



ENVICTUS INTERNATIONAL HOLDINGS LIMITED
(Company Registration No: 200313131Z)

PROPOSED DISPOSAL OF 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL IN FAMILY BAKERY SDN BHD AND DAILY FRESH BAKERY SDN BHD WITH INTELLECTUAL PROPERTY RIGHTS

1. INTRODUCTION

The board of directors (the “**Board**”) of Envictus International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that, De-luxe Food Services Sdn Bhd (the “**Vendor**”), a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement with Marco Flagship Sdn Bhd (“**MFSB**”) and Wong Ng Moh Tian @ Wong Moh Tian (“**WMT**”) (together, the “**Purchasers**”) on 30 October 2017 for the sale of: (i) 100% of the issued and paid-up share capital in Family Bakery Sdn Bhd (“**Family Bakery**”); and (ii) 100% of the issued and paid-up share capital in Daily Fresh Bakery Sdn Bhd (“**Daily Fresh**”) with the intellectual property rights of the “Family” and “Daily Fresh” brands (the “**Intellectual Property**”) (the “**Proposed Disposal**”).

2. INFORMATION ON THE PURCHASERS

- 2.1 MFSB is a company incorporated in Malaysia on 1 June 2017 and is a holding company for the proposed acquisition of the Sale Shares (as defined below). Mr Dieh Siew Huat is the sole director and shareholder of MFSB.
- 2.2 WMT is a retiree with experience in the manufacturing and trading of breads and buns. He was one of the partners when Family Bakery first commenced business as a partnership under the name of Family Bakery & Confectionery. WMT and his spouse are landlords of 2 factory lots currently leased to Family Bakery.
- 2.3 The information on the Purchasers in this paragraph 2 was provided by the Purchasers 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 SALE SHARES

- 3.1 The Vendor is a wholly-owned subsidiary of the Company and owns:
- (a) 100% of the issued and paid-up share capital in Family Bakery, which has an issued share capital of RM500,000 comprising 500,000 ordinary shares (“**Family Bakery Sale Shares**”); and
 - (b) 100% of the issued and paid-up share capital in Daily Fresh, which has an issued share capital of RM250,000 comprising 250,000 ordinary shares (“**Daily Fresh Sale Shares**” and together with the Family Bakery Sale Shares, the “**Sale Shares**”).

- 3.2 Based on the latest unaudited consolidated financial statements of the Group for the period ended 30 June 2017, the Sale Shares have a negative book value of RM31,000.
- 3.3 Family Bakery and Daily Fresh are principally involved in the manufacture and distribution of fresh baked breads and buns as well as the trading of cakes and biscuits (the **"Fresh Bakery Business"**). They are currently leasing a production facility located at Taman Perindustrian Meru Indah, Klang with a land size of approximately one (1) acre, and a built-up area of approximately 30,000 square feet, of which two-thirds are being used for the production of fresh breads and buns in Malaysia under the brand name of "Daily Fresh" and "Family" and which are distributed nationwide in Malaysia to hypermarkets, supermarkets, factory canteens, petrol marts, grocery stores and convenience shops.

4. PRINCIPAL TERMS

4.1 THE PROPOSED DISPOSAL

The Vendor has agreed to sell and the Purchasers have agreed to purchase the Sale Shares in the following proportions on the terms and the conditions of the sale and purchase agreement dated 30 October 2017 (the **"SPA"**) entered into between the parties in respect of the Proposed Disposal:

	Number of Family Bakery Sale Shares to be acquired	Purchase Consideration for the Family Bakery Sale Shares (RM)
MFSB	250,000 shares (50% of the total shares in Family Bakery)	399,153.50
WMT	250,000 shares (50% of the total shares in Family Bakery)	399,153.50
TOTAL	500,000 shares (100% of the total shares in Family Bakery)	798,307.00

	Number of Daily Fresh Sale Shares to be acquired	Purchase Consideration for the Daily Fresh Sale Shares (RM)
MFSB	125,000 shares (50% of the total shares in Daily Fresh)	350,846.50
WMT	125,000 shares (50% of the total shares in Daily Fresh)	350,846.50
TOTAL	250,000 shares (100% of the total shares in Daily Fresh)	701,693.00

4.2 Consideration

The aggregate consideration payable by the Purchasers to the Vendor for the Sale Shares (i.e. the Family Bakery Sale Shares and the Daily Fresh Sale Shares) is RM1,500,000 (the **"Aggregate Consideration"**).

The Aggregate Consideration shall be paid by the Purchasers in the following manner:

- (a) RM150,000 (“**Deposit**”) to the Vendor’s solicitors as stakeholder, upon the execution of the SPA; and
- (b) the balance amount of RM1,350,000 (“**Balance Payment**”) to the Vendor’s solicitors as stakeholder, on or before the date of completion of the Proposed Disposal (“**Completion**”).

The Deposit may be released to the Vendor on or after the date on which the Sale Conditions (as defined below) have been fulfilled, while the Balance Payment may be released to the Vendors on or after Completion.

The Aggregate Consideration for the Sale Shares was based on arm’s length negotiations on a “willing buyer willing seller” basis and was arrived at after taking into account that Family Bakery and Daily Fresh are (on a consolidated basis) loss-making, based on the latest unaudited consolidated financial statements of the Group for the period ended 30 June 2017.

4.3 **Condition Precedent**

Completion is conditional upon, amongst others, the Vendor obtaining approval from the shareholders of the Company for the Proposed Disposal, if required under the Listing Manual, or a waiver or confirmation from the SGX-ST that the Proposed Disposal does not require such shareholders’ approval (the “**Sale Condition**”).

