



PROPOSED DISPOSAL OF THE BUSINESS AND ASSETS OF NATURALAC NUTRITION LIMITED

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Envictus International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Naturalac Nutrition Limited (the “**Vendor**”), a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement (the “**SPA**”) with Hansells Masterton Limited (the “**Purchaser**”) on 11 February 2020 in relation to the sale of the Assets (as defined below) of the Vendor (the “**Proposed Disposal**”).

2. INFORMATION ON THE ASSETS AND THE PURCHASER

- 2.1. The Vendor carries on the business of formulation and sale of sports nutrition products and dietary supplement, including products under the Horleys™ brand name and other proprietary brands such as Sculpt™ (a weight management product tailored for women), Covet™ (a range of nut milks) and Replace™ (an isotonic sports drink in powdered format) (the “**Business**”). In New Zealand, the Vendor’s products are primarily distributed through retail channels (supermarkets, oil and convenience retail outlets) along with the traditional route channels (gyms, health food shops, specialty stores and specialty nutrition shops), while its Australian sales are made predominantly through the route channels. Please refer to paragraph 4.1 of this announcement for further details on the Assets.
- 2.2. The Purchaser is a company incorporated in New Zealand with its principal activities in food manufacturing and packing. It operates from Masterton, New Zealand and the main focus of its business is on dry powder blending and packing.
- 2.3. The information set out in paragraph 2.2 was provided by the Purchaser and has been extracted and reproduced herein. In respect of such information, the Company has not independently verified the accuracy and correctness of the same and the Company’s responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.

3. RATIONALE AND USE OF PROCEEDS

- 3.1. The Group had intended to cease the operations carried on by the Vendor and would have had to write off the Assets in its books if the Assets are not sold to a third party. The Proposed Disposal therefore represents a good opportunity for the Group to dispose of the assets of a loss-making business and obtain some consideration for it. The Board is of the view that the consideration offered represents an attractive price for the value of the Assets.
- 3.2. The Group intends to use the net proceeds from the Proposed Disposal for working capital purposes.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

4.1. SPA

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Assets, free from encumbrances, on the terms and conditions of the SPA.

The Assets comprise of the following assets owned by the Vendor and used in the Business:

- (a) the deeds, arrangements, agreements or understandings entered into by the Vendor and relating to the operation of the Business to the extent that they have not been performed at the date of completion of the Proposed Disposal (the "**Completion Date**") (the "**Business Agreements**");
- (b) all records and information held by the Vendor relating to the Business but excluding, amongst other, the original accounting and financial records, corporate statutory registers, and other records of the Vendor which the Vendor is required by law to retain (the "**Business Records**");
- (c) all intellectual property rights owned by the Vendor, including all rights conferred by law or equity which are used or exercised in connection with the Business as at the Completion Date (the "**Intellectual Property**");
- (d) all raw materials, work in progress, finished goods, and packaging and business consumables owned and in the possession of the Vendor at the Completion Date, excluding all discontinued or obsolete items that are not sold by the Vendor at the Completion Date (the "**Inventory**"); and
- (e) the goodwill in or attaching to the Assets and in the trading reputation of the Business at the Completion Date.

(collectively, the "**Assets**").

4.2. **Consideration**

The consideration payable by the Purchaser to the Vendor for the Assets is the sum of the following amounts (the "**Consideration**"):

- (a) NZD400,000 (equivalent to approximately RM1,061,000, based on an exchange rate of 2.6518 extracted from www.oanda.com as of 10 February 2020);
- (b) the total dollar value of the Inventory calculated at cost, to be agreed between the Vendor and the Purchaser on the Completion Date (the "**Inventory Calculation**");
- (c) based on the Vendor's calculation, the cost of all purchase orders that the Vendor has placed from 8 January 2020 to the Completion Date that would otherwise be Inventory but is not in the Vendor's possession at the Completion Date ("**Additional Inventory Calculation**"); and
- (d) the applicable GST (if any).

The Inventory Calculation for any Inventory which has a shelf life of less than the minimum shelf life (i.e. 35% of the total shelf life) (the "**Minimum Shelf Life**") will be sold at 70% of cost. Where the Inventory Calculation exceeds \$1,300,000 due to orders received on the month of the Completion Date ("**Spillover Inventory**"), the Purchaser shall pay the Vendor the amount by which the Inventory Calculation exceeds \$1,300,000 after the Completion Date but prior to the date on which payment for the relevant item of Spillover Inventory is due by the Vendor to the supplier of that Spillover Inventory.

The Consideration will be satisfied in cash by the Purchaser in the following manner:

- (i) NZD100,000 (the "**Deposit**"), on the date of the SPA;
- (ii) the Consideration less the Deposit less the Spillover Payment (if any) less the Additional Inventory Calculation on the Completion Date;
- (iii) the Spillover Payment; and

- (iv) the Additional Inventory Calculation.

The Consideration was based on arm's length negotiations and was arrived at after taking into account that the Proposed Disposal represents a good opportunity to divest the assets at an attractive price.

4.3. **Condition Precedent**

The completion of the Proposed Disposal is conditional upon the Vendor obtaining confirmation from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") that the Proposed Disposal does not require approval from the shareholders of the Company (the "**Condition**"), on or before the date falling 30 business days from the date of the SPA (the "**Long-Stop Date**").

The Condition can only be waived by the Vendor.

If the Condition has not been satisfied by the Long-Stop Date, the SPA may be cancelled by either the Vendor or the Purchaser giving written notice of cancellation to the other party and the Deposit shall be refunded by the Vendor to the Purchaser. If the SPA is cancelled by the Purchaser on the basis that the Condition has not been satisfied by the Long-Stop Date, the Vendor shall refund the Deposit to the Purchaser and reimburse the Purchaser its due diligence and other costs involved in the transaction, by paying the amount of NZD100,000 to the Purchaser.

