

## MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in Singapore)

(Company Registration No. 198200473E)

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- (I) **PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT**
  - (II) **INCORPORATION OF NEW SUBSIDIARIES**
  - (III) **JOINT VENTURE WITH HM REALTY HOLDINGS SDN BHD**
  - (IV) **OPTIONS TO DEVELOP LAND**
  - (V) **PROPOSED DISPOSAL OF THE COMPANY'S ENTIRE SHAREHOLDING INTERESTS IN CHINA CHILDREN FASHION HOLDINGS PTE. LTD. ("CCFHPL") AND ITS SUBSIDIARIES ("CCFHPL SUBSIDIARIES") (COLLECTIVELY, THE "CCFHPL GROUP")**
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### 1. INTRODUCTION

The Board of Directors ("**Board**") of Mercurius Capital Investment Limited ("**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the following:

- (a) the Group intends to diversify its existing scope of core businesses ("**Existing Business**") to include the business comprising property development and property investment ("**Proposed New Business**") ("**Proposed Diversification**");
- (b) in connection with the Proposed Diversification and to undertake the Proposed New Business:
  - (i) the Company had on 22 February 2017 incorporated a wholly-owned subsidiary, Mercurius Capital Sdn. Bhd. ("**MCSB**"), in Malaysia as an investment holding vehicle; and
  - (ii) MCSB had in turn on 23 February 2017 incorporated a wholly-owned subsidiary, Mercurius HM Realty Sdn. Bhd. ("**MHMR**"), in Malaysia as a joint venture vehicle for the purpose of the Proposed Joint Venture (as defined below);
- (c) MCSB had on 23 February 2017 entered into a conditional joint venture agreement ("**JVA**") with HM Realty Holdings Sdn. Bhd. ("**HM Realty**"), MHMR and Goh Siik Mee@Goh Siok Bee as guarantor of the obligations of HM Realty, pursuant to which MHMR shall act as the joint venture vehicle through which HM Realty and MCSB shall jointly operate the Proposed New Business ("**Proposed Joint Venture**");
- (d) in connection with the Proposed Joint Venture, MHMR had on 23 February 2017 entered into a conditional development rights agreement ("**DRA**") with HM Realty and Goh Siik Mee@Goh Siok Bee as guarantor of the obligations of HM Realty in respect of the development of the JV Properties (as defined below) ("**Development Rights of JV Properties**");
- (e) in connection with the Proposed New Business, MCSB had on 23 February 2017 entered into the following option agreements ("**Option Agreements**"):
  - (i) with JBL Capital Sdn. Bhd. ("**JBL Capital**") as option grantor and Chieng Leek Chee as guarantor for JBL Capital;
  - (ii) with GCA Capital Sdn. Bhd ("**GCA Capital**") as option grantor and Chieng Leek Chee as guarantor for GCA Capital;

- (iii) with GCS Realty Holdings (“**GCS Realty**”) as option grantor and Leu Huang Ding as guarantor for GCS Realty; and
- (iv) with ACG Holdings Sdn. Bhd. (“**ACG Holdings**”) as option grantor and Goh Siik Mee@Goh Siok Bee as the guarantor for ACG Holdings,

(JBL Capital, GCA Capital, GCS Realty and ACG Holdings shall hereinafter be collectively known as the “**Grantors**”). Pursuant to the Option Agreements, MCSB was granted the option in respect of the rights to jointly develop in the future with the respective Grantors, real estate properties in Malaysia owned by the Grantors at the option fee of RM1,000.00 for each Option Agreement (“**Option Fee**”); and

- (f) the Company had on 23 February 2017 entered into a conditional sale and purchase agreement (“**SPA**”) with Guo Jindian (“**Purchaser**”), pursuant to which the Company has agreed to dispose of its entire shareholding interests of 57,472 shares, representing 100% of its entire issued and paid-up share capital of CCFHPL (“**Sale Shares**”) to the Purchaser, for an aggregate cash consideration of S\$2,000,000 (“**Purchase Consideration**”), on the terms and subject to the conditions of the SPA (“**Proposed Disposal**”),

(collectively, the “**Proposed Transactions**”).

## 2. PROPOSED DIVERSIFICATION

### 2.1 Information regarding the Proposed Diversification

Subject to the approval of shareholders of the Company (“**Shareholders**”) for the Proposed Diversification being obtained at the extraordinary general meeting (“**EGM**”) to be convened, the Group intends to expand its Existing Business to include the Proposed New Business as described below, as and when appropriate opportunities arise:

- (a) activities such as real estate-related investments and holding of investments in real estate and residential, hospitality (including hotels and/or serviced residents), commercial (retail and office), industrial and any other types of properties (including mixed development properties) (“**Property Related Assets**”); and
- (b) the development of property for sale and for long term investment purposes, including but not limited to the collection of rent, capital growth potential and/or provision of property related services and facilities.

The Group may also, as part of the Proposed New Business, invest in or acquire or dispose of shares or interests in any entity that is in the Proposed New Business.

The Group proposes to focus the Proposed New Business initially on the property markets in Malaysia and Australia (“**Target Area**”).

### 2.2 Rationale for the Proposed Diversification

In line with the Board’s position to explore potential investment opportunities for collaboration, the Group proposes to diversify the Existing Business to include the Proposed New Business for the following reasons:

- (a) *Reducing reliance on and mitigating against volatility of the Existing Business*

The proposed diversification of the Group’s business to include the property business is expected to provide additional revenue streams for the Group, enable the Group to expand its revenue base, reduce the Group’s reliance on the Existing Business, which remains competitive and challenging, and offer new business opportunities so as to enhance Shareholders’ value for the Company.

