



MERCURIUS CAPITAL INVESTMENT LIMITED

(Company Registration No.: 198200473E)
(Incorporated in the Republic of Singapore)

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Mercurius Capital Investment Limited (the “**Company**”) wishes to inform the shareholders of the Company that pursuant to Rules 705(2)(d) and 705(2C) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst, the Company is required to announce its quarterly financial statements in view of the disclaimer of opinion issued by the Company’s independent auditor for the financial year ended 31 December 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 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.

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**MERCURIUS CAPITAL INVESTMENT LIMITED
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**MERCURIUS CAPITAL INVESTMENT LIMITED
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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023**

	Note	3 Months Ended			6 Months Ended		
		30/6/2023	30/6/2022	Change	30/6/2023	30/6/2022	Change
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
		Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	5.1	888	-	NM	7,576	-	NM
Cost of sales		(2,958)	-	NM	(9,316)	-	NM
Gross loss		(2,070)	-	NM	(1,740)	-	NM
Other gains/(losses), net		(24)	(20)	NM	7	(30)	NM
Expenses							
- Marketing and distribution		(4)	-	NM	(60)	-	NM
- Administrative		(604)	(382)	65	(2,318)	(587)	295
- Finance		(119)	(83)	43	(350)	(211)	66
Share of loss of joint venture		-	-	-	-	-	-
Loss before income tax	7	(2,821)	(485)	473	(4,461)	(828)	439
Income tax expense	8	-	-	-	-	-	-
Net loss		(2,821)	(485)	473	(4,461)	(828)	439
Other comprehensive income/(loss), net of tax:							
Items that may be reclassified subsequently to profit or loss:							
- Share of other comprehensive loss of joint venture		-	-	-	-	-	-
- Currency translation gains arising from consolidation		117	8	1,363	131	18	628
Other comprehensive loss, net of tax		117	8	1,363	131	18	628
Total comprehensive loss		(2,938)	(477)	458	(4,330)	(810)	435
Net loss attributable to:							
Equity holders of the Company		(2,821)	(485)	473	(4,461)	(828)	439
Non-controlling interests		*	*	NM	*	*	NM
		(2,821)	(485)	473	(4,461)	(828)	439
Total comprehensive loss attributable to:							
Equity holders of the Company		(2,938)	(477)	458	(4,330)	(810)	435
Non-controlling interests		*	*	NM	*	*	NM
		(2,938)	(477)	458	(4,330)	(810)	435

NM = Not meaningful

* Amount less than S\$1,000.

Explanatory Notes to the Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

- Revenue and cost of sales increased due to consolidation of the financial results from a wholly-owned subsidiary, Songmart Holdings Sdn. Bhd. (“**Songmart**”, and together with its subsidiaries, “**Songmart Group**”).
- Marketing and distribution expenses and administrative expenses increased due to consolidation of the financial results from Songmart and mainly comprises of the operation expenses including employee salaries, utilities, professional fees and amortization of right-of-use.
- Finance costs mainly comprises the interest expense on convertible loans, term loan and right-of-use. The increase during the three-month period ended 30 June 2023 was due to interest expenses incurred in relation to the bank overdraft term loan and trade facilities and right-of-use of assets in Songmart during the current period.
- Currency translation gains increased due to the appreciation of Singapore dollar against Malaysian Ringgit during the current period as compared to the prior corresponding period as well as due to the acquisition of Songmart which was denominated in Malaysian Ringgit.

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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023 (CONT'D)**

Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 Months Ended		6 Months Ended	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
Losses per share attributable to equity holders of the Company (cents per share)				
Weighted average number of ordinary shares for basic earnings per share	1,392,973,333	1,326,306,667	1,392,973,333	1,326,306,667
Weighted average number of ordinary shares for diluted earnings per share	1,449,082,141	1,378,307,912	1,448,449,243	1,377,846,252
Net loss attributable to the equity holders of the Company for the financial year (S\$'000)	(2,938)	(485)	(4,461)	(828)
Less: Interest on convertible loans (S\$'000)	<u>(117)</u>	<u>(74)</u>	<u>(234)</u>	<u>(194)</u>
Adjusted net loss for the financial year (S\$'000)	<u>(2,664)</u>	<u>(411)</u>	<u>(4,227)</u>	<u>(634)</u>
Basic loss per share (cents)	<u>(0.200)</u>	<u>(0.037)</u>	<u>(0.320)</u>	<u>(0.062)</u>
Diluted loss per share (cents) ⁽¹⁾	<u>(0.192)</u>	<u>(0.037)</u>	<u>(0.308)</u>	<u>(0.062)</u>

Note:

(1) The diluted loss per share computations have taken into consideration the effects of the shares to be issued on the basis that the Group's existing convertible loans are all converted into ordinary shares in the share capital of the Company.

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**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Note	Group		Company	
		30/6/2023 S\$'000	31/12/2022 S\$'000	30/6/2023 S\$'000	31/12/2022 S\$'000
		Unaudited	Audited	Unaudited	Audited
ASSETS					
Current assets					
Inventories		-	4,395	-	-
Cash and bank balances		74	371	10	20
Trade and other receivables		1,579	3,157	57	45
Income tax recoverable		270	220	-	-
		<u>1,923</u>	<u>8,143</u>	<u>67</u>	<u>65</u>
Non-current assets					
Investments in subsidiary corporations	11	-	-	12,000	12,000
Investment in a joint venture	12	5,120	5,120	5,945	5,945
Property, plant and equipment	13	12,749	13,935	7	9
Intangible assets	14	10,518	10,566	-	-
		<u>28,387</u>	<u>29,621</u>	<u>17,952</u>	<u>17,954</u>
TOTAL ASSETS		<u>30,310</u>	<u>37,764</u>	<u>18,019</u>	<u>18,019</u>
LIABILITIES					
Current liabilities					
Trade and other payables		8,897	11,436	1,714	1,215
Borrowings	15	12,883	13,053	4,602	4,368
		<u>21,780</u>	<u>24,489</u>	<u>6,316</u>	<u>5,583</u>
Non-current liabilities					
Borrowings	15	2,624	3,039	-	-
Deferred income taxes	10	2	2	-	-
		<u>2,626</u>	<u>3,041</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>24,406</u>	<u>27,530</u>	<u>6,316</u>	<u>5,583</u>
NET ASSETS		<u>5,904</u>	<u>10,234</u>	<u>11,703</u>	<u>12,436</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	15	154,852	154,852	154,852	154,852
Other reserves		(3,348)	(3,479)	325	325
Accumulated losses		(145,608)	(141,147)	(143,474)	(142,741)
		<u>5,896</u>	<u>10,226</u>	<u>11,703</u>	<u>12,436</u>
Non-controlling interests		<u>8</u>	<u>8</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>5,904</u>	<u>10,234</u>	<u>11,703</u>	<u>12,436</u>

