



ENVICTUS INTERNATIONAL HOLDINGS LIMITED

(Company Registration No: 200313131Z)

UNAUDITED FULL YEAR RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a) (i) Consolidated Statement of Comprehensive Income

	3 months ended 31.12.2018 RM'000	3 months ended 31.12.2017 RM'000	Change %
Revenue	117,601	109,081	7.8
Cost of goods sold	(72,416)	(69,222)	4.6
Gross profit	45,185	39,859	13.4
Other operating income	884	3,708	(76.2)
Operating expenses			
Administrative expenses	(12,017)	(11,893)	1.0
Selling and marketing expenses	(31,144)	(26,909)	15.7
Warehouse and distribution expenses	(6,931)	(6,806)	1.8
Research and development expenses	(177)	(239)	(25.9)
Other operating expenses	(635)	(595)	6.7
	(50,904)	(46,442)	9.6
Loss before interest and tax	(4,835)	(2,875)	68.2
Finance costs	(1,780)	(1,268)	40.4
Loss before income tax	(6,615)	(4,143)	59.7
Income tax expense	(6)	(604)	(99.0)
Loss for the financial period	(6,621)	(4,747)	39.5

1(a) (i) Consolidated Statement of Comprehensive Income (continued)

	3 months ended 31.12.2018 RM'000	3 months ended 31.12.2017 RM'000	Change %
Loss for the period	(6,621)	(4,747)	39.5
Other comprehensive Income:			
<i>Items that may be reclassified subsequently to profit or loss :</i>			
Exchange differences on translating foreign operations	667	(2,308)	>100
Net fair value loss on available-for-sale assets	-	(48)	N/A
Other comprehensive income, net of tax	667	(2,356)	>100
Total comprehensive income for the period	(5,954)	(7,103)	(16.2)
Loss attributable to:			
Owners of the Company	(6,298)	(4,624)	36.2
Non-controlling interests	(323)	(123)	>100
	(6,621)	(4,747)	39.5
Total comprehensive income attributable to:			
Owners of the Company	(5,464)	(7,504)	(27.2)
Non-controlling interests	(490)	401	>100
	(5,954)	(7,103)	(16.2)

1(a) (ii) Loss before income tax is arrived at after charging/(crediting) the following :

	3 months ended 31.12.2018 RM'000	3 months ended 31.12.2017 RM'000	Change %
Allowance for doubtful receivables	50	168	(70.2)
Allowance for doubtful receivables no longer required, now written back	(154)	(5)	>100
Amortisation of intangible assets	161	127	26.8
Depreciation of property, plant and equipment	6,095	6,588	(7.5)
Depreciation of investment properties	121	133	(9.0)
Dividend income	(1)	(119)	(99.2)
Fair value loss on financial assets at FVTPL	37	-	100
Fair value loss on held-for-trading investments, net	-	588	N/A
Foreign currency exchange loss/(gain), net	575	(401)	>100
Gain on disposal of held-for-trading investments	-	(13)	N/A
Gain on disposal of property, plant and equipment	(47)	-	100
Gain on disposal of subsidiaries	-	(1,837)	N/A
Finance costs	1,780	1,268	40.4
Interest income	(97)	(277)	(65.0)
Inventories written off	-	114	N/A
Property, plant and equipment written off	13	7	85.7

