GENERAL ANNOUNCEMENT::RESPONSE TO QUESTIONS FROM SHAREHOLDERS RECEIVED FOR AGM TO BE HELD ON 11 MARCH 2021

Issuer & Securities

Issuer/ Manager

ENVICTUS INTERNATIONAL HOLDINGS LIMITED

Securities

ENVICTUS INTERNATIONAL HLDGLTD - SG1CF4000007 - BQD

Stapled Security

No

Announcement Details

Announcement Title

General Announcement

Date &Time of Broadcast

10-Mar-2021 07:02:05

Status

New

Announcement Sub Title

Response to Questions from Shareholders Received for AGM to be held on 11 March 2021

Announcement Reference

SG210310OTHROW9T

Submitted By (Co./ Ind. Name)

S SURENTHIRARAJ AND KOK MOR KEAT

Designation

COMPANY SECRETARIES

Description (Please provide a detailed description of the event in the box below)

Please refer to the attachment.

Attachments

Response to AGM QA.pdf

Total size =623K MB

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

RESPONSE TO QUESTIONS FROM SHAREHOLDERS RECEIVED FOR ANNUAL GENERAL MEETING TO BE HELD ON 11 MARCH 2021

The Board of Directors (the "**Board**") of Envictus International Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") would like to provide responses to the questions raised by its shareholders for the Company's Annual General Meeting to be held on 11 March 2021 as follows:

Q1. *After spending years to build up the Texas Chicken brand (as well as further expansion into SF Coffee and investing into opening 78 outlets, what is the company's projection in terms of returning to profitability?*

Response
1. Texas Chicken was EBITDA positive prior to the onset of Covid-19 pandemic. Texas Chicken has performed adversely due to the Covid-19 Movement Control Order. We anticipate if the Covid-19 issue is resolved by FY2022, Texas Chicken is projected to return to profitability in FY2023.

Q2. *I refer to page 12 of the Annual Report about "Review of operations". It was stated that "Arising from the streamlining efforts, the Group has disposed of the entire six loss-making Texas Chicken outlets in Indonesia and all of its Delicious restaurants in the Food Services Division as well as the disposal of its entire Nutrition business." Moreover, during FY2019, Food Processing Division also disposed loss-making contract packing for dairy and juice-based drink business. What are the key lessons the Directors took away from business failures of Texas Chicken in Indonesia, Delicious in Malaysia / Naturalac Nutrition in New Zealand/ contract packing in Malaysia? (This was especially so when Naturalac Nutrition had accumulated impairment of RM17.025m and The Delicious Group had accumulated impairment of RM1.746m.)*

Response
2. The high investment cost in Texas Chicken Indonesia largely comprised of the 2-3 years rental payment in advance. After evaluation, we have decided to channel our financial resources to our Texas Chicken franchise in Malaysia which showed better expansion and growth.

As for our Delicious restaurants, it was a difficult business to revamp as the F&B industry in Malaysia has slowed down. Coupled with the uncertainty caused by the global Covid-19 pandemic, the Group decided to close down the business.

Naturalac Nutrition Limited ("**NNL**") was acquired in February 2007. It was profitable at the time of acquisition as US nutritional supplement products were not allowed to be sold in New Zealand and Australia due to certain unapproved substances in their formula. The ban was lifted in FY2014, leading to an influx of US nutritional supplement products which were competitively priced, and resulting in the erosion of NNL's market share.

The contract packing factory in New Zealand which opened on 1 September 2011 faced quality issues since the commencement of operations which took a longer time than expected to resolve. In view of the above, we are cognizant of the importance to remain competitive in terms of pricing and quality. We are also continually reviewing and streamlining the Group's operations to meet ongoing changes and demands in the market and F&B industry. Please refer to pages 9 and 10 of the Company's annual report for FY2020 for details on the mitigation strategies that the Group is, or will be, undertaking.