If the Sale Condition is not satisfied within four (4) months from the date of the SPA (or such extended period as may be agreed between the parties), the SPA shall be terminated and the Deposit is to be refunded to the Purchasers together with a break fee equal to the Deposit within 14 days from receipt of a written notice requesting for the refund, failing which interest at the rate of 8% per annum will be charged on the Deposit until the date of refund.

4.4 **Other Terms**

The Purchasers are entitled to conduct and is required to complete due diligence on Family Bakery and Daily Fresh within 2 months from the date of the SPA (or such extended period as may be agreed between the parties).

The Vendor represents and warrants to the Purchasers that the consolidated shareholders’ funds of both Family Bakery and Daily Fresh as at 31 August 2017 (“**Aggregate Consolidated Shareholders Funds**”) shall not exceed negative RM313,291 (the “**Warranted Aggregate Consolidated Shareholders Funds**”).

Based on the due diligence conducted by the Purchaser:

- (a) if the Aggregate Consolidated Shareholders Funds does not vary more than RM62,658 (whether upwards or downwards) from the Warranted Aggregate Consolidated Shareholders Funds, the Purchasers shall be deemed to be satisfied with the due diligence results;
- (b) if the Aggregate Consolidated Shareholders Funds varies downwards in excess of RM62,658 to RM125,316 from the Warranted Aggregate Consolidated Shareholders Funds, the Vendor shall compensate the Purchasers for the shortfall. If the Aggregate Consolidated Shareholders Funds varies upwards in an amount exceeding RM62,658 to RM125,316, the Purchasers shall compensate the Vendor for the excess amount,

and if the Aggregate Consolidated Shareholders Funds varies upwards in an amount exceeding RM125,316, the Purchasers shall only be required to compensate the Vendor for the sum in excess of RM62,658; or

- (c) if the Aggregate Consolidated Shareholders Funds varies downwards in excess of RM125,316 from the Warranted Aggregate Consolidated Shareholders Funds, this shall be deemed to be a material discrepancy and the Purchasers shall be deemed not to be satisfied with due diligence results and may elect to terminate the SPA, upon which the Vendor is required to refund the Deposit free of interest to the Purchasers.

Following Completion, the Purchasers undertake that they will ensure that all advances by the Vendor or any Group company to Family Bakery and/or Daily Fresh are repaid to the Vendor without interest within 45 days of Completion (or such extended date as may be agreed between the parties), failing which interest at the rate of 8% per annum will be charged until the date of actual repayment.

If the Purchasers are satisfied with the results of their due diligence, they may elect to take control of the operations of Family Bakery and Daily Fresh pending the satisfaction of the Sale Condition and Completion, provided that the Balance Payment is deposited with the Vendor's solicitors. Such Balance shall be released to the Vendor on Completion. Where the Purchasers have elected as such, they shall be required to complete the Proposed Acquisition, unless the Sale Condition cannot be satisfied.

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 30 June 2017 ("**3QFY2017**"), the Sale Shares have a negative book value of RM31,000.

5.2 Net Loss

The audited and unaudited net loss before tax attributable to the Sale Shares by the Company is RM1,179,000 for the financial year ended 30 September 2016 ("**FY2016**") and RM449,000 for 3QFY2017 respectively.

5.3 Gain on Disposal

The Aggregate Consideration represents an excess of approximately RM1,662,000 over the adjusted NAV of the Sale Shares and the Intellectual Property, and the amount of gain from the Proposed Disposal is estimated at RM1,523,000 having taken into account estimated incidental costs.

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 FY2016 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 2016, the pro forma financial effects on the consolidated net tangible assets (“NTA”) for FY2016 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RM)	311,532,000	313,054,886
Number of shares	126,143,289	126,143,289
NTA per share (RM)	2.47	2.48

6.3 Earnings

For illustrative purposes and assuming the Proposed Disposal had been completed on 1 October 2015, the pro forma financial effects on the earnings per share of the Group for FY2016 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to shareholders after tax (RM)	2,863,000	4,385,886
Number of weighted average shares	126,143,289	126,143,289
Earnings per share (RM sen)	2.27	3.48

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

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 Fresh Bakery Business and unlock value in the Sale Shares and the Fresh Bakery Business. The Board is of the view that the Aggregate Consideration offered represents an attractive price for the value of the Sale Shares and the Fresh Bakery Business. It is intended that the proceeds from the Proposed Disposal will go towards strengthening the financial position of the Group and financing the growth of the Group’s remaining businesses.

8. SHAREHOLDER’S APPROVAL

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 liabilities value of the Sale Shares to be disposed of, compared with the Group's net asset value	-0.01 ⁽¹⁾
(b)	Net loss before tax attributable to the Sale Shares disposed of, compared with the Group's net loss before tax and minority interests	-6.7 ⁽²⁾
(c)	The aggregate value of the consideration received for the Sale Shares, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	0.9 ⁽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 liabilities value of the Sale Shares disposed of pursuant to the Proposed Disposal and the net asset value of the Group as at the financial period ended 30 June 2017 of RM31,000 and RM344,707,000 respectively.
- (2) Based on the net loss before tax of Sale Shares disposed of pursuant to the Proposed Disposal and the net loss before tax of the Group for the financial period ended 30 June 2017 of RM449,000 and RM6,712,000 respectively.
- (3) Based on the Aggregate Consideration and the issued share capital of the Company of 126,143,289 ordinary shares in the capital of the Company ("**Shares**") and the weighted average price of S\$0.405 transacted on the Mainboard of the SGX-ST on 17 October 2017. There were no trades done from 18 October 2017 to 27 October 2017, being the market day preceding the date of the SPA.

As the relative figures computed pursuant to Rules 1006 (a) and (b) of the Listing Manual are negative, the Company will consult with the SGX-ST pursuant to Rule 1007(1) of the Listing Manual.

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

30 October 2017