4.4. **Post-Completion Undertaking**

The Vendor agrees that for a period of 3 years from the Completion Date, it will not, and will ensure that none of its related parties, will:

- (i) carry on, engage in or be concerned with any business or activity which is the same as or substantially similar to or in competition with the Business or any part of the Business (the "**Restricted Business**") within New Zealand and Australia;
- (ii) provide financial or other assistance to any person carrying on, engaged in, competing or concerned with the Restricted Business within New Zealand and Australia;
- (iii) induce any customer of, or supplier to, the Business or the Purchaser to cease doing business with or reduce its level of business with the Business or the Purchaser; or
- (iv) employ or solicit the services of, or offer employment, to any employee (other than where that person responds to a bona fide public advertisement for a vacant position with the Vendors that is not targeted specifically at such person).

5. **VALUE OF THE ASSETS**

5.1. **Book Value and Net Asset Value**

Based on the latest audited financial statements of the Group for the financial year ended 30 September 2019 ("**FY2019**"), the book value and the net asset value ("**NAV**") of Assets were RM6,931,000 and RM303,545,000 respectively.

5.2. **Net Loss**

Based on the latest audited financial statements of the Group for FY2019, the net loss attributable to the Assets by the Vendor is RM2,468,000.

5.3. Loss on Disposal

The Consideration represents a deficit of RM2,468,000 over the adjusted NAV of the Assets, and the amount of loss from the Proposed Disposal is estimated to be approximately RM2,468,000 before the estimated incidental costs.

5.4. Valuation

No independent valuation was performed in respect of the Assets.

6. FINANCIAL EFFECTS

6.1. Assumptions

The pro forma financial effects of the Proposed Disposal on the Group have been prepared based on the figures derived from the Group's audited consolidated financial statements for the financial year ended 30 September 2019 ("FY2019") and are purely for illustration purposes only and do not reflect the actual future results and financial position of the Group following the completion of the Proposed Disposal.

6.2. Net Tangible Assets

For illustrative purposes and assuming the Proposed Disposal had been completed on 30 September 2019, the pro forma financial effects on the consolidated net tangible assets ("NTA") for FY2019 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RM)	276,020,000	273,552,000
Number of shares	247,114,403	247,114,403
NTA per share (RM)	1.12	1.11

6.3. Earnings

For illustrative purposes and assuming the Proposed Disposal had been completed on 1 October 2018, the pro forma financial effects on the earnings per share of the Group for FY2019 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to shareholders after tax (RM)	(35,455,000)	(37,923,000)
Number of weighted average shares	230,398,342	230,398,342
Loss per share (RM sen)	(15.39)	(16.46)

6.4. Share Capital

The Proposed Disposal will not have any effect on the share capital and shareholding structure of the Company as the Proposed Disposal does not involve the allotment and issuance of any new shares in the Company and the Consideration is wholly satisfied in cash.

7. SHAREHOLDER'S APPROVAL

- 7.1. The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 ("Rule 1006") of the Listing Manual of the SGX-ST ("Listing Manual") are as follows:

Rule 1006	Bases	Size of Relative Figures (%)
(a)	Net asset value of the Assets to be disposed of, compared with the Group's net asset value	2.3 ⁽¹⁾
(b)	Net profits attributable to the Assets disposed of, compared with the Group's net profits before tax and minority interests	-7.0 ⁽²⁾
(c)	The aggregate value of the Consideration received, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	5.0 ⁽³⁾
(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

Notes:

- (1) Based on the net asset value of the Assets disposed of pursuant to the Proposed Disposal and the NAV of the Group as at FY2019 of RM6,931,000 and RM303,545,000 respectively and based on the maximum possible asset value of the Assets to be disposed of (i.e. not taking into account the 30% discount for Inventory which has a shelf life of less than the Minimum Shelf Life as described in paragraph 4.2 above).
- (2) Based on the loss before tax of the Assets disposed of pursuant to the Proposed Disposal and the net loss before tax of the Group for FY2019 of RM2,423,000 and RM34,445,000 respectively.
- (3) Based on the Consideration of NZD1,700,000 and the issued share capital of the Company of 247,114,403 ordinary shares in the capital of the Company ("Shares") and the weighted average price of S\$0.123 transacted on the Mainboard of the SGX-ST on 28 January 2020 (being the last market day for which the Shares were traded prior to the day the SPA was entered into).

- 7.2. As the relative figures computed pursuant to Rule 1006 of the Listing Manual exceed 5% but do not exceed 20%, the Proposed Disposal constitutes a "discloseable transaction" as defined in Chapter 10 of the Listing Manual.
- 7.3. As the relative figure computed pursuant to Rule 1006(b) of the Listing Manual is negative, the Company had consulted with the SGX-ST in accordance with Rule 1007(1) of the Listing Manual. Based on the Company's confirmation that the Proposed Disposal falls under paragraph 4.4(e) of Practice Note 10.1 of the Listing Manual and taking into account the Company's responses to its queries, the SGX-ST informed the Company on 11 February 2020 that shareholders' approval will not be required for the Proposed Disposal pursuant to Chapter 10 of the Listing Manual.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or substantial shareholders of the Company (other than in their capacity as directors or Shareholders of the Company) has any interest, direct or indirect, in the Proposed Disposal.

9. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal and accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at, 4 Shenton Way #17-01, SGX Centre II Singapore 068807, for a period commencing three (3) months from the date of this announcement.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and the directors of the Company jointly and severally accept full responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

By order of the Board
ENVICTUS INTERNATIONAL HOLDINGS LIMITED

KHOR SIN KOK
Group Chief Executive Officer

11 February 2020