1(b) (i) Statements of Financial Position

	As at 31.12.2018 RM'000	Group As at 30.09.2018 RM'000	As at 1.10.2017 RM'000	As at 31.12.2018 RM'000	Company As at 30.09.2018 RM'000	As at 1.10.2017 RM'000
		Restated	Restated		Restated	Restated
Non-current assets						
Property, plant and equipment	333,051	317,354	256,871	-	-	-
Investment properties	23,243	23,364	27,563	-	-	-
Investments in subsidiaries	-	-	-	294,737	293,429	90,351
Available-for-sale financial assets	-	154	242	-	-	-
Financial assets at fair value through profit or loss (FVTPL)	117	-	-	-	-	-
Deferred tax assets	1,790	1,083	721	-	-	-
Intangible assets	35,002	34,853	32,842	-	-	-
Deposits for purchase of plant and equipment	12,111	4,566	-	-	-	-
	405,314	381,374	318,239	294,737	293,429	90,351
Current assets						
Inventories	43,378	40,523	44,644	-	-	-
Trade and other receivables	65,529	58,823	59,252	105,835	85,397	279,541
Tax recoverable	1,438	1,506	573	-	-	-
Held-for-trading investments	-	-	23,413	-	-	23,413
Fixed deposits	1,174	553	14,225	-	-	-
Cash and bank balances	41,515	35,554	35,664	15,852	5,600	5,175
	153,034	136,959	177,771	121,687	90,997	308,129
Current liabilities						
Trade and other payables	70,520	67,641	47,748	2,974	2,420	1,518
Provision for restoration costs	1,386	1,401	109	-	-	-
Bank borrowings	35,123	46,799	42,807	-	19,182	8,746
Finance lease payables	9,349	9,387	7,316	-	-	-
Current income tax payable	238	234	178	158	158	162
	116,616	125,462	98,158	3,132	21,760	10,426
Net current assets	36,418	11,497	79,613	118,555	69,237	297,703
Non-current liabilities						
Provision for restoration costs	1,995	1,884	1,353	-	-	-
Bank borrowings	85,468	79,562	72,411	-	-	-
Finance lease payables	20,286	21,902	16,538	-	-	-
Financial guarantee contracts	-	-	-	3,482	3,738	3,522
Deferred tax liabilities	5,181	5,181	2,270	-	-	-
Employee benefit liability	76	74	-	-	-	-
	113,006	108,603	92,572	3,482	3,738	3,522
Net assets	328,726	284,268	305,280	409,810	358,928	384,532
Capital and reserves						
Share capital	177,865	127,453	111,406	177,865	127,453	111,406
Treasury shares	(183)	(183)	(183)	(183)	(183)	(183)
Foreign currency translation reserve	(8,745)	(9,579)	-	(8,645)	(10,174)	-
Fair value reserve	-	-	(7)	-	-	-
Share options reserve	-	-	9,507	-	-	9,507
Other reserves	(4,562)	(4,562)	(4,562)	-	-	-
Accumulated profits	174,872	181,170	198,694	240,773	241,832	263,802
Equity attributable to the owners of the Company	339,247	294,299	314,855	409,810	358,928	384,532
Non-controlling interests	(10,521)	(10,031)	(9,575)	-	-	-
Total equity	328,726	284,268	305,280	409,810	358,928	384,532

1(b) (ii) Aggregate amount of the Group's borrowings and debt securities.

	Secured	
	As at 31.12.2018 RM'000	As at 30.09.2018 RM'000
Amount payable within one year		
Bank borrowings	35,123	46,799
Finance lease payables	9,349	9,387
	<u>44,472</u>	<u>56,186</u>
Amount payable after one year		
Bank borrowings	85,468	79,562
Finance lease payables	20,286	21,902
	<u>105,754</u>	<u>101,464</u>
Total	<u>150,226</u>	<u>157,650</u>

The Group's bank borrowings as at 31 December 2018 are secured against the following:

- ⇒ Pledge of leasehold land, buildings and assets under construction;
- ⇒ Pledge of shares of a subsidiary;
- ⇒ Debenture comprising fixed and floating charge over all future and present assets of certain subsidiaries.

The Group's finance lease payables are secured by way of a charge against the respective machineries and motor vehicles under finance leases.

1(c) Consolidated Statement of Cash Flows

	3 months ended 31.12.2018 RM'000	3 months ended 31.12.2017 RM'000
Operating activities		
Loss before income tax	(6,615)	(4,143)
Adjustments for:		
Allowance for doubtful receivables	50	168
Allowance for doubtful receivables no longer required, now written back	(154)	(5)
Amortisation of intangible assets	161	127
Depreciation of property, plant and equipment	6,095	6,588
Depreciation of investment properties	121	133
Dividend income	(1)	(119)
Fair value loss on held-for-trading investments, net	-	588
Fair value loss on financial assets at FVTPL	37	-
Finance costs	1,780	1,268
Foreign currency exchange loss/(gain), net	84	(711)
Gain on disposal of held-for-trading investments	-	(13)
Gain on disposal of property, plant and equipment	(47)	-
Gain on disposal of subsidiaries	-	(1,837)
Interest income	(97)	(277)
Inventories written off	-	114
Property, plant and equipment written off	13	7
Operating profit before working capital changes	<u>1,427</u>	<u>1,888</u>
Working capital changes:		
Inventories	(2,758)	4,187
Trade and other receivables	(7,977)	(7,496)
Trade and other payables	(1,635)	5,720
Cash (used in)/generated from operations	<u>(10,943)</u>	<u>4,299</u>
Interest paid	(576)	(232)
Income tax paid, net	(731)	(853)
Net cash (used in)/generated from operating activities	<u>(12,250)</u>	<u>3,214</u>
Investing activities		
Disposal of subsidiaries, net of cash disposed	-	723
Dividend received	1	119
Interest received	97	277
Proceeds from disposal of property, plant and equipment	67	1
Proceeds from disposal of held-for-trading investments	-	16,112
Purchase of intangible assets	(136)	(70)
Purchase of property, plant and equipment	(22,275)	(12,921)
Net cash (used in)/generated from investing activities	<u>(22,246)</u>	<u>4,241</u>

