

MERCURIUS CAPITAL INVESTMENT LIMITED

(Company Registration No: 198200473E)

(Incorporated in the Republic of Singapore)

RESPONSES TO SGX QUERIES

The Board of Directors (the “**Board**”) of Mercurius Capital Investment Limited (the “**Company**”, together with its subsidiaries the “**Group**”) refers to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and would like to provide further information in relation to the Company’s announcement entitled “Letter of Intent Received in relation to the Proposed Sale” dated 5 June 2023 (the “**Announcement**”).

Unless otherwise defined, all terms and references used in this announcement shall bear the same meaning as ascribed to them in the Announcement.

SGX Query 1:

Please disclose why the Company only announced the Letter of Intent on 5 June 2023 when it was received a week before on 29 May 2023.

Company’s response:

The Company had intended to enter into a binding agreement shortly after receiving the letter of intent dated 29 May 2023 (“**LOI**”). In view that discussions with the Purchaser were protracted, the Company had decided to announce the receipt of the LOI to showcase the Group’s efforts to resolve the outstanding liabilities owed to Alliance Bank by Songmart Holdings and its subsidiaries.

SGX Query 2:

Please disclose the Company which Mr. Lee is representing, including its background information, business, shareholders, director and track record.

Company’s response:

Mr. Lee is representing Maslee Express Sdn. Bhd. (“**Maslee**”), a company that was founded in 1985 by Mr. Lee and Mr. Lee Boon Lye. Initially known as Emaniaga Food Industry, the company started its business by selling 20 Malaysia sen crackers through van sales. Over time, Maslee had expanded its product range to include that of spices and eventually ventured into sourcing and selling groceries.

After gaining sufficient experience, the family business underwent a merger and established their first supermarket in 1995. In 1996, they rebranded the company to Emaniaga Maju Sdn Bhd, which is now known as Maslee, a supermarket chain with warehousing facilities operating in Johor, Malaysia.

Maslee has five shareholders, namely Mr. Lee, Lee Boon Lye, Lee Ai Peh, Lee Ai Yun and Lee Boon Lim. The directors of Maslee are its five shareholders.

SGX Query 3:

How was the Company introduced to the buyer.

Company's response:

The Executive Chairman and controlling shareholder of the Company, Mr. Chang, was introduced to the Purchaser through his contacts in the industry. For the avoidance of doubt, Maslee is an independent third party.

SGX Query 4:

Please disclose if the letter of intent has a deadline for the Company to enter into a definitive agreement / SPA with the buyer.

Company's response:

The LOI does not contain a specific timeline for the Company to enter into a definitive agreement with the Purchaser. Notwithstanding the foregoing, the Company has been in active discussions with the Purchaser and are targeting the timeline of signing a binding term sheet in or around the second week of June 2023. Thereafter, the Company aims to enter into a sale and purchase agreement with the Purchaser within 45 days from the date of the term sheet.

SGX Query 5:

Assuming the completion of the Proposed Sale, what would be the core business of the Group? Would the Company become a cash company? If not, why not? Please provide the Board's and Sponsor's assessment and justifications.

Company's response:

With the divestment of the groceries business and associated properties, the Company would shift its focus and allocate its resources towards the hotel development project and other new potential ventures which are in preliminary phases of discussions. The development and sale of the hotel and villa units at the Grand Bay Project would become the primary focus and core business of the Group following the completion of the Proposed Sale. At the same time, the Company has engaged in discussions with potential investors in the Company and third parties on new potential ventures. The Company will provide an update to shareholders when it has more meaningful information on this.

Based on the ongoing discussions between the Company and its potential investors as well as other potential ventures, the Board is of the view that the Company will not become a cash company if its other initiatives materialise, as the management of the Company is committed to reaching an agreement for the Company to continue as a viable listed company. The Company will keep shareholders updated on the latest developments of its potential ventures and will seek shareholders' approval, if required for any proposed business diversification.

Sponsor's response:

Based on the ongoing discussions with the management of the Company, the Sponsor notes that the Company has been carrying out the following:

1. negotiations with potential investors and other financiers for the Grand Bay Project;
2. discussion with potential investors in the Company; and
3. exploring the possibility of entering into new ventures for the Group including acquisitions of businesses.

Taking into consideration the abovementioned ongoing efforts of the Company, the Sponsor is of the view that the assessment of whether the Company will become a cash company upon completion of

the Proposed Sale, will be subject to the status of the Group's operations at the relevant time and will need to be assessed at the appropriate time.

SGX Query 6:

Please provide the Board's assessment and justification on why the Proposed Sale is in the best interest of the Company and its shareholders.

Company's response:

The Board has considered the following:

1. the valuation conducted on the properties owned by Songmart Holdings in February 2023, in connection with the Group's bank financing;
2. the net book value of the existing movable assets of Songmart Holdings;
3. the consideration offered in connection with the Proposed Sale;
4. the opportunity costs of the Proposed Sale; and
5. the Company's intention of the use of proceeds to repay the entire amounts owed to Alliance Bank by Songmart Holdings and its subsidiaries,

and is of the view that the Proposed Sale is in the best interest of the Company and its shareholders.

SGX Query 7:

Please disclose the operational and financial impact of the Proposed Sale of the 37 shop units on the Grocery retailing business of the Group.

