

MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in Singapore)

(Company Registration No. 198200473E)

(the “**Company**”)

RESPONSE 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 Company’s announcement dated 12 July 2021 (the “**Announcement**”) in relation to the signing of a share sale agreement (“**SSA**”) in respect of the Company’s proposed acquisition of groceries business in Malaysia.

Save as otherwise defined, all capitalised terms shall have the same meaning as the Announcement.

The Company wishes to inform its shareholders that further to the Announcement, it has received the following queries on 13 July 2021 from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and hereby set out its responses to the queries:

No.	SGX Query	Company’s response
1.	<p>Mercurius entered into a SSA with the SPV Shareholders to acquire the Target Group for S\$36m. The Target Group comprises the SPV and its subsidiaries, i.e. Songmart Malaysia, Tan Lee Heng and Granville which is to be acquired.</p> <p>The Purchase Consideration was arrived at on a willing-buyer willing-seller basis taking into account, amongst others, (iv) the prevailing market valuation of the properties owned by the Target Group as set out in APPENDIX 3 (the “Properties”) determined with reference to the recent transacted prices of similar properties in the vicinity and (vii) the market valuation based on price earnings ratio of comparable companies listed on the SGX.</p>	
	a) Please list the market valuation of the properties in Appendix 3, the date of the valuation reports and the valuer firm appointed to conduct such valuation.	<p>There is no independent market valuation report in respect of the properties in Appendix 3. Indicative valuations of the properties are obtained from the publicly available sources containing the latest data and information relating to transacted prices of similar properties in the vicinity.</p> <p>However, an independent valuation on the properties was commissioned by a bank which is refinancing all the existing bank loans of the Target Group. The Company will be requesting for a copy of this valuation report commissioned by the bank as part of its due diligence process.</p>

<p>b) Please list the price earnings ratio of comparable companies listed on the SGX that is used to compare against that of the Target Group</p>	<p>Please see table appended below which sets out the current market valuation of the comparable companies:</p> <table border="1" data-bbox="770 315 1385 546"> <thead> <tr> <th><u>Trading Code</u></th> <th><u>Stock Name</u></th> <th><u>PE (approx.)</u></th> <th><u>Report Year</u></th> </tr> </thead> <tbody> <tr> <td>OV8</td> <td>Sheng Siong</td> <td>17x</td> <td>2020</td> </tr> <tr> <td>D01</td> <td>DairyFarm</td> <td>20x</td> <td>2020</td> </tr> <tr> <td>---</td> <td>Songmart</td> <td>12x</td> <td>2020</td> </tr> </tbody> </table>	<u>Trading Code</u>	<u>Stock Name</u>	<u>PE (approx.)</u>	<u>Report Year</u>	OV8	Sheng Siong	17x	2020	D01	DairyFarm	20x	2020	---	Songmart	12x	2020
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---	Songmart	12x	2020														
<p>c) What did the Board consider in arriving at the Purchase Consideration?</p>	<p>As set out in paragraph 3.2 of the Announcement, the Board has taken into account the following:</p> <ol style="list-style-type: none"> i. the unaudited pro forma condensed combined financial statements of the Target Group for FY2020 and the three-month period ended 31 March 2021 (“1Q2021”), including the NTA and the profit before tax of the Target Group of approximately RM13.8 million and RM9.4 million respectively for FY2020 and RM16.1 million and RM2.4 million respectively for 1Q2021; ii. the historical financial results of each of the Targets and Granville; iii. the Profit Targets; iv. the prevailing market valuation of the properties owned by the Target Group as set out in APPENDIX 3 (the “Properties”) determined with reference to the recent transacted prices of similar properties in the vicinity; v. Sale Shares representing the entire issued and paid-up share capital of the SPV; vi. the prevailing economic conditions and the potential growth outlook of the Target Group; and vii. market valuation based on price earnings ratio of comparable companies listed on the SGX. 																
<p>d) Why is the Proposed Acquisition in the best interest of the Company and its shareholders?</p>	<p>As previously disclosed in the Company’s annual reports for FY2020 and FY2019 and the latest quarterly financial results dated 14 May 2021, the Company has been seeking new business opportunities as part of the long-term solution to address and improve shareholders’ value and the financial situation of the Group.</p> <p>Considering the Target Group is a profitable group of companies and has a cash generating business, the Company is of the view that the Proposed Acquisition is beneficial to the Company and its</p>																

