

**Issuer:** Mercurius Capital Investment Limited

**Security:** Mercurius Capital Investment Limited

**Meeting details:**

Date: 27 April 2018

Time: 9.30 a.m.

Venue: Singapore Swimming Club, Fort Room, 45 Tanjong Rhu, Singapore 436899

**Company Description**

Mercurius Capital Investment Limited focuses on the investment and development of real estate properties in Malaysia. The company focuses on mixed development properties comprising shopping malls, hotels, and offices. The company was formerly known as CCFH Ltd. and changed its name to Mercurius Capital Investment Limited in March 2015. Mercurius Capital Investment Limited is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=5RF](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5RF))

1. At the Extraordinary General Meeting of the Company held on 30 March 2017, the Company obtained shareholders' approval to diversify into property development and property investment, which involves activities such as real estate related investments, property-related activities, holding of investments in real estate and residential, hospitality (including hotels and/ or serviced residences), commercial (retail and office), industrial and mix development properties, trading in and the development of property for sales and for long-term investment purposes.

The board consists of Mr Chang Wei Lu as Executive chairman and Chief Executive Officer, Mr Mah Seong Kung and Mr Wong Leong Chui as independent directors and Mr Chieng You Ping as non-executive non-independent director.

No key management has been identified by the company in the annual report.

In the Letter to Shareholders dated 15 March 2017, the company has identified the risk factors related to the new property business, including:

- The Group has no prior track record and operating history in the Proposed New Business
- The Group may not have the ability or sufficient expertise to execute the Proposed Diversification
- The Proposed New Business is dependent on qualified employees, experts, property agents and consultants

**Since the receipt of shareholders' approval more than a year ago on 30 March 2017, can the board help shareholders understand how it has addressed the key risks identified in the new business as listed in the risk factors in the Letter to Shareholders dated 15 March 2017?**

2. As at 31 December 2017, the group has negative working capital and is in a net liability position of \$(656,000). The group's cash and cash equivalent at the end of the financial year stood at \$499,000.

The company has disclosed that it is in discussion with the holder of the Convertible Loan to extend the maturity of the loan by 12 months, with a new due date of 17 March 2019.

The Independent Auditor has included in the Independent Auditor's Report a material uncertainty related to going concern in the audited financial statements of the Group for the financial year ended 31 December 2017.

- (i) **What is the expected development costs for the group's joint venture with HM Realty Holdings Sdn Bhd to develop the land in Kempas, Johor Bahru?**
- (ii) **To help shareholders better understand the potential and the risks of the joint venture, can management disclose the development plans for the Kempas project?**
- (iii) **What are management's plans to raise funds to strengthen the balance sheet?**
- (iv) **Has the board reviewed the group's capital structure and determined an optimal capital structure to support the group's growth plans?**
- (v) **The company has a market capitalisation of approximately \$25 million based on the share price of 2.2 cents. How can management avoid or minimise the dilution of current shareholders in its fund raising efforts?**

3. On 4 April 2018, the company announced that there were material discrepancies between the audited financial statements and the unaudited financial statements for the financial year ended 31 December 2017.

Reasons given for the discrepancies include:

- Adjustment to incorrect disclosure between income tax paid and decrease in bank deposit and bank balances pledged
- Reclassification of \$12,000 bad debts written off and \$2,000 bank charges from other income/losses and finance costs respectively, to administrative expenses
- Reclassification of disclosure item under currency translation difference arising from consolidation
- Reclassification of interest payable for convertible loan to other reserves amounting to \$63,000
- Adjustment to the Group's trade and other payables relates to the reclassification of interest payable for convertible loan to other reserves amounting to \$63,000

The company has announced material discrepancies between the audited and unaudited financial statements in the past three years.

The audit committee (AC) comprises Mr. Mah Seong Kung (as chairman), Mr. Wong Leong Chui and Mr. Chieng You Ping.

The board has disclosed that it had "reviewed and is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities" (page 26).

- Given that there were material changes following the finalisation of the audit of the financial statements in the past three years, could the board help shareholders understand the basis of its view that "the members of the AC are appropriately qualified to discharge their responsibilities"?**
- Can the AC members also help shareholders understand their individual relevant and recent accounting expertise and/or experience?**
- As the directors have responsibilities to oversee the group's financial reporting process, can the directors, especially the directors in the audit committee, help shareholders understand their individual and collective efforts in the preparation of the group's financial statements to give a true and fair view in accordance with the provisions of the Act and FRSs?**
- Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- What changes has the AC made to the group's systems and processes to improve the quality and accuracy of the financial statements?**