Explanatory Notes to the Consolidated Interim Statements of Financial Position

- Inventories were zeroized as of 30 June 2023 due to the cessation of Songmart's operations.
- Trade and other receivables and trade and other payables decreased due to a lower financial performance recorded by Songmart.
- Cash and bank balances decreased mainly due to the payment of operating expenses incurred during the period.
- Borrowings decreased due to repayments made during the period.

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months Ended	
	30/6/2023	30/6/2022
	S\$'000	S\$'000
	Unaudited	Unaudited
Cash flows from operating activities		
Net loss	(4,462)	(828)
Adjustment for:		
Depreciation of property, plant and equipment	228	7
Depreciation of right-of-use assets	243	74
Gain on disposal of property, plant and equipment	(28)	-
Interest expenses	351	211
Unrealised currency translation loss ¹	896	18
	(2,772)	(518)
Changes in working capital:		
Trade and other receivables	1,797	(18)
Inventories	4,395	1
Trade and other payables	(2,824)	278
	596	(257)
Cash from /(used in) operations	596	(257)
Interest paid	(101)	(2)
	(101)	(2)
Net cash from / (used in) operating activities	495	(259)
Cash flows used in investing activities		
Sales proceed from disposal of property, plant and equipment	83	-
Acquisition of property, plant and equipment	(57)	-
	(57)	-
Net cash from investing activities	26	-
Cash flows from financing activities		
Repayment of lease liabilities	(460)	(116)
Borrowings	(483)	-
	(483)	-
Net cash (used in) financing activities	(943)	(116)
Net movement in cash and cash equivalents	(422)	(375)
Cash and cash equivalents		
Beginning of financial period	(760)	842
End of financial period	(1,182)	467
Cash and cash equivalents for statement of cash flow:		
Cash and bank balances	74	467
Bank overdraft (Note 15)	(1,256)	0
	(1,182)	467

¹ An error in terminology used in the results announcement for the second quarter ended 30 June 2022 resulted in this line item for the announcement dated 12 August 2022 being referred to as unrealised currency translation gain instead of unrealised currency translation loss.

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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity owners of the Company →				Non- controlling interests	Total equity
	Share capital	Other reserves	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000		
Group						
2023						
Balance as at 1 January 2023	154,852	(3,479)	(141,147)	10,226	8	10,234
Loss for the financial period	-	-	(4,461)	(4,461)	*	(4,461)
Other comprehensive loss for the financial period	-	131	-	131	*	131
Total comprehensive loss for the financial period	-	131	(4,461)	(4,330)	*	(4,330)
Balance as at 30 June 2023	<u>154,852</u>	<u>(3,348)</u>	<u>(145,608)</u>	<u>5,896</u>	<u>8</u>	<u>5,904</u>

* Amount less than S\$1,000.

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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	← Attributable to equity owners of the Company →				Total	Non- controlling interests	Total equity
	Share capital	Other reserves	Equity component of convertible loans	Accumulated losses			
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2022							
Balance as at 1 January 2022	142,852	(2,447)	325	(137,826)	2,904	8	2,912
Loss for the financial period	-	-	-	(828)	(828)	*	(828)
Other comprehensive loss for the financial period	-	18	-	-	18	*	18
Total comprehensive loss for the financial period	-	18	-	(828)	(810)	*	(810)
Balance as at 30 June 2022	142,852	(2,429)	325	(138,654)	2,094	8	2,102

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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity owners of the Company →				
	Share capital	Other reserves	Equity component of convertible loans	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Company					
2023					
Balance as at 1 January 2023	154,852	-	325	(142,741)	12,436
Loss for the financial period	-	-	-	(733)	(733)
Balance as at 30 June 2023	154,852	-	325	(143,474)	11,703

	← Attributable to equity owners of the Company →				
	Share capital	Other reserves	Equity component of convertible loans	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Company					
2022					
Balance as at 1 January 2022	142,852	480	325	(137,921)	5,736
Loss for the financial period	-	-	-	(792)	(792)
Balance as at 30 June 2022	142,852	480	325	(138,713)	4,944

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Mercurius Capital Investment Limited (the “**Company**”) is listed on the Catalist board of the Singapore Exchange Securities Trading Limited (the “**Singapore Exchange**” or “**SGX-ST**”) and incorporated and domiciled in Singapore. The address of its registered office is 138 Robinson Road #26-03 Oxley Tower Singapore 068906.

These condensed interim consolidated financial statements as at and for the second quarter and six months ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the “**Group**”).

The principal activity of the Company is investment holding. The principal activities of the subsidiary corporations are supermarket operation and the Company’s joint venture is principally involved in real estate development.

2. BASIS OF PREPARATION

The condensed interim financial statements for the financial period ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the financial year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial period and the most recently audited annual financial statements which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in note 2.1.

The condensed interim financial statements are presented in Singapore dollar (“**S\$**”) which is the Company’s functional currency and all values are rounded to the nearest thousand (’000) except otherwise indicated.

2.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances and condition available.

*Expected Credit Loss (“**ECL**”) of trade and other receivables*

ECL on trade and other receivables are probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

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The Group had used a simplified approach (lifetime expected credit loss) for its trade receivables and general approach (12 months expected credit losses or lifetime expected credit loss) for its other receivables.