- (b) *Benefit from the consistent population growth and healthy investment demand for real estate in the Target Area*

The Board believes that the property market is buoyed by increasing demand arising from consistent population growth and healthy investment demand by foreigners for properties in both the commercial and residential sectors in the Target Area.

- (c) *The Proposed Diversification will give the Group the flexibility to enter into transactions relating to the Proposed New Business in the ordinary course of business*

Once the Shareholders approve the Proposed Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the Proposed New Business without having to seek Shareholders' approval. This can be done as long as such transactions do not change the Group's risk profile, and will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions relating to the Proposed New Business arise. This will allow the Group greater flexibility to pursue business opportunities which may be time-sensitive in nature, and will substantially reduce the expenses associated with the convening of general meetings from time to time.

### 2.3 **Future plans**

The Group had on 21 February 2017 appointed Mr Wong Leong Chui ("**Mr Wong**") as an Independent Non-executive Director. Mr Wong has over 51 years of experience in building construction project and interior decorative work. The Group believes that with his extensive knowledge in building construction, he would be able to assist the Company and shareholders in monitoring the Proposed New Business in his position as an Independent Director.

In making their decisions, the Board and senior management of the Group will also, where necessary and appropriate, seek the advice of reputable external consultants and experts. As the Group intends to engage in the Proposed New Business incrementally, it will monitor developments and progress in the Proposed New Business and take the necessary steps to identify suitable candidates both from within the Group as well as externally to support and manage the Proposed New Business as and when required.

The Group intends to undertake the Proposed New Business independently or in joint venture or strategic alliances or collaboration with third parties who have the relevant expertise, experience, assets and resources. The decision on whether a project should be undertaken by the Group on its own or in collaboration with third parties will be made by the Group after taking into consideration various factors, such as the nature and scale of the project, amount of investment required and risks associated with such an investment, nature of expertise required, the period of time that is required to complete the project and conditions in the property market, taking into account the opportunities available

The Group intends to fund the Proposed New Business through a combination of internal sources of funds, progress payments from pre-sales of future projects and borrowings from financial institutions. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping into the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments.

### 2.4 **Shareholders' Approval**

The Proposed Diversification will involve a new business which is substantially different from the Existing Business. It is envisaged that the Proposed Diversification will change the existing risk profile of the Group. Pursuant to the the Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("**Catalist Rules**"), Shareholders' approval is required for the Proposed Diversification. Accordingly, an extraordinary general meeting ("**EGM**") will be convened by the Company to seek approval from the Shareholders for the Proposed Diversification.

Further details on the Proposed Diversification will be set out in a circular to be issued by the Company to the Shareholders in due course (“**Circular**”), for the purpose of obtaining the approval of Shareholders in respect of the Proposed Diversification at the EGM to be convened. The EGM will allow Shareholders the opportunity to communicate their views on the Proposed Diversification, and consider, if thought fit, to approve the Proposed Diversification.

### **3. INCORPORATION OF NEW SUBSIDIARIES**

In anticipation of the Proposed New Business, the Company had on 22 February 2017 incorporated MCSB as its wholly-owned subsidiary in Malaysia, with an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares. The principal activity of MCSB is for investment holding.

MCSB had on 23 February 2017, incorporated MHMR as its wholly-owned subsidiary in Malaysia with an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares. The principal activity of MHMR is to engage in real estate activities.

The incorporation of MCSB and MHMR (“**New Subsidiaries**”) was funded through internal resources and is not expected to have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2017.

### **4. PROPOSED JOINT VENTURE**

#### **4.1 Information on HM Realty**

HM Realty is an investment holding company incorporated in Malaysia. As at the date of this announcement, HM Realty has an issued and paid-up share capital of MYR100,000.00 comprising 100,000 ordinary shares. The shareholders of HM Realty are individuals who are Malaysian nationals as follows:

- (i) Tiong Meng Kwong
- (ii) Chieng Lik Teck;
- (iii) Chieng Leek Chee;
- (iv) Wong Kee Chien;
- (v) Tan Kei Siong
- (vi) Goh Siik Mee@Goh Siok Bee (the guarantor of the obligations of HM Realty); and
- (vii) Ling Ai Ming.

HM Realty is the registered proprietor of the parcels of land held under GRN 529906 Lot 2785, Mukim of Tebrau, District of Johor Bahru, State of Johor (measuring approximately 1.944 hectares) and GRN 52438, Lot 2786, Mukim of Tebrau, District of Johor Bahru, State of Johor (measuring approximately 1.1461 hectares) (collectively, the “**JV Properties**”).

HM Realty was introduced to the Company through mutual and informal contacts in the industry, and no fees or commissions were paid for such introductions.

Prior to the JVA and DRA and save as disclosed in the foregoing, HM Realty and its shareholders are independent and unrelated parties to the Group, and the Company's directors, chief executive officers and controlling shareholders, and have had no prior business, commercial or trade dealings with the Group.

#### **4.2 Summary of the Proposed Joint Venture**

Pursuant to the JVA and DRA, MCSB and HM Realty intend to jointly develop the JV Properties and both MCSB and HM Realty agree that MHMR shall act as the joint venture

vehicle through which HM Realty and MCSB shall jointly develop the JV Properties. MCSB will contribute to the Proposed Joint Venture by providing the subscription amount for the capital in MHMR and HM Realty will contribute to the Proposed Joint Venture by granting the exclusive development rights of the JV Properties to MHMR.

