



## **MERCURIUS CAPITAL INVESTMENT LIMITED**

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

### **CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

Mercurius Capital Investment Limited (the “**Company**”) wishes to inform the shareholders of the Company that pursuant to Rule 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.*

*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.*

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

**TABLE OF CONTENTS**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION	3
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	4
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	5
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	8
OTHER INFORMATION REQUIRED PURSUANT TO APPENDIX 7C OF THE CATALIST RULES	24

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2023**

	Note	3 Months Ended		Change %
		31/3/2023 S\$'000 Unaudited	31/3/2022 S\$'000 Unaudited	
Revenue	5.1	6,688	-	NM
Cost of sales		(6,358)	(10)	NM
Gross profit		330	-	NM
Other gains/(losses), net		31	(10)	NM
Expenses				
- Marketing and distribution		(56)	-	NM
- Administrative		(1,714)	(205)	736
- Finance		(231)	(128)	80
Share of loss of joint venture		-	-	-
<b>Loss before income tax</b>	7	(1,640)	(343)	378
Income tax expense	8	-	-	-
<b>Net loss</b>		(1,640)	(343)	378
<b>Other comprehensive income/(loss), net of tax:</b>				
Items that may be reclassified subsequently to profit or loss:				
- Share of other comprehensive loss of joint venture		-	-	-
- Currency translation gains arising from consolidation		14	10	40
Other comprehensive loss, net of tax		14	10	40
<b>Total comprehensive loss</b>		(1,626)	(333)	388
<b>Net loss attributable to:</b>				
Equity holders of the Company		(1,640)	(343)	388
Non-controlling interests		*	*	NM
		(1,640)	(343)	378
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the Company		(1,626)	(333)	388
Non-controlling interests		*	*	NM
		(1,626)	(333)	388

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 new wholly-owned subsidiary, Songmart Holdings Sdn. Bhd. (“**Songmart**”), which the Company had completed its acquisition of, on 28 October 2022.
- 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 31 March 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.

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 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.

	<b>3 Months Ended</b>	
	<b>31/03/2023</b>	<b>31/03/2022</b>
<b>Losses per share attributable to equity holders of the Company (cents per share)</b>		
Weighted average number of ordinary shares for basic earnings per share	1,392,973,333	1,326,306,667
Weighted average number of ordinary shares for diluted earnings per share	1,447,911,992	1,376,709,126
Net loss attributable to the equity holders of the Company for the financial year (S\$'000)	(1,640)	(343)
Less: Interest on convertible loans (S\$'000)	<u>(117)</u>	<u>(120)</u>
Adjusted net loss for the financial year (S\$'000)	<u>(1,523)</u>	<u>(223)</u>
Basic loss per share (cents)	<u>(0.118)</u>	<u>(0.026)</u>
Diluted loss per share (cents) <sup>(1)</sup>	<u>(0.113)</u>	<u>(0.026)</u>

Note:

(1) The diluted loss per share computations have not taken into consideration the effects of the shares to be issued and convertible loans for all periods presented as they were anti-dilutive.

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2023**

	Note	Group		Company	
		31/3/2023 S\$'000 Unaudited	31/12/2022 S\$'000 Audited	31/3/2023 S\$'000 Unaudited	31/12/2022 S\$'000 Audited
<b>ASSETS</b>					
<b>Current assets</b>					
Inventories		3,058	4,395	-	-
Cash and bank balances		180	371	80	20
Trade and other receivables		2,736	3,157	40	45
Income tax recoverable		253	220	-	-
		<u>6,227</u>	<u>8,143</u>	<u>120</u>	<u>65</u>
<b>Non-current assets</b>					
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	13,411	13,935	8	9
Intangible assets	14	10,554	10,566	-	-
		<u>29,085</u>	<u>29,621</u>	<u>17,953</u>	<u>17,954</u>
<b>TOTAL ASSETS</b>		<u><u>35,312</u></u>	<u><u>37,764</u></u>	<u><u>18,073</u></u>	<u><u>18,019</u></u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables		10,994	11,436	1,528	1,215
Borrowings	15	12,983	13,053	4,485	4,368
		<u>23,977</u>	<u>24,489</u>	<u>6,013</u>	<u>5,583</u>
<b>Non-current liabilities</b>					
Borrowings	15	2,725	3,039	-	-
Deferred income taxes	10	2	2	-	-
		<u>2,727</u>	<u>3,041</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u><u>26,704</u></u>	<u><u>27,530</u></u>	<u><u>6,013</u></u>	<u><u>5,583</u></u>
<b>NET ASSETS</b>		<u><u>8,608</u></u>	<u><u>10,234</u></u>	<u><u>12,060</u></u>	<u><u>12,436</u></u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	15	154,852	154,852	154,852	154,852
Other reserves		(3,465)	(3,479)	325	325
Accumulated losses		(142,787)	(141,147)	(143,117)	(142,741)
		<u>8,600</u>	<u>10,226</u>	<u>12,060</u>	<u>12,436</u>
<b>Non-controlling interests</b>		8	8	-	-
<b>TOTAL EQUITY</b>		<u><u>8,608</u></u>	<u><u>10,234</u></u>	<u><u>12,060</u></u>	<u><u>12,436</u></u>