In determining the ECL, the Group uses the relevant historical information to determine the probability of default of the instruments and incorporated forward-looking information. Notwithstanding the above, the Group evaluates the ECL on trade and other receivables in financial difficulties separately. The information about the ECL on the Group's trade and other receivables and disclosed in Note 29(b) to the financial statements.

Impairment of property, plant and equipment (“PPE”)

PPE are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The Group assesses whether PPE has any indication of impairment in accordance with its accounting policy. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of the fair value less costs to sell and value-in-use.

Impairment of investment in subsidiary corporations and joint venture

Investment in subsidiary corporations and joint venture are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

On annual basis, the management evaluates, among other factors, the market and economic environment in which the subsidiary corporations and joint venture operate and the financial performance of the subsidiary corporations and joint venture to determine whether there are indicators of impairment and if so, whether the estimated recoverable amount exceeds cost. Recoverable amount is the higher of fair value less costs to sell and value-in-use.

Net realisable value (“NRV”) of inventories

The Group measured its inventories at lower of cost or net realisable value. To estimate the net realisable value, the Group takes into account various factors, such as, latest selling price, costs to sell, inventory obsolescence, and slow-moving inventory. The management performs periodic review, and if the carrying amount of inventories exceeds their estimated net realisable value, the inventory will be written down to the net realisable value. The management's judgement is used to estimate the net realisable value, taking into account factors such as nature of products, customers' demands, analysis of market conditions, and price competition within the industry.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(CONT'D)**

3. GOING CONCERN

During the financial period ended 30 June 2023, the Group has incurred a net loss of S\$4,461,000 (2022: S\$828,000). In addition, the Group and the Company are in net current liabilities of S\$19,857,000 and S\$6,249,000 respectively as at 30 June 2023 (31 December 2022: S\$16,346,000 and S\$5,518,000). These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns and discharge their liabilities in the ordinary course of business.

Included in the Group's current liabilities as at 30 June 2023 are outstanding bank loans, which consist of bank overdraft, trade facilities, and term loan facilities totalling to approximately S\$7.38 million, which were collectively in breach of loan covenants as of reporting date. The Group had received notices of demand dated 15 February 2023, 22 March 2023, 11 April 2023, 25 April 2023 respectively and a notice of demand cum recall and termination dated 16 May 2023, from bank due to late repayment on the bank loans. Accordingly, the bank had demanded for repayment of the entire trade facilities, bank overdraft and term loan outstanding amount, in an aggregate sum of approximately RM 25.5 million (equivalent to approximately S\$7.38 million and had recalled and terminated the aforementioned facilities as at the date of this announcement. These amounts remain unpaid as at the date of this report.

As announced on 8 August 2023 and 14 August 2023, the High Court of Malaysia ruled that Songmart Malaysia Sdn. Bhd. ("**Songmart Malaysia**"), Tan Lee Heng Import & Export Sdn. Bhd. ("**Tan Lee Heng**") and Songmart Holdings Sdn. Bhd. ("**Songmart Holdings**") be wound up respectively.

Given these circumstances, the Board is of the view that there is a material uncertainty surrounding the Group's ability to continue its operations as a going concern and meet its financial obligations in the ordinary course of business.

4. SEASONAL OPERATIONS

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

5. SEGMENT AND REVENUE INFORMATION

For the period ended 30 June 2022, the Group's business included groceries and property development and property investment.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(CONT'D)**

5. SEGMENT AND REVENUE INFORMATION (CONT'D)

5.1 REVENUE

	3 Months Ended	
	30/6/2023	30/6/2022
	S\$'000	S\$'000
	Unaudited	Unaudited
Revenue		
Primary geographical markets		
- Singapore	-	-
- Malaysia	888	-
	<u>888</u>	<u>-</u>
Type of businesses		
- Property development and property investment	-	-
- Groceries	888	-
	<u>888</u>	<u>-</u>
Timing of revenue recognition:		
- At a point in time	-	-
- Over time	888	-
	<u>888</u>	<u>-</u>

5.2 SEGMENT INFORMATION

For management purposes, the Group is organised into three reportable segments based on geographical locations. The three segments are:

	Singapore	Malaysia	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
As 30 June 2023				
Segment assets	18,019	12,289	2	30,310
Segment liabilities	6,200	18,189	17	24,406
As 30 June 2022				
Segment assets	7,363	1	2	7,566
Segment liabilities	<u>4,751</u>	<u>19</u>	<u>17</u>	<u>4,787</u>

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of the carrying amount of financial assets and financial liabilities of the Group and the Company as at 30 June 2023 and 31 December 2022:

	At amortised cost	
	30/6/2023	31/12/2022
	S\$'000	S\$'000
Group		
Financial assets		
Cash and bank balances	74	371
Trade and other receivables	1,579	3,157
	1,653	3,528
Financial liabilities		
Trade and other payables	8,897	11,438
Borrowings	15,507	16,092
	24,404	27,530
	At amortised cost	
	30/6/2023	31/12/2022
	S\$'000	S\$'000
Company		
Financial assets		
Cash and bank balances	10	20
Trade and other receivables	57	45
	67	65
Financial liabilities		
Trade and other payables	1,714	1,215
Borrowings	4,602	4,368
	6,316	5,583

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(CONT'D)**

7. LOSS BEFORE INCOME TAX

7.1 SIGNIFICANT ITEMS

Loss before income tax has been arrived after charging/(crediting):

	3 Months Ended		6 Months Ended	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	S\$'000	S\$'000	S\$'000	S\$'000
	Unaudited	Unaudited	Unaudited	Unaudited
Depreciation – Property, plant and equipment	113	4	228	7
Depreciation – Right-of-use assets	17	37	243	74
Salaries, bonuses and allowances - Director				
- Director	105	90	210	120
- Others	2	-	6	-
Professional fees	104	193	209	304
Currency translation losses/(gain)	(12)	20	30	30
Finance expenses – Lease liability	-	1	2	2
Finance expenses – Convertible loan	117	74	234	194
Finance expenses – accrued interest on the director's loan	2	8	15	15

7.2 RELATED PARTY TRANSACTIONS

Sale and purchase of goods and services

There are no material related party transactions apart from those disclosed in Note 7.1 or elsewhere in the financial statements.