#### 4.3 Proposed Subscription of Shares by MCSB and HM Realty in MHMR

Under the terms of the JVA, in consideration of HM Realty granting the development rights to MHMR under the DRA and subject to the fulfilment and satisfaction of all the Conditions Precedent (as defined below), each of MCSB and HM Realty shall subscribe for, and MHMR shall allot and issue, new ordinary shares in MHMR in the proportion set out below (“**Proposed Subscription**”) at RM1.00 per MHMR Share.

Following the completion of the Proposed Subscription by HM Realty and MCSB, the entire enlarged issued and paid-up share capital of MHMR shall be as follows:

Shareholders	Existing Shares	Subscription Shares	Resultant Shares held in MHMR	Shareholding Proportions
MCSB	2	58	60	60
HM Realty	0	40	40	40
<b>Total</b>	2	98	100	<b>100%</b>

#### 4.4 Conditions Precedent to JVA

The JVA is conditional upon the prior fulfilment and satisfaction of the following conditions (“**JVA Conditions Precedent**”):

- (a) the Shareholders having approved, at a general meeting, the diversification of the Company’s Existing Business to include the Proposed New Business;
- (b) each of HM Realty and MCSB respectively providing a confirmation letter to each other that as at the date hereof and on and as of the date when all the Conditions Precedents have been satisfied and fulfilled or waived (as the case may be) (“**Unconditional Date**”), there is no Relevant Authority (as defined in the JVA) taking, instituting or threatening to take, institute or implement any action, enforcement, proceeding, suit, investigation, inquiry or reference, and no legislation or regulation having been made, proposed, enacted or implemented, and no steps having been taken, and there not continuing to be in effect or outstanding any legislation or regulation which would or might:
  - (i) make any transaction contemplated in the JVA or any other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same; and/or
  - (ii) render MCSB and/or HM Realty unable to be issued all or any of the ordinary shares of MHMR in the manner set out in the JVA;
- (c) each of HM Realty and MCSB respectively providing a confirmation letter to each other that the representations and warranties of the respective parties set out in the JVA are true and accurate as at the date hereof and on and as of the Unconditional Date with the same force and effect as though made on and as of the Unconditional Date;

- (d) each of HM Realty and MCSB providing a confirmation letter to each other that the respective Party have performed and complied with all their respective undertakings, covenants and agreements set out in the JVA (as applicable) on or prior to the Unconditional Date.

If the JVA Conditions Precedent are not satisfied or waived within the period of 2 months from and excluding the date of the JVA, or such later date, as the parties to the JVA may mutually agree in writing, the JVA shall be rescinded and treated as null and void and of no further effect, and the parties to the JVA shall bear their own costs and expenses incurred and shall not have any or other claim against the other save and except for any antecedent breach committed.

#### 4.5 Rationale for the Proposed Joint Venture

The Board believes that the Proposed Joint Venture is in the best interests of the Company as it will further the Company's intention to carry out the Proposed New Business in connection with the Proposed Diversification, the rationale for which has been explained in paragraph 2.1 above. In addition, the Board believes that the Proposed Joint Venture will enable the Group to leverage off the expertise, business networks and resources of HM Realty, as well as to reduce risks and burden of the Proposed New Business on the Group.

#### 4.6 Relative figures computed on the bases set out in Rule 1006 in relation to the Proposed Subscription

The relative figures computed on the bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Subscription are as follows:

Rule	Bases of computation	Size of relative figure
1006(a)	Net asset value of assets being disposed of, compared with the Group's net asset value	Not applicable
1006(b)	Net profit/(loss) attributable to the assets acquired, compared with the Group's net profits	Not applicable <sup>(1)</sup>
1006(c)	Aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	n.m. <sup>(2)</sup>
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil and gas company, but not to an acquisition of assets.	Not applicable

#### Notes:

- (1) As MHMR is a newly incorporated entity and has yet to commence operations, it currently has no revenue, profits and assets, save for its issued and paid-up share capital.
- (2) "n.m." means not meaningful

#### 4.7 **Financial effects of the Proposed Subscription**

The Proposed Subscription under the JVA, will be funded through internal resources and, at present, is not expected to have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2017, as the subscription value into the New Subsidiaries is negligible.

### 5. **DEVELOPMENT RIGHTS OF JV PROPERTIES**

#### 5.1 **Details of the DRA**

In connection with the Proposed Diversification and the Proposed Joint Venture, MHMR, has on 23 February 2017 entered into the DRA for the development of the JV Properties. Pursuant to the terms of the DRA, HM Realty has, *inter alia*, granted MHMR the right to develop the JV Properties.

Further, HM Realty has on 23 February 2017 granted MHMR a power of attorney in respect of the development of the JV Properties ("**Power of Attorney**"). In consideration for MHMR issuing and allotting to HM Realty 40 ordinary shares of RM1.00 each in MHMR and the mutual promises and obligations of the parties in the DRA with the opportunity and prospects of thereby developing and unlocking the value of the JV Properties through the proposed development of the JV Properties as set out in the DRA, HM Realty had, with effect from the date of the Power of Attorney, granted MHMR the authority and powers on HM Realty's behalf to do and execute acts, deeds, instruments and things relating to the development of the JV Properties.

As described in paragraph 2.2 above, the Group intends to fund the Proposed New Business (which includes the Proposed Joint Venture and the Development Rights of JV Properties) through a combination of internal sources of funds, progress payments from pre-sales of future projects and borrowings from financial institutions. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping into the capital markets including but not limited to rights issues, share placements and/or issuance of debt instruments. The Company will make further announcements on such exercises at the appropriate time.