**Explanatory Notes to the Consolidated Interim Statements of Financial Position**

- Inventories, trade and other receivables, and trade and other payables decreased due to a lower financial performance recorded by Songmart.
- Decrease in property, plant and equipment, and borrowings mainly due to depreciation charged, amortisation, repayment of borrowings.
- Cash and bank balances decreased mainly due to the payment of operating expenses incurred during the period.
- Convertible loans increased due to the accrual of interest expenses during the period.

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2023**

	<b>3 Months Ended</b>	
	<b>31/3/2023</b>	<b>31/3/2022</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Cash flows from operating activities</b>		
Net loss	(1,640)	(343)
Adjustment for:		
Depreciation of property, plant and equipment	115	3
Depreciation of right-of-use assets	226	37
Interest expenses	233	128
Unrealised currency translation loss	266	10
	<u>(800)</u>	<u>(165)</u>
<b>Changes in working capital:</b>		
Trade and other receivables	640	(5)
Inventories	1,336	-
Trade and other payables	(701)	91
	<u>404</u>	<u>(79)</u>
<b>Cash from /(used in) operations</b>	<b>404</b>	<b>(79)</b>
Interest paid	(107)	(1)
	<u>(107)</u>	<u>(1)</u>
<b>Net cash from / (used in) operating activities</b>	<b>368</b>	<b>(80)</b>
<b>Cash flows used in investing activities</b>		
Acquisition of property, plant and equipment	(57)	-
	<u>(57)</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<b>(57)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	(325)	(38)
Loan and borrowings	(153)	-
	<u>(478)</u>	<u>(38)</u>
<b>Net cash used in financing activities</b>	<b>(478)</b>	<b>(38)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(167)</b>	<b>(118)</b>
<b>Cash and cash equivalents</b>		
Beginning of financial period	(760)	842
<b>End of financial period</b>	<b>(927)</b>	<b>724</b>

**Explanatory Notes to the Condensed Interim Consolidated Statement of Cash Flows**

- a. Cash and cash equivalents decreased by S\$1.65 million from S\$0.72 million as at 31 March 2022 to (S\$0.93 million) as at 31 March 2023. This was mainly due to the payment of operating expenses incurred, repayment of lease liabilities and loan and borrowings during the period.

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2023**

	← Attributable to equity owners of the Company →			Non- controlling interests	Total equity	
	Share capital	Other reserves	Accumulated losses			Total
	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Group</b>						
<b>2023</b>						
Balance as at 1 January 2023	154,852	(3,479)	(141,147)	10,226	8	10,234
Loss for the financial period	-	-	(1,640)	(1,640)	*	(1,640)
Other comprehensive income for the financial period	-	14	-	14	*	14
Total comprehensive loss for the financial period	-	14	(1,640)	(1,626)	*	(1,626)
Balance as at 31 March 2023	154,852	(3,465)	(142,2,787)	8,600	8	8,608

\* Amount less than \$1,000.

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2023 (CONT'D)**

	← Attributable to equity owners of the Company →			Non- controlling interests	Total equity	
	Share capital	Other reserves	Accumulated losses			Total
	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Group</b>						
<b>2022</b>						
Balance as at 1 January 2022	142,852	(2,122)	(137,826)	2,904	8	2,912
Loss for the financial period	-	-	(343)	(343)	*	(343)
Other comprehensive loss for the financial period	-	10	-	10	*	10
Total comprehensive loss for the financial period	-	10	(343)	(333)	*	(333)
Balance as at 31 March 2022	142,852	(2,112,437)	(138,169)	2,571	8	2,579

\* Amount less than \$1,000.