The Group had certain sale and purchase transactions with director-related companies, wherein these companies are controlled by directors of the Company and close family members of Mr. Tan Boon Kok and Ms. Tan Ah Mai. These sale and purchase transactions are due and payable under normal payment terms.

(a) Sales and purchases of goods and services

	Group	
	30/6/2023	31/3/2023
	S\$'000	S\$'000
Sales of goods and/or services to - related parties	12	12
Purchase of inventories from - related parties	-	159

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(CONT'D)**

7. LOSS BEFORE INCOME TAX (CONT'D)

7.2 RELATED PARTY TRANSACTIONS (CONT'D)

	Group	
	30/6/2023	31/3/2023
	\$'000	\$'000
Rental paid to - related parties	<u>2</u>	<u>7</u>
Payment made on behalf from - related parties	<u>157</u>	<u>140</u>

8. TAXATION

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. There is no tax expense recorded as the Group has no taxable profits.

9. DIVIDENDS

No dividend has been declared or recommended for the second quarter ended 30 June 2023 (“**2Q2023**”) as the Group had recorded a net loss in 2Q2023.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(CONT'D)**

10. NET ASSET VALUE

	Group		Company	
	30/6/2023	31/12/2022	30/6/2023	31/12/2022
	SGD Cents	SGD Cents	SGD Cents	SGD Cents
	Unaudited	Audited	Unaudited	Audited
Net asset value per ordinary share	0.42	0.73	0.84	0.89

The calculation of net asset value per ordinary share was based on 1,392,973,333 shares as at both 30 June 2023 and 31 December 2022.

11. INVESTMENT IN SUBSIDIARY CORPORATIONS

	Company	
	30/06/2023	31/12/2022
	\$'000	\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	19,560	7,560
Add: Acquisition of subsidiary corporation	-	12,000
End of financial period	19,560	19,560
<i>Allowance for impairment</i>		
Beginning and end of financial period	7,560	7,560
Net carrying amount	12,000	12,000

12. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	30/6/2023	31/12/2022	30/6/2023	31/12/2022
	S\$'000	S\$'000	S\$'000	S\$'000
	Unaudited	Audited	Unaudited	Audited
Cost				
Beginning of financial period / year	5,120	6,476	5,945	9,260
Share of losses	-	(1,328)	-	-
Impairment	-	-	-	(3,315)
Currency translation differences	-	(28)	-	-
End of financial period / year	5,120	5,120	5,945	5,945

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12. INVESTMENT IN A JOINT VENTURE (CONT'D)

Set out below is the joint venture of the Group as at 30 June 2023 and 31 December 2022:

<u>Name of company</u>	<u>Principal activity</u>	<u>Country of business /incorporation</u>	<u>Equity interest held by the Group</u>	
			<u>30/6/2023</u>	<u>31/12/2022</u>
			<u>%</u>	<u>%</u>
Grand Bay Hotel Co., Ltd	Real estate development	Thailand	50	50

The Group has diversified its business into property development and property investment since financial year ended 31 December 2017 and had on 12 June 2019, entered into joint venture agreement (“**JVA**”) with Apex Development Public Company Limited (“**Apex**”) and Grand Bay Hotel Co., Ltd (“**Grand Bay**”).

The Group has joint control over Grand Bay under the contractual agreement with Apex, and unanimous consent is required from both parties for all relevant activities. The contractual agreement provides the Group and Apex with rights to the net assets of Grand Bay. Therefore, the investment in Grand Bay is classified as a joint venture. There are no contingent liabilities relating to the Group’s interest in the joint venture.

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12. PROPERTY, PLANT AND EQUIPMENT

Group	Land & Buildings	Renovation	Machinery & Equipment	Computer & Software	Furniture and fittings	Office equipment	Motor Vehicle	Office and retail space	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost									
At 1 January 2022	-	66	-	-	-	25	-	444	535
Addition	-	381	80	5	11	-	-	-	477
Acquisition of subsidiary	7,675	393	1,200	167	83	21	83	4,164	13,786
Derecognition of leases	-	-	-	-	-	-	-	(412)	(412)
Currency translation difference	157	8	26	4	2	*	2	778	977
At 31 December 2022	7,832	848	1,306	176	96	46	85	4,974	15,363
Addition	-	12	12	9	18	-	6	-	57
Disposal	-	-	-	-	-	-	(74)	-	(74)
Currency translation difference	(387)	(40)	(68)	(11)	(5)	(1)	(6)	(224)	(742)
At 30 June 2023	7,445	821	1,250	174	108	45	11	4,750	14,604
Accumulated depreciation									
At 1 January 2022	-	50	-	-	-	20	-	358	428
Addition	28	17	24	7	2	5	3	258	344
Derecognition of leases	-	-	-	-	-	-	-	(10)	(10)
Currency translation difference	-	-	-	-	-	-	-	666	666
At 31 December 2022	28	67	24	7	2	25	3	1,272	1,428
Addition	75	40	68	21	6	1	10	280	501
Disposal	-	-	-	-	-	-	(19)	-	(19)
Currency translation difference	(2)	(2)	(7)	(2)	(1)	-	-	(41)	(55)
At 30 June 2023	105	85	26	7	26	(6)	1,511	1,855	1,877
Net book value									
At 30 June 2023	7,344	716	1,165	148	101	19	17	3,239	12,749
At 31 December 2022	7,804	781	1,282	169	94	21	82	3,702	13,935

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company

	Office equipment S\$'000	Building Improvements S\$'000	Total S\$'000
At 30 June 2023			
Cost	66	25	91
Accumulated depreciation	60	25	85
Net book value	6	-	6
For 6 months ended 30 June 2023			
<i>Cost</i>			
At 1 January 2023 and 30 June 2023	66	25	91
<i>Accumulated depreciation</i>			
At 1 January 2023	57	25	82
Depreciation charge	3	-	3
At 30 June 2023	60	25	85
<i>Net book value</i>			
At 30 June 2023	6	-	6

