



ENVICTUS INTERNATIONAL HOLDINGS LIMITED

(Company Registration No: 200313131Z)

PROPOSED DISPOSAL OF THE PROPERTY AND ASSETS RELATED TO THE BEVERAGE BUSINESS

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Envictus International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that, Polygold Beverages Sdn Bhd (the “**Vendor**”), a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement (“**SPA**”) with Hinoki Beverages Sdn Bhd (the “**Purchaser**”) on 7 May 2018 for the sale of its interest in the Property (as defined below) and the plant machinery, lab and other equipment and motor vehicles situated on the Property (the “**Assets**”) (the “**Proposed Disposal**”).

2. INFORMATION ON THE PURCHASER

- 2.1 The Purchaser is Hinoki Beverages Sdn Bhd, a company incorporated in Malaysia on 26 December 2012. It is a wholly-owned subsidiary of Amber Alliance Sdn. Bhd. (“**AASB**”) and its directors are Marc Francis Yeoh Min Chang, Keith Christopher Yeoh Min Kit, Shaun Patrick Yeoh Min Jin and Phua Tong Yeo. The Purchaser is currently not operating any businesses but intends to engage in the provision of contract packaging services.
- 2.2 AASB is a company incorporated in Malaysia and is a wholly-owned subsidiary of Can-One Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad.
- 2.3 The information on the Purchaser and AASB in paragraphs 2.1 and 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.

3. INFORMATION ON THE PROPERTY AND ASSETS

- 3.1 The Property is owned by the Vendor and consists of:
- (a) the land held under HS(D) 72221 PT4968 Mukim Rasah Daerah Seremban Negeri Negeri Sembilan, together with a factory building having a main floor area of approximately 2,962 square metres (31,884 square feet) and an ancillary floor area of approximately 1,891 square metres (20,360 square feet) erected thereon, bearing postal address Lot 17225, Jalan Haruan 6, Oakland Industrial Park, 70300 Seremban, Negeri Sembilan, Malaysia (“**Lot 17225**”); and
 - (b) the land held under HS(D) 72227 PT4974 Mukim Rasah Daerah Seremban Negeri Negeri Sembilan, together with a factory building having a main floor area of approximately 3,622 square metres (38,992 square feet) and an ancillary floor area of about 850 square metres (9,150 square feet) erected thereon, bearing postal address

PT 4974, Jalan Haruan 8, Oakland Industrial Park, 70300 Seremban, Negeri Sembilan, Malaysia (“**PT4974**”).

- 3.2 The Assets consist of the plant machinery, lab and other equipment and motor vehicles situated on the Property.
- 3.3 In connection with the Proposed Disposal, the Group intends to scale down its beverage business and operations by ceasing its beverage manufacturing business and maintaining only its beverage trading business to selected customers. Beverage manufactured orders, mainly for the export market, will be fulfilled instead via OEM by third parties.

4. PRINCIPAL TERMS

4.1 The Proposed Disposal

Pursuant to the SPA, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Property and Assets, with vacant possession in the state and condition it was in as at the date of inspection (fair wear and tear excepted) and free from all encumbrances, charges, liens, caveats and restraints but subject to the restrictions-in-interest and the conditions (if any) expressed or implied in the document of title to the Property.

4.2 Consideration

The aggregate consideration for the Proposed Disposal is RM15,300,000 as follows:

	Land (RM)	Factory Building (RM)	Consideration (RM)
Lot 17225	5,500,000	1,400,000	6,900,000
PT4974	4,600,000	1,900,000	6,500,000
Plant Machinery, Lab and Other Equipment	-	-	1,850,000
Motor Vehicles	-	-	50,000
Aggregate Consideration	-	-	15,300,000

The aggregate consideration is payable in cash by the Purchaser as follows:

- (a) RM1,530,000 (the “**Deposit**”), representing 10% of the aggregate consideration, shall be paid in the following manner:
- (i) RM402,000 (“**RPGT Retention Sum**”) shall be paid by the Purchaser to the Purchaser’s solicitors, as stakeholders, upon the execution of the SPA; and
 - (ii) RM1,128,000 (“**Balance Deposit**”) shall be paid by the Purchaser to the Vendor’s solicitors, as stakeholders, upon the execution of the SPA; and

- (b) RM13,770,000 (the “**Balance Sum**”), representing the remaining 90% of the aggregate consideration, shall be paid by the Purchaser to the Vendor’s solicitors, as stakeholders, within 3 months from the date on which the Purchaser’s solicitors receive written confirmation from the Vendor or its solicitors that the Condition (as defined below) has been satisfied (the “**Unconditional Date**”) (the “**Completion Period**”).