**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2023 (CONT'D)**

	← Attributable to equity owners of the Company →				Total equity
	Share capital	Other reserves	Equity component of convertible loans	Accumulated losses	
	\$'000	\$'000	\$'000	\$'000	
<b>Company</b>					
<b>2023</b>					
Balance as at 1 January 2023	154,852	-	325	(142,741)	12,436
Loss for the financial period	-	-	-	(376)	(376)
Balance as at 31 March 2023	<u>154,852</u>	<u>-</u>	<u>325</u>	<u>(143,117)</u>	<u>12,060</u>

	← Attributable to equity owners of the Company →				Total equity
	Share capital	Other reserves	Equity component of convertible loans	Accumulated losses	
	\$'000	\$'000	\$'000	\$'000	
<b>Company</b>					
<b>2022</b>					
Balance as at 1 January 2022	142,852	480	325	(137,921)	5,736
Loss for the financial period	-	-	-	(328)	(328)
Balance as at 31 March 2022	<u>142,852</u>	<u>480</u>	<u>325</u>	<u>(138,249)</u>	<u>5,408</u>

# MERCURIUS CAPITAL INVESTMENT LIMITED AND ITS SUBSIDIARY CORPORATIONS

---

## 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 three months ended 31 March 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 31 March 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 year 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 (“**\$**”) 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 USE OF JUDGEMENTS AND ESTIMATES

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

---

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D))**

**2.2 USE OF JUDGEMENTS AND ESTIMATES (CONT'D)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Convertible loans

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Going concern
- Impairment of trade receivables
- Net realisable of inventories
- Acquisition of subsidiary: the fair value of the consideration transferred (including contingent consideration) and the fair value of the assets acquired and liabilities assumed, measured on a provisional basis

**3. GOING CONCERN**

During the financial period ended 31 March 2023, the Group has incurred a net loss of S\$1,640,000 (2022: S\$343,000). In addition, the Group and the Company are in net current liabilities of S\$17,750,000 and S\$5,893,000 respectively as at 31 March 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 31 March 2023 are outstanding bank loans, which consist of bank overdraft, trade facilities, and term loan facilities totalling to S\$7.6 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 and 25 April 2023 respectively, 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 S\$6.88 million (equivalent to RM 22.9 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.

Notwithstanding with the abovementioned matters, the directors of the Company believe that the use of the going concern assumption in the preparation of the Group's and the Company's financial statements for the financial period ended 31 March 2023 is appropriate after taking into consideration the followings:

- A letter of undertaking was obtained from a director of the Company, in which he expressed his commitment not to demand payment for the outstanding payables of \$0.35 million for the next twelve months from 31 December 2022;

# MERCURIUS CAPITAL INVESTMENT LIMITED AND ITS SUBSIDIARY CORPORATIONS

---

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

### 3. GOING CONCERN (CONT'D)

- The Group has secured a one-year extension of the maturity date for all outstanding convertible loans (including interest), which amounted to \$4.37 million as at 31 December 2022. The revised maturity dates for these outstanding convertible loans are 13 June 2024, 23 June 2024, and 3 July 2024;
- The Group is planning to divest all of its properties in order to generate cash flows, which will be used for repayment of its outstanding bank loans;
- Pursuant to the shareholders' approval obtained at the annual general meeting held on 29 April 2023, the salaries and fees of the Board of Directors for the financial year ended 31 December 2022 amounted to \$192,653 will be settled through equity settlement, which will involve the issuance of new ordinary shares in the Company's share capital ("**Shares**"). In addition, the Company will also be paying its Executive Chairman and Chief Executive Officer in Shares for the financial year ending 31 December 2023; and
- The Group and the Company are sourcing and evaluating various avenues to secure additional funds, including potential placements of shares and/or convertible loans, with the aim of settling/discharging their current liabilities in the next twelve months from 31 December 2022.

The ability of the Group and the Company to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due is dependent on the actions undertaken as disclosed above. In the event that the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustments which may arise from these uncertainties.

