



## MERCURIUS CAPITAL INVESTMENT LIMITED

### MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.198200473E)

---

### RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST")

---

The board of directors (the "**Board**") of Mercurius Capital Investment Limited (the "**Company**") wishes to inform that the Company has received queries from the SGX-ST and would like to provide the following responses:-

#### SGX-ST Query 1

*Arising from the Company's recent announcements and financial results, we noted the following:*

- *Based on the Company's 3Q18 results announced in November 2018, its cash balance is precariously low at S\$325k as at 30 September 2018;*
- *Company been recording nil revenue and costs since disposal of its children fashion business in 2017;*
- *In its newly diversified property business, the development of the land in Kempas, Johor, Malaysia via the JV vehicle has yet to begin due to the prolonged process of conversion of the land use rights from residential use to commercial use. Also, Company's investments in the JV has been negligible thus far;*
- *Company entered into a licensing agreement with Clover in July 2018, which bring about minimal licensing fees of S\$50k/annum.*

*In view of the above, can the Board and management please provide a timeline of key milestones and plans of the Company moving forward in arriving at a viable and sustainable core business. The Board must be satisfied that the business is able to generate recurring revenue and operational cashflow, failing which the Board should consider the applicability of Rule 1017 to deem the Company as a cash company.*

#### **Company's response:**

##### Property Development

On 27 February 2017, the Company announced, amongst others, the proposed diversification of the Group's business to include property development and property investment ("**New Business**") (the "**Diversification**"), the joint venture with HM Realty Holdings Sdn Bhd ("**JV Partner**") and the entering of various option agreements to develop certain properties in Malaysia ("**Option Properties**"). Please refer to the aforesaid announcement for details on the proposed transactions. On 30 March 2017, the Company obtained its shareholders' approval for, *inter alia*, the Diversification. Please refer to the Company's circular dated 15 March 2017 ("**Circular**") for information on the Diversification and the New Business. Through a joint venture with the JV Partner, the Company is currently developing a plot of land at Kempas, Johor ("**Kempas Land**") into a mix development property comprising shopping mall, hotel and offices ("**Kempas Development**"). To commence work on the Kempas Development, the JV Partner had, in November 2016, commenced the process of applying for approval from the relevant authority in Johor, Malaysia (i.e. Majlis Bandaraya Johor Bahru ("**MBJB**")) to convert the land title of the plot of land in the Kempas Development from residential use to commercial use ("**Kempas Land Conversion**"). In March 2017, MBJB confirmed that it received the application. However, the aforesaid application process has been protracted and as

the date of this announcement, MBBB had not given its approval on the Kempas Land Conversion (“**Approval**”).

Assuming that the Approval is granted by MBBB by March 2019, the Group intends to commence (i) the application process to seek the relevant authorities’ approval of the architectural plan for the Kempas Development; (ii) fund-raising exercise for the first phase of the Kempas Development (“**First Phase**”); (iii) the development of the First Phase; and (iv) barring unforeseen circumstances, sale of the First Phase properties by end September 2020.

Due to the prolonged process of the Approval, the management of the Company (“**Management**”) began a review of the feasibility of developing another piece of land in Johor, located in Permas Jaya (“**Permas Jaya Land**”), which is one of the Option Properties. The Permas Jaya Land was initially planned for development of residential and commercial properties including 300 units apartment, shop offices, and one medical centre. However, due to the lower population density in Permas Jaya as compared to Kempas, and the lower projected revenue as compared to Kempas, the management of the Company decided to prioritize with Kempas Development and proceed its development in 2017.

The Management will perform a more detailed feasibility study on the proposed development of the Permas Jaya Land and/or other Option Properties (as set out in Schedule 1 of the Circular) to determine the next course of action in the Company's New Business. This feasibility study is expected to complete by end of February 2019.

