



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

**UNAUDITED HALF YEAR RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021**

**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**

	6 months ended 31.3.2021 RM'000	6 months ended 31.3.2020 RM'000	Change %
<b>Continuing operations</b>			
Revenue	195,566	229,296	(14.7)
Cost of goods sold	(118,099)	(135,591)	(12.9)
Gross profit	77,467	93,705	(17.3)
Other operating income	5,815	2,869	>100
Operating expenses			
Administrative expenses	(17,610)	(20,818)	(15.4)
Selling and marketing expenses	(65,796)	(72,985)	(9.8)
Warehouse and distribution expenses	(10,288)	(12,343)	(16.6)
Research and development expenses	(589)	(299)	97.0
Other operating expenses	(3,091)	(2,630)	17.5
	(97,374)	(109,075)	(10.7)
<b>Loss before interest and tax</b>	<b>(14,092)</b>	<b>(12,501)</b>	<b>12.7</b>
Finance costs	(9,917)	(9,789)	1.3
<b>Loss before income tax</b>	<b>(24,009)</b>	<b>(22,290)</b>	<b>7.7</b>
Income tax expense	(550)	(861)	(36.1)
<b>Loss from continuing operations, net of tax</b>	<b>(24,559)</b>	<b>(23,151)</b>	<b>6.1</b>
<b>Loss from discontinued operations, net of tax</b>	<b>-</b>	<b>(2,975)</b>	<b>N/A</b>
<b>Loss for the financial period</b>	<b>(24,559)</b>	<b>(26,126)</b>	<b>(6.0)</b>

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

	6 months ended 31.3.2021 RM'000	6 months ended 31.3.2020 RM'000	Change %
<b>Loss for the financial period</b>	<b>(24,559)</b>	<b>(26,126)</b>	<b>(6.0)</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations			
- Continuing operations	1,869	402	>100
- Discontinued operations	-	321	N/A
	1,869	723	>100
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Net fair value loss on financial assets at FVOCI	10	(60)	>100
<b>Other comprehensive income for the financial period, net of tax</b>	<b>1,879</b>	<b>663</b>	<b>&gt;100</b>
<b>Total comprehensive income</b>	<b>(22,680)</b>	<b>(25,463)</b>	<b>(10.9)</b>
<b>Loss attributable to:</b>			
Owners of the Company			
- Loss from continuing operations, net of tax	(24,559)	(23,151)	6.1
- Loss from discontinued operations, net of tax	-	(2,975)	N/A
	<b>(24,559)</b>	<b>(26,126)</b>	<b>(6.0)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company			
- Loss from continuing operations, net of tax	(22,680)	(22,809)	(0.6)
- Loss from discontinued operations, net of tax	-	(2,654)	N/A
	<b>(22,680)</b>	<b>(25,463)</b>	<b>(10.9)</b>

1(a) (ii) Loss for the financial period is arrived at after charging/(crediting) the following :

	Continuing Operations			Discontinued Operations		
	31.3.2021 RM'000	31.3.2020 RM'000	Change %	31.3.2021 RM'000	31.3.2020 RM'000	Change %
Loss allowance on receivables, net	219	543	(59.7)	-	8	N/A
Amortisation of intangible assets	232	229	1.3	-	-	-
Depreciation of property, plant and equipment	26,001	25,302	2.8	-	-	-
Depreciation of investment property	226	241	(6.2)	-	-	-
Lease expenses on:						
- Short-term leases/low value assets	3,536	3,727	(5.1)	-	61	N/A
- Rent concession	(2,255)	-	100	-	-	-
Finance costs	9,917	9,789	1.3	-	-	-
Foreign currency exchange loss/(gain), net	1,771	1,160	52.7	-	(70)	N/A
Loss/(Gain) on disposal of property, plant and equipment	133	(95)	>100	-	-	-
Gain on disposal of assets classified as held for sale	-	(174)	N/A	-	-	-
Intangible assets written off	-	5	N/A	-	-	-
Interest income	(38)	(148)	(74.3)	-	(3)	N/A
Net loss on disposal of Nutrition business and intangible assets	-	-	-	-	2,200	N/A
Property, plant and equipment written off	1,153	1,084	6.4	-	288	N/A
Write back of allowance for write-down of inventories	-	(124)	N/A	-	-	-