#### 5.2 **Conditions Precedent of the DRA**

The DRA is conditional upon the prior fulfilment and satisfaction of the following conditions ("**DRA Conditions Precedent**"):

- (a) the Shareholders having approved, at a general meeting, the diversification of the Company's Existing Business to include the Proposed New Business;
- (b) HM Realty obtaining written consent from its financiers for the grant of the development rights to MHMR/ discharges the existing charge over the JV Properties at its own costs and expenses and to obtain written consent from its financiers for the discharge of the existing charge (if required) (as the case may be); and/or
- (c) HM Realty obtaining all other approvals as may be required to give effect to the grant of the development rights to MHMR.

If the DRA Conditions Precedent are not satisfied or waived within the period of 2 months from and excluding the date of the DRA, or such later date, as the parties to the DRA may mutually agree in writing, the DRA shall be rescinded and treated as null and void and of no further effect, the Power of Attorney shall be revoked and MHMR shall procure its appointed solicitors to return the Power of Attorney to HM Realty, and the parties to the JVA shall bear their own costs and expenses incurred and shall not have any or other claim against the other save and except for any antecedent breach committed.

### 5.3 Rationale of the Development Rights of JV Properties

The Board believes that the obtaining of the Development Rights of JV Properties is in the best interests of the Company as it will further the Company's intention to carry out the Proposed New Business in connection with the Proposed Diversification, the rationale for which has been explained in paragraph 2.1 above.

### 5.4 Valuation of the JV Properties

Valuation of the JV Properties has been commissioned by the Company and is being conducted by Cheston International (Johor) Sdn. Bhd. and the Company will make relevant disclosures of the valuation in the Circular to be issued to Shareholders.

### 5.5 Relative figures computed on the bases set out in Rule 1006 in relation to the Proposed Development Rights

The relative figures computed on the bases set out in Rule 1006 of the Catalyst Rules in respect of the Development Rights of JV Properties are as follows:

Rule	Bases of computation	Size of relative figure
1006(a)	Net asset value of assets being disposed of, compared with the Group's net asset value	Not applicable
1006(b)	Net profit/(loss) attributable to the assets acquired, compared with the Group's net profits	Not applicable
1006(c)	Aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	n.m. <sup>(1)</sup>
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil and gas company, but not to an acquisition of assets.	Not applicable

#### Notes:

(1) "n.m." means not meaningful

### 5.6 Financial effects of the Development Rights of JV Properties

The Development Rights of JV Properties under the DRA, at present, is not expected to have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2017, as the granting of the development rights of the JV Properties to MHMR is negligible.



## 6. OPTIONS AGREEMENTS

6.1 In connection with the Proposed Diversification and to carry out and secure future opportunities for the Proposed New Business as and when they arise, MCSB had on 23 February 2017 entered into the Option Agreements with the Grantors, pursuant to which the Grantors have agreed to grant to MCSB the option to acquire the rights to undertake the development, construction and completion of the Project over the Option Properties (as defined below), such option being exercisable within 3 years from the dates of the Option Agreements, the following properties in Malaysia ("**Option Properties**") in furtherance of the Proposed New Business:

- (a) GM728 Lot 392, Mukim Plentong, District of Johor Bahru, State of Johor;
- (b) GRN51484 Lot 124340, Mukim Plentong, District of Johor Bahru, State of Johor;
- (c) GM1298 Lot 391, Mukim Plentong, District of Johor Bahru, State of Johor;
- (d) GRN237218 Lot 32746, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237218 Lot 1899, Mukim Senai, District of Kulajaya, State of Johor);
- (e) GRN 237222 Lot 32748, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237222 Lot 1901, Mukim Senai, District of Kulajaya, State of Johor);
- (f) GRN82604 Lot 968, Mukim Plentong, District of Johor Bahru, State of Johor; and
- (g) GRN87287 Lot 675, Mukim Plentong, District of Johor Bahru, State of Johor.

The Company has ascertained title of the Grantors to the Option Properties via title searches and will conduct a substantive valuation and due diligence of the Option Properties at the relevant time, if and when MCSB decides to exercise the options under the Option Agreements. Pursuant to the terms of the Option Agreements, in the event the options are exercised, MCSB will enter into development rights agreements with the Grantors, subject to conditions similar to the DRA, to develop the Option Properties.

The Option Fee of RM1,000.00 for each Option Agreement is payable within 60 days from the execution of the respective Option Agreements, which may occur before all the conditions under the Option Agreements are satisfied.

The Option Fee will be funded through internal resources and will not have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2017.

## 6.2 Information on the Grantors

- (a) JBL Capital

JBL Capital is a company incorporated in Malaysia and its principal activity is that of investment holding. As at the date of this announcement, JBL Capital has an issued and paid-up share capital of MYR100,000.00 comprising 100,000 ordinary shares. The shareholders of JBL Capital Sdn. Bhd. are individuals who are Malaysian nationals as follows:

- (i) Chieng Leek Chee (the guarantor of the obligations of JBL Capital);
- (ii) Tan Kei Siong;
- (iii) Chieng Hien Kuok;
- (iv) Chieng You Ping;
- (v) Julia Leu Soon Hui;

- (vi) Janita Leu Soon Kee; and
- (vii) Wong King Hoong.

The following Option Properties are held by JBL Capital:

- (i) GM728 Lot 392, Mukim Plentong, District of Johor Bahru, State of Johor; and
- (ii) GRN51484 Lot 124340, Mukim Plentong, District of Johor Bahru, State of Johor.