### 4. SEASONAL OPERATIONS

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

### 5. SEGMENT AND REVENUE INFORMATION

Pursuant to the extraordinary general meeting held by the Company on 26 April 2022, the Group has obtained the approval of the shareholders of the Company to diversify its business to include that of Songmart's groceries business. Following the completion of the Songmart acquisition as at 28 October 2022, the Group's business includes groceries and property development and property investment.

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

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

**5. SEGMENT AND REVENUE INFORMATION (CONT'D)**

**5.1 REVENUE**

	<b>3 Months Ended</b>	
	<b>31/3/2023</b>	<b>31/3/2022</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Revenue</b>		
<b>Primary geographical markets</b>		
- Singapore	-	-
- Malaysia	6,688	-
	<u>6,688</u>	<u>-</u>
<b>Type of businesses</b>		
- Property development and property investment	-	-
- Groceries	6,688	-
	<u>6,688</u>	<u>-</u>

	<b>3 Months Ended</b>	
	<b>31/3/2023</b>	<b>31/3/2022</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Timing of revenue recognition:</b>		
- At a point in time	-	-
- Over time	6,688	-
	<u>6,688</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:

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

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

**5. SEGMENT AND REVENUE INFORMATION (CONT'D)**

**5.2 SEGMENT INFORMATION (CONT'D)**

	Singapore S\$'000	Malaysia S\$'000	Others S\$'000	Total S\$'000
<b>Group</b>				
<b>As 31 March 2023</b>				
Segment assets	12,550	20,251	2	32,803
Segment liabilities	5,866	20,569	17	26,453
<b>As 31 March 2022</b>				
Segment assets	7,363	1	2	7,566
Segment liabilities	4,751	19	17	4,787

**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 31 March 2023 and 31 December 2022:

<b>Group</b>	<b>At amortised cost S\$'000</b>
<b>31 March 2023</b>	
<b>Financial assets</b>	
Cash and bank balances	180
Trade and other receivables	2,736
	<u>2,916</u>
<b>Financial liabilities</b>	
Trade and other payables	10,994
Borrowings	15,708
	<u>26,702</u>

**MERCURIUS CAPITAL INVESTMENT LIMITED  
AND ITS SUBSIDIARY CORPORATIONS**

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

**6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)**

**31 December 2022**

**Financial assets**

Cash and bank balances	371
Trade and other receivables	3,157
	<u>3,528</u>

**Financial liabilities**

Trade and other payables	11,436
Borrowings	16,092
	-
	<u>27,528</u>

	<b>At amortised cost S\$'000</b>
<b>Company</b>	

**31 March 2023**

**Financial assets**

Cash and bank balances	80
Trade and other receivables	40
	<u>120</u>

**Financial liabilities**

Trade and other payables	1,528
Convertible loans	4,485
	<u>6,013</u>

**31 December 2022**

**Financial assets**

Cash and bank balances	20
Trade and other receivables	45
	<u>65</u>

**Financial liabilities**

Trade and other payables	1,215
Borrowings	4,368
	<u>5,583</u>

## 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	
	31/3/2023	31/3/2022
	S\$'000	S\$'000
	Unaudited	Unaudited
Depreciation – Property, plant and equipment	115	3
Depreciation – Right-of-use assets	226	37
Directors' fees	-	
Salaries, bonuses and allowances		
- Director	105	30
- Others	-	-
Professional fees	90	111
Currency translation losses/(gain)	(18)	10
Finance expenses – Lease liability	2	1
Finance expenses – Convertible loan	117	120
Finance expenses – accrued interest on the director's loan	8	7

#### 7.2 RELATED PARTY TRANSACTIONS

(a) 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.



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

**8. TAXATION**

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	<b>Group</b>	
	<b>31/3/2023</b>	<b>31/3/2022</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>Unaudited</b>	<b>Audited</b>
Current period		
- Current income tax/income tax expenses	-	-

No tax expense was recorded for the financial period ended 31 March 2023 as the Group had incurred a net loss.

**9. DIVIDENDS**

No dividend has been declared or recommended for the financial period ended 31 March 2023 as the Group had recorded a net loss for the financial period.

**10. NET ASSET VALUE**

	<b>Group</b>		<b>Company</b>	
	<b>31/3/2023</b>	<b>31/12/2022</b>	<b>31/3/2023</b>	<b>31/12/2022</b>
	<b>SGD Cents</b>	<b>SGD Cents</b>	<b>SGD Cents</b>	<b>SGD Cents</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
Net asset value per ordinary share	0.62	0.73	0.87	0.89

The calculation of net asset value per ordinary share was based on 1,392,973,333 shares as at 31 March 2023 and 31 December 2022. The net asset value includes non-controlling interests.

