interest rate of 10% per annum that is applicable to the existing convertible loans extended to the Company;
- The maturity of the existing convertible loans will exert stress on the financial position of the Company if an extension is not granted by the loan holders and hence the extension of the advancement by Mr. Chang is important to the Company; and
- The goodwill of Mr. Chang for offering an interest free advancement in the preceding two years.

Based on the foregoing reasons, the Board was of the view that the interest rate to be charged is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.

Company's response to Query 1e:

As at the date of this announcement, the outstanding payables of S\$300,000 have not been repaid.

SGX Query 2:

The Company disclosed that a supplementary agreement was signed with all the convertible loan holders to extend the maturity dates of the outstanding principle convertible loans amounting to S\$3,300,000, to June 2022 and July 2022 when considering if the Company can operate on a going concern.

- Please provide details on whether the management has successfully negotiated to further extend the convertible loans. If so, please provide the new maturity dates.**
- Please provide details on the four investors in which the Company entered into the two convertible loan agreements with.**
- With June & July approaching, what are the Company's plans if the convertible loan agreements are not extended.**

Company's response to Query 2a:

Following the conclusion of the Company's annual general meeting for FY2021, the Company has reached out to the convertible loan holders and have managed to come to an agreement with the convertible loan holders to extend the maturity dates of the convertible loans for one year to 13 June 2023, 23 June 2023, and 3 July 2023 respectively. The Company is in the process of preparing the agreements for the respective convertible loan holders to execute, and will keep shareholders of the Company apprised of any material developments.

Company's response to Query 2b:

The holders of the existing convertible loans are Ms. Gwee Sung, Ms. Cheah Bee Lin and Mr. Teo Soon Seng, who is also the Non-Executive Non-Independent Director of the Company.

As set out in the Company's announcements dated 15 December 2019 and 23 December 2019, Ms. Cheah Bee Lin is a Malaysian who is involved in the property investment business, and Ms. Gwee Sung is an investor of properties in Singapore. Mr. Teo Soon Seng is a businessman in the information technology infrastructure industry in Singapore.

Company's response to Query 2c:

The Company is pleased to announce that the Company had managed to come to an agreement with the convertible loan holders to extend the maturity dates for one year to 13 June 2023, 23 June 2023, and 3 July 2023 respectively. The parties are in the process of preparing the agreements for the extension.

SGX Query 3:

We also note that one of the considerations was the ability of the Group and the Company to obtain additional funds through future placement of shares and/or convertible loans to settle/discharge their remaining current liabilities in the next twelve months from the end of financial period ended 31 March 2022.

- a. **Please provide any updates on when these future placements of shares and/or convertible loans to settle/ discharge their remaining current liabilities will take place.**

Company's response to Query 3a:

The Company has been discussing intermittently with potential investors and there is no concrete timeline as the current priority of the Company is to complete the acquisition of the groceries business, referred to in question 4 below.

SGX Query 4:

Regarding the Company acquisition on the Groceries Businesses in Malaysia.

- a. **Please provide an update on the Groceries Businesses in Malaysia. Is this new business currently in operation and is it generating recurring sustainable revenue?**

Company's response to Query 4a:

As announced on 13 April 2022, the Company had entered into a supplemental letter to the share sale agreement in respect of the extension of the date of completion for the proposed acquisition of the Groceries Business in Malaysia. The Company is working towards the completion of the proposed acquisition by 31 July 2022. This is an existing business in operation, and based on management accounts provided to the Company, the Groceries Business is generating recurring sustainable revenue.

SGX Query 5:

Please provide an update on the development of Grand Bay Hotel Co. Ltd, including a timeline on when it is expected to be fully completed.