(b) GCA Capital

GCA Capital is company incorporated in Malaysia and its principal activity is that of investment holding. As at the date of this announcement, GCA Capital has an issued and paid-up share capital of MYR100,000.00 comprising 100,000 ordinary shares. The shareholders of GCA Capital Sdn. Bhd. are individuals who are Malaysian nationals as follows:

- (i) Chieng Leek Chee (the guarantor of the obligations of GCA Capital);
- (ii) Ling Lik Chuong;
- (iii) Chieng You Ping;
- (iv) Tiong Meng Kwong;
- (v) Ang Thiam Kheng;
- (vi) Wong Tiing Ping;
- (vii) Julia Leu Soon Hui;
- (viii) Wong Huang Ping;
- (ix) Janita Leu Soon Kee;
- (x) Chieng Sing Hock; and
- (xi) Wong King Hoong.

The following Option Property is held by GCA Capital:

- (i) GM1298 Lot 391, Mukim Plentong, District of Johor Bahru, State of Johor.

(c) GCS Realty

GCS Realty is company incorporated in Malaysia and its principal activity is that of investment holding. As at the date of this announcement, GCS Realty has an issued and paid-up share capital of MYR100,000.00 comprising 100,000 ordinary shares. The shareholders of GCS Realty are individuals who are Malaysian nationals as follows:

- (i) Leu Huang Ding (the guarantor of the obligations of GCS Realty);
- (ii) Chieng Leek Chee;
- (iii) Hwang Mee Hiong;
- (iv) Chieng Mee Kien;
- (v) Ching Hee Hiong;
- (vi) Tiong Meng Kwong;
- (vii) Chieng Sing Hock;
- (viii) Chieng Lik Teck; and
- (ix) Ngoi Mew Li.

The following Option Properties are held by GCS Realty:

- (i) GRN237218 Lot 32746, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237218 Lot 1899, Mukim Senai, District of Kulajaya, State of Johor); and
- (ii) GRN237222 Lot 32748, Mukim Senai, District of Kulai, State of Johor (formerly known as GRN237222 Lot 1901, Mukim Senai, District of Kulajaya, State of Johor).

(d) ACG Holdings

ACG Holdings is company incorporated in Malaysia and its principal activity is that of investment holding. As at the date of this announcement, ACG Holdings has an issued and paid-up share capital of MYR100,000.00 comprising 100,000 ordinary shares. The shareholders of ACG Holdings are individuals who are Malaysian nationals as follows:

- (i) Goh Siik Mee @ Goh Siok Bee (the guarantor of the obligations of ACG Holdings);
- (ii) Wong Sui Ngo;
- (iii) Ling Lik Chuong;
- (iv) Wong Sui Hung;
- (v) Chieng Leek Chee;
- (vi) Chieng You Ping;
- (vii) Goh Leh Min;
- (viii) Chieng Yeu Foo;
- (ix) Chieng Yu Chong;
- (x) Tiong Meng Kwong;
- (xi) Ang Thiam Kheng;
- (xii) Wong Tiing Ping;
- (xiii) Ling Wu;
- (xiv) Chieng Yu Sieng;
- (xv) Chieng Yu Kui;
- (xvi) Tiong Tuang Yeong;
- (xvii) Chieng Sing Hock;
- (xviii) Wong Yiong Fun;
- (xix) Wong King Hoong; and
- (xx) Wong Sui Hee.

The following Option Properties are held by ACG Holdings:

- (i) GRN82604 Lot 968, Mukim Plentong, District of Johor Bahru, State of Johor; and
- (ii) GRN87287 Lot 675, Mukim Plentong, District of Johor Bahru, State of Johor.

The Grantors were identified and introduced to the Company through mutual and informal contacts in the industry, and no fees or commissions were paid for such introductions.

As at the date of this announcement, save for Mr Chieng Leek Chee, none of the Grantors nor their shareholders have any direct interest in the Company. Mr Chieng Leek Chee is

interested in 31,551,400 shares representing 2.86% of the share capital of the Company, comprising a direct interest in 14,589,500 shares and indirect interest in 16,961,900 shares held through UOB Kay Hian Pte Ltd.

Prior to the entry into the Option Agreements, and save as disclosed above, the Grantors and their shareholders are independent and unrelated parties to the Group, the Company's directors, chief executive officers and controlling shareholders, and have had no prior business, commercial or trade dealings with the Group. Further, none of the shareholders of the Grantors hold their shares as nominees or on trust for any other parties.

## **7. PROPOSED DISPOSAL**

### **7.1 Rationale for the Proposed Disposal**

The Board is cautiously optimistic of the Proposed New Business and believes that the Proposed Diversification and Proposed New Business will allow the Group to have better prospects of profitability and ensure long term growth by enabling the Group to have access to new business opportunities which in turn could potentially enhance the return on the Group's assets and improve Shareholders' value in the long run. The Group may explore joint ventures and/or strategic alliances to carry out the Proposed New Business should appropriate opportunities arise. The Board proposes to undertake the Proposed New Business as its sole core business pursuant to the Proposed Diversification. Accordingly, the Board believes that the Proposed Disposal is in the best interests of the Company as it is in line with the Board's intention to streamline and focus the utilisation of its resources and transform its core business activities from the existing business of the Company to the Proposed New Business. In addition, the Proposed Disposal will also enable the Company to discontinue the provision of substantial funding for the operations of CCFHPL Group, which has been loss making since FY2015 with no clear visibility of recovery or profitability.

Upon the completion of the Proposed Disposal, the CCFHPL Group will cease to be subsidiaries of the Company and the Group will cease to conduct the Existing Business.