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

**11. ACQUISITION OF SUBSIDIARY CORPORATIONS**

	<b>Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Equity investments at cost</i>		
Beginning of financial year	19,560	7,560
Add: Acquisition of subsidiary corporation	-	12000
End of financial year	<u>19,560</u>	<u>19,560</u>
 <i>Allowance for impairment</i>		
Beginning and end of financial year	<u>7,560</u>	<u>7,560</u>
 Net carrying amount	 <u>12,000</u>	 <u>12,000</u>

**12. INVESTMENT IN A JOINT VENTURE**

	<b>Group</b>		<b>Company</b>	
	<b>31/3/2023</b>	<b>31/12/2022</b>	<b>31/3/2023</b>	<b>31/12/2022</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
<b>Cost</b>				
Balance as at 1 January	5,120	6,476	5,945	9,260
Share of losses		(1,328)	-	-
Impairment	-	-	-	(3,315)
Currency translation differences		(28)	-	-
Balance as at 31 March	<u>5,120</u>	<u>5,120</u>	<u>5,945</u>	<u>5,945</u>

Set out below is the joint venture of the Group as at 31 March 2023 2022 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>31/3/2023</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.

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

### 13. PROPERTY, PLANT AND EQUIPMENT

Group	Land &		Machinery &	Computer &	Furniture and	Office	Motor	Office and	Total
	Buildings	Renovation	Equipment	Software	fittings	equipment	Vehicle	retail space	
Cost	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
Currency translation difference	(98)	(10)	(17)	(3)	(2)	-	(2)	-	(132)
At 31 March 2023	7,734	850	1,301	182	112	46	89	4,974	15,288
<b>Accumulated depreciation</b>									
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	39	21	35	11	3	1	5	226	341
Currency translation difference	-	-	-	-	-	-	-	108	108
At 31 March 2023	67	88	59	18	5	26	8	1,606	1,877
<b>Net book value</b>									
At 31 March 2023	7,667	762	1,242	164	107	20	81	3,368	13,411
At 31 December 2022	7,804	781	1,282	169	94	21	82	3,702	13,935

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

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

**Company**

	<b>Office equipment</b>	<b>Building Improvements</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 31 March 2023</b>			
Cost	66	25	91
Accumulated depreciation	58	25	83
Net book value	8	-	8
<b>For 3months ended 31 March 2023</b>			
<i>Cost</i>			
<b>At 1 January 2023 and 31 March 2023</b>	66	25	91
<i>Accumulated depreciation</i>			
<b>At 1 January 2023</b>	57	25	82
Depreciation charge	1	-	1
<b>At 31 March 2023</b>	58	25	83
<i>Net book value</i>			
<b>At 31 March 2023</b>	8	-	8

**14. INTANGIBLE ASSETS**

**Goodwill**

	<b>31/3/2023</b>	<b>Group</b>	<b>31/12/2022</b>
	<b>\$'000</b>		<b>\$'000</b>
<i>Cost</i>			
Beginning of financial period		10,566	-
Acquisition of subsidiary		-	10,566
Currency translation difference		(12)	-
End of financial period		10,554	10,566
<i>Accumulated impairment</i>			
Beginning of financial period		-	-
Impairment charge		-	-
Currency translation difference		-	-
End of financial period		-	-
<b>Net book value</b>		10,554	10,566

## 14. INTANGIBLE ASSETS (CONT'D)

### 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.

## 15. BORROWINGS AND LEASE LIABILITIES

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

	As at 31/3/2023		As at 31/12/2022	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Lease liabilities	-	906	-	918
Convertible loans <sup>(1)</sup>	-	4,485	-	4,368
Bank borrowings	-	6,485	-	6,636
Bank overdraft	-	1,107	-	1,131
	-	12,983	-	13,053

### - Amount repayable after one year

	As at 31/3/2023		As at 31/12/2022	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Lease liabilities	-	2,725	-	3,039
	-	2,725	-	3,039

Notes:

(1) As at 31 March 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%.