1(c) Consolidated Statement of Cash Flows (Cont'd)

	3 months ended 31.12.2018 RM'000	3 months ended 31.12.2017 RM'000
Financing activities		
Proceeds from issuance of new shares under the Rights Issue	51,290	-
Transaction costs in respect of the Right Issue	(878)	-
Net changes fixed deposits pledged to bank	(617)	(2)
Interest paid	(1,204)	(1,036)
Repayment of finance lease obligations	(2,417)	(1,962)
Drawdown of bank borrowings	25,276	24,230
Repayment of bank borrowings	(12,378)	(30,634)
Net cash generated from/(used in) financing activities	59,072	(9,404)
Net change in cash and cash equivalents	24,576	(1,949)
Cash and cash equivalents at the beginning of the financial period	16,372	48,872
Effect of exchange rate changes	53	(242)
Cash and cash equivalents at the end of the financial period	41,001	46,681
Cash and cash equivalents comprise the following:		
Cash and bank balances	41,515	34,241
Unpledged fixed deposits	-	13,045
Bank overdrafts	(514)	(605)
	41,001	46,681

Reconciliation of liabilities arising from financing activities

	30.09.2018 RM'000	Cash flows RM'000	← Non-cash changes →		31.12.2018 RM'000
			Additions of property, plant and equipment RM'000	Foreign currency exchange RM'000	
Finance lease payables	31,289	(2,417)	759	4	29,635
Bank borrowings	107,179	12,898	-	-	120,077
	138,468	10,481	759	4	149,712

1(d) (i) Statements of Changes in Equity

Group	Share capital	Treasury shares	Foreign currency translation reserve	Fair value reserve	Share options reserve	Other reserves	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 September 2018	127,453	(183)	23,821	(95)	-	(4,562)	148,393	294,827	(10,031)	284,796
Adoption of SFRS(I) 1	-	-	(33,400)	-	-	-	33,400	-	-	-
Balance restated at 30 September 2018	127,453	(183)	(9,579)	(95)	-	(4,562)	181,793	294,827	(10,031)	284,796
Adoption of SFRS(I) 9	-	-	-	95	-	-	(623)	(528)	-	(528)
Balance restated at 1 October 2018	127,453	(183)	(9,579)	-	-	(4,562)	181,170	294,299	(10,031)	284,268
Loss for the financial period	-	-	-	-	-	-	(6,298)	(6,298)	(323)	(6,621)
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	834	-	-	-	-	834	(167)	667
Total comprehensive income for the financial period	-	-	834	-	-	-	(6,298)	(5,464)	(490)	(5,954)
Others:										
Issue of shares under the Rights Issue	51,290	-	-	-	-	-	-	51,290	-	51,290
Transaction costs in respect of the Rights Issue	(878)	-	-	-	-	-	-	(878)	-	(878)
At 31 December 2018	177,865	(183)	(8,745)	-	-	(4,562)	174,872	339,247	(10,521)	328,726
At 30 September 2017	111,406	(183)	33,400	(7)	9,507	(4,562)	165,294	314,855	(9,575)	305,280
Adoption of SFRS(I) 1	-	-	(33,400)	-	-	-	33,400	-	-	-
Balance restated at 1 October 2017	111,406	(183)	-	(7)	9,507	(4,562)	198,694	314,855	(9,575)	305,280
Loss for the financial period	-	-	-	-	-	-	(4,624)	(4,624)	(123)	(4,747)
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	(2,832)	-	-	-	-	(2,832)	524	(2,308)
Available-for-sale financial assets	-	-	-	(48)	-	-	-	(48)	-	(48)
Total other comprehensive income	-	-	(2,832)	(48)	-	-	-	(2,880)	524	(2,356)
Total comprehensive income for the financial period	-	-	(2,832)	(48)	-	-	(4,624)	(7,504)	401	(7,103)
At 31 December 2017	111,406	(183)	(2,832)	(55)	9,507	(4,562)	194,070	307,351	(9,174)	298,177

1(d) (i) Statements of Changes in Equity (Continued)