Q3. *I refer to page 4 of the Annual Report about "Corporate profile", particularly the "New outlets opened between 1 October 2019 to 15 January 2021" by Texas Chicken. Are there certain customer segments that the Group is targeting through these new outlets?*

Response

3. The development strategy for Texas Chicken is to focus on opening in urban and high-traffic areas during the early years, in efforts to build brand awareness. As brand recognition grows, we will then expand to other parts of the country.

In terms of consumers, our target market is mainly young adults and families, which is why, many of the new outlets are concentrated in shopping malls.

Over the years, we have also built awareness on our Halal credentials, which enables us to finally expand to the East Coast part of Peninsular Malaysia, namely the states of Kelantan, Terengganu and Pahang, to serve the predominantly Malay communities in these areas.

Moving forward, in view of the shift in consumer behaviours following the pandemic, we will focus on developing more Drive-Thru restaurants, in addition to enhancing our food delivery capacity, to cater to consumers' demand for greater convenience, speed and accessibility. Texas Chicken's store count reached 78 after the latest drive-through store opening at Jalan Pengkalan Chepa at Kota Bahru, Kelantan on 27 December 2020, with plans to open another six stores which include drive-through in the next 12 months.

Q4. *I refer to page 9 of the Annual Report about "Message from the Chairman". In the last paragraph, it was stated that "Texas Chicken's store count reached 78 after the latest drive-through store opening at Jalan Pengkalan Chepa at Kota Bahru, Kelantan on 27 December 2020, with plans to open another six stores which include drive-through in the next 12 months." Out of these 78 existing & 6 planned stores, how many stores have drive-through function? Do stores with drive-through function have higher Same Store Sales Growth in Malaysia?*

Response

4. Currently, we already have 10 drive-through restaurants from 78 existing stores and at least 4 drive-through from 6 planned stores. 8 of the drive-through outlets were opened during FY2020, therefore no comparison of sales growth is available. There is no sales growth for the other 2 drive-through outlets due to adverse impact of Covid-19 pandemic since March 2020.

Q5. *I refer to page 12 of the Annual Report about "Review of operations". In the last paragraph, it was stated that "… higher selling and marketing expenses of RM11.5 million mainly due to an increase in delivery commission of RM4.6 million and higher operating costs in tandem with the expansion of Texas Chicken restaurants". How much were the "higher operating costs in tandem with the expansion of Texas Chicken restaurants" due to non-recurring start-up costs? How much were "higher operating costs in tandem with the expansion of Texas Chicken restaurants" due to recurring costs?*

Response
5. Texas Chicken's higher operating cost is in tandem with the expansion of new outlets. These operating costs which are recurring in nature total to RM8.4 million include rental of outlets, depreciation of property, plant and equipment, delivery commission, utilities and staff costs.

Q6. *I refer to page 18 of the Annual Report about "Review of operations", particularly "Dairies Division". It was stated that "The selling price for both SC and EC remained low as competitors are promoting periodically to gain more market share, especially during the economic slowdown." Given that the selling price for both sweetened creamer and evaporated creamer remained low, what is the strategic purpose of expanding SC/EC now after disposing Etika Dairies not long ago?*

Response
6. The selling price of SC and EC remain low due to more players in the dairies industry compared to the market in which Etika Dairies operated in 6 years ago. However, the Group anticipates that it will be able to expand its market share in the export market due to the competitive local market condition. We are confident that we will be able to improve our market share in view of our human resources who possess technical and knowhow from their past experience from working in the dairy industry. Additionally, we have completed our new milk factory in Pulau Indah, which is expected to operate on a higher capacity once the HALAL certification is approved in the second quarter of FY2021. In anticipation of higher production level, the Dairies Division intends to increase its sales force to cover bigger areas of Malaysia and to capture more market share.

