

PROPOSED ACQUISITION OF GROCERIES BUSINESSES IN MALAYSIA

1. INTRODUCTION

1.1 The board of directors (the “**Board**” or the “**Directors**”) of Mercurius Capital Investment Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated 9 April 2021 and 7 June 2021 in relation to the signing of a legally binding term sheet in respect of the proposed acquisition of groceries businesses in Malaysia (“**Announcements**”). *Unless otherwise defined, all capitalised terms herein shall have the meanings as ascribed to them in the Announcements.*

1.2 Further to the Announcements, the Board wishes to update Shareholders as follows:

- (a) The SPV, Songmart Holdings Sdn. Bhd., was incorporated as a private company in Malaysia in April 2021 by the Vendors through their respective investment holding entities namely, Tan Lee Heng (M) Sdn Bhd, Fourseas Capital Sdn Bhd and Fourseas Holdings Sdn Bhd (collectively, the “**SPV Shareholders**”). Please refer to paragraph 2 of this announcement for more information on the SPV.
- (b) The Company had, on 12 July 2021, entered into a share sale agreement (the “**SSA**”) with the SPV Shareholders to acquire all the ordinary shares representing 100% of the entire issued and paid-up capital of the SPV (“**Sale Shares**”) (the “**Proposed Acquisition**”). The businesses (including without limitation to the properties, assets and employees) of the companies set out in APPENDIX 1 of this announcement (the “**Targets**”) will be consolidated and owned by the SPV on or prior to completion of the Proposed Acquisition.

2. INFORMATION ON THE SPV AND RELATED ENTITIES

2.1 Information on the SPV Shareholders and the SPV as at the date of this announcement

The SPV Shareholders are the legal and beneficial owners of the Sale Shares and the Vendors are the legal and beneficial owners of the entire issued and paid-up share capital of the SPV Shareholders. Each of the Vendors and the SPV Shareholders is an independent third party unrelated to any of the Directors or substantial shareholders of the Company and their respective associates.

The SPV is a private company limited incorporated in Malaysia on in April 2021 whose principal business is that of an investment holding company. The SPV has an issued and paid-up capital of RM100 comprising 100 ordinary shares as at the date of this announcement.

Songmart Malaysia Sdn Bhd (“**Songmart Malaysia**”) and Tan Lee Heng Import & Export Sdn Bhd (“**Tan Lee Heng**”) are wholly owned by the SPV. Songmart Malaysia is a private company incorporated in Malaysia in May 2021, whose principal business is the operation of mini markets, convenience stores and supermarkets. Songmart Malaysia has an issued and paid-up capital of RM100 comprising 100 ordinary shares. Tan Lee

Heng is a private company limited incorporated in Malaysia in May 2021, whose principal business is the wholesale, trading, export and import of a variety of goods. Tan Lee Heng has an issued and paid-up capital of RM100 comprising 100 ordinary shares

2.2 Information on Granville Grocery Sdn Bhd (“Granville”)

Pursuant to the terms and conditions of the SSA, the completion of the Proposed Acquisition is conditional on the acquisition of the entire issued and paid-up capital of Granville by the SPV. Granville is a private company incorporated in Malaysia in September 2018, whose principal business is the operation of department stores, supermarkets and retail sale of other food products. As at the date of this announcement, Granville has an issued and paid-up capital of RM100,000 comprising 100,000 ordinary shares, entirely owned by two of the Vendors.

2.3 Proposed Diversification

Upon completion of the Proposed Acquisition, the Company will own the entire issued and paid-up share capital of the SPV, which in turn will own the entire issued and paid-up share capital of Songmart Malaysia, Tan Lee Heng and Granville, and will have acquired the businesses (including without limitation to the properties, assets, and the employees) of the Targets. The Company had previously disclosed in the Announcements that it intended to acquire the business of Pasaraya Songmart (Kulaijaya) Sdn Bhd. This will be excluded from the Proposed Acquisition as Pasaraya Songmart (Kulaijaya) Sdn Bhd is a dormant entity.