Company	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Share options reserve RM'000	Accumulated profits RM'000	Total equity RM'000
At 30 September 2018	127,453	(183)	41,250	-	190,408	358,928
Adoption of SFRS(I) 1	-	-	(51,424)	-	51,424	-
Balance restated at 1 October 2018	127,453	(183)	(10,174)	-	241,832	358,928
Loss for the financial period	-	-	-	-	(1,059)	(1,059)
Other comprehensive income:						
Exchange differences on translation	-	-	1,529	-	-	1,529
Total comprehensive income for the financial period	-	-	1,529	-	(1,059)	470
Others:						
Issue of shares under the Rights Issue	51,290	-	-	-	-	51,290
Transaction costs in respect of the Rights Issue	(878)	-	-	-	-	(878)
At 31 December 2018	177,865	(183)	(8,645)	-	240,773	409,810
At 30 September 2017	111,406	(183)	51,424	9,507	212,378	384,532
Adoption of SFRS(I) 1	-	-	(51,424)	-	51,424	-
Balance restated at 1 October 2017	111,406	(183)	-	9,507	263,802	384,532
Profit for the financial period	-	-	-	-	3,257	3,257
Other comprehensive income:						
Exchange differences on translation	-	-	(9,202)	-	-	(9,202)
Total comprehensive income for the financial period	-	-	(9,202)	-	3,257	(5,945)
At 31 December 2017	111,406	(183)	(9,202)	9,507	267,059	378,587

- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital	COMPANY		
	Number of shares	S\$'000	RM'000
Issued and fully paid-up ordinary shares:			
As at 30 September 2018	142,160,499	51,968	127,453
Issuance of new shares under the Rights Issue	105,195,904	16,831	51,290
Transaction costs in respect of the Rights Issue	-	(288)	(878)
As at 31 December 2018	<u>247,356,403</u>	<u>68,511</u>	<u>177,865</u>

On 28 November 2018, the Company completed its renounceable non-underwritten Rights cum Warrants Issue of up to 105,195,904 new ordinary shares in the Company (the "Rights Shares") at an issue price of S\$0.16 per Right Share, together with up to 105,195,904 free detachable Warrants (the "Warrants"), on the basis of four (4) Rights Shares for every five (5) existing ordinary shares in the capital of the Company held by entitled shareholders as at books closure date on 29 October 2018, with one (1) Warrant for every one (1) Rights Share subscribed by the shareholders of the Company. The newly issued shares rank pari passu in all respect with the previously issued shares.

The Company has 105,195,904 outstanding warrants as at 31 December 2018, convertible into 105,195,904 ordinary shares of the Company.

Treasury Shares	COMPANY		
	Number of treasury shares	S\$'000	RM'000
At 31 December 2018	<u>(242,000)</u>	<u>(76)</u>	<u>(183)</u>

Share Capital	COMPANY		
	Number of shares	S\$'000	RM'000
Issued and fully paid-up ordinary shares			
At 30 September 2017 and 31 December 2017	<u>126,385,289</u>	<u>46,526</u>	<u>111,406</u>

Treasury Shares	COMPANY		
	Number of treasury shares	S\$'000	RM'000
At 31 December 2017	<u>(242,000)</u>	<u>(76)</u>	<u>(183)</u>

There were no subsidiary holdings held against the total number of shares outstanding as at 31 December 2018.

1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 December 2018, the total number of issued shares less treasury shares of the Company was 247,114,403 shares (30 September 2018: 141,918,499 shares).

1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 31 December 2018.

1(d) (v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 31 December 2018.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard (eg. the Singapore Standard on Auditing 910 Engagement to Review Financial Statements), or an equivalent standard.

The figures have not been audited or reviewed.

3 Where the figures had been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and method of computation as in the issuer's most recently audited financial statements have been applied.

Except as disclosed in paragraph below and Note 5, the financial statements has been prepared in accordance with the same accounting policies and methods of computation adopted in the most recently audited annual financial statements for the financial year ended 30 September 2018.

In accordance with the listing requirements of the Singapore Exchange, the Group has adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 October 2018 and has issued its first set of financial information under SFRS(I) for the quarter ended 31 December 2018. In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group's opening balance sheet under SFRS(I) has been prepared as at 1 October 2017, which is the Group's date of transition to SFRS(I).

5 If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect, of the change.

(a) Application of SFRS(I) 1

The Group has elected for the optional exemption to reset its foreign currency translation reserve for all foreign operations to nil at the date of transition at 1 October 2017. As a result, cumulative translation gain of RM33,400,000 was reclassified from foreign currency translation reserve to accumulated profits as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

(b) Adoption of SFRS(I) 9

SFRS(I) 9 introduces new requirement for classification and measurement of financial assets and impairment of financial assets effective for annual periods beginning on or after 1 October 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held.