The RPGT Retention Sum shall be paid by the Purchaser’s solicitors to the Director General of Inland Revenue Board of Malaysia in respect of the real property gains tax (“**RPGT**”) payable in Malaysia on the sale of the Property. If the RPGT Retention Sum is insufficient to pay for the RPGT to be paid on the sale of the Property, the shortfall shall be borne by the Vendor. If the RPGT Retention Sum is greater than the RPGT to be paid on the sale of the Property, the excess is to be refunded by the Inland Revenue Board of Malaysia to the Vendor.

The Balance Deposit shall be released by the Vendor’s solicitors to the Vendor after the Unconditional Date.

As part of the completion of the Proposed Disposal, the Vendor is required to furnish, amongst others, a valid and registrable memorandum of transfer of the Property (the “**Transfer**”) within 14 days from the Unconditional Date and the original document of title to the Property within five (5) Business Days of the Vendor’s solicitors’ receipt of the Balance Sum. Subject to the terms of the SPA, the Vendor’s solicitors are authorised by the parties to the SPA to release the Balance Sum to the Vendor upon expiry of 14 days from the date of presentation of the Transfer for registration with the relevant land registry, or 21 days after the delivery of the original document of title to the Property to the Purchaser’s solicitors, whichever date is earlier.

In the event that the Purchaser fails to pay the Balance Sum by the expiry of the Completion Period, the Vendor shall automatically grant to the Purchaser an extension of 1 month from the date immediately following the expiry of the Completion Period to pay the Balance Sum (“**Extended Completion Period**”), subject to the Purchaser paying the Vendor interest at 8% per annum (“**Late Payment Interest**”) calculated on a daily basis on the actual outstanding part of the Balance Sum remaining unpaid from the day next after the expiry of the Completion Period until the outstanding part of the Balance Sum is received in full by the Vendor’s solicitors.

The Purchaser may apply to a bank or a financial institution (“**Financier**”) for a loan to fund the acquisition of the Property and Assets. In such event, the Balance Sum shall be paid in the following manner:

- (a) on or before the expiry of the Completion Period or the Extended Completion Period, as the case may be, the Purchaser shall:
- (i) furnish the Vendor’s solicitors with a letter from the Financier (“the **Financier’s Undertaking**”) addressed to the Vendor confirming that the loan has been granted to the Purchaser and undertaking to pay the loan to the Vendor’s solicitors, as stakeholders, upon presentation of the Transfer in favour of the Purchaser and the charge in favour of the Financier for registration, on or before the expiry of the Completion Period or Extended Completion Period, as the case may be; and
 - (ii) deposit with the Vendor’s Solicitors the difference (if any) between the Balance Sum and the loan.

In the event the loan has not been released by the Financier to the Vendor's solicitors by the expiry of the Completion Period, the Purchaser(s) shall pay Late Payment Interest on the Balance Sum outstanding as described above. In the event the Loan has not been released by the Financier to the Vendor's Solicitors by the expiry of the Extended Completion Period, the Vendor shall be entitled to terminate the SPA by written notice to the Purchaser whereupon a sum equivalent to the Deposit shall be forfeited to the Vendor as agreed liquidated damages.

The purchase consideration for the Proposed Disposal was arrived at by the parties to the SPA on a "willing buyer willing seller" basis after taking into consideration, amongst other factors, the prevailing market conditions in Malaysia. While the purchase consideration is slightly below market valuation, the Company considers that the purchase consideration nevertheless represents a good price for the Proposed Disposal, on the basis that it was agreed upon as part of a package deal, whereby the Purchaser agreed to also acquire the Assets (and not just the Property).

4.3 **Condition**

Completion of the Proposed Disposal is conditional upon the satisfaction of the following condition (the "**Condition**"):

- (a) the receipt of a waiver or confirmation from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") that the Company is not required to obtain shareholders' approval for the Proposed Disposal; or
- (b) in the event that such waiver or confirmation is not granted by the SGX-ST, the passing of a shareholders' resolution by the Company approving the Proposed Disposal as may be required under the Listing Manual of the SGX-ST (the "**Listing Manual**").

