



NEWS RELEASE

ENVICTUS POSTS REVENUE OF RM102.8 MILLION¹ IN Q3FY2018

- ***Food Services Division's 20.4% surge in revenue supported by an increase in revenue contributions from Texas Chicken, San Francisco Coffee chain and Delicious restaurant business***
- ***Additional RM7.3 million revenue contribution from new Dairies Division***
- ***Gross profit margin rose 1.8 percentage points to 36.0% due to increased sales of higher margin products from Food Services Division***
- ***Texas Chicken expects to achieve at least 50 operating stores before the end of 2018***
 - o ***To open first outlet in Indonesia by September and another 3 outlets in the first quarter of FY2019***
- ***Total store count under San Francisco Coffee at 41 to date; plans to open another 11 stores in the next 3 to 6 months***

Singapore, 10 August 2018 – Envictus International Holdings Limited (“Envictus” “恒益德國際控股有限公司” or the “Group”), an established Food & Beverage (“F&B”) Group, today announced a revenue of RM102.8 million for the three months ended 30 June 2018 (“Q3FY2018”), a marginal decrease of 0.6% from RM103.4 million reported in the previous corresponding period (“Q3FY2017”). However, the Group posted a loss after tax of RM7.9 million in Q3FY2018, due largely to the 22.1% higher overall operating expenses.

¹ Approximately S\$34.5 million. Currency conversion based on S\$1.00 = RM2.98

Envictus' Group Chairman, Dato' Jaya Tan said, "Our Group revenue continues to be underpinned by the consistent improvement of our Food Services Division, with an additional revenue stream from the new Dairies Division. During the quarter, Texas Chicken, our top performer under Food Services Division, achieved a revenue growth of 21.5% after the opening of 13 additional stores, a strong indication of the favourable market acceptance of its value and quality products. Concurrently, our San Francisco Coffee also delivered higher sales with the opening of five additional outlets, while sales from Delicious restaurant business grew slightly on the back of newly introduced menu and higher marketing activity level.

"We are heartened by the revenue performance of our new Dairies Division which commenced operations since January this year and would like to thank our shareholders for their support in the successful completion of the acquisition of Motivage Sdn. Bhd. which is engaged in the business of manufacturing of sweetened condensed milk and evaporated milk for the division. On this note, we hope shareholders will continue to lend support to our recently proposed renounceable non-underwritten rights cum warrants issue to strengthen our financial position to fund our expansion plans and sustain our businesses for the long-term."

Under the renounceable non-underwritten rights cum warrants issue proposed in June 2018, shareholders can subscribe for four rights shares for every five existing ordinary shares held in the share capital of the Company. With every one rights share subscribed, shareholders are entitled to a warrant which carries the right to subscribe for one new ordinary share in the share capital of Envictus at an exercise price of S\$0.16 each.

Net proceeds from this proposed fund-raising exercise will be used towards repayment of bank borrowings and working capital, as well as funding of the expansion of the Group's existing businesses, including the construction of factories in Pulau Indah for the manufacturing of condensed milk and frozen bakery products as well as the extension of the Texas Chicken business in Indonesia and San Francisco Coffee outlets in Malaysia. The proposed rights cum warrants issue is subject to approval from relevant authorities, as well as shareholders' approval at an Extraordinary General Meeting to be convened.

Financial Review

In Q3FY2018, the Food Services Division recorded a RM6.9 million increase in revenue from RM33.8 million in Q3FY2017 to RM40.7 million. The 20.4% increase continued to be driven by further expansion of Texas Chicken, which added 13 new stores since Q3FY2017, riding on an enhanced brand awareness and positive market uptake of its quality products and value. Likewise, San Francisco Coffee recorded additional sales of RM1.1 million, lifting the revenue to RM6.5 million, mainly attributable to the addition of five stores to its chain since Q3FY2017. Also, the Delicious restaurants grew their revenue by 11.1% from the preceding corresponding quarter's RM1.8 million to RM2.0 million in Q3FY2018, driven mainly by the introduction of a new menu and increased marketing activities. The new Dairies Division contributed a revenue of RM7.3 million to the Group.