**1(b) (i) Statements of Financial Position**

	Group		Company	
	As at 31.3.2021 RM'000	As at 30.9.2020 RM'000	As at 31.3.2021 RM'000	As at 30.9.2020 RM'000
<b>Non-current assets</b>				
Property, plant and equipment	525,949	531,263	-	-
Deposits for purchase of property, plant and equipment	-	53	-	-
Investment property	20,666	22,400	-	-
Investments in subsidiaries	-	-	219,477	238,331
Financial assets at fair value through other comprehensive income ("FVOCI")	9,165	9,038	8,843	8,726
Deferred tax assets	308	308	-	-
Intangible assets	24,159	24,227	-	-
	<u>580,247</u>	<u>587,289</u>	<u>228,320</u>	<u>247,057</u>
<b>Current assets</b>				
Inventories	32,693	42,530	-	-
Trade and other receivables	45,940	44,060	131,980	127,254
Tax recoverable	550	339	-	-
Fixed deposits	615	615	-	-
Cash and bank balances	15,774	24,064	868	776
	<u>95,572</u>	<u>111,608</u>	<u>132,848</u>	<u>128,030</u>
<b>Current liabilities</b>				
Trade and other payables	91,817	84,506	17,435	31,175
Bank borrowings	51,386	49,718	-	-
Lease liabilities	24,948	28,663	-	-
Current income tax payable	24	159	-	-
	<u>168,175</u>	<u>163,046</u>	<u>17,435</u>	<u>31,175</u>
<b>Net current (liabilities)/assets</b>	<u>(72,603)</u>	<u>(51,438)</u>	<u>115,413</u>	<u>96,855</u>
<b>Non-current liabilities</b>				
Bank borrowings	192,890	197,599	-	-
Lease liabilities	120,896	121,834	-	-
Provision for restoration costs	3,792	3,671	-	-
Financial guarantee contracts	-	-	4,698	5,794
Deferred tax liabilities	3,815	3,815	-	-
	<u>321,393</u>	<u>326,919</u>	<u>4,698</u>	<u>5,794</u>
<b>Net assets</b>	<u><b>186,251</b></u>	<u><b>208,932</b></u>	<u><b>339,035</b></u>	<u><b>338,118</b></u>
<b>Capital and reserves</b>				
Share capital	177,865	177,865	177,865	177,865
Treasury shares	(183)	(183)	(183)	(183)
Accumulated profits	4,603	29,162	138,576	142,165
Foreign currency translation reserve	29,945	27,763	46,434	41,615
Fair value reserve	(23,585)	(23,281)	(23,657)	(23,344)
Other reserve	(2,394)	(2,394)	-	-
<b>Equity attributable to the owners of the Company/Total equity</b>	<u><b>186,251</b></u>	<u><b>208,932</b></u>	<u><b>339,035</b></u>	<u><b>338,118</b></u>

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

	<b>As at 31.3.2021 RM'000</b>	<b>As at 30.9.2020 RM'000</b>
<b>Amount payable within one year</b>		
Bank borrowings	51,386	49,718
Lease liabilities (finance lease)	6,411	10,995
	<u>57,797</u>	<u>60,713</u>
<b>Amount payable after one year</b>		
Bank borrowings	192,890	197,599
Lease liabilities (finance lease)	24,101	23,746
	<u>216,991</u>	<u>221,345</u>
<b>Total</b>	<u><b>274,788</b></u>	<u><b>282,058</b></u>

The Group's bank borrowings as at 31 March 2021 are secured against the following:

- ⇒ Pledge of certain leasehold land and buildings;
- ⇒ Pledge of shares of a subsidiary;
- ⇒ Debenture comprising fixed and floating charge over all future and present assets of certain subsidiaries; and
- ⇒ Company's corporate guarantee, including for finance lease payables.