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

### 15. BORROWINGS AND LEASE LIABILITIES (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 (“**revised terms**”) as follows:

	<b>Previous extended date of maturity on 15 June 2022</b>	<b>Revised date of maturity on 30 March 2023</b>
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 a result of the extended date of maturity on 15 June 2022, this has led to a re-assessment of the present value of the contractual cash flows of these convertible loans under the revised date of maturity. The re-assessment did not constitute to a substantial modification, and therefore, derecognition of these financial instruments is not required. Accordingly, the difference between the present value of the contractual cash flows under the revised terms and previous terms, amounting to \$343,000 is recognised in profit or loss and disclosed in Note 9 to the financial statements.

As at 31 December 2022, the outstanding 13 Dec 2019 Convertible Loans, 23 Dec 2019 Convertible Loan and 3 Jan 2020 Convertible Loan (included interest) are convertible up to 19,898,120 shares, 13,266,770 shares and 10,518,740 shares (2021: 17,996,000 shares, 11,997,000 shares and 9,598,000 shares) respectively total amounting to 43,683,630 (2021: 39,591,000) new ordinary shares (Note 12) 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:

	<b>Group and Company</b>	
	<b>31/3/2023</b>	<b>31/12/2022</b>
	<b>\$'000</b>	<b>\$'000</b>
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	1,488	1,371
Liability component at end of financial period	4,485	4,368

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

### 15. BORROWINGS AND LEASE LIABILITIES (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 31 December 2022, the Group has drawn down the trade credit facilities of RM7,787,000 (equivalent to S\$2,373,000) and a bank overdraft of RM 3,177,000 (equivalent to S\$1,131,000).

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.

### 16. SHARE CAPITAL

	<b>Group and Company</b>	
	<b>Number of ordinary shares</b>	<b>Amount</b>
	<b>'000</b>	<b>\$'000</b>
<b>31/3/2023</b>		
Beginning of financial period*	1,392,973	154,852
Issuance of new ordinary shares	-	-
End of the financial period	1,392,973	154,852

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

**16. SHARE CAPITAL (CONT'D)**

	<b>Group and Company Number of ordinary shares</b>	<b>Amount</b>
	<b>'000</b>	<b>\$'000</b>
<b>31/12/2022</b>		
Beginning of financial year	1,326,307	142,852
Issuance of new ordinary shares <sup>1</sup>	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 January 2023 to 31 March 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.

<sup>1</sup> 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 13 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 31 March 2023, all three convertible loans, inclusive of interest, are convertible up to 43.41 million new ordinary shares of the Company (31 December 2022: 40.61 million) upon maturity. Save for this, the Company does not have any other convertible securities.

	<b>As at 31/03/2023</b>	<b>As at 31/03/2022</b>
Shares to be issued on conversion of all outstanding convertibles	43,411,900	40,611,120
Total number of issued shares excluding treasury shares and subsidiary holdings of the issuer	1,392,973,333	1,392,973,333
Shares to be issued upon conversion as a percentage of total number of issued shares excluding treasury shares and subsidiary holdings of the issuer	3.12%	2.92%

There were no treasury shares or subsidiary holdings as at 31 March 2023 and 31 March 2022.

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 31 March 2023.



## **17. SUBSEQUENT EVENTS**

There are no known subsequent events which have led to the adjustments to this set of interim financial statements for the financial period ended 31 March 2023.

## **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 31 March 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 basis of the following:

- (i) Material uncertainties which may cast significant doubt on the Group's and Company's ability to continue as a going concern, highlighted in the independent auditor's report dated 13 April 2023;

The Group incurred a net loss of \$3.5 million during the financial year ended 31 December 2022 and, as of that date, the Group and the Company were in net current liabilities position of \$16.3 million and \$5.5 million respectively.

Included in the Group's current liabilities as at 31 March 2023 are outstanding bank loans, which consist of bank overdraft, trade facilities, and term loan facilities totalling S\$7.6 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 and 25 April 2023 respectively, from the 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 S\$6.88 million (equivalent to RM 22.9 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.