Company's response to Query 5:

As disclosed in the Company's annual report in respect of FY2021, the COVID-19 pandemic has continued to affect our joint venture in Grand Bay Hotel Co., Ltd ("**Grand Bay**") to jointly develop the Sheraton Phuket Grand Bay Resort (the "**Sheraton Resort**") in Phuket, Thailand. As a result of the continued tightening of loan application requirements by the banking and financial institutions, negotiations with potential financial institutions to secure a construction loan for the development of Sheraton Resort are still on hold. The Company and its joint venture partner, Apex Development Public

Company Limited, have continued to follow up with other potential financial institutions and investors, and are also exploring other viable options. With the successful implementation of the vaccination program worldwide and in Thailand, the Company has observed that the business interests in the development of Phuket as a whole has returned in early 2022 albeit very slowly. As at the date of this announcement, the Company has scheduled a board meeting with Grand Bay to be held this month and the Company shall continue to update shareholders on any further developments.

SGX Query 6:

Please disclose the Board's assessment of the Group's ability to operate as a going concern, including its bases of assessment.

Company's response to Query 6:

The going concern issue is first assessed by the Audit Committee ("AC") before putting to the Board for consideration and concurrence.

As set out in the annual report for FY2021, the AC had considered and assessed the Group's ability to repay its debts as and when they fall due.

In assessing the Group's ability to repay its debts, the AC had considered whether the Group's available funds of S\$842,000 as at 31 December 2021 are able to cover the operating costs and liabilities for the next 12 months. The AC had determined the appropriateness of the going concern assumption, taking into consideration:

- (i) the convertible loan agreements entered in December 2019 and January 2020;
- (ii) the prolonged delay in the construction of the Sheraton Resort of Grand Bay; and
- (iii) the settlement of the Company's liabilities through share-based payment.

The AC had determined that the Group's ability to continue as a going concern would depend on additional sources of funding raised from non-related investors for the financial year ending 31 December 2022. Nonetheless, the Company's priority is to complete the proposed acquisition of the Groceries Business. The AC and the Board are of the view that the assessment set out in the FY2021 annual report is still applicable as of the date of this announcement.

SGX Query 7:

Please provide the Board's confirmation on whether the Company can continue trading and whether sufficient information has been disclosed to ensure fair and orderly trading.

Company's response to Query 7:

Notwithstanding the Board's considerations of the Group's ability to operate as a going concern as disclosed in question 6 above, the Board confirms that the Company is able to continue trading and that sufficient information have been disclosed to ensure fair and orderly trading of the Company's shares.

SGX Query 8:

Please provide the Sponsor's assessment of the Group's ability to operate as a going concern, including its bases of assessment.

Sponsor's response to Query 8:

The Sponsor notes the auditor's bases for its disclaimer of opinion in respect of the Group's ability to continue as a going concern as disclosed in the independent auditor's report in the Company's annual report for FY2021. The Sponsor has also considered the Board's and AC's assessment of the Company's ability to continue as a going concern as disclosed in question 6 above, after taking into consideration the convertible loan agreements, the delay in the development of Grand Bay, the

settlement of the Company's liabilities through share-based payments, and its ability to raise additional working capital if required.

Nonetheless, the Sponsor notes that as at the date of this announcement, the Company is in the process of finalising the extension of the maturity dates with the convertible loan holders as disclosed in question 2, and targets to complete the proposed acquisition of the Groceries Business in Malaysia by 31 July 2022. The ability to successfully complete the aforementioned is critical to the Group to continue as a going concern basis and expand its business to sustain its operations and raise recurring revenue for the Group.

As the abovementioned matters are still ongoing and in view of the existence of material uncertainties as stated above, the Sponsor is currently unable to reasonably assess the Group's ability to operate as a going concern as at the date of this announcement.

SGX Query 9:

Please provide the Board's confirmation that all material information has been announced and that there is no other material information that shareholders should be aware of.

Company's response to Query 9:

The Board confirms that all material information has been announced and that there is no other material information that shareholders should be aware of.

BY ORDER OF THE BOARD

CHANG WEI LU

Executive Chairman and Chief Executive Officer

8 June 2022

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