As described above and in the Company’s announcement dated 9 April 2021, the SPV and its subsidiaries (and Granville) (collectively, the “**Target Group**”) are 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. The Group is currently in the business of property development and property investment. Upon completion of the Proposed Acquisition, the Group’s business and operations include those of the Target Group. Accordingly, the Company shall be seeking the approval of its Shareholders for the diversification of business (“**Proposed Business Diversification**”) at an extraordinary general meeting (“**EGM**”) to be convened in due course.

2.4 Financial Information of the Target Group

Based on the unaudited pro forma condensed combined financial statements of the Target Group for the financial year ended 31 December 2020 (“**FY2020**”), the net tangible asset (“**NTA**”) value of the Target Group was approximately RM13.8 million and the profit before tax of the Target Group was approximately RM9.4 million.

The pro forma financial information above has been prepared based on the assumption that the Transfers (as defined in paragraph 3.4(a) below) and the acquisition of the entire issued and paid-up share capital of Granville by the SPV referred to in paragraph 3.4(h) below were completed on 1 January 2020 (in respect of the profit before tax of the Target Group) and 31 December 2020 (in respect of the NTA of the Target Group).

3. **SALIENT TERMS OF THE PROPOSED ACQUISITION**

3.1 Purchase Consideration

Pursuant to the SSA, the aggregate consideration for the Proposed Acquisition is S\$36 million, subject to adjustments in the event certain Profit Targets (as defined herein) are not met (the “**Purchase Consideration**”). Details of the adjustments are set out in this paragraph 3.1 and in APPENDIX 2 of this announcement. The Purchase Consideration shall be fully paid by the Company to the SPV Shareholders and/or its nominees by way of an allotment and issuance of 200 million new ordinary shares in the capital of the Company (“**Consideration Shares**”) at an agreed issue price of S\$0.18 per Consideration Share, in the following tranches:

- (a) allotment and issuance of 66,666,666 Consideration Shares (equivalent to approximately S\$12 million of the Purchase Consideration) upon completion of the transfer of the Sale Shares which is expected to occur within six weeks from the Completion Date (“**Tranche 1**”);
- (b) allotment and issuance of 66,666,666 Consideration Shares (equivalent to approximately S\$12 million of the Purchase Consideration) within six weeks from the date on which the audited consolidated accounts of the SPV for the financial year ended 31 December 2022 (“**FY2022**”) is delivered to the Company (“**Tranche 2**”); and
- (c) allotment and issuance of 66,666,668 Consideration Shares (equivalent to approximately S\$12 million of the Purchase Consideration) to the SPV Shareholders within six weeks from the date on which the audited consolidated accounts of the SPV for the financial year ended 31 December 2023 (“**FY2023**”) is delivered to the Company (“**Tranche 3**”),

in the proportions stated below:

Name of SPV Shareholder	No. of Consideration Shares		
	Tranche 1	Tranche 2	Tranche 3
Tan Lee Heng (M) Sdn Bhd	20,000,000	20,000,000	20,000,000
Fourseas Capital Sdn Bhd	23,333,333	23,333,333	23,333,334
Fourseas Holdings Sdn Bhd	23,333,333	23,333,333	23,333,334
TOTAL	66,666,666	66,666,666	66,666,668

The Consideration Shares will be allotted and issued in full in respect of Tranche 2 and Tranche 3 upon the achievement of certain profit targets for FY2022 and FY2023 respectively, or otherwise subject to the adjustments, in accordance with APPENDIX 2 of this announcement (“**Profit Targets**”).

The 200 million Consideration Shares represent (i) approximately 15.08% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.10% of the enlarged issued and paid-up share capital of the Company immediately after the issue of the Consideration Shares. The Consideration Shares, when allotted and issued, will be credited as fully paid for, free from all encumbrances and will rank *pari passu* in all respects with the existing ordinary shares of the Company (“**Shares**”) except that the Consideration Shares shall not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the date of allotment thereof.