Notwithstanding with the abovementioned matters, the directors of the Company believe that the use of the going concern assumption in the preparation of the Group's and the Company's financial statements for the financial period ended 31 March 2023 is appropriate after taking into consideration the followings:

- A letter of undertaking was obtained from a director of the Company, in which he expressed his commitment not to demand payment for the outstanding payables of \$0.35 million for the next twelve months from 31 December 2022;
- The Group has secured a one-year extension of the maturity date for all outstanding convertible loans (including interest), which amounted to \$4.37 million as at 31 December 2022. The revised maturity dates for these outstanding convertible loans are 13 June 2024, 23 June 2024, and 3 July 2024;
- The Group is planning to divest all of its properties in order to generate cash flows, which will be used for repayment of its outstanding bank loans;
- Pursuant to the shareholders' approval obtained at the annual general meeting held on 29 April 2023, the salaries and fees of the Board of Directors for the financial year ended 31 December 2022 amounted to \$192,653 will be settled through equity settlement, which will involve the issuance of new ordinary

shares in the Company's share capital ("**Shares**"). In addition, the Company will also be paying its Executive Chairman and Chief Executive Officer in Shares for the financial year ending 31 December 2023; and

- The Group and the Company are sourcing and evaluating various avenues to secure additional funds, including potential placements of shares and/or convertible loans, with the aim of settling/discharging their current liabilities in the next twelve months from 31 December 2022.
- (ii) In 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.

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.

- (iii) 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.

Based on the findings of the audit, the Group has been working with the management team of Songmart Group to develop and implement corrective measures to address the issues such as improving Company's internal controls, updating accounting policies and procedures and enhance the internal reporting system.

- (iv) 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 work with the Songmart management team to perform an impairment assessment based on information related to cash flow projections, market data, and any available internal or external reports that could support the impairment assessment.

- (v) The Group acts as one of the guarantors to 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 planning to divest 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 new 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\$6,688,000 of revenue to the Group with a gross profit of S\$330,000 for the first quarter ended 31 March (“**1Q**”) 2023.

Cost of sales

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\$6,732,000 for 1Q2023 as compared to nil in 1Q2022.

Other gains/(losses), net

The Group had incurred other gains (net) of S\$31,000 for 1Q2023 as compared to other losses (net) of S\$10,000 in 1Q2022 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 previous quarter.

Marketing and distribution expenses

Marketing and distribution expenses substantially increased from nil in 1Q2022 to S\$56,000 in 1Q2023 due to the consolidation of Songmart's financial results and which expenses were incurred in the groceries business.

Administrative Expenses

Administrative expenses increased from S\$205,000 for 1Q2022 to S\$1,714,000 for 1Q2023 due to the consolidation of financial results of Songmart which 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\$128,000 in 1Q2022 to S\$231,000 in 1Q2023 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 of the Group.

### Net Loss

As a result of the above, the Group recorded a net loss after tax of S\$1,640,000 during 1Q2023 as compared to a net loss after tax of S\$343,000 during 1Q2022.

## **(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\$6.23 million as at 31 March 2023, mainly due to (a) the decrease in inventories of Songmart which decreased from S\$4.40 million as at 31 December 2022 to S\$3.06 million as at 31 March 2023 and (b) the decrease in cash and bank balances which decreased from S\$0.37 million as at 31 December 2022 to S\$0.18 million as at 31 March 2023 and such decreases resulted from reduction in sales generated and costs of sales during the quarter in Songmart.

For more details on the decrease in cash and bank balances from S\$0.37 million as at 31 December 2022 to S\$0.18 million as at 31 March 2023, please refer to the section on “Review of condensed interim consolidated statement of cash flows” below.

Trade and other receivables decreased from S\$3.16 million as at 31 December 2022 to S\$2.74 million as at 31 March 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\$0.25 as at 31 March 2023 due to additional tax paid arising from Songmart’s accounts.

### Non-current Assets

The decrease in property, plant and equipment to S\$13.41 million as at 31 March 2023 as compared to 31 December 2022 was 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\$10.99 million as at 31 March 2023, due to the decrease in Songmart’s trade and other payables within its business operations.

Current and non-current borrowings decreased from S\$13.05 million and S\$3.04 million as at 31 December 2022 respectively to S\$12.98 million and S\$2.73 million as at 31 March 2023 respectively, due to monthly repayments on borrowings.