#### Bedlinen business

In early 2018, the management of the Company decided to revive the Friven brand with minimum outlay. Accordingly, on 13 July 2018, the Company announced that it had entered into a licensing agreement (“**Licensing Agreement**”) with Clover Lifestyle Sdn Bhd (“**Clover**”), whereby the Company grants Clover the right to use the Group’s proprietary brands, namely Friven, Allegoria, DS and Relax at home (the “**Brands**”) for the sale of bedding, bed linen and bath products exclusively in Singapore and Malaysia from 1 August 2018 until 31 July 2019 (“**Licensing Period**”), for S\$50,000 per annum, payable on a monthly basis.

The Company decided to engage Clover whom is familiar with the Friven product and the bedlinen industry in the Singapore and Malaysia. The Management is currently monitoring Clover's business strategy in reviving the Friven brand in Malaysia. Since the signing of the Licensing Agreement, Clover had (i) started various road show in shopping complex within the vicinity of Kuala Lumpur and Selangor, Malaysia; (ii) secured a counter at departmental store in Malaysia; and (ii) promote the Friven products through television shopping in Malaysia.

If Clover is able to revive the Friven brand successfully and achieve the projected profit during the Licensing Period, the Management would consider investing further in the bedlinen business either through acquisition or joint venture with Clover (“**Potential Bedlinen Investment**”). The Company targets to assess Clover's performance in May 2019, which is 3 months before the end of the Licencing Period.

#### SGX-ST Query 2

*Regarding the Company’s financial position, please assist to get the Board to provide justifications on whether the Company is able to operate as a going concern. At any point in time, should the Company be unable to demonstrate its ability to operate as a going concern, trading in its securities must be suspended.*

### Company's response:

The Board confirms that the Company currently does not have going concern issues based on the following considerations:-

- Based on the unaudited consolidated financial statements as at 31 December 2018, the Group had cash and bank balance of approximately S\$225,000. Such amount is able to sustain the Group's operating cost until April 2019, barring unforeseen circumstances affecting its cash flow requirements.
- The Group does not have any major creditors or liabilities.
- The Company intends to initiate funding-raising exercise in 1Q2019.
- Should the Group commence activities in the New Business, it is expected to be financed through equity (i.e. issuance of new shares to potential investors) and/or debt (i.e. bank borrowings).

Having considered (i) the prolonged process of the Approval (as set out in the Company's response to SGX-ST query 1 above); and (ii) the low cash level of the Company (as set out above in the Company's response to SGX-ST query 2), the Management has been engaging in discussions with potential investors with the objective to secure new funds for the Company, and exploring other property development and property investment opportunities for the Group ("**Potential Investments**"). As at the date of this announcement, no terms sheets and/or definitive agreements have been entered into, and the Company will make the announcements as and when necessary.

The Company will, in the upcoming announcement of its unaudited results for the financial year ended 31 December 2018 (due on 1 March 2019), provide an update of its business plans (including but not limited to the status of the Kempas Land Conversion and the progress of the bedlinen business of Clover pursuant to the Licencing Agreement). Further, the Company endeavours to provide an update (i) on the outcome of the Potential Investments and the status of the Kempas Land Conversion by the end of the first quarter of 2019; and (ii) on the Company's plans in respect of the bedlinen business by third quarter of 2019 (after the end of the Licensing Agreement in July 2019).

The Board will monitor the business development plans of the Group and the fund-raising efforts of the Company closely. In the event that the Board is of the opinion that:-

- (i) the Company is unable to continue as a going concern or unable to demonstrate to the SGX-ST and the Company's shareholders that it is able to do so, the Board will in compliance with the Rule 1303 of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), notify the SGX-ST and the Sponsor of the Company and request for a suspension of trading of the shares of the Company immediately; and
- (ii) the Company is unable to obtain the Approval (for the Kempas Land Conversion) and to demonstrate to the SGX-ST that it has a viable business to maintain its listing status by 31 March 2019, the Board will consult the Sponsor of the Company and the SGX-ST on the applicability of Rule 1017 of the Catalist Rules to deem the Company as a cash company under Rule 1017. The viable business could be in the form of commencement of its New Business or reviving its bedlinen business, and that such business must demonstrate that it is able to generate recurring revenue and operational cash flow for the Group.

By order of the Board  
Mercurius Capital Investment Limited

Chang Wei Lu  
Chairman and Chief Executive Officer  
1 February 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.*

*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 Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.*