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

**1(c) Consolidated Statement of Cash Flows**

	<b>6 months ended 31.3.2021 RM'000</b>	<b>6 months ended 31.3.2020 RM'000</b>
<b>Operating activities</b>		
Loss before income tax from continuing operations	(24,009)	(22,290)
Loss before income tax from discontinued operations	-	(2,898)
Loss before income tax, total	<u>(24,009)</u>	<u>(25,188)</u>
Adjustments for:		
Loss allowance on receivables, net	219	551
Amortisation of intangible assets	232	229
Depreciation of property, plant and equipment	26,001	25,302
Depreciation of investment property	226	241
Finance costs	9,917	9,789
Foreign currency exchange loss, net	1,727	841
Loss/(Gain) on disposal of property, plant and equipment	133	(95)
Gain on disposal of assets classified as held for sale	-	(174)
Intangible assets written off	-	5
Interest income	(38)	(151)
Net loss on disposal of Nutrition business and intangible assets	-	2,200
Property, plant and equipment written off	1,153	1,372
Rent concession	(2,255)	-
Write back of allowance for write-down of inventories	-	(124)
Operating profit before working capital changes	<u>13,306</u>	<u>14,798</u>
Working capital changes:		
Inventories	9,837	1,413
Trade and other receivables	(2,093)	(965)
Trade and other payables	8,981	603
Cash generated from operations	<u>30,031</u>	<u>15,849</u>
Interest paid	(451)	(868)
Income tax paid, net	<u>(807)</u>	<u>(249)</u>
<b>Net cash generated from operating activities</b>	<b><u>28,773</u></b>	<b><u>14,732</u></b>
<b>Investing activities</b>		
Interest received	38	151
Proceeds from disposal of assets classified as held for sale	-	8,269
Proceeds from disposal of property, plant and equipment	53	295
Proceeds from disposal of Nutrition business and intangible assets	-	1,044
Purchase of intangible assets	(149)	(195)
Purchase of property, plant and equipment	<u>(13,786)</u>	<u>(48,152)</u>
<b>Net cash used in investing activities</b>	<b><u>(13,844)</u></b>	<b><u>(38,588)</u></b>
<b>Financing activities</b>		
Net changes fixed deposits pledged to bank	-	(5)
Interest paid	(9,793)	(8,921)
Repayment of lease obligations	(10,403)	(15,012)
Drawdown of bank borrowings	30,400	95,614
Repayment of bank borrowings	<u>(33,441)</u>	<u>(45,548)</u>
<b>Net cash (used in)/generated from financing activities</b>	<b><u>(23,237)</u></b>	<b><u>26,128</u></b>

**1(c) Consolidated Statement of Cash Flows (continued)**

	<b>6 months ended 31.3.2021 RM'000</b>	<b>6 months ended 31.3.2020 RM'000 (Restated)</b>
Net change in cash and cash equivalents	(8,308)	2,272
Cash and cash equivalents at the beginning of the financial period	24,064	22,671
Effect of exchange rate changes	18	(61)
<b>Cash and cash equivalents at the end of the financial period</b>	<b>15,774</b>	<b>24,882</b>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	15,774	25,116
Bank overdrafts	-	(234)
	<b>15,774</b>	<b>24,882</b>

**1(c)(i) Reconciliation of liabilities arising from financing activities**

	<b>30.9.2020 RM'000</b>	<b>Cash flows RM'000</b>	<b>31.3.2021 RM'000</b>
Bank borrowings	247,317	(3,041)	244,276
	<b>30.9.2019 RM'000</b>	<b>Cash flows RM'000</b>	<b>31.3.2020 RM'000</b>
Bank borrowings (excluding bank overdrafts)	187,727	50,066	237,793

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

Group	Share capital	Treasury shares	Foreign currency translation reserve	Fair value reserve	Other reserves	Accumulated profits	Total attributable to owners of the Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2020	177,865	(183)	27,763	(23,281)	(2,394)	29,162	208,932
Loss for the financial period	-	-	-	-	-	(24,559)	(24,559)
Other comprehensive Income:							
Exchange differences on translating foreign operations	-	-	2,182	(314)	-	-	1,868
Net fair value loss on financial assets at FVOCI	-	-	-	10	-	-	10
Total other comprehensive income	-	-	2,182	(304)	-	-	1,878
Total comprehensive income	-	-	2,182	(304)	-	(24,559)	(22,681)
At 31 March 2021	177,865	(183)	29,945	(23,585)	(2,394)	4,603	186,251
At 1 October 2019	177,865	(183)	22,775	(24,619)	(17,085)	144,792	303,545
Loss for the financial period	-	-	-	-	-	(26,126)	(26,126)
Other comprehensive Income:							
Exchange differences on translating foreign operations	-	-	789	(66)	-	-	723
Net fair value loss on financial assets at FVOCI	-	-	-	(60)	-	-	(60)
Total other comprehensive income	-	-	789	(126)	-	-	663
Total comprehensive income	-	-	789	(126)	-	(26,126)	(25,463)
At 31 March 2020	177,865	(183)	23,564	(24,745)	(17,085)	118,666	278,082