		shareholders. Please also refer to paragraph 4 of the Announcement for the rationale for the Proposed Acquisition.
2.	The 200 million Consideration Shares represent (i) 15.08% of the existing issued share capital of the Company; and (ii) 13.10% of the enlarged issued share capital after the issue of the Consideration Shares. No independent valuation has been conducted on the Target Group.	
	(a) Please explain whether the Company will be commissioning a valuation on the Target Group prior to the convening of EGM to approve the Proposed Business Diversification, and if not, why not.	After taking into the account the basis of the Purchase Consideration as explained in the Company's response to query 1(c), the Company is of the view that the terms are adequately supported by fundamental measures and as such, a valuation on the Target Group will not add meaningful value to the Proposed Acquisition, and is hence deemed to be not necessary.
	(b) The Consideration Shares will be issued in 3 tranches, with Tranches 2 and Tranche 3 being subject to the SPV meeting the agreed Profit Targets in FY2022 and FY2023. What happens if the SPV registers losses in FY2022 and / or FY2023?	In the event that the SPV registers losses in FY2022 and FY2023, no Consideration Shares will be issued under Tranches 2 and 3. This is in line with the provisions under the Adjustment to the Consideration Shares set out in paragraph 2 of Appendix 2 of the Announcement.
3.	The SPV Shareholders are the legal and beneficial owners of the Sale Shares and the Vendors are the legal and beneficial owners of the entire issued and paid-up share capital of the SPV Shareholders. Each of the Vendors and the SPV Shareholders is an independent third party unrelated to any of the Directors or substantial shareholders of the Company and their respective associates.	
	(a) Please disclose the shareholders and directors of the SPV Shareholders.	Please refer to Appendix A of this announcement.
	(b) Please disclose the identities of the Vendors. If the Vendors are entities, please also provide the identities of their shareholders and directors.	Please refer to Appendix A of this announcement.
4.	The SPV is a private company limited incorporated in Malaysia in April 2021 whose principal business is that of an investment holding company. Songmart Malaysia Sdn Bhd and Tan	

<p>Lee Heng are wholly owned by the SPV. Songmart Malaysia is incorporated in Malaysia in May 2021, while Tan Lee Heng is incorporated in Malaysia in May 2021. Granville is incorporated in Malaysia in September 2018.</p>	
<p>(a) Please elaborate on the length of time that each of the Targets (as named in Appendix 1), Songmart Malaysia, Tan Lee Heng and Granville has been in operations.</p>	<p>A) <u>Targets as named in Appendix 1 of the Announcement</u></p> <ol style="list-style-type: none"> 1. Tan Lee Heng (M) Sdn. Bhd. - Incorporated in January 1999 and has been in operation for 22 years. 2. Pasaraya Songmart (Kluang) Sdn. Bhd. - Incorporated in June 2009 and has been in operation for 12 years. 3. Pasaraya Songmart (Kota Tinggi) Sdn. Bhd. - Incorporated in October 2008 and has been in operation for almost 13 years. 4. Pasaraya Songmart (Pulai Perdana 2) Sdn. Bhd. - Incorporated in November 2014 and has been in operation for 6 years and 9 months. 5. Pasaraya Songmart (Sri Stulang) Sdn. Bhd. - Incorporated in June 2012 and has been in operation for 9 years. 6. Pasaraya Songmart (Bandar Tenggara) Sdn. Bhd. - Incorporated in October 2017 and has been in operation for almost 4 years. 7. Pasaraya Songmart (Chellam) Sdn. Bhd. - Incorporated in March 2007 and has been in operation for 13 years. 8. Songmart Cash & Carry Sdn. Bhd. - Incorporated in December 2002 and has been in operation for 18 years. <p>B) <u>Songmart Malaysia Sdn Bhd</u> - Incorporated in May 2021 as a special purpose vehicle company to acquire the grocery business of the Targets (save for Tan Lee Heng (M) Sdn. Bhd.)</p>

