



NEWS RELEASE

ENVICTUS ACHIEVES NET PROFIT OF RM2.6 MILLION¹ IN Q1FY2016

- *Revenue grows 7.7% to RM91.0 million, driven mainly by better performance of Food Services, and Trading and Frozen Food Divisions*
- *Healthy gross profit margin of 28.6%*
- *Proposed acquisition of stake in Lyndarahim which owns 28 specialty and two other licensed outlets under San Francisco Coffee brand name*
- *Pipeline of seven Texas Chicken outlets to be launched in Klang Valley over next three quarters*

Singapore, February 4, 2016 – 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 surge in profit for the period to RM2.6 million on the back of a 7.7% growth in revenue to RM91.0 million for the first quarter ended December 31, 2015 (“Q1FY2016”).

Envictus’ Group Chairman, Dato’ Jaya Tan said, “We achieved a growth in our topline during the quarter, largely attributable to the better performance achieved by our Food Services, and Trading and Frozen Food Divisions. Following the reorganisation of Envictus into the four current business segments, we also continue to make good progress in improving our operations.

¹ Approximately S\$0.9 million. Currency conversion based on S\$1.00 = RM3.0429

“As part of the ongoing optimisation of our operations, we are pleased to have completed the acquisition of land in Selangor Halal Hub, Pulau Indah, recently. In addition, we also completed the acquisition of the property at Jalan 225, Petaling Jaya, as new office space for the Group. By expanding and centralising our operating facilities at the Halal Hub, this will allow us to achieve further cost savings in areas including logistics and warehousing storage space. Being strategically located at the Halal Hub will also put us in a better position to capitalise on the growth potential of the increasing global demand for Halal products. In January 2016, we also completed the disposal of our dormant land and building in Indonesia which housed our non-core noodle manufacturing business previously. The positive financial impact to be recorded in Q2FY2016 of approximately RM9.2 million from the sale, thereby unlocks value and allows us to redeploy the proceeds in our core operations.”

Dato’ Jaya Tan added, “Apart from internal restructuring efforts to derive further value from our assets, we have recently entered into a number of transactions aimed at generating sustainable shareholder value. These include our acquisition of an 11.43% stake in Yamada Green Resources Limited and our proposed acquisition of the San Francisco Coffee chain business, both of which are within the food industry.

“The San Francisco Coffee chain business will provide us the opportunity to realise potential synergies and economies of scale across the Group through shared resources when we integrate our operations. At the same time, we will be able to supply premium products from our Trading and Frozen Food Division as well as our Bakery and Butchery businesses at a much lower cost due to internal sourcing and benefit from higher utilisation rates and production output.”

The Group entered into a proposed acquisition agreement of an 85% stake in Lyndarahim Ventures Sdn Bhd (“Lyndarahim”) in December 2015, for a total consideration of RM20.4 million. Upon completion of the proposed acquisition, Envictus will have a strategic interest in 28 specialty and two licensed San Francisco Coffee outlets, roasting plant and central kitchen in Malaysia operated by San Francisco Coffee Sdn Bhd.

Financial Review

Envictus registered a 7.7% growth in revenue to RM91.0 million in Q1FY2016 as compared to RM84.4 million in the previous corresponding period (“Q1FY2015”).

This was mainly driven by the robust 80% rise in the Food Services Division’s revenue to RM16.2 million in Q1FY2016 due to nine additional Texas Chicken outlets opened since Q1FY2015, and the greater market acceptance of Texas Chicken’s product quality, value and brand. The overall rise in the Group’s revenue was also driven by the Trading and Frozen Food Division which registered a RM3.5 million increase in revenue to RM50.7 million in Q1FY2016. This was largely a result of sales growth in its retail and proprietary sectors.

Envictus recorded a 1.7 percentage points improvement in its gross profit margin to 28.6% during the period, from 26.9% in Q1FY2015 due mainly to the higher margin achieved by the Food Services Division. This resulted from price increases in certain products and better food cost management. Gross profit correspondingly increased to RM26.0 million in Q1FY2016 from RM22.8 million in Q1FY2015.