14. INTANGIBLE ASSETS

Goodwill

	Group	
	30/6/2023 \$'000	31/12/2022 \$'000
<i>Cost</i>		
Beginning of financial period	10,566	-
Acquisition of subsidiary	-	10,566
Currency translation difference	(48)	-
End of financial period	10,518	10,566
<i>Accumulated impairment</i>		
Beginning of financial period	-	-
Impairment charge	-	-
Currency translation difference	-	-
End of financial period	-	-
Net book value	10,518	10,566

Acquisition of Songmart

The acquisition of Songmart and its subsidiaries was completed on 28 October 2022. The initial purchase price allocation to identifiable net assets acquired is being assessed and expected to be finalised within 12 months from the date of acquisition hence the goodwill has not been allocated to the relevant cash-generating unit ("CGU"). The Group has not performed any impairment assessment on this acquisition as the initial allocation of goodwill has not been completed.

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15. BORROWINGS

- Amount repayable in one year or less, or on demand

	As at 30/06/2023		As at 31/12/2022	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Lease liabilities ⁽¹⁾	-	872	-	918
Convertible loans ⁽²⁾	-	4,602	-	4,368
Bank borrowings	6,153	-	6,636	-
Bank overdraft	1,256	-	1,131	-
	<u>7,409</u>	<u>5,474</u>	<u>7,767</u>	<u>5,286</u>

- Amount repayable after one year

	As at 30/06/2023		As at 31/12/2022	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Lease liabilities	-	2,624	-	3,039
	<u>-</u>	<u>2,624</u>	<u>-</u>	<u>3,039</u>

Notes:

- (1) As at 30 June 2023, the lease liabilities include the factory and premises held by Songmart.
- (2) Convertible loans include accrued interests and recorded at fair value of the liability component. The fair value of the liability component is calculated using a market interest rate for an equivalent non-convertible loan at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves, net of deferred income taxes.

Convertible loans

On 13 and 23 December 2019, the Company entered into two convertible loan agreements (the "Agreements") with four investors for loan amounts of \$1,750,000 ("**13 Dec 2019 Convertible Loans**") and \$1,000,000 ("**23 Dec 2019 Convertible Loan**") respectively, which are subject to annual interest rate of 10%. All the convertible loans holders are non-related parties, except for 23 Dec 2019 Convertible Loan, which holds by one of the Director of the Company.

On 3 January 2020, the Company entered into a convertible loan agreement with an investor for a loan amount of \$800,000 ("**3 Jan 2020 Convertible Loan**") which is subject to annual interest rate of 10%.

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15. BORROWINGS (CONT'D)

In the financial year ended 31 December 2021, the Company repaid \$250,000 in respect of the 13 Dec 2019 Convertible Loans. Accordingly, the outstanding principal loan amount from the 13 Dec 2019 Convertible Loans was reduced to \$1,500,000.

Throughout the preceding financial years, the Group has successfully extended the date of maturity through various supplementary agreements with the investors on 12 December 2020 and 9 June 2021. The last extended date of maturity was made on 15 June 2022 (“**previous terms**”) (disclosed below as “**Previous extended date of maturity**”). On 30 March 2023, the Company had entered into supplemental agreements to further extend the maturity of the convertible loans for another year each as follows:

	Previous extended date of maturity on 15 June 2022	Revised date of maturity on 30 March 2023
13 Dec 2019 Convertible Loans	13 June 2023	13 June 2024
23 Dec 2019 Convertible Loan	23 June 2023	23 June 2024
3 Jan 2020 Convertible Loan	3 July 2023	3 July 2024

As at 30 June 2023, the outstanding 13 Dec 2019 Convertible Loans, 23 Dec 2019 Convertible Loan and 3 Jan 2020 Convertible Loan (included interest) are convertible up to 20,729,176 shares, 13,787,710 shares and 11,004,671 shares (31 December 2022: 19,898,120 shares, 13,266,770 shares and 10,518,740 shares) respectively total amounting to 45,521,557 (31 December 2022: 43,683,630) new ordinary shares in the capital of the Company at the option of the investors, subject to the terms and conditions of the Agreements.

The fair value of the liability component is calculated using a market interest rate for an equivalent non-convertible loan at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders’ equity in other reserves, net of deferred income taxes.

The carrying amount of the liability component of the convertible loans at the reporting date are derived as follows:

	Group and Company	
	30/6/2023	31/12/2022
	\$'000	\$'000
Face value of convertible loans at issuance	3,300	3,300
Equity conversion component on initial recognition	(303)	(303)
Liability component on initial recognition	2,997	2,997
Repayment of convertible loan	-	-
Accumulated amortisation of interest expenses	1,605	1,371
Liability component at end of financial period	4,602	4,368

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15. BORROWINGS (CONT'D)

Bank borrowings

The bank borrowings and bank overdraft of S\$6,485,000 and S\$1,107,000 respectively, are secured by a charge on 37 properties owned by Songmart and jointly and severally guaranteed by the Company and three directors of Songmart.

Term loans 1 and 2

The purpose of term loans 1 and 2 obtained by Songmart Holdings Sdn. Bhd. from the Alliance Bank Malaysia Berhad (the “**Bank**”) were to finance the purchase of 37 properties for the operation of supermarket business of an aggregate sum of RM14,100,000 (equivalent to S\$4,296,000).

As at 31 December 2022, the Group had breached the financial covenants under the Agreement of gearing ratio not exceeding 2.50 times during the subsistence of the credit facilities with the bank. The breach of the loan covenants had resulted the non-current liabilities of term loans 1 and 2 amounting to \$4,263,000, being reclassified as current liabilities as at 31 December 2022 as the Group does not have the right to defer the settlement of term loans 1 and 2. Please refer to the Company’s announcement dated 15 May 2023 in respect of the latest update on term loans 1 and 2.

