

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**”) wishes to announce that the Company had, on 8 April 2021, entered into a legally binding term sheet (the “**Term Sheet**”) with (i) Tan Ah Mai, (ii) Teng Hewe Song, (iii) Ngoi Moi Moi, (iv) Teng Kok Guan, (v) Chow Yong Lay, (vi) Tan Wee Lian and (vii) Tan Boon Kok (collectively, the “**Vendors**”) (the Company and the Vendors are collectively, the “**Parties**”), in respect of the Proposed Acquisition (as defined below).
- 1.2 Pursuant to the Term Sheet, the Parties have agreed that, among others, the Company shall acquire the entire issued and paid-up share capital of a special purpose vehicle to be incorporated in Malaysia by the Vendors (the “**SPV**”), under which the businesses (including without limitation to the properties, inventories, and the employees) of the following companies would be consolidated and owned: (i) Tan Lee Heng (M) Sdn. Bhd.; (ii) Pasaraya Songmart (Kluang) Sdn. Bhd.; (iii) Pasaraya Songmart (Kulaijaya) Sdn. Bhd.; (iv) Pasaraya Songmart (Kota Tinggi) Sdn. Bhd.; (v) Pasaraya Songmart (Pulai Perdana 2) Sdn. Bhd.; (vi) Pasaraya Songmart (Sri Stulang) Sdn. Bhd.; (vii) Pasaraya Songmart (Bandar Tenggara) Sdn. Bhd.; (viii) Pasaraya Songmart (Chellam) Sdn. Bhd.; (ix) Songmart Cash & Carry Sdn. Bhd.; and (x) Granville Grocery Sdn. Bhd. (collectively, the “**Targets**” and together with the SPV, the “**Target Group**”) (the “**Proposed Acquisition**”).
- 1.3 The Term Sheet sets out broadly the key terms and conditions in respect of the Proposed Acquisition which will form the basis for discussion between the Parties for a definitive agreement (the “**S&P Agreement**”) to be signed between them in relation to the Proposed Acquisition within 90 working days from the date of the Term Sheet (or such later date as may be agreed in writing by the Parties). The Company will provide further details of the Proposed Acquisition upon the signing of the S&P Agreement in compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”).

2. INFORMATION ON THE TARGET GROUP

- 2.1 As at the date of this announcement, the Vendors are the legal and beneficial owners of the entire issued and paid-up share capital of the respective Targets. The Vendors are to incorporate the SPV and shall each be a shareholder of the SPV for the purposes of the Proposed Acquisition. Each Vendor is an independent third party unrelated to any of the Directors or substantial shareholders of the Company.

2.2 Information on the SPV

As at the date of this announcement, the SPV has yet to be incorporated. Pursuant to the Term Sheet, the SPV shall be incorporated in Malaysia by the Vendors. Further information on the SPV will be provided in the Company's announcements upon the signing of the S&P Agreement in compliance with the requirements of Chapter 10 of the Catalist Rules.

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

2.4 Upon completion of the Proposed Acquisition, the Company will own the entire issued and paid-up share capital of the SPV, which will in turn have acquired the businesses (including without limitation to the properties, inventories, and the employees) of each of the Targets.

2.5 The Company will provide further details on the Target Group upon the execution of the S&P Agreement, and furnish necessary information in compliance with the Catalist Rules.

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

3.1 Purchase Consideration

The aggregate consideration for the Proposed Acquisition is S\$36 million (the "**Purchase Consideration**"). The Purchase Consideration shall be fully paid by the Company to the Vendors and/or its nominees by way of an allotment and issue of 200 million new ordinary shares in the capital of the Company ("**Consideration Shares**")¹ at an agreed issue price of S\$0.18 per Consideration Share, in the following tranches:

- (a) the first tranche shall be paid to the Vendors upon completion of the Proposed Acquisition; and
- (b) subsequent tranches shall be paid to the Vendors based on the achievement of certain profit targets and milestones.