The Proposed Disposal is deemed as a "major transaction" under Chapter 10 of the Catalyst Rules and is subject to the approval of the Shareholders being obtained at the EGM.

### **7.2 Information on the Purchaser and the CCFHPL Group**

#### **(a) The Purchaser**

The Purchaser is a Chinese citizen who engages in wholesale trading of textile and clothing product.

The Purchaser was identified and introduced to the Company through mutual and informal contacts in the industry, and no fees or commissions were paid for such introductions.

The Purchaser is an independent and unrelated party to the Company, its directors, chief executive officers and controlling shareholders.

#### **(b) The CCFHPL Group**

##### **(i) CCFHPL**

CCFHPL was incorporated in Singapore on 31 July 2008 as a private company limited by shares and its principal business is that of investment holding. As at the date of this announcement, CCFHPL is a wholly-owned subsidiary of the Company and the issued and paid-up share capital of CCFHPL is S\$2,282,000 comprising 57,472 ordinary shares.

CCFHPL has the following wholly owned subsidiaries:

- (A) Hong Kong Endi International Trading Co., Ltd.;
- (B) Macao Endi International Trading Co., Ltd.;
- (C) Shishi Haotian Dress Industry Co., Ltd., and
- (D) Zhang Zhou Yiwa Garments Weaving Co., Ltd.

(ii) Hong Kong Endi International Trading Co., Ltd.

Hong Kong Endi International Trading Co., Ltd. was incorporated in Hong Kong on 9 June 2006 as a private company limited by shares and its principal business is wholesale of children and infants wear. As at the date of this announcement, Hong Kong Endi International Trading Co., Ltd. is an indirect wholly-owned subsidiary of the Company and has an issued and paid-up share capital of S\$20,000 comprising 20,000 ordinary shares.

(iii) Macao Endi International Trading Company Limited

Macao Endi International Trading Company Limited was incorporated in Macau on 22 July 2014 as a private company limited by shares and its principal business is wholesale of children and infants wear. As at the date of this announcement, Macao Endi International Trading Company Limited is an indirect wholly-owned subsidiary of the Company and has an issued and paid-up share capital of MOP\$25,000.

(iv) Shishi Haotian Dress Industry Co., Ltd.

Shishi Haotian Dress Industry Co., Ltd. was incorporated in the People's Republic of China ("PRC") on 3 August 2004 as a private company limited by shares and its principal business is the manufacture, retail and wholesale of children and infants wear and retail sale of children wear. As at the date of this announcement, Shishi Haotian Dress Industry Co., Ltd. is an indirect wholly-owned subsidiary of the Company and has an issued and paid-up share capital of US\$2,389,000.

(v) Zhang Zhou Yiwa Garments Weaving Co., Ltd.

Zhang Zhou Yiwa Garments Weaving Co., Ltd. was incorporated in the PRC on 13 September 2014 as a private company limited by shares and its principal business is wholesale of children and infants wear. As at the date of this announcement, Zhang Zhou Yiwa Garments Weaving Co., Ltd. is an indirect wholly-owned subsidiary of the Company and has an issued and paid-up share capital of HK\$10,001,000.

### 7.3 Principal terms of the SPA

(a) **Disposal of the Sale Shares**

Pursuant to the terms and subject to the conditions of the SPA, the Company will sell to the Purchaser and the Purchaser will purchase from the Company all the Sale Shares free from all encumbrances and together with all rights, benefits and entitlements attaching or accruing thereto, in exchange for the Purchase Consideration.

(b) **Purchase Consideration**

The Purchase Consideration of S\$2,000,000, was arrived at by agreement between the Purchaser and the Company at arm's length, on a "willing-buyer, willing-seller"

basis after taking into consideration (i) the valuation of CCFHPL and its business, assets, liabilities and subsidiaries, being S\$0, as appraised and reported by RSM Corporate Advisory Pte. Ltd. on 23 February 2017 ("**Valuation Report**"), and (ii) the aggregate net assets attributable to the equity holders of the CCFHPL Group of approximately S\$9,011,000 as at 30 September 2016. The valuation was commissioned by the Company.

As at 30 September 2016, based on the aggregate unaudited financial statements of the CCFHPL Group, the net tangible assets ("**NTA**") and net asset value ("**NAV**") of the CCFHPL Group amounted to S\$7,653,000 and S\$9,011,000 respectively and the loss before tax attributable to the CCFHPL Group amounted to S\$9,631,000 for 9 months ended September 2016. The Purchase Consideration represents a net loss on disposal of S\$7,011,000 over the unaudited book value of the CCFHPL Group of S\$9,011,000 as at 30 September 2016.

The Purchase Consideration represents a price-to-book multiple of approximately 0.22 times based on the aggregate net assets attributable to equity holders of the CCFHPL Group of approximately S\$9,011,000 as at 30 September 2016. There is no open market value for the Sale Shares as they not publicly traded.