Trade Credit Facilities

The Group had trade credit facilities with the Bank to refinance its operation and working capital with an aggregate sum of RM19,078,000 (equivalent to S\$5,813,000) which refers to a maximum of trade credit facilities of RM15,278,000 (equivalent to S\$4,655,300) and bank overdraft of RM3,800,000 (equivalent to S\$1,158,000). As at 30 June 2023, the Group has drawn down the trade credit facilities of RM 7,268,000 (equivalent to S\$2,106,000) and a bank overdraft of RM 4,334,000 (equivalent to S\$1,256,000).

As at 31 December 2022, the Group had breached the financial covenants under the credit facilities agreement with the Bank (i) to channel not less than 30% of total revenue into the current account maintained with the Bank throughout the tenure of the Credit Facilities granted; and (ii) maintaining a gearing ratio not exceeding 2.75 time during the subsistence of the credit facilities with the Bank. Please refer to the Company’s announcement dated 15 May 2023 in respect of the latest update on trade credit facilities.

As announced on 15 May 2023, Songmart Holdings and Songmart Malaysia have received a recall and termination of their Alliance Term Loans and Alliance Facility due to their failure to meet outstanding payment obligations to the Bank. Consequently, the Bank is demanding the payment of outstanding sums for both the Alliance Term Loans and Alliance Facility, along with accrued interest and legal fees. As at 19 April 2023, the Alliance Term Outstanding Sum amounts to RM13,990,674.23, and the Alliance Facility Outstanding Sum amounts to RM8,872,130.79.

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16. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares	Amount
	'000	\$'000
30/6/2023		
Beginning of financial period*	1,392,973	142,852
Issuance of new ordinary shares	-	-
End of the financial period	<u>1,392,973</u>	<u>154,852</u>
31/12/2022		
Beginning of financial year	1,326,307	142,852
Issuance of new ordinary shares ¹	66,666	12,000
End of the financial year	<u>1,392,973</u>	<u>154,852</u>

* The financial period relates to the period from 1 April 2023 to 30 June 2023.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

¹ On 16 November 2022, the Company issued and allotted 66,666,666 new ordinary shares in the capital of the Company as consideration for the acquisition of Songmart at an issue price of \$0.18 per share. The newly issued shares rank *pari passu* in all aspects with the previously issued shares.

As disclosed in Note 15 of this announcement, the Company had entered into the 13 Dec 2019 Convertible Loans, 23 Dec 2019 Convertible Loan, and 3 Jan 2020 Convertible Loan. Subsequently, the Company had, on 30 March 2023 entered into new supplemental agreements to further extend the maturity date of each of the outstanding convertible loans to 13 June 2024, 23 June 2024 and 3 July 2024 respectively. As at 30 June 2023, all three convertible loans, inclusive of interest, are convertible up to 44.36 million new ordinary shares of the Company (30 June 2022: 41.53 million) upon maturity. Save for this, the Company does not have any other convertible securities.

	As at 30/06/2023	As at 30/06/2022
Shares to be issued on conversion of all outstanding convertibles	45,521,557	41,534,450
Total number of issued shares excluding treasury shares and subsidiary holdings of the issuer	1,392,973,333	1,326,306,667
Shares to be issued upon conversion as a percentage of total number of issued shares excluding treasury shares and subsidiary holdings of the issuer	3.27%	3.48%

There were no treasury shares or subsidiary holdings as at 30 June 2023 and 30 June 2022.

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There was no sale, transfer, cancellation and/or use of treasury shares or subsidiary holdings during, and at the end of, the financial period ended 30 June 2023.

17. SUBSEQUENT EVENTS

As announced on 8 August 2023, the Company has been informed that at the hearing of the winding up application held on 7 August 2023, the High Court of Malaysia ruled that both Songmart Malaysia and Tan Lee Heng be wound up.

As announced on 14 August 2023, at the hearing of the winding up application held on 14 August 2023, the High Court of Malaysia ruled that Songmart Holdings be wound up.

The Company is seeking further legal advice from its Malaysian legal adviser in respect of this matter, and will provide an update to its shareholders if there is any material information or development.

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**OTHER INFORMATION REQUIRED PURSUANT TO APPENDIX 7C OF THE CATALIST
RULES**

1. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The condensed interim financial statements of financial position of Mercurius Capital Investment Limited and its subsidiary corporations as at 30 June 2023 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the period then ended and certain explanatory notes have not been audited or reviewed.

2. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion (other than a material uncertainty related to going concern):-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

The latest audited financial statement for the financial year ended 31 December 2022 was subject to disclaimer of opinions on the following bases, among others:

- (i) Since the prior financial year ended 31 December 2021, the auditor of the Company was unable to obtain sufficient appropriate audit evidence to ascertain that the unaudited management accounts of the Company's investment in a joint venture, Grand Bay present a true and fair view with no material misstatement and as such was unable to ascertain the share of losses of Grand Bay recognised in the consolidated statement of comprehensive income for the financial year ended 31 December 2021 and the carrying amount of the investment in the joint venture recognised in the consolidated statement of financial position as at 31 December 2021 due to the absence of satisfactory audit evidence and explanation from the Company. As such, the auditor of the Company was unable to carry out any alternative audit procedures to obtain sufficient and appropriate audit evidence to determine whether any adjustments, if any, are required to be made to the opening balances, and whether there will be possible effects on the comparability of the figures as at 31 December 2022 with corresponding figures.

The Company has a 50% shareholding interest in Grand Bay. The Company has been actively working with the management of Grand Bay on the audit matters for financial year ended 31 December 2022 and has resolved the audit issues for the financial year ended 31 December 2022 although the recoverable amount and resultant impairment, if any, on the carrying amount of the investment in joint venture as at 31 December 2021 remains unresolved.

- (ii) Limitation of scope on significant subsidiary corporations, Songmart Holdings Sdn. Bhd. and its subsidiary corporations including incomplete accounting records, insufficient information and explanations provided by the management of Songmart Group throughout the audit process. The component auditors have encountered various challenges and difficulties in completing the audit of the consolidated statement of financial position of Songmart Group as at the acquisition date i.e., 28 October 2022 as well as the consolidated financial statements of Songmart Group as at 31 December 2022 and for the financial period from 28 October 2022 to 31 December 2022. Despite raising this issue to the group management level and their efforts to assist, they were unable to provide viable solution to address the concerns of the component auditors.