		<p>C) <u>Tan Lee Heng Import & Export Sdn Bhd</u> - Incorporated in May 2021 as a special purpose vehicle company to acquire the business of Tan Lee Heng (M) Sdn. Bhd.</p> <p>D) <u>Granville Grocery Sdn Bhd</u> - Incorporated in September 2018 and has been in operation for almost 3 years.</p>
	(b) Please elaborate on the number and locations of mini markets, convenience stores and supermarkets that each of Songmart Malaysia and Tan Lee Heng operate, as well as the number and locations of department stores and supermarkets that Granville operate.	Following the consolidation of the businesses of the Targets into Songmart Malaysia and Tan Lee Heng respectively, the number and locations of mini markets, convenience stores and supermarkets under Songmart Malaysia, Tan Lee Heng and Granville will be as set out in Appendix B of this announcement.
5.	Based on the unaudited pro forma condensed combined financial statements of the Target Group for the financial year ended 31 December 2020 ("FY2020"), the net tangible asset ("NTA") value of the Target Group was approximately RM13.8 million and the profit before tax of the Target Group was approximately RM9.4 million.	
	(a) Will the Company be requesting for audited financial statements of the Target Group and include the same information in the Circular for shareholders' information for purposes of the EGM to be held? If not, why not?	Yes, the Company has obtained the audited financial statements of the Target Group companies. However, we may not present such information in the Circular as we are not acquiring the shares of the Targets but their business operations and assets and accordingly, the financial information of each Target is not as meaningful as compared to the proforma combined financial statements of the SPV.
	(b) Who is the auditor of the Target Group?	The auditor of the Target Group is currently CH & Associates, a Chartered Accountants firm registered in Malaysia.
6.	The Company will be seeking shareholders approval for the diversification of business into trading of foodstuff, groceries, sundry goods and daily necessities and the operation of supermarkets and convenience stores in Malaysia ("New Business"). Will the Company be seeking shareholders approval for the Proposed Acquisition of the Target Group given that this is the Group's foray into the New Business?	<p>As explained in paragraph 5 of the Announcement, shareholders' approval for the Proposed Acquisition is not required.</p> <p>The New Business will comprise essentially the businesses of the Target Group, details of which will be provided in the circular to shareholder. Shareholders are fully aware of this and of the fact that by considering and voting on the New Business, they are considering and indirectly voting on the Proposed Acquisition. Further, as disclosed in the Announcement, the Target Group is profitable. As such, there is no prejudice to shareholders in not</p>

		seeking their specific approval for the Proposed Acquisition.
7.	The Group's current business in property development and property investment in the form of a 50% shareholding interest in Grand Bay did not generate any revenue for the Group for FY2020 and 1QFY2021. It was stated in the FY2020 AR and 1QFY2021 results that the COVID-19 pandemic has continued to result in the tightening of loan application requirements by the banking and financial institutions and hence, negotiations with potential financial institutions to secure a construction loan for development of the joint venture project, Sheraton Phuket Grand Bay Resort, are still on hold. The Company and APEX have been following up with other potential financial institutions and investors, and are also exploring other viable options and will keep shareholders updated accordingly.	
	(a) What is the current status of this project?	The current status remains the same as previously reported in the Company's FY2020 Annual Report and the 1QFY2021 financial results announcement. The Company is closely in touch with the management of APEX to monitor the development of the joint venture project and explore other viable options.
	(b) Please provide an update on an approximate timeline on developments expected of the joint venture project.	The Group hopes to procure financing to start construction works for the joint venture project by end of 2021. However, due to the constant evolving COVID-19 pandemic situation which has affected the availability of the financing options and the construction sector, the indicative timeline may be adjusted as and when necessary.

BY ORDER OF THE BOARD

Chang Wei Lu
Executive Chairman and Chief Executive Officer
15 July 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.

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.