(c) **Conditions precedent to the Proposed Disposal**

The sale and purchase of the Sale Shares and completion of the SPA shall be subject to and conditional upon the fulfilment and satisfaction of all the conditions precedent ("**SPA Conditions**") set out below:

- (i) approval of the Shareholders at the EGM for the entering into of the SPA, all the transactions envisaged under the SPA and any related transactions as may be required in relation thereto;
- (ii) all licenses, consents, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings with all relevant Regulators (as defined in the SPA), third party contractors, counterparties, financing or facility providers of the Company and/or the CCFHPL Group as may be required for or in connection with the sale, purchase and transfer of the Sale Shares, and all the transactions envisaged under the SPA, having been obtained, and not having been withdrawn, revoked or amended and if subject to any conditions, such conditions being acceptable to the SPA Parties and are fulfilled on or before the SPA Closing Date;
- (iii) the irrevocable and unconditional waiver by each and all other shareholder(s) of the CCFHPL Group and/or any third party (as may be so entitled), of any restriction or right of pre-emption on the sale and transfer of the Sale Shares, if any such restriction or right shall be applicable;
- (iv) no proceedings, applications, petitions or summons having been started or threatened, nor any steps taken thereto by any person with a view to the bankruptcy, insolvency or winding-up of the Purchaser, the Company or any entity of the CCFHPL Group or for the appointment of a receiver, trustee or similar officer over any of them or their respective undertakings, properties or assets, and
- (v) the sale and purchase of all the Sale Shares being in compliance in all respects with, all laws, rules, regulations, directives and orders that are applicable to the Purchaser, the Company and the CCFHPL Group and in their respective jurisdictions.

If any of the SPA Conditions are not fulfilled on or before 30 June 2017 or such later date as the SPA Parties may agree to in writing ("**SPA Long Stop Date**"), the SPA shall be deemed to be rescinded and of no further force or effect save for such rights

and remedies as shall have accrued in favour of the respective Parties.

(d) **Assignment of Accounts Payables and Receivables**

On the date of completion of the sale and purchase of the Sale Shares pursuant to the SPA (“**SPA Closing Date**”), Shishi Haotian Dress Industry Co., Ltd. and Zhang Zhou Yiwa Garments Weaving Co., Ltd. (collectively, the “**Entities**”) shall assign the total outstanding amount of S\$13,212,000 due and owing by the Company to the Entities under the inter-company balances as at 31 December 2016 (“**Accounts Payable**”) to the Purchaser (“**Entities’ Assignment**”) and the Purchase Consideration shall be entirely set-off against the Accounts Payable on the SPA Closing Date, with no cash payment of the Purchase Consideration to be received by the Company.

On the SPA Closing Date, the Company and the Purchaser (collectively, the “**SPA Parties**”) agree that Company and the Entities shall and the Purchaser shall provide that the Entities do write off and zerorise all the Accounts Payable and fully and finally discharge the Company from all further and future obligations thereunder, after entirely setting-off the Accounts Payable (pursuant to the Entities’ Assignment) against the Purchase Consideration.

In connection with the Entities’ Assignment, each of the Entities will prior to the SPA Closing Date, enter into deeds of assignment (“**Entities’ Deeds**”) with the Purchaser, pursuant to which the Entities shall assign and the Purchaser shall receive all of the Entities’ rights, title and interests in the Accounts Payable with effect from the date of the Entities’ Deeds, upon the terms and subject to the conditions of the Entities’ Deeds.

Subject to the closing of the sale and purchase of the Sale Shares, the Company shall separately assign the existing accounts receivables as at 31 December 2016 from various third-party debtors, at book value (“**Accounts Receivables**”), in entirety to CCFHPL (“**Company’s Assignment**”).

The SPA Parties agree that all amounts owing by each and all of the CCFHPL Group to the Company (if any) (“**Outstanding Receivables**”) shall be written off by the Company or fully and finally settled pursuant to the Entities’ Assignment and Company’s Assignment.

In connection with the Company’s Assignment, the Company will prior to the SPA Closing Date enter into a deed of assignment (“**Company’s Deed**”) with CCFHPL, pursuant to which the Company shall assign and CCFHPL shall receive all of the Company’s rights, title and interests in the Accounts Receivables, with effect from the Company’s Deed, upon the terms and subject to the conditions of the Company’s Deed.

7.4 **Relative figures computed on the bases set out in Rule 1006 of the Catalist Rules**

The relative figures computed on the bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Disposal and based on the latest announced unaudited financial statements of the Group for the period ended 30 September 2016 (“**3Q2016**”) are as follows:

<b>Rule</b>	<b>Bases of computation</b>	<b>Size of relative figure</b>
1006(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets.	64.5% <sup>(1)</sup>
1006(b)	Net profit / (loss) attributable to the assets to be disposed of, compared with the Group’s net profit / (loss)	128.4% <sup>(2)</sup>
1006(c)	Aggregate value of the consideration given, compared	3.7% <sup>(3)</sup>

	to the Company's market capitalisation based on the total number of issued shares excluding treasury shares	
1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate to the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil and gas company, but not to an acquisition of assets.	Not applicable

**Note:**

- (1) Based on the net asset value of the CCFHPL Group of S\$9,011,000 as at 30 September 2016 compared with the Group's net asset value of S\$13,968,000 as at 30 September 2016.
- (2) Based on the net loss of the CCFHPL Group of S\$9,648,000 as at 30 September 2016 compared with the Group's net loss of S\$7,516,000 as at 30 September 2016.
- (3) Based on the Purchase Consideration of S\$2,000,000 and the market capitalisation of the Company of approximately S\$48,576,000 (determined by multiplying the existing number of shares in issue excluding treasury shares (i.e. 1,104,008,940 shares) by S\$0.044, being the weighted average price of the Company's shares transacted on 22 February 2017, being the market day preceding the date of the SPA).

As the relative figures computed on the basis set out in Rule 1006 of the Catalist Rules above exceed 50%, the Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Catalist Rules, and is conditional upon the approval of Shareholders at a general meeting to be convened.

