



ENVICTUS INTERNATIONAL HOLDINGS LIMITED

(Company Registration No: 200313131Z)

THE PROPOSED ACQUISITION OF 100% OF THE TOTAL ISSUED AND PAID-UP SHARES OF MOTIVAGE SDN BHD AS AN INTERESTED PERSON TRANSACTION FOR A CONSIDERATION OF RM24,000,000 TO BE SATISFIED BY A COMBINATION OF CASH AND THE ALLOTMENT AND ISSUANCE OF 15,775,210 SHARES IN THE CAPITAL OF THE COMPANY

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 Holdings Sdn Bhd (the **"Purchaser"**), a wholly-owned subsidiary of the Company, has entered into a conditional share sale agreement with Khor Sin Kok and Khor Guat Bee (together, the **"Vendors"**) on 15 November 2017 for the acquisition of 14,757,000 shares in Motivage Sdn Bhd (the **"Target Company"**), representing 100% of the total issued and paid-up share capital of the Target Company (the **"Proposed Acquisition"**). The consideration for the Proposed Acquisition is RM24,000,000, of which RM5,000,000 will be satisfied by way of cash and the remaining RM19,000,000 will be satisfied by the allotment and issuance of an aggregate of 15,775,210 shares in the capital of the company (the **"Shares"**) to the Vendors (the **"Consideration Shares"**).
- 1.2 The Proposed Acquisition constitutes an interested person transaction under Chapter 9 of the Listing Manual of the SGX-ST (**"Listing Manual"**) and is subject to the approval of the shareholders of the Company (the **"Shareholders"**).
- 1.3 Following the completion of the Proposed Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

2. INFORMATION ON THE TARGET COMPANY AND THE VENDORS

- 2.1 The Target Company is a company incorporated in Malaysia on 26 January 2015 with its principal activities being food processing and trading in consumable products and property holdings and investments.
- 2.2 The Target Company owns 2 plots of adjoining industrial land of 361,169 square feet located at Lot 81 and Lot 82, Phase 2C, Section 4, Selangor Halal Hub, Pulau Indah, 42920 Port Klang (together, the **"Land"**). The Land is leasehold with a 99-year tenure expiring on 24 February 2097. The Purchaser had commissioned Kumpulan Jurunilai Sdn Bhd (the **"Valuer"**) to undertake a valuation of the Land. The Valuer valued the open market value of the Land at RM21.0 million in their valuation report dated 20 July 2017 (the **"Valuation Report"**).
- 2.3 The Target Company has been issued a manufacturing licence from the Ministry of International Trade and Industry of Malaysia for the manufacturing of sweetened condensed milk, evaporated milk, milk powder, sterilised milk and tin cans on the Land pursuant to the Industrial Co-ordination Act 1973 of Malaysia. The Target Company has also registered the

trademarks “Motilait” and “Family Farm” with the Trade Mark Registry in Malaysia and intends to supply products under such brands.

2.4 As at the date of this announcement, the Target Company has an issued and paid-up share capital of RM14,757,000 comprising 14,757,000 ordinary shares (the “**Sale Shares**”), of which 14,756,999 shares are held by Khor Sin Kok and 1 share is held by Khor Guat Bee. Khor Sin Kok is a director and shareholder of the Target Company. He is also the Deputy Group Chief Executive Officer of the Company. Khor Guat Bee is a director and shareholder of the Target Company. She is the sister of Khor Sin Kok.

2.5 The information on the Target Company and the Vendors in paragraphs 2.1 to 2.4 was provided by the Vendors 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. **PRINCIPAL TERMS**

3.1 **The Proposed Acquisition**

The Vendors have agreed to sell and the Purchaser has agreed to purchase the Sale Shares on the terms and the conditions of the share sale agreement dated 15 November 2017 (the “**SSA**”) entered into between the parties in respect of the Proposed Acquisition.