If the Condition is not satisfied within 6 months from the date of the SPA (or such extended period as parties may agree), either party to the SPA shall be entitled to terminate the Agreement, whereupon the Vendor shall refund the Deposit to the Purchaser (free from interest).

5. **VALUE OF THE BUSINESS**

5.1 **Book Value and Net Asset Value**

Based on the latest unaudited financial statements of the Group for the financial period ended 31 March 2018 ("**Q2FY2018**"), the Property and the Assets have a book value of RM7,927,000.

5.2 **Net Profits**

The audited and unaudited net profits before tax attributable to the disposal of the Property and the Assets by the Company is RM6,843,000 for the financial year ended 30 September 2017 ("**FY2017**") and RM7,272,000 for Q2FY2018.

5.3 **Gain on Disposal**

The aggregate consideration represents an excess of RM7,373,000 over the book value of the Property and the Assets, and the amount of gain from the Proposed Disposal is estimated at RM6,736,000 having taken into account estimated incidental costs and tax expense.

5.4 Valuation

Based on a valuation report dated 5 December 2017 issued by Kumpulan Jurunilai Sdn Bhd and commissioned by the Company, the market value of the Property is RM13,500,000.

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 FY2017 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 2017, the pro forma financial effects on the consolidated net tangible assets ("NTA") for FY2017 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RM)	272,438,000	279,174,000
Number of shares	126,143,289	126,143,289
NTA per share (RM)	2.16	2.21

6.3 Earnings

For illustrative purposes and assuming the Proposed Disposal had been completed on 1 October 2016, the pro forma financial effects on the earnings per share of the Group for FY2017 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to shareholders after tax (RM)	(52,405,000)	(45,669,000)
Number of weighted average shares	126,143,289	126,143,289
Loss per share (RM sen)	(41.54)	(36.20)

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 aggregate consideration is wholly satisfied in cash.

7. RATIONALE AND USE OF PROCEEDS

- 7.1 The Proposed Disposal represents a good opportunity for the Group to divest of a loss-making business segment, stem further losses to be incurred by the beverage business and unlock value in the Property. The beverage business is a loss-making and non-core business of the Group, contributing to only 3% of the revenue of the Group for FY2017, and contributing to only 2% of the revenue of the Group for Q2FY2018. The Property and Assets, which are used as part of the beverage business, are non-core assets of the Group, comprising only 3% of the Group's fixed assets for FY2017 and Q2FY2018, and are not required for the Group to operate and continue its core businesses. The Group is in the process of streamlining its business operations and the Proposed Disposal is carried out as part of its efforts to divest its non-core businesses and assets.
- 7.2 The Group intends to use the net proceeds from the Proposed Disposal of approximately RM14,357,000, after settlement of hire-purchase facilities outstanding on the Assets, deduction of legal fees, GST and land tax incurred in connection with the Proposed Disposal, for general working capital purposes of the Group.

8. SHAREHOLDER'S APPROVAL

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

Rule 1006	Bases	Size of Relative Figures (%)
(a)	Net asset value of the Property and Assets to be disposed of, compared with the Group's net asset value	2.8 ⁽¹⁾
(b)	Net loss before tax attributable to the Property and Assets disposed of, compared with the Group's net loss before tax and minority interests	-81.0 ⁽²⁾
(c)	The aggregate value of the consideration received for the Property and Assets, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	11.7 ⁽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 carrying amount of the Property and Assets disposed pursuant to the Proposed Disposal and the NAV of the Group for Q2FY2018 of RM7,927,000 and RM288,007,000 respectively.
- (2) Based on the net profits before tax of the Property and Assets disposed of pursuant to the Proposed Disposal and the net loss before tax of the Group Q2FY2018 of RM7,272,000 and RM8,978,000 respectively.
- (3) Based on the aggregate consideration and the issued share capital of the Company of 126,143,289 shares and the weighted average price of S\$0.35 transacted on the Mainboard of

the SGX-ST on 2 May 2018 (being the last market day for which the shares of the Company were traded prior to the day the SPA was entered into).

As the relative figures under 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. However, as relative figure computed pursuant to Rule 1006(b) of the Listing Manual is negative, the Company has consulted with the SGX-ST in accordance with Rule 1007(1) of the Listing Manual and will update shareholders on the outcome of such consultation.

9. 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.

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

DATO' KAMAL Y P TAN
Group Chief Executive Officer

7 May 2018