Trade Receivables

On the initial adoption of SFRS(I) 9 on 1 October 2018, the allowance for doubtful debts as at 1 October 2018 increased by RM528,000, which was adjusted against accumulated profits.

Available-for-sale financial assets

The Group has elected to measure the available-for-sale financial assets at fair value through profit or loss which were previously measure at fair value through the other comprehensive income. As a result, the fair value adjustment reserve of RM95,000 related to those investments that were previously presented under the fair value adjustment reserve were transferred to accumulated profits as at 1 October 2018.

Summary of financial impact arising from the adoption of SFRS(I)

	Group		Company	
	30.9.2018 RM'000	1.10.2017 RM'000	30.9.2018 RM'000	1.10.2017 RM'000
Financial asset				
Trade receivables	(528)	-	-	-
Equity				
Foreign currency translation reserve	(33,400)	(33,400)	(51,424)	(51,424)
Fair value reserve	95	-	-	-
Accumulated profits	32,777	33,400	51,424	51,424

- 6 **Loss per ordinary shares of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year after deducting any provision for preference dividends.**

	Group 3 months ended	
	31.12.2018	31.12.2017
Net loss attributable to owners of the Company for the financial period (RM '000)	(6,298)	(4,624)
Weighted average number of ordinary shares	144,759,189	126,143,289
Loss per share (RM sen)	(4.35)	(3.67)

- 7 **Net asset value (for issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	As at 31.12.2018 RM	As at 30.09.2018 RM	As at 31.12.2018 RM	As at 30.09.2018 RM
Net asset value per ordinary share based on issued share capital at the end of the financial year	1.37	2.07	1.66	2.53

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cashflow, working capital, assets or liabilities of the group during the current financial period.

Business Segments

The Group's core business segments are as follows:

- a) Food Services Division – Texas Chicken, San Francisco Coffee and Delicious;
- b) Trading and Frozen Food Division;

- c) Food Processing Division comprising of:
 - bakery;
 - butchery; and
 - contract Packing for Dairy and Juice based drinks;
- d) Nutrition Division; and
- e) Dairies Division – distribution of condensed and evaporated milk.

Performance Review

Review on Consolidated Statement of Comprehensive Income

The Group reported a 7.8% or RM8.5 million surge in revenue to RM117.6 million from RM109.1 million for the first quarter ended 31 December 2018, on the back of stronger contribution from the Food Services Division and additional revenue from the new Dairies Division. However, these increases were partially offset by lower revenue contribution from the Food Processing, Nutrition and Trading and Frozen Food Divisions.

The Food Services Division's revenue jumped 24.1% or RM10.0 million to RM51.5 million from RM41.5 million which was underpinned by Texas Chicken Malaysia's revenue growth of RM6.8 million or 20.9% from RM32.6million to RM39.4 million. The higher revenue was mainly contributed by sales generated from its six new stores, riding on its brand awareness coupled with favorable market acceptance of its quality products. San Francisco Coffee added another eleven stores to its chain resulting in the increase of revenue from RM7.2 million to RM8.8 million, representing an increase of RM1.6 million or 22.2%. Delicious restaurants also posted a growth in revenue of RM0.8 million or 44.4%, from RM1.8 million to RM2.6 million driven by the introduction of new menu and aggressive marketing activities. In addition, Texas Chicken, Indonesia has opened three new stores in Jakarta which contributed a revenue of RM0.7 million to the Division.

The number of stores of each business are as follows:

	Q1FY2019	Q1FY2018
Texas Chicken		
- Malaysia	49	43
- Indonesia	3	-
San Francisco Coffee	49	38
Delicious restaurants	3	4

The new Dairies Division which commenced business in January 2018 has added a revenue of RM9.2 million to the Group.

The Trading and Frozen Food Division recorded a slightly lower revenue of RM40.8 million from RM41.5 million, a reduction of RM0.7 million or 1.7% resulting from a lower sales to Hotel, Restaurant and Retail sectors due to shortage of dairy products.

The Food Processing Division saw a decline in revenue by RM8.1 million or 44.0% from RM18.4 million to RM10.3 million. This was largely due to the disposed fresh bakery business in December 2017 and the cessation of beverages business in Q4FY2018, which have contributed a revenue of RM5.5 million and RM2.4 million, respectively to the Division in Q1FY2018. The Contract Packing for Dairy and Juice based drinks business' revenue contracted by 37.1% from RM7.0 million to RM4.4 million was attributed to lower demand from its existing customers. However, these decreases were partially mitigated by the improved performance of the frozen bakery business with revenue growth of RM2.2 million or 64.7%, from RM3.4 million to RM5.6 million resulting from the increase in new local and overseas customers.