The strong performance of the Food Services Division was partially offset by lower revenue contribution from the Trading and Frozen Food, Food Processing and Nutrition Divisions. The Trading and Frozen Food Division's revenue declined 11.1% from RM43.3 million in Q3FY2017 to RM38.5 million in Q3FY2018, which is largely due to a shortage in quality beef and dairy products.

The Food Processing Division recorded lower sales of RM10.4 million as compared to RM18.6 million in Q3FY2017. This was mainly due to the disposal of the fresh bakery business in December 2017 which was mitigated by the higher revenue of RM4.0 million contributed by the frozen bakery business. The beverages business posted a 56.2% or RM1.8 million lower revenue to RM1.4 million in Q3FY2018, following scaled down operations since the fourth quarter of FY2017, whilst the Contract Packing for Dairy and Juice based drink business reported a 23.1% fall in revenue to RM5.0 million, as a result of lower demand from existing customers.

The Nutrition Division posted a revenue of RM5.9 million in Q3FY2018 as compared to RM7.7 million recorded in Q3FY2017. The 23.4% fall in revenue was primarily due to a lower market share in the traditional distribution channel, with greater competition from more competitively priced US brands as well as a significant increase in the dealing of Australian and New Zealand brands.

Gross profit margin improved from 34.2% to 36.0%, underpinned by higher sales achieved by the Food Services Division which derived higher margin from their products.

Other operating income rose by 33.0% to RM8.5 million. This was mainly due to the RM4.8 million gain on disposal of property, plant and equipment, a RM2.8 million gain on disposal of investment property and recurrent rental income of RM0.4 million from the corporate building.

On the other hand, operating expenses rose from RM42.7 million to RM52.2 million in Q3FY2018 mainly due to higher selling, marketing and administrative expenses attributed to costs associated with the opening of new outlets for Texas Chicken and San Francisco Coffee stores and the inclusion of operating costs from the new Dairies Division. Additionally, foreign currency losses of RM4.1 million due to the weakening Malaysian Ringgit, contributed significantly to the increase in operating expenses.

Finance costs rose by RM0.5 million to RM1.8 million due to higher bank borrowings to finance the construction of the new warehouse and factory, as well as additional hire purchase facilities utilised for the setting of new outlets.

Consequently, the Group recorded a loss after tax of RM7.9 million in Q3FY2018, compared to a loss of RM3.0 million in Q3FY2017.

For the nine months ended 30 June 2018 ("9MFY2018"), the Group posted revenue of RM313.0 million and incurred a net loss of RM17.6 million.

As at 30 June 2018, the Group's cash and cash equivalents stood at RM17.7 million while shareholders' equity was RM303.0 million.

Outlook

Moving forward, the next twelve months will be challenging for the Trading and Frozen Food Division to maintain or improve its performance unless there is a general improvement on the supplies of beef and dairy products to our premium food wholesaler, Pok Brothers. Additionally, Pok Brothers' bottom line may be impacted by the operating costs associated with the new and bigger warehouse facility in Selangor Halal Hub lest revenue increases accordingly.

Commenting on the Group's best performing Food Services Division, Group Chief Executive Officer, Dato' Kamal Tan said, "Our latest Texas Chicken store which opened in Johor Bahru in the current quarter, brings the total store count to 48. Sales at this store have been very encouraging to-date and responses were overwhelming. Hence this underscores the wide market acceptance of the brand, not only in Klang Valley, Perak and Penang, but also southern part of West Malaysia. We expect to achieve at least 50 operating stores before the end of 2018 and the first drive thru restaurant is expected to open in September this year.

“To increase our presence in key markets of Asia and widen our revenue and earnings streams, we have signed a 10-year exclusive rights agreement to develop 80 franchised outlets in parts of Indonesia, which include West Java, Jakarta, Banten, Lampung, South Sumatra and Bengkulu from 2018 onwards. We plan to open the first outlet in September at Green Pramuka Square and another three outlets in the first quarter of FY2019.

“As for San Francisco Coffee, we have 41 outlets to date, with the latest store opened at Gurney Plaza, Penang in June this year. We have plans to open another eleven stores in the next 3 to 6 months. Currently, we are studying the possibilities of opening a drive thru outlet or attached units at the petrol kiosks to meet growing demand for quick-service dining options and convenience food. While competition is expected to heat up for Delicious, we are offering some new seasonal menu across our three rebranded outlets to maintain our competitive edge.”