Q7. *I refer to page 140 of the Annual Report about "Segment information". For Trading and Frozen Food Division, I understand that revenue dropped due to page 141 "lower sales to hotel and restaurant sectors". However, why the segment results margin cannot be maintained & had dropped by 0.7% from 7.1% in FY2019 to 6.4% in FY2020?*

Response
7. The Trading and Frozen Food Division recorded lower margin mainly due to the RM1.5 million one-off gain on the disposal of property, plant and equipment (PPE) in FY2019. Excluding the one-off gain on disposal of PPE, results margin has improved slightly to 6.3% as compared to 6.1% in FY2019.

Q8. *I refer to page 140 of the Annual Report about "Segment information". For Food Processing Division, what % of RM17.836m revenue came from bakery sub-division? And what % of RM17.836m revenue came from butchery sub-division?*

Response
8. External revenue of RM17.836 million was solely from bakery business. Revenue from butchery business of RM18.9 million was related to intersegment revenue and it has been eliminated in the sub-group consolidation level.

Q9. *I refer to page 105 of the Annual Report about "Investment property". The net rental income from investment property (after deducting its direct operating expenses) was merely RM117k in 2020, generating a net rental yield of only 0.52%pa. With a lease term of merely 47 years left, does it still make economic sense to hold onto this office building at Petaling Jaya?*

Response
9. The office building was acquired as part of our corporate identity and to house our subsidiaries for efficiency and expediency of meetings and communication. Any unutilised space has been rented out to third parties and this portion would be classified as investment property. As far as rental is concerned, it is rented at prevailing market rate of surrounding area. The current valuation of the building is suppressed due to the current Covid-19 pandemic.

Q10. *I refer to page 130 of the Annual Report about "Loss before income tax". How is it possible to have RM2.140m "Impairment of deposit for property, plant and equipment"? What have the Audit Committee planned to recover it?*

Response
10. The impairment of deposit refers to deposit for newer and more efficient bakery machineries at Pulau Indah which include automatic bread line, bun line and slicer. The deposit was not utilised in the normal timeframe due to the ongoing Covid-19 pandemic. The Company has concurred with the auditors to impair the deposit to reflect a true and fair view of the accounts. Should this amount be utilised in the future, this will be written back in the accounts.

Q11. *I refer to page 118 of the Annual Report about "Trade and other receivables". Why the loss allowance rate on trade receivables increased from 7.4% in 2019 to 11.8% in 2020? What have the Audit Committee planned to do about it?*

Response
11. Allowance rate on trade receivables increased due to higher allowance for impairment loss on customers from the hotels, restaurants and cafes businesses which have been directly impacted by the current Covid-19 pandemic. We will continue to follow up with the customers and discuss suitable payment plans to recover the debts.

Q12. *I refer to page 121 of the Annual Report about "Trade and other payables". Why "Other payables" increased by 54% from RM21.120m in 2019 to RM32.596m in 2020?*

Response
12. The increase in other payables was largely related to the construction of new factories and setting-up costs for new stores.

Q13. *I refer to page 42 of the Annual Report about "Corporate governance". In the 3rd paragraph, it was stated that "On the remuneration of the top five key management personnel, there were four of whom are in the less than S$250,000 band the remaining one of whom is in between S$250,000 toS$500,000 band". May I ask the Remuneration Committee what was the total remuneration of the top 5 key management personnel in FY2020 and FY2019?*

Response
13. The total remuneration for the top 5 key management personnel was approximately S$1,008,000 in FY2020 and approximately S$1,111,000 in FY2019.

Q14. *What is the budgeted capex over the next 2-3 years? How will it be funded?*

Response
14. In line with Rule 703 of the Listing Manual of the SGX-ST ("**Listing Manual**") and Appendix 7.1 (Corporate Disclosure Policy) of the Listing Manual, we are not able to disclose the budget figures as these are internal estimates and projections generated for internal management purposes. In any event, due to the ongoing Covid-19 pandemic, the budgeted capex is uncertain as we may choose to embark or scale down on capex depending on the economic situation.

By Order of the Board
ENVICTUS INTERNATIONAL HOLDINGS LIMITED

DATO' JAYA J B TAN
Executive Chairman
10 March 2021