The Consideration Shares will be issued pursuant to the general mandate obtained at the annual general meeting of the Company held on 26 April 2021 (“**FY2020 AGM**”) which authorises the Directors, pursuant to Rule 806 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), to allot and issue new shares in the capital of the Company in accordance with, and subject to, the provisions of Rule 806 of the Catalist Rules (“**Share Issue Mandate**”). As at the date of the FY2020 AGM, the Company had a total of 1,297,363,940 Shares (excluding treasury shares and subsidiary holdings). Pursuant to the Share Issue Mandate, the aggregate number of new Shares authorised to be issued other than on a pro-rata basis to the existing Shareholders shall not exceed 648,681,970 Shares (excluding treasury shares and subsidiary holdings), being 50% of the total issued Shares as at the date of the FY2020 AGM. As at the date of this announcement, the Company has issued 27,272,727 Shares pursuant to a placement under the Share Issue Mandate. After the allotment and issuance of the full amount of the Consideration Shares, 421,409,243 Shares remain to be issued other than on a pro-rata basis to the existing Shareholders under the Share Issue Mandate.

The issue of the Consideration Shares is conditional upon the approval of the SGX-ST for the listing and quotation of the Consideration Shares on the SGX-ST. The Company will be making an application to the SGX-ST for the listing and quotation of the Consideration Shares on the SGX-ST. The Company will announce the receipt of the in-principal approval for the listing and quotation of the Consideration Shares from the SGX-ST.

3.2 Basis of the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis taking into account the following:

- (i) the unaudited pro forma condensed combined financial statements of the Target Group for FY2020 and the three-month period ended 31 March 2021 (“**1Q2021**”), including the NTA and the profit before tax of the Target Group of approximately RM13.8 million and RM9.4 million respectively for FY2020 and RM16.1 million and RM2.4 million respectively for 1Q2021;
- (ii) the historical financial results of each of the Targets and Granville;
- (iii) the Profit Targets;
- (iv) the prevailing market valuation of the properties owned by the Target Group as set out in APPENDIX 3 (the “**Properties**”) determined with reference to the recent transacted prices of similar properties in the vicinity;
- (v) Sale Shares representing the entire issued and paid-up share capital of the SPV;
- (vi) the prevailing economic conditions and the potential growth outlook of the Target Group; and
- (vii) market valuation based on price earnings ratio of comparable companies listed on the SGX.

No independent valuation has been conducted on the Target Group.

3.3 Completion Date

Completion of the Proposed Acquisition (“**Completion**”) shall take place no later than six weeks from the date of the fulfilment or waiver of the last of the conditions precedent as set out in the SSA (the “**Completion Date**”), in any event no later than the Long-Stop Date (as defined in paragraph 3.5 of this announcement below), or such other date as the Parties may mutually agree in writing.

3.4 Key Conditions Precedent

Completion of the SSA is conditional upon, among others, the following conditions:

- (a) the completion of the transfer of the Properties free from all encumbrances to the SPV by the relevant Targets, and the transfer of the movable assets and employees of the Targets to the SPV (collectively, the “**Transfers**”);
- (b) the relevant business premise, trading and signboard licences required for the purposes of conducting and carrying on the business at the respective Properties having been issued to the SPV by the relevant authorities, and remaining in force and not having expired or been revoked;
- (c) the approval of the Malaysian Labour Department in relation to the transfer of foreign employees to the SPV, and the relevant permits in respect of such transfer, having been obtained;
- (d) the pro forma group financial statements of the SPV and the businesses of the Targets for a period of at least 12 full calendar months immediately preceding the date of the SSA being provided to the Company;
- (e) the completion of legal, financial and technical due diligence investigations being conducted by the Company and its advisers or representatives on the SPV, the results of such investigations being reasonably satisfactory to the Company;
- (f) the completion of legal, financial and technical due diligence investigations being conducted by the SPV Shareholders and its advisers or representatives on the Company, the results of such investigations being reasonably satisfactory to the SPV Shareholders;
- (g) the approval of the directors and shareholders of the SPV Shareholders for, among others, the Proposed Acquisition;
- (h) the completion of the acquisition of the entire issued and paid-up share capital of Granville by the SPV;
- (i) the approval of the Shareholders of the Company for, among others, the Proposed Business Diversification; and
- (j) receipt by the Company of the SGX-ST’s listing and quotation notice in respect of the Consideration Shares.