The Nutrition Division registered a decline in revenue of RM1.8 million or 23.4%, from RM7.7 million to RM5.9 million mainly attributed to lower revenue from its Australia Route and NZ Retail sectors. For some period now Nutrition Division has lost market share in the traditional distribution channel primarily due to more competitively priced US brands as well as a significant increase in dealings by Australian and New Zealand brands as they compete to retain market share. Additionally, market share is down in the key New Zealand supermarket channel which is due to aggressive competitor promotional programmes.

Gross profit margin improved from 36.5% to 38.4% quarter-on-quarter driven by higher sales contribution from the Food Services Division which derives better margin products and efficient costs management.

Other operating income of RM0.9 million consist mainly of the recurring rental income from corporate building of RM0.4 million. In the previous corresponding period, in addition to the recurring rental income from corporate office of RM0.4 million, there were other non-recurring income arising from one-off gain on disposal of subsidiaries of RM1.8 million and foreign currency fluctuation gain of RM0.4 million.

Overall, operating expenses rose to RM50.9 million from RM46.4 million, an increase of RM4.5 million or 9.6% mainly attributable to the higher selling and marketing expenses in tandem with the expansion of Texas Chicken and San Francisco Coffee stores, as well as the inclusion of operating costs from the new Dairies Division. However, these increases were partially offset by the saving in selling and marketing expenses from the disposed fresh bakery business, divested beverages business and lower sales from the Nutrition Division.

Finance costs increased by RM0.5 million or 40.4%, from RM1.3 million to RM1.8 million due mainly to higher bank borrowings to finance the new warehouse and additional hire purchase facilities for setting up the new stores.

Income tax expense reduced to RM6,000 from RM604,000 recorded in the preceding corresponding period which was largely due to higher tax losses recognised as deferred tax assets and lower profit generated by certain subsidiaries.

The Group posted a loss after tax of RM6.6 million as compared to loss after tax of RM4.7 million in the preceding corresponding period.

Review on Statements of Financial Position

Non-current assets increased by RM23.9 million from RM381.4 million to RM405.3 million was mainly due to the construction of new factories in Pulau Indah, acquisition of new warehouse in Johor and setting-up costs for new stores.

Under current assets, increase in inventories of RM2.9 million was due to higher stock holding which was in line with higher sales. Trade and other receivables increased by RM6.7 million mainly due to the prepayment to suppliers, deposits paid for the construction of new factory and set-up costs for new stores. Cash and bank balances increased by RM6.0 million mainly from the rights issue proceeds. These have resulted the increase in current assets of RM16.1 million.

Trade and other payables increased by RM2.9 million was attributable to the costs incurred for construction of new factories and set-up costs for new stores. Bank borrowings were reduced by RM11.7 million was largely due to the settlement of bank overdraft by utilising the proceeds from rights issue. These have resulted in the reduction of current liabilities of RM8.8 million.

The Group's non-current liabilities increased by RM4.4 million was primarily attributed to higher bank borrowings of RM5.9 million to finance the construction of new factories, warehouse and setting-up new stores. This is partially offset against the lower finance lease payables of RM1.6 million due mainly to settlement of hire purchase liabilities.

Review on Consolidated Statement of Cash Flows

The Group recorded a net increase in cash and cash equivalents of RM24.6 million for the current period ended 31 December 2018.

Net cash used in operating activities amounting to RM12.3 million was attributable to the increase in trade and other receivables of RM8.0 million, increase in inventories of RM2.8 million and decrease in trade and other payables of RM1.6 million. These were partially offset against the operating profit of RM1.4 million.

Net cash used in investing activities of RM22.2 million was largely due to the purchase of property, plant and equipment. Net cash generated from financial activities of RM59.1 million was largely from the net proceeds raised from the rights issue of RM50.4 million which was used to repay bank borrowings, working capital and expansion of existing businesses.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

a) Food Services Division

The weakening of the Malaysian Ringgit against the United States Dollar has affected consumers' sentiment negatively. Despite that, revenue has increased significantly particularly in the month of December 2018 due to the festive and holiday seasons. The poultry suppliers had announced that there will be a price increase in the next quarter, which may impact the margin. To mitigate the impact, Texas Chicken is sourcing on alternative for fresh produce, paper packaging and sauces suppliers for cost reduction opportunity.

There are now more awareness on Texas Chicken brand since the opening of the stores in Klang Valley and to North and South of Peninsular Malaysia. Texas Chicken is expected to open three drive-through restaurants in Petaling Jaya and Johor Bahru and a standalone site in Malacca in the next two quarters.