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

Company	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Accumulated profits RM'000	Total equity RM'000
At 1 October 2020	177,865	(183)	41,615	(23,344)	142,165	338,118
Loss for the financial period	-	-	-	-	(3,589)	(3,589)
Other comprehensive income:						
Exchange differences on translation	-	-	4,819	(313)	-	4,506
Total other comprehensive income	-	-	4,819	(313)	-	4,506
Total comprehensive income	-	-	4,819	(313)	(3,589)	917
At 31 March 2021	177,865	(183)	46,434	(23,657)	138,576	339,035
At 1 October 2019	177,865	(183)	41,084	(24,529)	181,844	376,081
Loss for the financial period	-	-	-	-	(32,873)	(32,873)
Other comprehensive income:						
Exchange differences on translation	-	-	1,030	(65)	-	965
Total other comprehensive income	-	-	1,030	(65)	-	965
Total comprehensive income	-	-	1,030	(65)	(32,873)	(31,908)
At 31 March 2020	177,865	(183)	42,114	(24,594)	148,971	344,173



- 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 2020 and 31 March 2021	247,356,403	68,511	177,865

Treasury Shares	COMPANY		
	Number of treasury shares	S\$'000	RM'000
At 30 September 2020 and 31 March 2021	(242,000)	(76)	(183)

Share Capital	COMPANY		
	Number of shares	S\$'000	RM'000
Issued and fully paid-up ordinary shares: At 30 September 2019 and 31 March 2020	247,356,403	68,511	177,865

Treasury Shares	COMPANY		
	Number of treasury shares	S\$'000	RM'000
At 30 September 2019 and 31 March 2020	(242,000)	(76)	(183)

The Company has 105,195,904 outstanding warrants as at 31 March 2021, convertible into 105,195,904 ordinary shares of the Company.

There were no subsidiary holdings held against the total number of shares outstanding as at 31 March 2021.

- 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 March 2021, the total number of issued shares less treasury shares of the Company was 247,114,403 shares (30 September 2020: 247,114,403 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 March 2021.

- 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 March 2021.

- 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.**

The financial statements have 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 2020.

- 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.**

The Group has adopted the relevant new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") effective beginning from 1 October 2020. The adoption of these accounting standards will have no material impact on the financial statements.

- 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.**

	<b>Group Six months ended</b>	
	<b>31.3.2021</b>	<b>31.3.2020</b>
<u>Continuing operations</u>		
Net loss attributable to owners of the Company for the financial year (RM '000)	<u>(24,559)</u>	<u>(23,151)</u>
Weighted average number of ordinary shares	<u>247,114,403</u>	<u>247,114,403</u>
Loss per share (RM sen)	<u>(9.94)</u>	<u>(9.37)</u>
<u>Discontinued operations</u>		
Net loss attributable to owners of the Company for the financial year (RM '000)	<u>-</u>	<u>(2,975)</u>
Weighted average number of ordinary shares	<u>247,114,403</u>	<u>247,114,403</u>
Loss per share (RM sen)	<u>-</u>	<u>(1.20)</u>

- 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	As at	As at	As at
	31.3.2021	30.9.2020	31.3.2021	30.9.2020
	RM	RM	RM	RM

Net asset value per ordinary share based on issued share capital at the end of the financial period

0.75	0.85	1.37	1.37
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- 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 restaurants and San Francisco Coffee chains;
- b) Trading and Frozen Food Division;
- c) Food Processing Division comprising of:  
- bakery;  
- butchery; and
- d) Dairies Division – manufacturing and distribution of condensed and evaporated milk.

#### **Performance Review**

##### **Review on Consolidated Statement of Comprehensive Income**

For the first half year period ended 31 March 2021 under review, the Group's revenue contracted by RM33.7 million or 14.7% to RM195.6 million from RM229.3 million in the previous corresponding period bearing the full brunt of the impact of Covid-19 pandemic. On 18 March 2020, the government has implemented the movement control order to curb the spread of the infection, these measures are still currently in effect and have generally impacted the revenue contribution from all the divisions except for the Dairies Division.