3.5 Termination of the SSA

- (a) *Non-fulfilment of Conditions Precedent*

The SSA may be terminated by written notice if Completion does not take place within nine months from the date of the SSA (“**Long-Stop Date**”), or such later date as the Parties may mutually agree.

(b) *Breach by SPV Shareholders*

The SSA may be terminated by the Company prior to Completion Date by written notice if the SPV Shareholders fail to perform their obligations or breach any of the terms and conditions of the SSA, and such failure is not remedied within 14 days of the written notice by the Company specifying such breach.

(c) *Breach by Company*

The SSA may be terminated by the SPV Shareholders prior to Completion Date by written notice if the Company fails to perform its obligations or breaches the any of the terms and conditions of the SSA, and such failure is not remedied within 14 days of the written notice by the SPV Shareholders specifying such breach.

3.6 Other Salient Terms

- (a) The SPV Shareholders shall be entitled to nominate two representatives to be appointed to the Board, subject to compliance with all applicable laws, rules and regulations, including but not limited to the Code of Corporate Governance 2018, the Companies Act (Cap. 50) of Singapore and the Catalist Rules, and the approval of the Company's sponsor, Novus Corporate Finance Pte. Ltd. The representatives shall also be appointed as the chief executive officer (“**CEO**”) and alternate CEO of a new business division to be established to manage the businesses of the Target Group upon the completion of the Proposed Acquisition.
- (b) The SPV Shareholders agree to comply with the terms and conditions of any moratorium on the sale or disposal of the SPV Shareholders’ Consideration Shares, as the SGX-ST may impose.
- (c) The SPV Shareholders shall not, and shall procure that the Vendors do not, among others, for a period of three years from Completion Date do any of the following without the written consent of the Company:
- (i) carry on or be directly or indirectly engaged, concerned or interested in any business which competes with the business as carried on by the Target Group in Malaysia;
 - (ii) canvass, solicit or approach any person who is or was a customer, prospective customer, representative or agent of the SPV at any time during the one-year period immediately preceding Completion Date to, among others, offer or provide similar goods or services as supplied by the SPV;
 - (iii) interfere with the continuance of supplies to the SPV by any person who is or was a supplier of the SPV at any time during the one-year period immediately preceding Completion Date; and
 - (iv) solicit or employ any person who is or was employed by the SPV, as a consultant or in a managerial, supervisory, technical or sales capacity, at any time during the six-month period immediately preceding Completion Date.
- (d) The SPV Shareholders and the Vendors shall not use the word “*Songmart*” in relation to, among others, any of their respective trades, businesses and intellectual property.

4. RATIONALE FOR THE PROPOSED ACQUISITION

As disclosed in the Company's announcement dated 9 April 2021, the Board is of the view that the Proposed Acquisition would provide the following commercial benefits to the Group:

- (a) The Proposed Acquisition is in line with the Company's intention to seek out and explore new business opportunities to improve Shareholder value, and to engage in investments to generate new revenue streams and operating cash flow for the Group.
- (b) The Proposed Acquisition will allow the Company to diversify and expand into other business opportunities. The Company believes this presents a good opportunity for the Group to diversify its business into the supermarket business, which will strengthen its competitive advantage and provide a source of recurring income to the Group.
- (c) The business of the Target Group is profitable. The Proposed Acquisition would therefore provide the Group with the opportunity to acquire profitable entities and would hopefully be earnings accretive with opportunities for growth. As such, the Company believes that the Proposed Acquisition is in the interests of the Group and will enhance Shareholders' value in the long term.