Company's response:

As previously announced, the Group intends to divest the properties owned by Songmart Holdings, to generate cash flow to repay the outstanding amounts under the financing arrangements entered into by Songmart Holdings and its subsidiaries. Following the completion of the Proposed Sale, the Group intends to exit the supermarket business with further plans to focus and direct resources to its property development business.

The Company expects that, following the completion of the Proposed Sale and repayment to Alliance Bank, the Group will likely record a lower net loss, reflect a significant reduction of its liabilities following the repayment of the amounts outstanding to Alliance Bank and accordingly, a lower net current liability position and a stronger working capital position.

As of 16 May 2023, being the latest notice of demand received by the Group from Alliance Bank, the principal amounts owed to Alliance Bank stands at RM25,168,359.85.

SGX Query 8:

How was the purchase consideration of RM30 million for the Proposed Sale arrived at?

Company's response:

The purchase consideration of RM30 million was arrived at taking into account (a) the valuation conducted on the properties owned by Songmart Holdings in February 2023 in connection with the Group's bank financing and (b) the net book value of the existing movable assets as at 31 March 2023.

SGX Query 9:

Was an independent valuation commissioned by the Company on the Proposed Sale of the 37 Shop units? If not, why not?

Company's response:

As mentioned in the Company's response to query 8 above, the Company had referenced the valuation conducted in February 2023, on the properties owned by Songmart Holdings as an indication when negotiating the purchase consideration with the Purchaser. The Company notes that the LOI is non-binding and is subject to further discussions between the Company and the Purchaser.

In connection with any shareholders' circular to be prepared in connection with the Proposed Sale, the Company will obtain updated valuations as may be required, in accordance with the property valuation standards as prescribed under the Catalist Rules.

SGX Query 10:

The Company announced on 15 May 2023, its latest announced financial statements for the 3 months ended 31 March 2023, in which the Group recorded net losses of S\$1.6 million, and net current liabilities of S\$17.7 million. The Group also received various notices of demands from February to May 2023, and the bank had recalled and terminated the loans and credit facilities extended to the Group. The Company had announced the Board's view that the Group is able to operate as a going concern, having considered amongst others, (i) directors' undertaking not to demand payment for \$0.35 million outstanding payables; (ii) extended maturity date for outstanding convertible loans amounting to \$4.37 million; (iii) payment of directors fees in shares; (iv) sourcing for additional funding; (v) divest its properties. It was also announced that the ability of the Group to continue in operational existence is dependent on these events materializing, failing which, the Group will not be able to discharge its liabilities and may even have to provide further liabilities.

SGX Query 10a:

Given that the Group continues to receive letters of demand; had not demonstrated its ability to generate cashflow nor obtain fundings; and there is no certainty that the Group's operational existence and going concern issue would be adequately addressed, please provide the Board's assessment and bases on why trading in the Company's securities can still continue.

Company's response:

The Company has been actively involved in discussions with the Purchaser and potential investors to address the Group's current financial situation. Pursuant to the receipt of the LOI, the Company is moving forward with the aim to sign a binding term sheet in or around the second week of June 2023. Thereafter, the Company aims to enter into a sale and purchase agreement with the Purchaser within 45 days from the date of the term sheet.

In view of the abovementioned, the Board is of the view that the Group and the Company will be able to generate sufficient positive cash flows to meet the current operating requirements of the Group and to pay their debts with the cash flows generated from the Proposed Sale.

The Board also wishes to update Shareholders that the Company has been involved in several discussions with potential investors in relation to investments in the Company and in relation to the Company's future plans. As the Company notes that the situations prescribed under Catalist Rule 1303 in which the SGX-ST may suspend trading of the listed securities of an issuer are not applicable to the Group, the Board is of the view that trading in the Company's securities can continue.

SGX Query 10b:

Given that the Group continues to receive letters of demand; had not demonstrated its ability to generate cashflow nor obtain fundings; and there is no certainty that the Group's operational existence and going concern issue would be adequately addressed, please provide the Sponsor's assessment and bases on why trading in the Company's securities can still continue.

Sponsor's response:

In light of the Company's timeline illustrated in the Company's response to query 4 above and the Company's ongoing efforts as stated in the Sponsor's response to query 5 above, the Sponsor is of the view that should the Company be able to enter into a binding term sheet or such other similar agreement, it would be able to generate the required cash flow to repay the amounts owed to Alliance Bank. The Sponsor further notes the Company's efforts to progress with the operations in Thailand and that the Company has stated that it is exploring other potential ventures. Subject to the successful entry into a binding agreement and completion of the Proposed Sale, nothing has come to the Sponsor's attention that trading in the Company's securities should be suspended pursuant to Rule 1303(3) of the Catalist Rules. Notwithstanding the foregoing, the Sponsor will continue to monitor whether there is any unusual trading activity or any material change to the Group, which may result in the need for a trading suspension.

SGX Query 11:

Please disclose if there is any other material information shareholders should be aware of.

Company's response:

To the best of the knowledge of the Board, all material information has been disclosed and the Company will continue to disseminate material information to shareholders in a timely manner. The Board confirms that sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner.

BY ORDER OF THE BOARD

Chew Hai Chiene Hester Arthur
Group Chief Executive Officer and Executive Director
8 June 2023

*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 Catalist.*

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, at 7 Temasek Boulevard, #18-03B, Suntec Tower 1, Singapore 038987, telephone (65) 69502188.