The Food Services Division's top line declined RM16.6 million or 13.4% to RM107.1 million from RM123.7 million in the previous corresponding period. However, despite the difficult circumstances of Covid-19, Texas Chicken was able to limit its revenue contraction by RM7.0 million or 7.1% to RM92.2 million from RM99.2 million, which was partially offset by revenue from seven additional stores (eight new stores and closure of one old store). The San Francisco Coffee chain (SFCoffee) was also similarly impacted which saw its top line contract by RM6.0 million or 28.7% to RM14.9 million from RM20.9 million. To mitigate the impact, SFCoffee closed six non-performing outlets and has implemented aggressive cost reduction initiatives by reducing number of staffs and streamlining operating expenses. In addition, The Delicious Restaurant business which ceased operation in May 2020 had contributed RM3.5 million revenue in the previous financial period.

The number of stores of each business are as follows:

	As at 31.3.2021	As at 31.3.2020
Texas Chicken Malaysia	78	71
San Francisco Coffee	47	52
Delicious restaurants	-	3

The Trading and Frozen Food and Food Processing Divisions saw a significant drop in revenue of RM16.9 million or 23.1% to RM56.4 million from RM73.3 million and RM3.7 million or 30.6%, from RM12.1 million to RM8.4 million, respectively due to resurgence of new Covid-19 infections. This has the effects of reducing customer traffic to the malls and further compounded by reduction in stores

operating hours and dine-in due to social distancing requirements. Inbound and outbound international travel restrictions continue to dampen the tourism industry which resulted in the drop of revenue from the local hotels and export sales.

Revenue of the Dairies Division grew RM3.6 million or 18.0% from RM20.0 million to RM 23.6 million, backed by strong export sales to Africa and Vietnam. The business so far has remained resilient despite the impact of Covid-19 pandemic.

Gross profit margin has dropped slightly to 39.6% from 40.9% primarily due to increase in imported raw material costs from the Trading and Frozen Food Division, coupled with the higher direct costs and competitive pricing from the Dairies Division.

Other operating income increased by RM2.9 million or 100.0%, from RM2.9 million to RM5.8 million was mainly due to rental rebates from the landlords and payroll subsidy from the government of RM2.3 million and RM1.1 million, respectively during the pandemic period.

Operating expenses decreased by RM11.7 million or 10.7% from RM109.1 million to RM97.4 million, mainly due to lower selling and marketing, administrative and warehouse and distribution expenses of RM7.2 million, RM3.2 million and RM2.1 million, respectively. Lower operating costs was largely attributed to reduced sales and marketing activities following the imposition of movement control orders, coupled with the positive impact from cost streamlining measures such as reduced number of headcount and staff benefits. These were partly offset by higher delivery commission of RM3.4 million due to surge in delivery sales during the pandemic period. Other operating expenses increased by RM0.5 million or 17.5% mainly due to property, plant and equipment written off following the closure of non-performing stores.

Finance costs increased slightly by RM0.1 million or 1.3% from RM9.8 million to RM9.9 million mainly attributed to the term loans interest.

Income tax expense reduced by RM0.3 million or 36.1% to RM0.6 million compared with RM0.9 million in the previous financial year was attributed to lower profit generated by a subsidiary.

The Group posted a loss after tax of RM24.6 million, compared with loss after tax of RM23.2 million in the previous corresponding period for the continuing operations, mainly due to the ongoing outbreak of the Covid-19 pandemic which has impacted the Group's businesses.

#### **Review on Statements of Financial Position**

Non-current assets decreased by RM7.1 million largely attributable to the depreciation of property, plant and equipment and property, plant and equipment written off as a result of closure of non-performing stores.

Current assets decreased by RM16.0 million mainly due to decrease in inventories, cash and bank balances of RM9.8 million and RM8.3 million respectively, partially offset by the increase in trade and other receivables of RM1.9 million due to longer credit term for overseas customers.

Current liabilities increased by RM5.1 million mainly attributable to higher trade and other payables and bank borrowings of RM7.3 million and RM1.7 million respectively, partially offset by decrease in lease liabilities of RM3.7 million.

The reduction in the non-current liabilities of RM5.5 million was primarily attributable to lower bank borrowings of RM4.7 million due to settlement of loans and reduction in lease liabilities of RM0.9 million due to closure of non-performing stores.

