



## NEWS RELEASE

### ENVICTUS ACHIEVES 4.6% RISE IN REVENUE TO RM85.0 MILLION<sup>1</sup> IN Q2FY2016

- ***Revenue growth driven mainly by better performance of Food Services; and Trading and Frozen Food Divisions***
- ***Gross profit margin improves 3.4 percentage points to 29.9%, attributable to higher margin achieved by Food Services Division***
- ***Two new Texas Chicken outlets opened during quarter and two in April 2016***
- ***Pipeline of four Texas Chicken outlets to be launched in Klang Valley and beyond over next two quarters***
- ***Successfully completes acquisition of stake in Lyndarahim which owns 28 specialty and two other licensed outlets under the San Francisco Coffee brand name***

**Singapore, May 12, 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 4.6% growth in revenue to RM85.0 million for the second quarter ended March 31, 2016 (“Q2FY2016”), from RM81.3 million over the previous corresponding period (“Q2FY2015”).

Envictus’ Group Chairman, Dato’ Jaya Tan said, “We are pleased to have seen 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.

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<sup>1</sup> Approximately S\$28.7 million. Currency conversion based on S\$1.00 = RM2.9569

## **Financial Review**

Envictus registered a 4.6% growth in revenue to RM85.0 million in Q2FY2016 as compared to RM81.3 million in Q2FY2015 despite the difficult trading environment brought on by an uncertain outlook of the global economy and volatility in currencies.

This was mainly driven by the robust 66.0% rise in the Food Services Division's revenue, from RM10.0 million in Q2FY2015 to RM16.6 million in Q2FY2016. This was due to nine additional Texas Chicken outlets opened between Q2FY2015 and Q2FY2016, out of which two were opened during the quarter, and a greater market acceptance of Texas Chicken's product quality, value and brand recognition. The overall rise in the Group's revenue was also supported by the Trading and Frozen Food Division which registered a RM0.6 million increase in revenue to RM40.6 million in Q2FY2016. This was largely a result of sales growth in its retail and proprietary sectors.

Envictus recorded an improvement of 3.4 percentage points in its gross profit margin, from 26.5% in Q2FY2015 to 29.9% during the period, which was mainly due to the higher margin achieved by the Food Services Division. This resulted from the better performance achieved by existing outlets, price increases in certain products and better food cost management. Gross profit correspondingly increased 18.3% to RM25.4 million in Q2FY2016 from RM21.5 million in Q2FY2015.

Selling, marketing and administrative expenses increased by RM4.6 million primarily due to the expenses incurred from the expansion efforts of the Food Services Division. In addition, other operating expenses of RM7.3 million arising largely from the RM5.6 million fair value loss on held-for-trading investments and a RM1.0 million write-off of renovation and equipment costs due to relocation of restaurant outlets and office, also led to the 47.3% increase in overall operating expenses to RM36.9 million.

The Group saw a 35.1% growth in other operating income to RM13.1 million during the period primarily due to the RM10.0 million gain on disposal of land and building in Indonesia, income arising from held-for-trading investments, rental income and interest income.

As a result of the topline growth, margin improvement and increase in operating income which were offset by higher operating expenses incurred, Envictus registered a profit for the period of RM1.1 million in Q2FY2016 as compared to RM6.2 million in Q2FY2015.

As at March 31, 2016, the Group maintained a strong balance sheet, with cash and cash equivalents of RM43.0 million and shareholders' equity of RM360.9 million.

## **Outlook**

The Trading and Frozen Food Division is gradually reducing prices of certain products with the strengthening of the Ringgit against the US Dollar, which has taken some pressure off the cost of imported food costs. Although prices of imported beef from Australia and New Zealand have stabilised, supplies from Brazil remained cheaper. However, the division has continued to source from these two countries given the faster delivery as compared to importing from Brazil.

For the Food Services Division, Texas Chicken continues to enjoy healthy sales due to market acceptance of its brand, quality and value, notwithstanding softer consumer sentiments following the implementation of GST in Malaysia.

Commenting on the Group's outlook, Group Chief Executive Officer, Dato' Kamal Tan said, "We have seen encouraging responses and a wider market recognition and acceptance of the Texas Chicken brand. Texas Chicken continues to gain strength in Klang Valley, with warm reception seen following the recent opening of four outlets. With 26 outlets now opened, including two which were launched subsequent to the quarter – in April 2016, we look forward to the launch of another four outlets within the Klang Valley area and beyond, by the end of the financial year or next two quarters.

"Additionally, we have further expanded our Food Services segment with the successful acquisition of the San Francisco Coffee chain business. Given our considerable experience and knowledge acquired in the quick service restaurant business, through the successful operation of the Texas Chicken restaurants, we will be well-positioned to leverage on this advantage in managing the coffee chain business.

"The integration of the coffee chain business into the Group will lead to operational and business synergies through the sharing of resources and create opportunities for cross-selling, thereby allowing cost savings and an enhancement of our product offerings. Given that the supply of premium products will come from our Trading and Frozen Food, Bakery and Butchery businesses, we expect to see improvements in utilisation due to a higher production output from these business segments."

The Group successfully completed the acquisition of the 85% stake in Lyndarahim Ventures Sdn Bhd ("Lyndarahim") on March 28, 2016, for a total consideration of RM20.4 million. Envictus' partner, Brothers Coffee Ventures Sdn Bhd ("**BCV**"), holds the remaining 15% stake for a consideration of RM3.6 million. With the completion of this acquisition, Envictus now has a strategic investment in 28 specialty and two licensed San Francisco Coffee outlets, a roasting plant and central kitchen in Malaysia operated by San Francisco Coffee Sdn Bhd.

For the Nutrition Division, the Group is actively focused on developing products within the sports and nutrition range with a 'natural/protein' emphasis, which will be launched in Q4FY2016. A new range of UHT long life non-dairy beverages (PET bottles) will also be launched towards the end of FY2016.

The Food Processing Division's Bakery, Butchery and Beverage businesses have continued to face challenges amidst market competition. For the Bakery business, Envictus has initiated branding activities and undertaken measures to improve process efficiencies and control returns. 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 enhance the Gourmessa brand and potentially bring additional benefits such as tax incentives.

Dato' Kamal Tan added, "The Halal food industry offers vast potential for growth. By expanding and centralising our operating facilities at the Selangor Halal Hub, we will be able to tap on the growth prospects of increasing global demand for Halal products whilst achieving further cost savings in the areas of logistics and warehousing storage space."

The Halal food industry is on a growth spurt with the global demand for Halal food expected to hit US\$2.1 trillion (S\$2.9 trillion) this year. Last year, Malaysia exported RM40 billion (S\$13.5 billion) worth of Halal products. This year it is expected to be about RM50 billion<sup>2</sup>.

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<sup>2</sup> "Dreaming big to make Singapore a global halal hub" – Straits Times, March 9, 2016

For the Food Processing Division's Beverage business, while a slowdown in export sales is expected due to the declining economic growth rate in China, this will be mitigated by a focus on other export markets including entering into OEM partnerships with customers in the ASEAN region. As for the Contract Packing for Dairy and Juice Based Drinks business, Envictus continues to enjoy strong demand for the supply of high value added Aseptic PET bottled products and is focused on new product offerings such as grain and nut based dairy free alternative milk beverages as well as dairy free drinking yogurt.

## **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, 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 distributes the Gourmessa quality cold cuts 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. Since March 28, 2016, Envictus also has a strategic investment in the specialty coffee chain business – San Francisco Coffee – which serves house roasted coffee in Malaysia.

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 Deluxe 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](http://www.envictus-intl.com).

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