3.2 **Consideration**

The aggregate consideration payable by the Purchaser to the Vendors for the Sale Shares is RM24,000,000 (the “**Aggregate Consideration**”), of which RM5,000,000 will be satisfied in cash and the remaining RM19,000,000 will be satisfied by the issuance of 15,775,210 Consideration Shares.

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

- (a) RM2,400,000 (“**Deposit**”) by cash to the Vendor’s solicitors as stakeholder, upon the execution of the SSA; and
- (b) the remaining consideration of RM21,600,000 (“**Balance Consideration**”), within 30 days from the date on which the Sale Conditions (as defined below) are satisfied or otherwise waived by the Vendors and the Purchaser (the “**Unconditional Date**”) (the “**Payment Period**”).

The Balance Consideration shall be satisfied as follows:

- (a) RM2,600,000 by cash to the Vendors; and
- (b) RM19,000,000 by the allotment and issuance of 15,775,210 Consideration Shares to the Vendors (or their nominee) at an issue price of S\$0.3913 for each Consideration Share.

The Deposit may be released to the Vendors on the Unconditional Date. The Purchaser’s solicitors shall retain RM720,000 (the “**Retention Sum**”), representing 3% of the Aggregate Consideration, from the Deposit and remit the Retention Sum to the Director General of the Inland Revenue of Malaysia (the “**Director-General**”) within 60 days from the date of the SSA in order to comply with the provisions of the Real Property Gains Tax Act 1976 of Malaysia,

failing which a penalty equalling 10% of the Retention Sum shall be paid by the Purchaser to the Vendors.

If the Balance Consideration cannot be made by the Purchaser to the Vendors within the Payment Period, the Purchaser is given an additional 1 month to pay the Balance Consideration, subject to the payment of late payment interest at 8% per annum on the amount of the Balance Payment not paid.

The issue price for each Consideration Share is determined based on the volume weighted average price ("**VWAP**") of the Shares for trades done on the SGX-ST on 12, 13, 16 and 17 October and 7 November 2017, being the last 5 market days on which Shares were traded preceding the date of the SSA and based on an exchange rate of S\$1 = RM3.0780. The issue price represents a discount of 2.2% to the VWAP of S\$0.40 of the Shares for trades done on the SGX-ST on 7 November 2017, being the last full market day when Shares were traded preceding the date of the SSA.

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 the market value of the Land owned by the Target Company and its potential business prospects.

3.3 **Source of Funds**

The cash portion of the Aggregate Consideration will be funded by the Group's internal resources.

3.4 **Sale Conditions**

Completion under the SSA ("**Completion**") is conditional upon, amongst others, the following conditions (the "**Sale Conditions**") having been satisfied or waived in accordance with the SSA:

- (a) approval from the shareholders of the Company having been obtained at an extraordinary general meeting to be convened for, amongst others, the purchase of the Sale Shares as an interested person transaction, the issue and allotment of the Consideration Shares at the relevant issue price and all transactions contemplated under the SSA as may be required under the Listing Manual; and
- (b) approval-in-principle being obtained from the SGX-ST for the listing and quotation of the Consideration Shares on the Official List of the SGX-ST and such approval not being revoked or amended as at Completion and where such approval is subject to conditions, such conditions being reasonably acceptable to the Vendor

If the Sale Conditions are not satisfied within 6 months from the date of the SSA (or such extended period as may be agreed between the parties) (the "**Long-Stop Date**"), the SSA shall be rescinded or terminated, as the case may be.

- (a) If the Sale Conditions were not satisfied by the Long-Stop Date by reason of the default or omission of the Purchaser, the Deposit (inclusive of any Retention Sum not paid to the Director-General) will be forfeited. The Vendors shall also be entitled to any Retention Sum refunded by the Director-General to the Purchaser.
- (b) If the Sale Conditions were not satisfied by the Long-Stop Date by reason of the default or omission of the Vendors, the Deposit (inclusive of any Retention Sum not

paid to the Director-General) shall be refunded to the Purchaser together with a break fee equal to the Deposit within 14 days from the receipt of a written notice requesting for such refund, failing which interest at the rate of 8% per annum shall be charged on the Deposit until the date that the refund is made. The Purchaser shall also be entitled to any Retention Sum refunded by the Director-General to the Purchaser.