The Group had a negative working capital of RM72.6 million as at 31 March 2021. The Group will monitor its liquidity position and ensure it is able to meet the short-term debts obligations by taking the followings actions to reduce both operational and financial risks:

- i) The Group will continue to carry out cost-saving initiatives to manage costs and preserve cash;
- ii) The Group is actively engaging with its bankers, trade and other creditors to extend or restructure the existing credit terms;
- iii) Propose monetisation of non core assets of the Group;
- iv) The Group will slow down the pace of expansion of its fast food and coffee chain businesses, and have implemented various cost control measures in order to conserve cash during this pandemic period;
- v) The Group has adequate credit facilities (including the drawing of existing unutilised facilities and obtaining new credit facilities) from bankers and other financial institutions to fund its working capital and capital expenditure.

- vi) The Group has obtained an extension of tenure for 3 years for a term loan of RM7.6 million from the financial institution due to the Covid-19 outbreak and the various movement control orders implemented by the government.

#### **Review on Consolidated Statement of Cash Flows**

The Group's cash and cash equivalents stood at RM15.8 million for the current financial period ended 31 March 2021, a decrease of RM9.1 million from RM24.9 million recorded in the previous corresponding period.

The Group recorded net cash generated from operating activities of RM28.8 million which was attributed to operating profit of RM13.3 million, reduction in inventories of RM9.8 million and increase in trade and other payables of RM9.0 million. These were partially offset by increase in trade and other receivables of RM2.1 million and payment for interest and income tax of RM1.2 million.

For investing activities, the Group has restricted capital expenditure to the opening of new stores and the construction of a new Dairies factory amounting to RM13.8 million to conserve the cash.

Net outflow of RM23.2 million from financing activities was mainly due to repayment of bank borrowings of RM33.4 million, repayment of lease obligations of RM10.4 million and interest payment of RM9.8 million, partly offset by drawdown of bank borrowings of RM30.4 million to finance the construction of new factories 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.**

The global economy is still struggling in 2021 amid the resurgence of Covid-19 infections despite the progressive rollout of vaccines. Looking ahead, the recovery of the Group's business is highly dependent on the containment of the Covid-19 disease locally and internationally and the timing of the rollout of vaccines.

**a) Food Services Division**

Re-implementation of movement control orders due to surge in Covid-19 cases have the effects of reducing customer traffic and store operating hours due to social distancing requirements. This caused the revenue of Texas Chicken stores located in the malls to fall substantially as compared to those standalone and drive-through stores. However, it is partially compensated by increased sales from the delivery channel as Texas Chicken has benefited from the consumer shift toward digital ordering. These services possess a massive boost since the movement restrictions imposed by the Government in overcoming the Covid-19 pandemic.

Poultry products prices have surged due to an average 45% increase in chicken feed prices and shipment cost. Crude palm oil (CPO) price is currently trending at the highest price point which Texas Chicken is temporary not affected as it purchase in advance at a lower price until the month of June 2021. This will impact the bottom line of the Division.

Texas Chicken opened the latest drive-through store at Caltex Kuala Selangor DT, Kuala Selangor on 7 May 2021, bringing the total number of 79 stores located throughout Malaysia. For the next 12 months, any new opening of store will be dependent on the market conditions and Covid-19 pandemic.

As for San Francisco Coffee (SFCoffee), the competition within the coffee industry remains challenging, but more so during this time due to the Covid-19 pandemic. Our outlets in particular those at the malls have been especially impacted. As such the team at SFCoffee has shifted some focus to food delivery services to extend our reach and visibility as well as continue to serve our customers. While competitors have offered promotions exclusively for their app as well as other direct to customer approaches, SFCoffee has been continuing to improve and further develop our App and in addition to this, expanded on our collaboration with GrabFood promotions which continues to yield positive results. Furthermore, to ensure that we adapt to the new normal, live ordering and curb-side ordering processes are still being explored and developed.

Concurrently, for the month of Ramadan SFCoffee launched the #SFCSpotLocal initiative as part of a Corporate Social Responsibility project to engage with the community and further enhance our brand and visibility.

Overall, we have seen prices of raw materials have remained stable or slightly reduced, for example, with our imported raw coffee beans which has a slight decrease due to the forex fluctuations, SFCoffee will continue and remain committed its cost-saving initiatives and improve its business strategy by focus on all new design store concept - Grab & Go and shop lot models with lower rental and minimum renovation and equipment costs.