Pursuant to the Term Sheet, the Parties have agreed that such further details of the payment terms in respect of the Purchase Consideration (including, without limitation, the number of Consideration Shares to be issued for each tranche, and the profit targets and milestones to be achieved for the subsequent payment tranches) shall be provided for in the S&P Agreement. Further information on such payment terms will be provided in the Company's announcements upon the signing of the S&P Agreement in compliance with the requirements of Chapter 10 of the Catalist Rules.

3.2 Basis of the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis taking into account (i) the historical financial results of the Target Group and (ii) the prevailing market valuation of the properties owned by the Target Group determined with reference to the recent transacted prices of similar properties in the vicinity. As at the date of this announcement, no independent valuation has been conducted on the Target Group.

¹ The 200 million Consideration Shares represent approximately 13.36% of the enlarged issued and paid-up share capital of the Company immediately after the issue of the Consideration Shares.

3.3 S&P Agreement and Termination of the Term Sheet

As stated in paragraph 1.3 above, the Parties shall enter into a S&P Agreement within 90 working days from the date of the Term Sheet (or such later date as may be agreed in writing by the Parties).

The Term Sheet shall automatically lapse and terminate if the S&P Agreement is not executed within 90 working days from the date of the Term Sheet (or such later date as may be agreed in writing by the Parties).

3.4 Key Conditions Precedent

Completion of the S&P Agreement is conditional upon, among others, the following conditions:

- (a) the pro forma group financial statements of the Target Group for a period of at least 12 full calendar months immediately preceding the date of signing of the S&P Agreement being provided to the Company, and the financial performance and position of the Target Group being satisfactory to the Company in its sole and absolute discretion;
- (b) the completion of legal, financial and technical due diligence investigations being conducted by the Company and its advisers or representatives on the Targets, the results of such investigations being reasonably satisfactory to the Company;
- (c) the completion of legal, financial and technical due diligence investigations being conducted by the Vendors and its advisers or representatives on the Group, the results of such investigations being reasonably satisfactory to the Vendors;
- (d) all licences and permits which are required for the purposes of conducting and carrying on the business of the Targets remaining in force and not having expired or been revoked;
- (e) all required consents shall have been obtained, without restrictions or limitations whatsoever, or if obtained subject to conditions then such conditions being reasonably acceptable to the Parties and are timely and satisfactorily fulfilled, and be in full force and effect, and the Company or the Vendors, as the case may be, shall have been furnished with evidence reasonably satisfactory to it of the granting of such required consents, in particular, and without limitation, the receipt and non-withdrawal of the approval-in-principle of the SGX-ST for, among other things, the listing and quotation of the Consideration Shares on the SGX-ST; and
- (f) the approval of shareholders of the Company ("**Shareholders**") for, among others, the Proposed Acquisition and the allotment and issuance of the Consideration Shares.

3.5 Other Salient Terms

- (a) The Vendors shall be entitled to nominate two representatives to be appointed to the Board, subject to compliance with the Code of Corporate Governance 2018. The representatives shall also be appointed as the CEO and alternate CEO of a new business division, which will be established in due course to manage the business of the Target Group, upon the completion of the Proposed Acquisition.

- (b) The Vendors agree to an exclusivity period of 180 days commencing on the day immediately after the date of the Term Sheet, during which the Targets shall deal exclusively with the Company, and not enter into discussions or negotiations with third parties, in relation to the Proposed Acquisition.

4. RATIONALE FOR THE PROPOSED ACQUISITION

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. FINANCIAL EFFECTS

The Company will, where applicable, disclose the relevant information in the announcement to be made when the S&P Agreement is entered into.

6. CHAPTER 10 OF THE CATALIST RULES

The Proposed Acquisition is subject to the rules in Chapter 10 of the Catalist Rules. The Company will make the appropriate announcement with the requisite disclosures upon entry into the S&P Agreement.

7. 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).

8. 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.

9. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Term Sheet 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 after the date of this announcement.

10. 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.

11. 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
9 April 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.

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