- (c) If the Sale Conditions were not satisfied by the Long-Stop Date due to no fault of either party, the Deposit (inclusive of any Retention Sum not paid to the Director-General) shall be refunded to the Purchaser with no break fee. The Purchaser shall also be entitled to any Retention Sum refunded by the Director-General to the Purchaser.

4. ALLOTMENT AND ISSUANCE OF CONSIDERATION SHARES

- 4.1 Rule 805(1) of the Listing Manual provides that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares unless such issuance is being made pursuant to a general mandate obtained from Shareholders.
- 4.2 Pursuant to the Proposed Acquisition, 15,775,210 Consideration Shares will be issued to the Vendors, representing 12.5% of the existing share capital of the Company and 11.1% of the enlarged share capital of the Company following the completion of the Proposed Acquisition.
- 4.3 The Company will be seeking approval from the Shareholders for the allotment and issuance of the Consideration Shares to the Vendors at an extraordinary general meeting (“EGM”) to be convened as the allotment and issuance of the Consideration Shares to the Vendor will not be made pursuant to the general mandate obtained from Shareholders at the annual general meeting of the Company held on 18 January 2017.
- 4.4 The Company will be submitting an application to the SGX-ST for the listing and quotation of the Consideration Shares on the SGX-ST in due course. The Company will make the relevant announcement upon receipt of the listing and quotation notice from the SGX-ST.

5. INTERESTED PERSON TRANSACTION

5.1 Details of the Interested Persons

Khor Sin Kok is a Deputy Group Chief Executive Officer of the Company and is therefore an “interested person” within the meaning of Chapter 9 of the Listing Manual. Khor Sin Bee is an associate of Khor Sin Kok, being his sister, and is therefore also an “interested person” within the meaning of Chapter 9 of the Listing Manual.

5.2 Interested Person Transaction

Under Chapter 9 of the Listing Manual, the approval of Shareholders is required for an interested person transaction of a value equal to, or exceeding 5% of the Group's latest audited net tangible assets (“NTA”).

The value of the Proposed Acquisition, being the amount at risk to the Company, is RM24,000,000. Based on the Group's audited consolidated financial statements for the financial year ended 30 September 2016 (“FY2016”), the Group's latest audited NTA is RM311,531,000. As the value of the Proposed Acquisition against the Group's latest audited NTA is 7.7%, which exceeds 5% of the Group's latest audited NTA, the Proposed Acquisition

is an interested person transaction which requires the approval of shareholders. Accordingly, the Company will seek the approval of Shareholders for the Proposed Acquisition at the EGM.

5.3 **Total Value of Interested Person Transactions**

For the period commencing on the beginning of the current financial year (i.e. 1 October 2017) up to the date immediately preceding this announcement:

- (a) no transactions (excluding transactions less than S\$100,000 and interested person transactions falling within Rule 908(2) of the Listing Manual, if any) have been entered into between the Vendors with the Group; and
- (b) the current total value of all interested person transactions (excluding transactions less than S\$100,000 and interested person transactions falling within Rule 908(2) of the Listing Manual, if any) was approximately RM317,000.

5.4 **Independent Financial Adviser**

The Company will be appointing an independent financial adviser to provide an opinion on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders (the "**IFA Opinion**"). The Audit Committee of the Board will be obtaining the IFA Opinion before forming its view on the Proposed Acquisition. A copy of the IFA Opinion will be included in the circular to be despatched to Shareholders in due course.

6. **VALUE OF THE TARGET COMPANY**

6.1 **Book Value and Net Asset Value**

Based on the latest management financial statements of the Target Company for the financial period ended 30 September 2017, the book value and the net asset value ("**NAV**") of the Sale Shares, after capitalisation of director's advances and fair value adjustments on the Land, are both RM21,619,000.