5. CHAPTER 10 OF THE CATALIST RULES

Based on the latest announced unaudited consolidated financial statements of the Group 1Q2021 and the unaudited pro forma condensed combined financial statements of the Target Group for 1Q2021, the relative figures of the Proposed Acquisition on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of compared with the Group's net asset value	Not applicable ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the assets acquired compared with the Group's net loss	(303)% ⁽³⁾
(c)	The aggregate value of the consideration given or received compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	15.08% ⁽⁴⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	15.08% ⁽⁵⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not an acquisition of such assets	Not applicable ⁽⁶⁾

Notes:

- (1) Rule 1006(a) of the Catalist Rules is not applicable to an acquisition of assets.
- (2) Net profits is defined to be profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) Computed based on the pro forma net profits before income tax of the Target Group of approximately RM2,360,000 million (equivalent to approximately S\$761,000 based on an exchange rate of RM3.1 : S\$1.00) for 1Q2021 and the unaudited net loss before income tax of the Group of approximately S\$251,000 for 1Q2021.
- (4) This is calculated based on the Purchase Consideration of S\$19.0 million (determined based on the higher of (i) the market value of the 200 million Consideration Shares of approximately S\$19.0 million and (ii) the net asset value of the 200 million Consideration Shares of S\$620,000 as of 8 July 2021), and the Company's market capitalisation of approximately S\$126,397,000. The market capitalisation of the Company was computed based on the issued shares of the Company ("**Shares**") of 1,326,306,667 Shares and the volume weighted average price of S\$0.0953 per Share, based on trades transacted on 8 July 2021 (being the last market day preceding the date of the SSA on which the Shares were transacted).
- (5) This is calculated based on 200 million Consideration Shares and based on 1,326,306,667 Shares as at the date of this announcement.
- (6) Rule 1006(e) of the Catalist Rules is not applicable as the Company is not a mineral, oil and gas company.

Pursuant to Rule 1009 of the Catalist Rules, as the Purchase Consideration will be satisfied wholly by the issuance of Consideration Shares, the Company must duly announce the Proposed Acquisition as soon as possible after the terms have been agreed.

Pursuant to paragraph 4.4(b) of Practice Note 10A of the Catalist Rules, the relative figures computed based on each of Rule 1006(c) and Rule 1006(d) of the Catalist Rules do not exceed 75% and the net profit attributable to the asset to be acquired exceeds 5% of the consolidated net loss of the issuer (based on the absolute figures). Accordingly, the Proposed Acquisition constitutes a "disclosable transaction" under Chapter 10 of the Catalist Rules and Shareholders' approval for the Proposed Acquisition is not required.

Notwithstanding the foregoing, the Company will seek Shareholders' approval for the Proposed Business Diversification (please refer to paragraph 2.3 of this announcement) at an EGM to be convened.

6. PRO FORMA FINANCIAL EFFECTS

The pro forma financial effects are presented for illustrative purposes only and are not intended to reflect the actual future financial position of the Company following the completion of the Proposed Acquisition.

Such pro forma financial effects have been computed based on the audited consolidated financial statements of the Group for FY2020 and the unaudited pro forma condensed combined financial statements of the Target Group for FY2020, and based on the following assumptions:

- (a) the financial effects of the Proposed Acquisition on NTA per Share are computed assuming that the Proposed Acquisition was completed on 31 December 2020;
- (b) the financial effects of the Proposed Acquisition on the earnings per Share (“EPS”) of the Group are computed assuming that the Proposed Acquisition was completed on 1 January 2020;
- (c) the 200 million Consideration Shares were issued on 1 January 2020;
- (d) the issue price for the Consideration Shares equals to the fair value of the Shares; and
- (e) transactional costs incurred for the Proposed Acquisition are assumed to be insignificant and as such, have not been taken in account in the computation of the financial effects.

6.1 NTA per Share

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$)	4,201,000	8,644,548
Number of Shares	1,297,363,940	1,497,363,940
NTA per Share (S\$ cents)	0.32	0.58

6.2 EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to owners of the Company (S\$)	(1,989,000)	1,083,903
Weighted average number of Shares	1,286,204,000	1,486,204,000
EPS (S\$ cents)	(0.15)	0.73

6.3 Gearing

There is no material impact on the gearing ratio of the Group arising from the Proposed Acquisition.