A rise in selling and marketing expenses of RM2.4 million and administrative expense of RM1.6 million led operating expenses to increase 15.2% to RM28.5 million in Q1FY2016 from RM24.8 million in Q1FY2015. These were attributed largely to costs associated with additional staff, rental of outlets, royalty fees and utility charges incurred for the expansion of the Food Services Division.

The Group saw a 111.0% growth in other operating income to RM6.7 million during the period primarily due to fair value gain, dividend income, interest income and gain on disposal from held-for-trading investments.

As a result, Envictus registered a profit for the period of RM2.6 million in Q1FY2016 as compared to RM0.6 million in Q1FY2015.

As at December 31, 2015, the Group maintained a strong balance sheet, with cash and cash equivalents of RM56.7 million and shareholders' equity of RM365.3 million.

Outlook

While the Trading and Frozen Food Division is gradually passing increased costs to customers, the division's margin is expected to be impacted by higher imported food costs resulting from the Ringgit's depreciation against major currencies, in particular, the US Dollar. To mitigate the high prices of imported beef from Australia and New Zealand, the division has been sourcing comparatively cheaper beef supplies from Brazil.

Commenting on the Texas Chicken restaurants, Group Chief Executive Officer, Dato' Kamal Tan said, "We have seen healthy sales with wider market acceptance of the brand over time. In Klang Valley, we received warm reception to several of our recently launched outlets. In addition to the four additional outlets launched during the quarter, we plan to open another seven for the rest of the financial year."

For the Nutrition Division, the Group is actively seeking to increase value-added promotions, re-launch its powder based product ranges, and introduce other non-dairy beverages towards the end of FY2016.

The Food Processing Division's Bakery, Butchery and Beverage businesses are anticipated to remain impacted by rising raw material prices resulting from the Ringgit's weakening against the US Dollar. For the Bakery business, Envictus has initiated branding activities and is building a new research and development facility to improve its range of products. Given the limitations of the Butchery business' present facilities' capacity, the planned relocation to the larger facilities at Selangor Halal Hub, Pulau Indah, is expected to bring multiple benefits.

For the Food Processing Division's Beverage business, while a slowdown in export sales is expected due to the winter season in China and the declining growth in the country, this will be mitigated by two new overseas customers secured during the quarter and the launch of two new products in the next quarter. As for the Contract Packing for Dairy and Juice Based Drinks business, Envictus is focusing on products such as dairy free drinking yogurt and is considering goat milk as a new product.

Concluding, Dato' Kamal Tan said, "We are firmly focused on bringing quality F&B products that will meet evolving consumer tastes. Moving ahead, we will prudently seek synergistic M&A opportunities that will add value to Envictus, when they arise."

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 four business divisions – Trading and Frozen Food, Food Services (Texas Chicken), Nutrition and Food Processing.

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 produces the Gourmessa quality cold cuts distributed across supermarkets and hypermart chains in Malaysia.

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.

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™ (an isotonic sports drink in both powder and carbonated format) and Pro-Fit™ (a high protein ready-to-drink beverage). 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.

The Group’s Food Processing Division comprises of the business segments – Bakery, Butchery, Beverages as well as Contract Packing for Dairy and Juice based Drinks. Envictus’ Bakery business includes its wholly-owned subsidiary, Family Group which produces fresh breads and buns under the Daily Fresh and Family brand while De-luxe Food Services Sdn Bhd, another wholly-owned subsidiary, produces frozen bakery items. The Group’s Butchery business manufactures and processes cold cuts, sausages, portion control meat and smoked salmon for distribution to supermarkets, hotels and restaurants. For the Beverages business, the Group’s canned beverages are produced by Polygold Beverages Sdn Bhd in Seremban, Negeri Sembilan. The business’ stable of products include the Polygold brand of carbonated and non-carbonated drinks, Air Champ energy drink and Power Champ isotonic sports drink. Envictus successfully produced the 325ml PET bottle carbonated drink in June 2014 specially designed to suit the China market and has introduced it to the market. The Group also entered into the ready-to-drink segment via a joint venture in Envictus Dairies NZ Limited to establish New Zealand’s first state-of-art, UHT Aseptic PET bottling line for dairy, juice and water products at the Whakatu Industrial Park.

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

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