The Group has on 28 October 2022, completed the acquisition of Songmart Holdings Sdn. Bhd. and its subsidiary corporations ("**Songmart Group**"). Songmart Group consists of (a) a Malaysia based grocery business that operates supermarket operations in Johor Bahru (b) wholesale trading of foodstuff and groceries business mainly in Malaysia.

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As announced on 8 August 2023 and 14 August 2023, the High Court of Malaysia ruled that both Songmart Malaysia and Tan Lee Heng as well as Songmart Holdings be wound up respectively. The Company is seeking further legal advice from its Malaysian legal adviser in respect of this matter, and will provide an update to its shareholders if there is any material information or development.

The audit concern highlighted by the external auditors of the Company remains unresolved, with the Songmart Group having halted its business operations as at 30 June 2023 and encountering challenges in managing personnel to address and facilitate the audit matter.

- (iii) Impairment assessment of investment in subsidiary corporations, Songmart Group due to absence of available information as auditors were unable to obtain sufficient appropriate audit evidence with respect to the recoverable amount and resultant impairment, if any, on the carrying amount of the investment in subsidiary corporations, Songmart Group as at 31 December 2022 and were also unable to perform appropriate alternative audit procedures to determine the effect of adjustments, if any, on the statement of financial position of the Group as at 31 December 2022.

The Group will perform a full impairment assessment on Songmart Group taking into consideration of the latest winding up status.

- (iv) The Group acts as one of the guarantors to a bank in respect of bank borrowings granted to its subsidiary corporations, Songmart Group, and as at 31 December 2022, these bank borrowings were collectively in breach of loan covenants, which could result in expected credit losses.

The Group is in the midst of working together with the liquidator that was appointed to Songmart Holdings for the winding up process which will include, among others, liquidating all of Songmart Holdings' properties in order to generate cash flows, which will be used for repayment of its outstanding bank loans and with this, it will withdraw the Company as guarantor to the bank.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

The board of directors (the “**Board**”) confirms that the impact of the audit issues on the financial statements has been adequately disclosed.

3. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

(A) Review of condensed interim consolidated statement of profit or loss and other comprehensive income

Revenue and Gross Profit

The Group's primary business is in groceries including, but not limited to, that of import and export distribution of groceries related products in Malaysia. Songmart has contributed S\$888,000 of revenue to the Group with a gross loss of S\$2,070,000 for the second quarter ended 30 June (“**2Q**”) 2023.

Cost of sales

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In line with higher revenue recorded, as a result of the Group's groceries business, the Group's costs of sales was recorded at S\$2,958,000 for 2Q2023 as compared to nil in 2Q2022.

Other gains/(losses), net

The Group had incurred other loss (net) of S\$24,000 for 2Q2023 as compared to other losses (net) of S\$20,000 in 2Q2022 due to currency translation losses during the current period and partially offset by government grants and rental concessions received in the current quarter, but not in the comparative quarter.

Marketing and distribution expenses

Marketing and distribution expenses slightly increased from nil in 2Q2022 to S\$4,000 in 2Q2023 due to the consolidation of Songmart's financial results in which advertising and promotional expenses were incurred for the groceries business.

Administrative Expenses

Administrative expenses increased from S\$382,000 for 2Q2022 to S\$604,000 for 2Q2023 due to the consolidation of financial results of Songmart. The administrative expenses comprises mainly of the business operating expenses such as employment costs, supermarket expenses and utilities incurred during the quarter.

Finance Costs

Finance costs are substantially the accrued interest from the 13 Dec 2019 Convertible Loans, the 23 Dec 2019 Convertible Loan and the 3 Jan 2020 Convertible Loan. Finance costs increased from S\$83,000 in 2Q2022 to S\$119,000 in 2Q2023 mainly due to interest expenses incurred in Songmart such as term loan interest, bank overdraft interest and trade finance interest as well as the aforementioned accrued interest from the convertible loans issued by the Company.

Net Loss

As a result of the above, the Group recorded a net loss after tax of S\$2,821,000 during 2Q2023 as compared to a net loss after tax of S\$485,000 during 2Q2022.

(B) Review of condensed interim financial statements of financial position

Current Assets

Current assets decreased from S\$8.14 million as at 31 December 2022 to S\$1.92 million as at 30 June 2023, mainly due to (a) the decrease in inventories of Songmart Group which decreased from S\$4.40 million as at 31 December 2022 to nil as at 30 June 2023 due to the cessation of business operations and (b) the decrease in cash and bank balances which decreased from S\$0.37 million as at 31 December 2022 to S\$0.07 million as at 30 June 2023, where such decrease resulted from the reduction in sales, and costs of sales during the quarter in Songmart Group.

For more details on the decrease in cash and bank balances from S\$0.37 million as at 31 December 2022 to S\$0.07 million as at 30 June 2023, please refer to the section on "Review of condensed interim consolidated statement of cash flows" below.

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Trade and other receivables decreased from S\$3.16 million as at 31 December 2022 to S\$1.58 million as at 30 June 2023 mainly due to decrease in account receivables arising from Songmart's accounts.

Income tax recoverable increased from S\$0.22 million as at 31 December 2022 to S\$0.27 as at 30 June 2023 due to additional tax paid arising from Songmart's accounts.

Non-current Assets

The decrease non-current assets arose primarily from a decrease in property, plant and equipment to S\$12.75 million as at 30 June 2023, from S\$13.94 million as at 31 December 2022, due to the depreciation charged on property, plant and equipment during the period.

Liabilities

Trade and other payables decreased from S\$11.44 million as at 31 December 2022 to S\$8.90 million as at 30 June 2023, due to the decrease in Songmart's trade and other payables within its business operations due to a decrease in purchases of goods and services from suppliers.