7. **DISCLOSURE UNDER 1013 OF THE CATALIST RULES**

Rule 1013(1) of the Catalist Rules provides, *inter alia*, that where an issuer accepts a profit guarantee or a profit forecast (or any covenant which quantifies the anticipated level of future profits) from a vendor of assets/business, the issuer’s announcement in Rule 1010 must contain information on the profit guarantee or the profit forecast, including the following:

7.1 **Rule 1013(1)(a)**

The views of the board of directors of the Company in accepting the profit guarantee or the profit forecast and the factors taken into consideration and basis for such a view

The Profit Targets were provided based on the pro forma financial performance of the Target Group for FY2020 and the intrinsic potential of the business to grow and expand further. The Board is of the view that the provision of such Profit Targets helps to safeguard the interests of the Company and the Shareholders.

7.2 **Rule 1013(1)(b)**

The principal assumptions including commercial bases and assumptions upon which the quantum of the profit guarantee or the profit forecast is based

The principal assumptions including commercial bases and assumptions are as follows:

1. There are no material changes in the existing political, economic, legal and social conditions, and regulatory and fiscal measures in the country in which the Target Group operates.
2. There will be no significant changes in the structure of the Target Group and its principal sources of revenue.
3. There will be no material loss of major customers, major suppliers, strategic partners which are essential for the operations of the Target Group.
4. There will be no material changes in the key personnel of the Target Group.
5. There will be no material adverse effect from any industrial or commercial disputes, which will affect the profitability and financial position of the Target Group.
6. There will be no material changes in the inflation rates during the period relating to the Profit Target.
7. There will be no material changes in the borrowings and its prevailing interest rates.
8. There are no changes to the accounting policies normally adopted in the preparation of the financial statements of the Target Group.
9. There will be no material capital expenditure during the period relating to the Profit Target.

7.3 **Rule 1013(1)(c)**

The manner and amount of compensation to be paid by the vendor in the event that the profit guarantee or the profit forecast is not met and the conditions precedent, if any, and the detailed basis for such a compensation

In the event that the Target Group fails to meet the Profit Target, the Consideration Shares will not be released to the SPV Shareholders in full. In such an event, the Consideration Shares to be issued under Tranche 2 and Tranche 3 will be adjusted based on the formula set out in APPENDIX 2.

7.4 **Rule 1013(1)(d)**

The safeguards put in place (such as the use of a banker's guarantee) to ensure the issuer's right of recourse in the event that the profit guarantee or the profit forecast is not met, if any

As mentioned above, the Consideration Shares to be paid in Tranche 2 and Tranche 3 will be adjusted in the event the Target Group does not meet the Profit Targets.

8. **INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Acquisition (other than through their respective shareholdings in the Company, if any).

9. **EGM AND CIRCULAR TO SHAREHOLDERS**

As mentioned in paragraph 2.3 of this announcement above, the Company will seek the approval of its Shareholders for the Proposed Business Diversification at an EGM to be convened. A circular containing

further details of the Proposed Business Diversification and enclosing a notice of EGM in connection therewith will be despatched to the Shareholders of the Company in due course.

10. SERVICE AGREEMENT

Pursuant to paragraph 3.6(a) of this announcement, it is envisaged that the Company will, upon completion of the Proposed Acquisition, enter into a service agreement with each of the CEO and alternate CEO as nominated by the SPV Shareholders who will also be Directors of the Company.

As at the date of this announcement, the Company has not entered into any service agreement with any Director or any person proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

12. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the SSA is available for inspection during normal business hours at the Company's registered office at 6 Shenton Way, #42-04, OUE Downtown, Singapore 068809 for three months from the date of this announcement.

13. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the shares of the Company in relation to this announcement as there is no certainty that the Proposed Acquisition will be completed. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

14. FURTHER ANNOUNCEMENTS

The Company will make further announcements where necessary as and when there are any material developments in relation to the Proposed Acquisition.

BY ORDER OF THE BOARD

Chang Wei Lu
Executive Chairman and Chief Executive Officer
12 July 2021

*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.

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.

APPENDIX 1

TARGETS

1. Tan Lee Heng (M) Sdn. Bhd.
2. Pasaraya Songmart (Kluang) Sdn. Bhd.
3. Pasaraya Songmart (Kota Tinggi) Sdn. Bhd.
4. Pasaraya Songmart (Pulai Perdana 2) Sdn. Bhd.
5. Pasaraya Songmart (Sri Stulang) Sdn. Bhd.
6. Pasaraya Songmart (Bandar Tenggara) Sdn. Bhd.
7. Pasaraya Songmart (Chellam) Sdn. Bhd.
8. Songmart Cash & Carry Sdn. Bhd.