#### 7.5 **Loss on disposal**

Loss on disposal of CCFHPL upon completion of the Proposed Disposal by the Company is expected to be S\$18,429,000 based on the Purchase Consideration of S\$2,000,000 and the Company's investment in CCFHPL of S\$20,429,000 as at 30 September 2016.

#### 7.6 **Use of proceeds**

As described in paragraph 7.3(a) of this announcement, the Purchase Consideration will be entirely set-off against the Accounts Payable pursuant to the Entities' Assignment and the Company's Assignment and no cash proceeds will be received by the Company for the Proposed Disposal.

#### 7.7 **Financial effects of the Proposed Disposal**

##### (a) Bases and assumptions

The proforma financial effects of the Proposed Disposal on the share capital, earnings, net tangible assets ("**NTA**") and gearing of the Group have been prepared based on the audited consolidated financial results of the Group for the financial year ended 31 December 2015 ("**FY2015**") and the audited financial information of the CCFHPL Group for FY2015.

The proforma financial effects of the Proposed Disposal are for illustrative purposes only and do not necessarily reflect the actual future results and financial position of the Group following the completion of the Proposed Disposal.



For the purpose of illustrating the financial effects of the Proposed Disposal, the financial effects of the Proposed Disposal are computed based on, *inter alia*, the following assumptions:

- (i) the financial effects on the Group's earnings and earnings per Share are computed assuming that the Proposed Disposal was completed on 1 January 2015;
- (ii) the financial effects on the Group's NTA and gearing are computed assuming that the Proposed Disposal was completed on 31 December 2015;
- (iii) the analysis takes into account a loss on disposal of the CCFHPL Group of S\$7,011,000 had the Proposed Disposal been completed on 30 September 2016;
- (iv) the analysis takes into account any expenses in relation to the Proposed Disposal that may be incurred by the Company, which is estimated to be approximately S\$168,000;
- (v) the analysis does not take into account any dividend or distributions that may be declared by the Company in respect of FY2016; and
- (vi) the analysis does not take into account the effects of the Proposed Diversification.

(b) Share capital

<b>(S\$'000)</b>	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
Issued and paid up share capital	49,074	49,074
Add: Effects of Proposed Disposal	-	83,658
<b>Resultant issued and paid up share capital</b>	<b>132,732</b>	<b>132,732</b>
Number of shares in issue ('000)	1,104,009	1,104,009

(c) NTA

<b>(S\$'000)</b>	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
NTA	22,130	22,130
Less: Effects of Proposed Disposal	-	(22,244)
<b>Resultant NTA</b>	<b>22,130</b>	<b>(114)</b>
Number of shares in issue ('000)	1,104,009	1,104,009
NTA per Share (cents)	2.0	(0.0)

(d) Earnings

(S\$'000)	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to Shareholders	(20,297)	(20,297)
Add: Effects of Proposed Disposal	-	1,179
<b>Resultant profit attributable to Shareholders</b>	(20,297)	(19,118)
Weighted average number of Shares (excluding treasury Shares)	1,104,009	1,104,009
Loss per Share (cents)	(1.8)	(1.7)

(e) Gearing

(S\$'000)	Before the Proposed Disposal	After the Proposed Disposal
Total borrowings	27,959	-
Shareholders' equity	22,130	(114)
<b>Gearing (times) <sup>(1)</sup></b>	1.26	-

**Note:**

(1) Gearing is determined based on total borrowings divided by shareholders' equity.

**8. DIRECTORS' SERVICE CONTRACTS**

There are no persons who are proposed to be appointed as a Director of the Company in connection with the Proposed Transactions. Accordingly, no service contract is proposed to be entered into between the Company and such person.

**9. INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS**

Save for their respective interests in the issued shares in the capital of the Company (as the case may be), none of the Directors, controlling shareholders or substantial shareholders of the Company has any interest, direct, or indirect in the Proposed Transactions.

**10. EGM AND CIRCULAR TO SHAREHOLDERS**

**Implementation of the Proposed Transactions is conditional upon Shareholders' approval of the Proposed Diversification to include the Proposed New Business, at the EGM.**

A circular containing, *inter alia*, the notice of the EGM and the details of the Proposed Transactions will be dispatched to Shareholders in due course. The Company will make further announcements at the appropriate time.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection during normal business hours at the Company's registered office at 33 Ubi Avenue 3, #08-38, Vertex, Singapore 408868 for a period of three (3) months from the date of this announcement:

- (a) the Constitution of the Company;
- (b) the SPA;
- (c) the JVA;
- (d) the DRA;
- (e) the Option Agreements;
- (f) the Power of Attorney;
- (g) the Valuation Report; and
- (h) the Annual Report of the Company for FY2015.

## 12. DIRECTORS' RESPONSIBILITY STATEMENT

The Board 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 Transactions and the Group, and the Board is 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.

## 13. CAUTION IN TRADING

Shareholders are advised to read this announcement, the Circular to be issued by the Company, and any further announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

**As at the date of this announcement, Shareholders should be cautioned that there is no assurance that the Proposed Transactions will proceed or proceed on their present terms. The JVA, DRA, Option Agreements and SPA may also be terminated by mutual agreement of the parties thereto.**

**Shareholders and potential investors are advised to read this announcement, the Circular to be issued by the Company and any further announcements by the Company carefully and to exercise caution when trading or dealing in their shares of the Company. Shareholders and potential investors should seek advice from their stockbrokers, bank**

**managers, solicitors, accountants or other professional advisers, if they have any doubts about the actions they should take.**

BY ORDER OF THE BOARD

Chang Wei Lu  
Executive Chairman and Chief Executive Officer  
27 February 2017

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This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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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