



ENVICTUS INTERNATIONAL HOLDINGS LIMITED

(Company Registration No: 200313131Z)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE UNAUDITED FULL YEAR RESULTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

The Board of Directors ("Board") of Envictus International Holdings Limited (the "**Company**") refers to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 23 December 2022 in relation to the Company's full year results for the financial year ended 30 September 2022 which was announced on 28 November 2022.

Question (1)

In respect of the Group's trade and other receivables amounting to RM72,087 000 which increased 74% in comparison to the increase in revenue of only 35%, please disclose a breakdown of the receivables and the reasons for the significant increase in trade and other receivables.

Company's response to Question (1)

Breakdown of the receivables:

Group	FY2022 RM'000	FY2021 RM'000	Increase RM'000	Reasons for increase
Trade receivables	40,497	24,230	16,267	Excluding the Food Services Division which operates on a cash basis, the Group revenue increased 48%, from RM163.3 million in FY2021 to RM242.1 million in FY2022 following the opening of economy activities. The trade receivables turnover days increased from 51 days to 59 days.
Sale proceeds receivable from the disposal of property, plant and equipment	11,074	-	11,074	Balance payment receivable from the disposal of land. The amount has been received in October 2022.
Advances to suppliers	5,947	2,257	3,690	Advance payments made to foreign suppliers upon purchase orders confirmed/goods arrived at port. However, the goods have not been received yet due to custom clearance process. The goods have subsequently cleared from the custom.
Deposits for rental, utilities and others	12,191	11,514	677	Increase in rental and utilities deposits for new outlets.
Others	2,378	3,733	(1,355)	
Total	72,087	41,734	30,353	

Question (2)

The Company reported a negative working capital of RM73,879,000. Noting that its cash balance amounted to RM16,760,000 while bank borrowings due within 1 year amounted to RM84,946,000.

We draw the Company's attention to Listing Rule 1303(3) which states that, "The Exchange may at any time suspend trading of the listed securities of an issuer in any of the following circumstances: ...(3) where the issuer is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so, including the following circumstance: (c) when the issuer is unable to reasonably assess its financial position and inform the market accordingly".

In this regard, please provide:

- (a) The Board's assessment of the Group's ability to operate as a going concern and meet its short-term obligations as and when they fall due, in particular its debt repayment obligations due in the next 12 months. Please provide specific details to substantiate the Board's views.
- (b) The Board's confirmation that all material information has been fully disclosed by the Company to enable trading to continue on an informed basis.

Company's response to Question (2)

The negative working capital of RM73.9 million will be funded by:

- i) Balance consideration of RM11.1 million received in October 2022 for sale of 3 plot of land;
 - ii) Proceeds from warrants of RM29.9 million;
 - iii) Bank borrowings of RM11.8 million will not be payable within 12 months due to the rectification of the breach of financial covenant;
 - iv) Available banking facilities of RM24.5 million as at 30 September 2022; and
 - v) The Group is in the process of exploring to dispose off a loss-making subsidiary company and related assets to ease the negative working capital.
- (a) The Directors of the Company are of the opinion that the Group's ability to operate as a going concern and meet its short-term obligations as and when they fall due, in particular its debt repayment obligations due in the next 12 months based on the following:
- i) The Directors of the Company have carried out a detailed review of the 12 months cash flow forecast from the financial year end of the Group and are satisfied that the Group is able to continue to generate operating cashflow and has available unutilised credit facilities and securing new credit facilities to fund its working capital, capital commitments and financial obligations;
 - ii) The Group is actively engaging with its bankers, trade and other creditors to extend or restructure the existing credit terms;
 - iii) The Group will continue to carry out cost-saving initiatives to manage costs to preserve cash;
 - iv) The Group manages inventories, trade receivables and trade payables to optimise cash flow and liquidity; and
 - v) The Group will continue to monetise certain of its other non-core assets when the opportunity arises.

In September 2022, the Group has completed the sale of 3 lots of land for an aggregate consideration of RM35.3 million.

- (b) The Directors of the Company confirmed that all material information has been fully disclosed by the Company to enable trading to continue on an informed basis.

Question (3)

We note the disclosure that “A subsidiary of the Group has not complied with the financial covenant in relation to the maintenance of positive tangible net worth as at 30 September 2022”. The Company also disclosed that “The banks have not requested early repayment of the outstanding amount as of the date when these financial statements were approved by the Directors”.

Please disclose the status of the Company’s negotiations with its banks on this breach of financial covenants, whether and how this may have an impact on the other loans of the Group. Please quantify where applicable.

Company’s response to Question (3)

A subsidiary of the Group has not complied with the financial covenant required by the banks in relation to the maintenance of positive tangible net worth as at 30 September 2022. The rectification of the breach of covenant has been completed in December 2022 with additional advances/investment from the Company.

Out of the three banks reviewing the Group’s loan facilities, two have completed the review and approved the renewal while the other is still pending.

By Order of the Board

ENVICTUS INTERNATIONAL HOLDINGS LIMITED

DATO’ JAYA J B TAN
Executive Chairman

4 January 2023