Share Sale Agreement dated 12 July 2021Details of SPV Shareholders

<u>No.</u>	<u>Name of SPV Shareholders</u> <u>(all incorporated in Malaysia)</u>	<u>Directors</u> <u>(all Malaysians)</u>	<u>Shareholders (the Vendors)</u> <u>(all Malaysians)</u>	<u>Shareholdings (No.</u> <u>of Ordinary Shares)</u>	<u>Percentage of</u> <u>Shareholding</u>
1.	Tan Lee Heng (M) Sdn Bhd	(a) Teng Hewe Song (b) Ngoi Moi Moi (c) Tan Ah Mai (d) Teng Kok Guan	(a) Teng Hewe Song (b) Ngoi Moi Moi (c) Tan Ah Mai (d) Teng Kok Guan	(a) 1,000,000 (b) 200,000 (c) 400,000 (d) 400,000	(a) 50% (b) 10% (c) 20% (d) 20%
2.	Fourseas Capital Sdn Bhd	(a) Jenny Wong Shu Yin (b) Tan Ah Mai	*Raffles Holdings Sdn Bhd	1	100%
3.	Fourseas Holdings Sdn Bhd	(a) Jenny Wong Shu Yin (b) Tan Boon Kok	*Raffles Holdings Sdn Bhd	50,000	100%

*Details of the Vendor

<u>No.</u>	<u>Name of Vendor</u> <u>(incorporated in Malaysia)</u>	<u>Directors</u> <u>(all Malaysians)</u>	<u>Shareholders</u> <u>(all Malaysians)</u>	<u>Shareholdings</u> <u>(Ordinary Shares)</u>	<u>Percentage of</u> <u>Shareholding</u>
	Raffles Holdings Sdn Bhd	(a) Tan Boon Kok (b) Tan Ah Mai	(a) Tan Boon Kok (b) Tan Ah Mai	(a) 70,000 (b) 30,000	(a) 70% (b) 30%

Appendix B

Grouping		Outlets Address
1	Songmart	1. No. 1,3,5,7,9,11,13,15 Jalan Pulai 21, Taman Pulai Utama, 81300 Skudai Johor
2		2. Lot BZZ-5, Pasar Awam Setia Indah, Jalan Setia 3/4,Taman Setia Indah, 81100 Johor Bahru, Johor
3		3. No. 56 & 58, Lot S1 Puteri Mart, Jalan Beladau 17, Taman Puteri Wangsa 81800 Ulu Tiram Johor
4		4. No 34,36,38,40,42,44,46 Jalan Kenanga 4, Taman Desa Cemerlang 81800 Ulu Tiram, Johor
5		No 37,39,41,43,45,47,49&51 Jalan Impian 1/1, Taman Desa Impian 81440 Bandar Tenggara Johor
6		No 18,20,22, Jalan Palma Rafis 1, Taman Dato' Chellam 81800 Ulu Tiram Johor
7		1. No 1,3,5,7,9 Jalan Saujana Perdana 2, Taman Saujana 86000 Kluang Johor
8		2. Lot G-09-G24, Kluang Junction, Jalan Haji Manan, Kampung Masjid Lama, 86000 Kluang Johor
9		3. No 18, Jalan Hang Tuah 4/1, Taman Muhibbah 86000 Kluang Johor
10		No S-02 & S-02 A, KIPMART Kota Tinggi, Jalan Maju 81900 Kota Tinggi, Johor
11		1. No 2,4,6,8,10,12,14,16, Jalan Pulai Perdana 3/2, Taman Sri Perdana 2, 81300 Johor Bahru Johor
12		No 8-G, 8-01, 9-G, 9-01, 10-G, 10-01, 11-G, 11-01, Jalan Sri Stulang 1/1,Taman Sri Stulang 80150 Johor Bahru
13	Granville Grocery	No. 3, Blok B, Senibong Cove, 81750 Masai Johor
14	Tan Lee Heng	Lot 45, PTD 109235, Jalan Kota Tinggi, Baru 12, 81800 Ulu Tiram Johor

Note: No. 14 is the corporate office of Tan Lee Heng and consolidation and distribution center for all the outlets.