The Food Processing Division’s businesses continued to be pressured by factors such as increasing prices of some raw materials and competition. With the commencement of export sales to Singapore, the Group expects revenue from the butchery business to improve in the next quarter. Also, Gourmessa will be relocating to its new factory building in the Selangor Halal Hub, located in Pulau Indah, upon the completion of inspection and audit checks, including obtaining its halal certification from all the relevant authorities, which will likely be in the fourth quarter of FY2018.

ABOUT ENVICTUS INTERNATIONAL HOLDINGS LIMITED

Listed on SGX Catalist in 2004, and upgraded to the Mainboard in 2009, Envictus International Holdings Limited, is an established Food & Beverage (“F&B”) Group. The Group has an established portfolio of businesses and brands operating under its five business divisions – Food Services, Trading and Frozen Food, Food Processing, Nutrition and Dairies.

Under the Group’s Food Services Division, Envictus holds exclusive rights for a 10-year period since July 2012 to develop and operate the fast growing American-styled Texas Chicken fast food restaurant chains in Malaysia and Brunei. Since its first flagship outlet opened in January 2013 at Aeon Bukit Tinggi Shopping Centre, Klang, Malaysia, the robust demand for the Texas Chicken restaurant concept has driven the Group to expand its store footprint at a healthy pace. To further expand the Group’s presence in key markets in Asia, the Group secured exclusive rights in 2018 to develop 80 franchised “Texas Chicken” restaurants in certain territories of Indonesia over a period of 10 years. Envictus also owns Malaysian homegrown specialty coffee chain business, “San Francisco Coffee” which serves house roasted coffee in Malaysia. Lastly, we have the Delicious restaurants which are new lifestyle restaurants serving hearty Western and Asian-fusion cuisine.

For the Trading and Frozen Food Division, the Group’s wholly-owned subsidiary, Pok Brothers Sdn Bhd, is one of Malaysia’s leading frozen food and premium food wholesaler and is a supplier to several major American restaurant chains in Malaysia. In addition, the division also distributes the Gourmessa quality cold cuts across supermarkets and hypermart chains in Malaysia.

The Group's Food Processing Division comprises of the business segments – Bakery, Butchery as well as Contract Packing for Dairy and Juice based Drinks. Held under the Bakery segment, De-luxe Food Services Sdn Bhd, is the Group's wholly-owned subsidiary which produces frozen bakery items under the brand name of Hearty Bake. The Group's Butchery business manufactures and processes cold cuts, sausages, portion control meat and smoked salmon for distribution to supermarkets, hotels and restaurants under the brand name, Gourmessa.

The Group is in the ready-to-drink segment via our subsidiary, Envictus Dairies NZ Limited, which operates New Zealand's first state-of-art, UHT Aseptic PET bottling line for dairy, juice and water products at the Whakatu Industrial Park. The plant currently produces UHT white milk for the China and Taiwan markets, flavoured milk (typically chocolate, coffee, strawberry and banana) for Australasia, pet milk (a lactose free formulation suitable for cats and dogs) and fruit juice (typically from apple or kiwifruit – fresh or concentrate) for local and Asian markets.

For Nutrition, under Naturalac Nutrition Limited ("NNL"), the Group markets its range of branded sports nutrition and weight management food products for mass consumer markets. This includes the Horleys™ brand name and other proprietary brands such as Sculpt™ (a weight management product tailored for women), Replace™ (only available in powdered format) and Covet™ range of nut milks. In New Zealand, NNL's products are primarily distributed through the route channels (gyms, health food shops, specialty stores and specialty nutrition shops) and retail channels (supermarkets, oil and convenience retail outlets) whilst its Australian sales are made predominantly through the route channels.

Held by the Group's wholly-owned Motivage Sdn Bhd, the Group's newly established Dairies Division will manufacture sweetened condensed milk and evaporated milk under the "Moitlait" and "Family Farm" brands to be sold in Malaysia. There are plans to export the manufactured sweetened condensed milk and evaporated milk to overseas markets.

For more details, please visit the Group's corporate website at www.envictus-intl.com.

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