Prices of some materials have been stable with the recovery of the Indonesia Rupiah against United States Dollar in Texas Chicken Indonesia. Hence, the selling price remains for the current quarter. Texas Chicken Indonesia has tied up with the e-payment gateway to draw in the crowd and maintain its competitive edge. The e-payment gateway has become popular in Indonesia which offer joint promotion such as 50% cash back or 50% discount for certain items.

For the current quarter, Texas Chicken Indonesia has opened its latest store in Mall Bassura and Plaza Festival, which brings the total store count to 3. It is expected to open another two in the next quarter.

For San Francisco Coffee ("SF"), the cost of green beans from Brazil has increase due to the weakening of Malaysian Ringgit against United States Dollar. Milk and syrup price remains unchanged for the current quarter. Following the government's effort to ban the use of plastic straws with effect from 1 January 2020, SF has started to source for biodegradable straws which cost higher as compared to plastic straws. Replacing plastic straws with biodegradable straws is one approach to achieve environmental sustainability goals of the Group.

Competition within the coffee industry is still intensive with some competitors increasing the food menu prices but aggressively offering discounts and best deals through various advertising platforms. SF is maintaining existing beverage and food prices but gradually introducing new food and beverages with higher pricing and margin. SF is targeting to revise the food menu in the next two quarters, the objective is to offer competitive pricing for acquisition of new customers since customers are more responsive to value for money deals.

To-date SF has 49 stores with four new stores located at Selangor Biobay Showroom and Capital City which opened in October 2018 and November 2018, respectively and Auto City Juru and Sanctuary Mall, both opened in December 2018. There has been a delay for the first standalone store at the Caltex outlet as the local authority has yet to approve the drawings submitted. It is expected to open by fourth quarter of 2019.

Delicious Restaurants' sales has increased in the month of December due to year-end holidays and festive season. Delicious continue to developed and enhance the menu by having limited time offer in order to remain competitive in the demanding market. In addition, Delicious is looking into an increase in home delivery of freshly prepared food with the delivery foods providers such as Grab Food, Food Panda and Delivery Eat as the active consumers are changing their eating habits.

b) Trading and Frozen Food Division

With the weakening of the Malaysian Ringgit against the United States Dollar and the re-introduction of the Sales and Service Tax, prices of raw materials have increased. Recently, Minister of Health has imposed on the exporter to label the importer name and address on the outer packaging of the imported products which may further increase the cost except for raw meat products upon next shipment.

Australia lamb and mutton prices remain high due to strong demand and short supply. The high price are expected to remain throughout the next three quarters. The supply of cheese and butter has not improved due to the shortage of milk. Pok Brothers is sourcing for another supplier to mitigate the supply situation for the next quarter.

c) Food Processing Division

(i) Bakery

The prices of main ingredients are still volatile especially butter and flour which are on the upward trend. Deluxe Food will continuously source for alternate suppliers for certain raw materials at a lower price to mitigate the impact.

Overall the local market is improving in the current quarter with bulk order for festive season items such as cookies. Deluxe has moved strategically to secure hotel, catering, convenience stores and petrol kiosks by group. Moving forward, Deluxe is targeting sensitive customer market with gluten free bread and muffins to increase the competitive edge for product variance on customer's selection.

Deluxe is slowly establishing a strong relationship with exporters or distributors by giving reasonable price and bake off support especially to the Philippines and China.

(ii) Butchery

Prices for imported raw materials have increased but is mitigated by the weakening of Australia Dollar. There is no significant fluctuation of other meat cut prices such as fillet steak, sirloin, rump, short ribs and etc since Gourmessa is buying more from Brazil at a cheaper price. However, shipments from Brazil have always been delayed. Therefore Gourmessa may still need some quantity from Australia and New Zealand at higher price.

Revenue of Gourmessa has increased due to the increase orders from local customer. However, the delay of inspection and approval from relevant authorities in the Selangor Halal Hub, located in Pulau Indah has affected the export sales. The margin for local and export sales has been affected due to increase in overtime and other expenses incurred in existing factory building. Moving forward, Gourmessa is expecting its revenue to increase progressively subject to the inspection and approval from the local authorities on the new plant.

(iii) Contract Packing for Dairy and Juice Based Drinks

Demand for PET Aseptic co-packing continues to come from legacy beverages such as Up and Go, Mammouth and Nippys who are converting to PET.

There are several new co-packers entering the PET Aseptic market both in New Zealand and Australia. This is resulting in several legacy beverage brands such as Up and Go (sanitarium) and Nippys offering PET versions alongside their legacy tetrabrik offerings. Also Fonterra Primo and Mammouth (Fonterra brands) are now in aseptic bottles rather than fresh.