SFCoffee has 47 stores as at to-date following the closure of three non-performing stores. For the next 12 months, new store openings will be dependent on the ongoing Covid-19 situation.

#### **b) Trading and Frozen Food Division**

Hotels, restaurants, fast-food chains and cruise ships are among major customers of frozen food products in Pok Brothers. Pok Brothers continue to be under pressure from the ongoing border closure and re-imposition of movement restrictions in response to recent surge in new Covid-19 infections.

Ministry of Health ("MOH") has recently enforced a regulation that all slaughter plants are required to label the outer carton and the inter bags with the plant number, slaughter date, expiry date, Halal logo and importer full details to ensure quality and safety for the consumption of Malaysians. Pok Brothers is experiencing the supply disruption from New Zealand due to the meat plants inability to comply with the requirements from MOH. In addition, Australia has only 3 meat plants that are in compliance with the MOH regulation, but the prices have increased due to labeling cost, shortage of animals and higher freight costs. Consequently, Pok Brothers has switched to purchase meats from Brazil to cushion the supply shortage.

The above issues have impacted the revenue and caused the higher imported meats prices.

#### **c) Food Processing Division**

##### **(i) Bakery**

The Covid-19 pandemic has greatly impacted the business of De-luxe as most of its customers are from the hotels, restaurants and tourism-related industry. Business with hotels will not be improved as long as the Covid-19 continues with the international borders are closed.

On 31 March 2021, De-luxe has entered into a manufacturing, operations, supply and purchase agreement ("OEM") with its biggest competitor, Aryzta Food Solutions Malaysia Sdn Bhd ("Aryzta") where it will be manufacturing the pre frozen products in accordance to specification and requirements by Aryzta or its group of companies on the terms and conditions of the OEM agreement. In addition, De-luxe has started Thaw & Serve Concept for Petronas, which do not require the full oven concept. Business is steadily increasing with this concept stores.

Butter prices have soared by 45% as compared with the Q1FY2021 due to increase in demand and shortage of dairy products from New Zealand and Australia. De-luxe is trying to source the product from other suppliers for better pricing.

##### **(ii) Butchery**

The revenue of Gourmessa has reduced significantly due to the Covid-19 pandemic which has the effects of the closure of some restaurants and hotels which are the main customers of Gourmessa. Gourmessa is developing new range of products to drive higher sales in the retail business to compensate for the lower sales in the restaurants and hotels segment.

Gourmessa has completed the audit for Pulau Indah plant by the Department of Veterinary Services Malaysia ("DVS"). There is no critical findings by the DVS and it is expecting to receive the DVS certificate in May 2021. Without the DVS certificate, Gourmessa is unable to export to Singapore despite having some interested parties to distribute their products.

**d) Dairies Division**

Dairies Division supplies sweetened creamer ("SC") and evaporated creamer ("EC") to the food industry.

The world is in the stage of recovering from the halt of economy when the lock down of some forms was imposed by each individual country. However, supplies of goods and services are constantly being interrupted by the ongoing pandemic. In the end, supply is not able to meet demand. Up till today, the ocean freight cost is still increasing since the sailing frequency has yet recover back to the pre-pandemic levels. Thus, there have been drastic increases of cost in all raw materials as well as packaging materials for SC and EC. All cost as in raw materials and packaging materials are anticipated to continue to increase until end of 2021. Dairies will consider to make selling price adjustment depend on the prices of raw materials and packaging materials.

Dairies Division has obtained the HALAL certification in the first quarter of 2021 and the new plant in Pulau Indah has already commenced production in the fourth quarter of 2020. In the long run, Dairies Division will be able to capture the exciting growth opportunity to cover wider areas of Malaysia and overseas market.

**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 and the reason(s) for the decision.**

No dividend has been declared/recommended for the financial period ended 31 March 2021 as the Group needs to conserve cash resources for working capital requirement.

**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 Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual.**

We, Dato' Jaya J B Tan and Dato' Kamal Y P Tan, 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 half year results for the financial period ended 31 March 2021 to be false or misleading in any material respect. A statement signed by us is on record.

**15 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' JAYA J B TAN  
Executive Chairman

12 May 2021