APPENDIX 2

Adjustment to Consideration Shares

1. Profit Targets

(a) The Consideration Shares to be allotted and issued in full in respect of Tranche 2 and Tranche 3 upon the achievement of the following profit targets for FY2022 and FY2023 respectively:

(i) the SPV achieving a consolidated profit after tax (“**PAT**”) of RM15 million for FY2022 (“**FY2022 Profit Target**”); and

(ii) the SPV achieving a PAT of RM16.5 million for FY2023 (“**FY2023 Profit Target**”),

as determined based on the audited consolidated financial statements of the SPV for the same period.

(b) For the avoidance of doubt:

(i) The PAT shall exclude gains which are not attributable to the operation of the ordinary course of business, including but not limited to revaluation gains and any profits from the sale of immovable properties such as land and buildings.

(ii) In the event that the Transfers (as mentioned in paragraph 3.4(a) of this announcement above) are completed after 1 January 2022, the audited consolidated financial statements of the SPV for FY2022 shall include all operating profits of the Target Group for FY2022 for the purposes of determining whether the FY2022 Profit Target has been achieved.

2. Adjustment to Consideration Shares

(a) Where the FY2022 PAT of the SPV does not meet the FY2022 Profit Target, the number of Tranche 2 Consideration Shares to be issued to the SPV Shareholders shall be adjusted and reduced as set out in paragraph 2(b) below (subject to any clawback described in paragraph 3 below); where the FY2023 PAT of the SPV does not meet the FY2023 Profit Target, the number of Tranche 3 Consideration Shares to be issued to the SPV Shareholders shall be adjusted and reduced as set out in paragraph 2(b) below (the “**Adjustment to Consideration Shares**”).

(b) All Adjustments to Consideration Shares shall be determined as follows:

$$\text{No. of Consideration Shares to be issued} = (A / B) \times C$$

Where:

“A” = the PAT for the relevant financial year;

“B” = the Profit Target for the relevant financial year; and

“C” = number of Consideration Shares to be issued to the respective SPV Shareholder in respect of the relevant Tranche as set out in paragraph 3.1 of the announcement above,

(the “**Adjustment Formula**”).

3. Clawback Consideration Shares

- (a) The SPV Shareholders and the SPV will have FY2023 to make good any shortfall in profit in FY2022.
- (b) Where (i) there is a profit shortfall for FY2022 and an Adjustment to Consideration Shares is applied to the Tranche 2 Consideration Shares in accordance with the Adjustment Formula, and (ii) the FY2022 PAT of the SPV is not less than RM13.5 million, the Company shall issue such number of additional Consideration Shares to the SPV Shareholders (“**Clawback Consideration Shares**”) (accordingly to their respective proportions) which shall be determined as follows:
- (A) where the profit shortfall for FY2022 is made good fully in FY2023 after taking into consideration the FY2023 Profit Target, the Company will issue such number of Clawback Consideration Shares to make up to the full number of the Tranche 2 Consideration Shares as if no Adjustment to Consideration Shares were made for FY2022 (in addition to issuing the full Tranche 3 Consideration Shares); and
- (B) where the profit shortfall for FY2022 is made good partially in FY2023 after taking into consideration the FY2023 Profit Target, the Company will issue such number of Clawback Consideration Shares determined as follows (in addition to issuing the full Tranche 3 Consideration Shares):

$$\text{No. of Clawback Consideration Shares to be issued} = (A / B) \times C$$

Where:

- “A” = the FY2023 PAT less RM16.5 million (being the FY2023 Profit Target);
- “B” = RM16.5 million, being the FY2023 Profit Target; and
- “C” = 66,666,668, being the number of Tranche 3 Consideration Shares,

(the “**Clawback Formula**”).