Synlait (Powder manufacturer) have announced plans for new Aseptic line in NZ starting production in 2019 for UHT Milk and Liquid Infant Formula.

There are some new opportunities for Envictus Dairies NZ Ltd in the flavoured milk space for customers with existing flavoured milk/coffee milk brands looking to migrate from fresh to aseptic flavoured milk products.

d) Nutrition Division

Dairy ingredients in the form of milk powders and highly specialised whey proteins form a significant component of the division's costs.

International milk powder prices continued to drop during October and November but by January had improved to the October level as a result of consistent fortnightly price increases. While prices for specialised whey proteins purchased for the manufacture of Horleys products do not always directly follow the price trends for Whole and Skim milk, a price increase could occur should the current trend continue. The company predominantly draws their specialised protein ingredients exclusively from Fonterra Cooperative, New Zealand's pre-eminent dairy product supplier. All remaining raw materials and packaging requirements are actively tendered via the company's contracted powder products manufacturer on an open book costing basis.

The Division markets their range of sports nutrition and weight management products under the Horleys brand. The Horleys brand had been losing market share in the key New Zealand supermarket channel for a period but has now more or less stabilized at 20%* share of New Zealand key accounts. The aggressive promotional programme and cross category strength of key competitor Vitaco remains the primary reason market share loss.

(* reference obtained from Aztec Data dated December 2018)

In the traditional channel for sports and weight management supplements; gyms, health food and supplement shops, Horleys have lost market share for some time. This has been primarily due to more competitively priced US brands and increased discounting by local (Australian and New Zealand) brands as they fight desperately to retain some market share. Retailers also continue to push their own brands (i.e. Private Label) ahead of branded which adds to the challenge, particularly in the online environment where price is a key differentiator.

The Horleys team have revised their strategy, putting greater marketing and NPD focus behind driving growth with the mainstream consumer in the mass market channels (Grocery and Oil). In the increasingly mature protein market this provides the best opportunity for Horleys success, leveraging its long nutrition heritage and expertise. 2018 saw launches in the protein bar segment which have proven successful so far. More exciting products are in the pipeline for 2019.

e) Dairies Division

Dairies division is expecting the price for sweetened creamer ("SC") and evaporated creamer ("EC") to be stable for the next quarter as the pricing of ingredients and tin plate were consistent for the past 12 months. Furthermore, Malaysia government has broken up the monopoly of sugar importation where sugar plays a major cost in SC. Thus, starting from January 2019, the food and beverages manufacturers are allowed to apply for sugar permit for cheaper sugar.

Market remains competitive as the division is competing with other manufacturers that have cost advantages in the same market. Dairies division has launched the 2kg pack size in the end of first quarter to capture market share locally or international.

11 If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended).

No.

(b) (i) Amount per share (RM sen)

Not applicable.

(ii) Previous corresponding period (RM sen)

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt.

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the financial period ended 31 December 2018.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Not applicable as no IPT mandate has been obtained.

14 Utilisation of proceeds from Rights cum Warrants Issue.

On 28 November 2018, the Group raised approximately S\$16.53 million (after deducting expenses of S\$0.3 million relating to the Rights cum Warrants Issue) from the Rights cum Warrants Issue (“the Net Proceeds”). The utilisation of the net proceeds as set out below:

Intended Use of Net Proceeds	Amount Allocated S\$'000	Amount Utilised (as at the date of this Announcement) S\$'000	Balance Amount (as at the date of this Announcement) S\$'000
Repayment of bank borrowings	6,601	6,593	8
Working capital *	4,965	2,522	2,443
Expansion of existing businesses	4,965	3,731	1,234
Total	16,531	12,846	3,685

* The breakdown of the amount utilised for working capital is as follow:

	S\$'000
Trade suppliers	864
Salaries and related expenses	718
Other operating expenses	940
Total	2,522

The use of proceeds from the Rights cum Warrants Issue as disclosed above is in accordance with the intended uses as disclosed in the Offer Information Statement dated 29 October 2018.

15 Negative assurance confirmation on first quarter financial results pursuant to Rule 705(5) of the Listing Manual.

We, Dato' Kamal Y P Tan (Group CEO) and Dato' Jaya J B Tan (Chairman), being two directors of the Company, do hereby confirm on behalf of the board of directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the first quarter ended 31 December 2018 to be false or misleading in any material respect. A statement signed by us is on record.

16 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

BY ORDER OF THE BOARD
ENVICTUS INTERNATIONAL HOLDINGS LIMITED

Dato' Kamal Y P Tan
Group CEO

14 February 2019