6.2 **Net Loss**

Based on the latest management financial statements of the Target Company for the financial period ended 30 September 2017, the net loss after tax attributable to the Sale Shares is approximately RM223,000.

6.3 **Valuation**

An independent valuation was conducted on the Land owned by the Target Company as detailed in paragraph 2.2 above.

7. **FINANCIAL EFFECTS**

7.1 **Assumptions**

The pro forma financial effects of the Proposed Acquisition 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.

7.2 Net Tangible Assets

For illustrative purposes and assuming the Proposed Acquisition had been completed on 30 September 2016, the pro forma financial effects on the consolidated NTA for FY2016 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (RM)	311,532,000	318,398,000
Number of Shares	126,143,289	141,918,499
NTA per Share (RM)	2.47	2.24

7.3 Earnings

For illustrative purposes and assuming the Proposed Acquisition 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 Acquisition	After the Proposed Acquisition
Net profit attributable to Shareholders after tax (RM)	2,863,000	2,238,000
Number of weighted average Shares	126,143,289	141,918,499
Earnings per Share (RM sen)	2.27	1.58

7.4 Share Capital

For illustrative purposes and assuming the Proposed Acquisition had been completed on 30 September 2016, the effect of the Proposed Acquisition on the share capital of the Company for FY2016 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Total number of Shares (excluding treasury shares)	126,143,289	141,918,499
Total issued and paid-up capital	S\$46,710,654.955	S\$52,883,494.955

8. RATIONALE

The Proposed Acquisition is in line with the Group's long term growth strategy to expand its business through mergers and acquisitions. The Proposed Acquisition will provide the Group with an additional income stream from the sale of dairy products, a business that the Group had previously ventured into previously and made a significant gain on disposal.

The Target Company has identified a group of senior management executives who have established track records and many years of experience in running and managing large regional food and beverage companies, including overseeing the setting up, financing, manufacturing and distribution operations of dairy businesses in Malaysia and exporting dairy products, in particular sweetened condensed milk and evaporated milk. It is intended that these key executives will be employed to form the management team of the Target Company and will bring along their experience in procurement, manufacturing, sales and marketing and general management with the support from the Group's management and financial resources to ensure success.

9. 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 ("**Listing Manual**") are as follows:

Rule 1006	Bases	Size of Relative Figures (%)
(a)	Net asset value of the Sale Shares to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net loss before tax attributable to the Sale Shares acquired, compared with the Group's net loss before tax and minority interests	-3.32 ⁽¹⁾
(c)	The aggregate value of the consideration given for the Sale Shares, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	15.5 ⁽²⁾
(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	12.5 ⁽³⁾
(e)	The aggregate volume or amount of proved and probable reserved to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable

Notes:

- (1) Based on the net loss before tax of Sale Shares acquired pursuant to the Proposed Acquisition and the net loss before tax of the Group for the financial period ended 30 September 2017 and 30 June 2017 of RM223,000 and RM6,712,000 respectively.
- (2) 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\$0.40 transacted on the Mainboard of the SGX-ST on 7 November 2017, being the last market day preceding the date of the SSA on which trades were done on the SGX-ST.
- (3) Based on 15,775,210 Consideration Shares to be issued and allotted by the Company in part satisfaction of the Aggregate Consideration.

As the relative figure under Rule 1006(b) of the Listing Manual is negative, the Company will consult the SGX-ST in accordance with Rule 1007(1) of the Listing Manual on whether the approval of shareholders is required for the Proposed Acquisition as a “major transaction” as defined in Chapter 10 of the Listing Manual.

10. EXTRAORDINARY GENERAL MEETING

A circular containing further information on the Proposed Acquisition, together with the notice of EGM, will be despatched to Shareholders in due course.

11. 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 Acquisition.

12. 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.

13. DOCUMENTS FOR INSPECTION

Copies of the SSA and the Valuation Report are 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 3 months from the date of this announcement.

14. 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

15 November 2017