



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Mercurius Capital Investment Limited

Stock code: 5RF

Meeting details:

Date: 26 April 2021

Time: 4.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. On 8 April 2021, the company announced that it has entered into a legally binding term sheet with certain vendors for the acquisition of groceries business in Malaysia.

The target group is principally engaged in the business of trading of foodstuff, groceries, sundry goods and daily necessities, and the operation of supermarkets and convenience stores in Malaysia.

As shown in the corporate profile on page 1 of the annual report, the group primary activities are property development and property investment. The proposed acquisition is in the business of trading of groceries.

- (i) **Would the board, especially the independent directors, help shareholders understand if the proposed investment is outside of the group's mandate?**
- (ii) **Would it significantly change the risk profile of the group?**
- (iii) **Would shareholders' approval be required for this proposed diversification?**

In addition, it was disclosed that the aggregate consideration for the proposed acquisition is \$36 million, to be fully paid by the company by way of an allotment and issue of 200 million new ordinary shares at an agreed issue price of \$0.18 per consideration share in tranches.

- (iv) **What is the level of legal and commercial due diligence carried out by management?**
- (v) **In addition, what is the level of involvement by the board, especially the independent directors in the proposed acquisition, including the negotiation and the due diligence?**

Q2. As noted by the executive chairman & CEO in his message to shareholders, the board acknowledges the continued absence of revenue for the group. The group's property development projects at Kempas, Johor Bahru, Malaysia and in Phuket, Thailand continue to face challenges.

- (i) **Kempas: What is the total amount invested in the project?** It was further stated that with the over-supply of properties and adverse property market condition in Johor Bahru, coupled with the COVID-19 situation, the company did not pursue this business further when the option agreements expired on 27 February 2020. **Can management clarify if the project will be terminated and the group would not be committing any more resources to the joint venture?**

- (ii) **Sheraton Resort in Phuket, Thailand:** The group has a 50%-owned joint venture, Grand Bay Hotel Co., Ltd with Apex Development Public Company Limited (“APEX”) to jointly develop a hotel property under the name of Sheraton Phuket Grand Bay Resort. According to management, the investment in the joint venture is equity accounted and has a carrying value of \$8.22 million. The partners have stopped looking for financing to fund the construction of the hotel (page 15). **Can the board confirm that the group proceeded with the investment in the joint venture company when the financing was not certain? If so, was a risk assessment carried out prior to the investment? What is the financial status of APEX? Can management elaborate further on the plans for the joint venture?**
- (iii) **Disclaimer of opinion:** The independent auditor had expressed a disclaimer of opinion on the investment in a joint venture in its independent auditor’s report for FY2020. For the purpose of consolidation, management has used the unaudited management accounts of Grand Bay for the financial year ended 31 December 2020 to equity account for Grand Bay in the consolidated financial statements of the group. The independent auditor was unable to obtain sufficient appropriate audit evidence to ascertain that the unaudited management accounts present a true and fair view with no material misstatement and as such the independent auditors were unable to ascertain the share of losses of Grand Bay and the carrying amount of the investment in the joint venture due to the absence of satisfactory audit evidence and explanation from management.

Can the audit committee help shareholders understand what assistance they have rendered to the auditors to help them obtain the sufficient appropriate audit evidence with respect to the group’s investment in Grand Bay?

What was the level of cooperation from management?

In page 45, the AC has stated that it agreed with the accounting treatment by management to recognise Grand Bay using the equity method. **Can the AC help shareholder reconcile why it had accepted management’s accounting treatment when the independent auditor has deemed the current audit arrangement inadequate?**

Q3. On 8 April 2021, the company announced that there are material variances between the unaudited results (first announced by the company on 1 March 2021) and the audited financial statements for FY2020 after the finalisation of audit.

The announcement of material variances came nearly 6 weeks after the company first announced its unaudited results.

Following the finalisation of audit, net loss for the financial year increased to \$(1.99) million from \$(1.20) million, an increase of 65%. Total comprehensive loss increased by 108% while total equity decreased by 20% to \$4.2 million.

In fact, the company had to report material variances between the unaudited and the audited full year financial statements for the financial years ended 31 December 2020, 31 December 2019, 31 December 2017 and 31 December 2016.

Date & Time	Issuer Name	Security Name	Title	Category
08 Apr 2021 10:00 PM	MERCURIUS CAP INVESTMENT LTD	MERCURIUS CAP INVESTMENT LTD	Financial Statements and Related Announcement::Auditor's Comments of Accounts	Financial Statements
08 Apr 2021 09:52 PM	MERCURIUS CAP INVESTMENT LTD	MERCURIUS CAP INVESTMENT LTD	Financial Statements and Related Announcement::Discrepancies between unaudited and audited accounts	Financial Statements
06 Apr 2020 07:51 PM	MERCURIUS CAP INVESTMENT LTD	MERCURIUS CAP INVESTMENT LTD	Financial Statements and Related Announcement::Auditor's Comments of Accounts	Financial Statements
06 Apr 2020 07:50 PM	MERCURIUS CAP INVESTMENT LTD	MERCURIUS CAP INVESTMENT LTD	Financial Statements and Related Announcement::Discrepancies between unaudited and audited accounts	Financial Statements
03 Apr 2019 06:11 PM	MERCURIUS CAP INVESTMENT LTD	MERCURIUS CAP INVESTMENT LTD	Financial Statements and Related Announcement::Auditor's Comments of Accounts	Financial Statements
04 Apr 2018 12:10 PM	MERCURIUS CAP INVESTMENT LTD	MERCURIUS CAP INVESTMENT LTD	Financial Statements and Related Announcement::Discrepancies between unaudited and audited accounts	Financial Statements
04 Apr 2018 12:08 PM	MERCURIUS CAP INVESTMENT LTD	MERCURIUS CAP INVESTMENT LTD	Financial Statements and Related Announcement::Auditor's Comments of Accounts	Financial Statements
12 Apr 2017 08:16 PM	MERCURIUS CAP INVESTMENT LTD	MERCURIUS CAP INVESTMENT LTD	Financial Statements and Related Announcement::Discrepancies between unaudited and audited accounts	Financial Statements

(Source: www.sgx.com)

- (i) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (ii) **Has the audit committee (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?**

- (iii) **Is the company (and its officers) familiar with the Singapore Financial Reporting Standards (International)?**
- (iv) **Would the members of the AC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (v) **Specifically, what was the level of involvement by the AC chairman and each of the AC members in the preparation of the financial statements?**
- (vi) **Can the AC update shareholders on the improvements made/to be made to the group's financial reporting systems and processes?**
- (vii) **What guidance has the sponsor given to the company to improve on its financial reporting?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

Join our mailing list [here](#) to receive latest news and upcoming events.

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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