- (c) For the avoidance of doubt, there will be no clawback in respect of Tranche 2 Consideration Shares if the FY2022 PAT is lower than RM13.5 million.
4. The number of Consideration Shares and Clawback Consideration Shares to be issued as determined based on the Adjustment Formula or the Clawback Formula, as the case may be, shall be rounded up to the nearest one Share.

APPENDIX 3

PROPERTIES

Pasaraya Songmart (Chellam) Sdn. Bhd. shall transfer the following Properties to the SPV as a condition precedent to the completion of the Proposed Acquisition:

No.	Address of the Properties
1.	No. 18, Jalan Palma Rafis 1, Taman Dato Chellam, 81800 Ulu Tiram, Johor
2.	No. 20, Jalan Palma Rafis 1, Taman Dato Chellam, 81800 Ulu Tiram, Johor
3.	No. 22, Jalan Palma Rafis 1, Taman Dato Chellam, 81800 Ulu Tiram, Johor

Pasaraya Songmart (Kota Tinggi) Sdn. Bhd. shall transfer the following Properties to the SPV as a condition precedent to the completion of the Proposed Acquisition:

No.	Address of the Property
4.	No. 9, Jalan Pulau Utama 21, Taman Pulau Utama
5.	No. 11, Jalan Pulau Utama 21, Taman Pulau Utama
6.	Plot 9, Taman Sri Stulang, Mukim Plentong
7.	Plot 10, Taman Sri Stulang, Mukim Plentong

Songmart Cash & Carry Sdn. Bhd. shall transfer the following Properties to the SPV as a condition precedent to the completion of the Proposed Acquisition:

No.	Address of the Property
8.	No. 51, Jalan Impian 1, Taman Desa Impian
9.	No. 49, Jalan Impian 1, Taman Desa Impian
10.	No. 47, Jalan Impian 1, Taman Desa Impian
11.	No. 45, Jalan Impian 1, Taman Desa Impian
12.	No. 43, Jalan Impian 1, Taman Desa Impian
13.	No. 41, Jalan Impian 1, Taman Desa Impian
14.	No. 39, Jalan Impian 1, Taman Desa Impian
15.	No. 15, Jalan Pulau 21, Taman Pulau Utama
16.	No. 13, Jalan Pulau 21, Taman Pulau Utama

Tan Lee Heng (M) Sdn. Bhd. shall transfer the following Properties to the SPV as a condition precedent to the completion of the Proposed Acquisition:

No.	Address of the Property
17.	No. 34, Jalan Kenanga 4, Taman Desa Cemerlang
18.	No. 36, Jalan Kenanga 4, Taman Desa Cemerlang
19.	No. 38, Jalan Kenanga 4, Taman Desa Cemerlang
20.	No. 40, Jalan Kenanga 4, Taman Desa Cemerlang
21.	No. 42, Jalan Kenanga 4, Taman Desa Cemerlang
22.	No. 44, Jalan Kenanga 4, Taman Desa Cemerlang
23.	No. 46, Jalan Kenanga 4, Taman Desa Cemerlang
24.	No. 2, Jalan Perdana 3/2, Taman Sri Pulau Perdana 2
25.	No. 4, Jalan Perdana 3/2, Taman Sri Pulau Perdana 2

26.	No. 6, Jalan Perdana 3/2, Taman Sri Pulai Perdana 2
27.	No. 8, Jalan Perdana 3/2, Taman Sri Pulai Perdana 2
28.	No. 10, Jalan Perdana 3/2, Taman Sri Pulai Perdana 2
29.	No. 1, Jalan Pulai 21, Taman Pulai Utama
30.	No. 3, Jalan Pulai 21, Taman Pulai Utama
31.	No. 5, Jalan Pulai 21, Taman Pulai Utama
32.	No. 7, Jalan Pulai 21, Taman Pulai Utama
33.	Plot 8, Taman Sri Stulang, Mukim Plentong
34.	No. 1, Jalan Saujana Perdana 2, Taman Saujana
35.	No. 3, Jalan Saujana Perdana 2, Taman Saujana
36.	No. 5, Jalan Saujana Perdana 2, Taman Saujana
37.	No. 7, Jalan Saujana Perdana 2, Taman Saujana