### Working Capital

The Group recorded a negative working capital of S\$17.75 million as at 31 March 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 had taken the necessary precautionary measures as follows:

- An undertaking letter was obtained from a director, that he shall not demand payment of outstanding payables of \$0.35 million (and any accrued interest) for the financial year ending 31 December 2023;
- The supplementary letter signed with all convertible loan holders in respect of convertible loan agreements amounting to S\$4.37 million that the convertible loan holders agreed to extend the maturity date of the agreements to 13 June 2024, 23 June 2024, and 3 July 2024 respectively;
- The Group is planning to divest all of its properties in order to generate cash flows, which will be used for repayment of its outstanding bank loans;
- Pursuant to the shareholders' approval obtained at the annual general meeting held on 29 April 2023, the salaries and fees of the Board of Directors for the financial year ended 31 December 2022 amounted to \$192,653 will be settled through equity settlement, which will involve the issuance of new ordinary shares in the Company's share capital ("**Shares**"). In addition, the Company will also be paying its Executive Chairman and Chief Executive Officer in Shares for the financial year ending 31 December 2023; and
- The Group and the Company are sourcing and evaluating various avenues to secure additional funds, including potential placements of shares and/or convertible loans, with the aim of settling/discharging their current liabilities.

### **Equity**

The Group's equity decreased from S\$10.23 million as at 31 December 2022 to S\$8.61 million as at 31 March 2023 due mainly to losses incurred amounting to S\$1.64 million during 1Q2023.

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

Net cash generated from operating activities amounted to S\$368,000 for 1Q2023, mainly due to operating cash outflows before working capital changes of S\$800,000, net cash generated from working capital of S\$1,275,000 and interest paid of S\$107,000. 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 used in investing activities of S\$57,000 was due to the acquisition of property, plant and equipment in 1Q2023.

Net cash used in financing activities of S\$478,000 in 1Q2023 was mainly due to the repayment of the loan and borrowings and lease liabilities.

The Group had a net cash outflow of S\$167,000 during 1Q2023. The negative cash and cash equivalents as at 31 March 2023 amounted to S\$927,000.

**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 first 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

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.

Groceries business

According to the Retail Group Malaysia’s (RGM) report released on 14 March 2023, members of the two retailers’ associations project an average growth rate of 9.2% for the Malaysia retail industry during the first quarter of 2023 due to Chinese New Year festival and new school holidays in February and March 2023<sup>1</sup>.

The Group has faced challenges in increasing its market shares in the Malaysia groceries industry and has been operating at a loss since the financial year ended 31 December 2022, and continues to do so for the financial period ended on 31 March 2023.

As announced on 28 April 2023 entitled “Responses to SGX Queries”, the Group has potential plans to exit supermarket business and is in the midst of multiple discussions with third parties for the proposed divestment.

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.

<sup>1</sup> <https://marketingmagazine.com.my/malaysia-retail-report/>

**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**

**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 1Q2023, as the Group had recorded a net loss for 1Q2023.

**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.

**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 the Company's announcement on 14 April 2023. The Company's use of proceeds are set out as follows.

Placement dated 7 July 2021

<b>Intended uses</b>	<b>Amount allocated (S\$'000)</b>	<b>Amount allocated after reallocation (S\$'000)<sup>(1)</sup></b>	<b>Amount utilised (S\$'000)</b>	<b>Balance (S\$'000)</b>



Business acquisition expenses <sup>(2)</sup>	200	200	112	88
Payment of borrowings <sup>(3)</sup>	800	289	289	-
General working capital	485	996	985 <sup>(4)</sup>	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 incurred in relation to the Songmart acquisition, 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. Further to the Company's announcement dated 13 May 2022 in respect of the Group's financial results for the three months ended 31 March 2022, the Company has successfully negotiated with the convertible loan holders to further extend the maturity dates of the convertible loans to June 2023 and July 2023. As such, the Company had, as announced on 20 July 2022, reallocated the unutilised portion as it does not envisage the need to repay any borrowings with the proceeds. As of the date of this announcement, the Company had obtained a further extension of the maturity dates of the convertible loans to June 2024 and July 2024 from the convertible loan holders.
- (4) As disclosed in the Company's announcement on the use of proceeds on 11 November 2022, the Company had utilised an additional S\$97,000 for general working capital between 13 October 2022 to 11 November 2022. The amounts were utilised for (A) professional fees of S\$91,000 and (B) audit fees of S\$6,000.

Save for the re-allocation which was disclosed in the Company's announcement of 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 (the "**Board**"), 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 three-month period ended 31 March 2023 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

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

**Chang Wei Lu**  
**Executive Chairman**

**15 May 2023**