Current and non-current borrowings decreased from S\$13.05 million and S\$3.04 million as at 31 December 2022 respectively to S\$12.88 million and S\$2.62 million as at 30 June 2023 respectively, due to monthly repayments on borrowings owed to a bank.

Working Capital

The Group recorded a negative working capital of S\$19.86 million as at 30 June 2023, as compared to a negative working capital of S\$16.35 million as at 31 December 2022, primarily arising from decrease of inventories and trade and other receivables.

As set out in Note 3 of this announcement, the Board is aware of the negative working capital and is of the view that there is a material uncertainty surrounding the Group's ability to continue its operations as a going concern and to meet its financial obligations in the ordinary course of business. Following the latest developments surrounding the Songmart Group, the Company is working together with the liquidator appointed to Songmart Holdings for the winding up process and will be, among others, liquidating all of Songmart Holdings' properties to generate cash flows which will be used for repaying the outstanding bank loans and its relevant creditors, where possible.

Equity

The Group's equity decreased from S\$10.23 million as at 31 December 2022 to S\$5.90 million as at 30 June 2023 due mainly to losses incurred amounting to S\$4.33 million during the 6 months ended 30 June 2023.

(C) Review of condensed interim consolidated statement of cash flows

Net cash generated from operating activities amounted to S\$495,000 for 2Q2023, mainly due to operating cash outflows before working capital changes of S\$2,772,000, net cash generated from working capital of S\$3,368,000 and interest paid of S\$101,000. Net cash generated from working capital was mainly a result of increase in trade and other receivables and operating expenses incurred and partially offset by trade and other payables during the period.

Net cash generated from investing activities of S\$26,000 was due to the sale proceeds received from the disposal of a motor vehicle under the Group's property, plant and equipment ("PPE") amounting

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to S\$83,000, slightly offset by the acquisition of PPE of S\$57,000, which encompasses expenses related to building improvements and furnishings.

Net cash used in financing activities of S\$943,000 in 2Q2023 was mainly due to the repayment of the loan and borrowings and lease liabilities.

The Group had a net cash outflow of S\$422,000 during 2Q2023. The negative cash and cash equivalents as at 30 June 2023 amounted to S\$1,182,000.

4. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

The second quarter of 2023 presented significant challenges for the Group, primarily due to the increased cost of living and the inflationary environment. These factors have resulted in a shift in consumer spending habits, which continues to be a significant concern for the Group's operating environment and financial performance throughout the financial year ending 31 December 2023.

Hotel development

Favourable economic and real estate indicators herald a promising start in 2023 for Thailand. The signs of improvements and growth are consistent with the final quarter of 2022¹. This promising start to 2023 finds its roots firmly embedded in the consistent trajectory of progress observed throughout the previous year. As Thailand's economic and real estate sectors resonate with optimism and potential, the stage is set for a year of prosperity and expansion.

Further to the announcement entitled "Responses to SGX Queries" released on 7 March 2023, in respect of the current status of the Grand Bay Project, the Group is in the midst of negotiations with potential investors and other financiers for the Grand Bay Project, including strategising the sale of the units for the Grand Bay Project. The Group shall update shareholders of the Company as soon as there is a meaningful breakthrough in the development on Grand Bay.

Singapore

Singapore's currency strength remains an advantage for the Group and the Group will continue to maintain its investment holding position in Singapore and to manage the regional markets in both Malaysia and Singapore.

¹ <https://lazudi.com/th-en/blog/thailand-real-estate-market-outlook-in-2023-first-quarter-edition>

6. Dividend

(a) Current Financial Period reported on

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

- (d) The date the dividend is payable.**

Not applicable.

- (e) The date on which Registrable Transfers received by the company (up to 5:00pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

- 7. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

No dividend has been declared or recommended for 2Q2023, as the Group had recorded a net loss for 2Q2023.

- 8. If the Group has obtained a general mandate from shareholders for Interested Parties Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No general mandate for IPTs has been obtained from shareholders of the Company.

- 9. Confirmation pursuant to Rule 720(1) of the Catalist Rules.**

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules.

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10. Please disclose the status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use in the offer document or the announcement of the issuer.

No further proceeds have been used since its announcement dated 11 November 2022. The Company's use of proceeds are set out as follows:

Placement dated 7 July 2021

Intended uses	Amount allocated (S\$'000)	Amount allocated after reallocation (S\$'000) ⁽¹⁾	Amount utilised (S\$'000)	Balance (S\$'000)
Business acquisition expenses ⁽²⁾	200	200	112	88
Payment of borrowings ⁽³⁾	800	289	289	-
General working capital	485	996	985 ⁽⁴⁾	11
Total	1,485	1,485	1,386	99

Notes:-

- (1) Please refer to the Company's announcement dated 20 July 2022 in respect of the re-allocation of the use of proceeds.
- (2) Business acquisition expenses refer to the expenses to be incurred in relation to the proposed acquisition of the entire issued share capital of Songmart Holdings Sdn Bhd, which relate mainly to professional fees for the conduct of due diligence and associated work.
- (3) The Group has certain borrowings including a director's loan and certain convertible loans obtained in 2019 and 2020. The Group had initially allocated S\$800,000 to make partial repayment of its borrowings if required. The Company had on 20 July 2022, reallocated the unutilised portion as it did not envisage the need to repay any borrowings with the proceeds.
- (4) There has been no further utilisation of the proceeds for general working capital since the Company's earlier update on 11 November 2022.

Save for the re-allocation announced on 20 July 2022, the use of proceeds of the Placement completed on 7 July 2021 is in accordance with the intended use as previously disclosed in the Company's announcements.

The Company will make periodic announcements as and when the balance of the net proceeds of the Placement are materially disbursed.

11. Confirmation by the Board pursuant to Rule 705(5) of the Catalist Rules

On behalf of the board of directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the board of directors of the Company which may render the condensed interim financial statements for the second quarter and six months ended 30 June 2023 to be false or misleading in any material aspect.

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BY ORDER OF THE BOARD

**Chew Hai Chiene Hester Arthur
Group Chief Officer and Executive Director**

**Chang Wei Lu
Executive Chairman**

14 August 2023