Financial Statements and Related Announcement::First Quarter Results

Issuer & Securities

Issuer/ Manager	ENVICTUS INTERNATIONAL HOLDINGS LIMITED
Securities	ENVICTUS INTERNATIONAL HLDGLTD - SG1Q54922550 - 5FR
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Additional Details

For Financial Period Ended	31/12/2015

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

UNAUDITED FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2015

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 31.12.2015 RM'000	**3 months ended 31.12.2014 RM'000**	**Change %**
Revenue	90,950	84,440	7.7
Cost of goods sold	(64,960)	(61,686)	5.3
Gross profit	25,990	22,754	14.2
Other operating income	6,657	3,155	>100
Operating expenses			
Administrative expenses	(9,349)	(7,716)	21.2
Selling and marketing expenses	(12,697)	(10,340)	22.8
Warehouse and distribution expenses	(6,032)	(6,259)	(3.6)
Research and development expenses	(327)	(354)	(7.6)
Other operating expenses	(138)	(112)	23.2
	(28,543)	(24,781)	15.2
Profit before interest and tax	**4,104**	**1,128**	**>100**
Finance costs	(796)	(322)	>100
Profit before income tax	**3,308**	**806**	**>100**
Income tax expense	(732)	(205)	>100
Profit for the period	**2,576**	**601**	**>100**

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

	3 months ended 31.12.2015 RM'000	3 months ended 31.12.2014 RM'000	Change %
Profit for the period	**2,576**	**601**	**>100**
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences:			
On translating foreign operations	(4,696)	4,886	<100
Fair value gain on available-for-sale assets:			
Loss arising during the period	(20)	(95)	(78.9)
Other comprehensive (loss)/income	(4,716)	4,791	<100
Total comprehensive (loss)/income for the financial period	**(2,140)**	**5,392**	**<100**
Profit/(Loss) attributable to :			
Owners of the Company	2,844	806	>100
Non-controlling interests	(268)	(205)	30.7
	2,576	**601**	**>100**
Total comprehensive (loss)/income attributable to:			
Owners of the Company	(1,167)	5,597	<100
Non-controlling interests	(973)	(205)	30.7
	(2,140)	**5,392**	**<100**

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

	3 months ended 31.12.2015 RM'000	3 months ended 31.12.2014 RM'000	Change %
Allowance for doubtful receivables	313	202	55.0
Allowance for doubtful receivables no longer required, now written back	(69)	(104)	(33.7)
Allowance for write down of inventories	385	58	>100
Amortisation of intangible assets	152	94	61.7
Depreciation of property, plant and equipment	3,630	2,765	31.3
Dividend income	(981)	(561)	74.9
Fair value (gain)/loss on held-for-trading investments	(3,522)	115	>100
Foreign currency exchange gain, net	(175)	(416)	(57.9)
Gain on disposal of held-for-trading investments	(858)	-	100
Gain on disposal of property, plant and equipment	(54)	-	100
Finance costs	796	322	>100
Interest income	(398)	(641)	(37.9)
Property, plant and equipment written off	144	-	100

1(b) (i) Statements of Financial Position

	Group		Company	
	As at 31.12.15 RM'000	As at 30.09.15 RM'000	As at 31.12.15 RM'000	As at 30.09.15 RM'000
Non-current assets				
Property, plant and equipment	205,276	99,252	12	15
Deposits for purchase of property, plant and equipment	-	36,359	-	-
Investment in subsidiaries	-	-	3,271	2,988
Investment in an associate	32,123	-	32,123	-
Available-for-sale financial assets	145	165	-	-
Deferred tax assets	1,525	964	-	-
Intangible assets	15,545	15,090	19	63
	254,614	151,830	35,425	3,066
Current assets				
Inventories	33,167	37,637	-	-
Trade and other receivables	76,564	59,594	281,218	230,122
Tax recoverable	907	776	-	-
Held-for-trading investments	75,112	115,629	75,112	115,629
Fixed deposits	10,432	255	-	-
Cash and bank balances	46,276	96,471	6,785	48,209
	242,458	310,362	363,115	393,960
Non-current assets classified as held for sale	4,388	4,366	-	-
	246,846	314,728	363,115	393,960
Current liabilities				
Trade and other payables	52,521	34,653	156,562	162,900
Bank borrowings	40,711	42,343	-	-
Finance lease payables	3,900	3,554	-	-
Current income tax payable	2,396	892	805	827
	99,528	81,442	157,367	163,727
Net current assets	147,318	233,286	205,748	230,233
Non-current liabilities				
Bank borrowings	22,286	4,275	-	-
Finance lease payables	10,989	10,045	-	-
Financial guarantee contracts	-	-	1,789	1,897
Deferred tax liabilities	3,403	3,402	-	-
	36,678	17,722	1,789	1,897
Net assets	**365,254**	**367,394**	**239,384**	**231,402**
Capital and reserves				
Share capital	111,406	111,406	111,406	111,406
Treasury shares	(183)	(183)	(183)	(183)
Foreign currency translation reserve	36,228	40,219	45,566	51,404
Fair value reserve	(687)	(667)	-	-
Share options reserve	9,507	9,507	9,507	9,507
Other reserves	(2,168)	(2,168)	-	-
Accumulated profits	218,263	215,419	73,088	59,268
Equity attributable to the owners of the Company	**372,366**	**373,533**	**239,384**	**231,402**
Non-controlling interests	(7,112)	(6,139)	-	-
Total equity	**365,254**	**367,394**	**239,384**	**231,402**

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

	Secured	
	As at 31.12.2015 RM'000	**As at 30.09.2015 RM'000**
Amount payable within one year		
Bank borrowings	40,711	42,343
Finance lease payables	3,900	3,554
	44,611	45,897
Amount payable after one year		
Bank borrowings	22,286	4,275
Finance lease payables	10,989	10,045
	33,275	14,320
Total	**77,886**	**60,217**

The Group's bank borrowings as at 31 December 2015 are secured against the following:

- ⇨ Registered general security agreement over all present and future assets of Nutrition Division;
- ⇨ Pledge of Horleys trademark;
- ⇨ Pledge of inventories and fixed deposits of Nutrition Division;
- ⇨ Pledge of land and building; and
- ⇨ Company's Corporate Guarantees, except for a secured term loan of RM151,000 (30 September 2015 : RM158,000).

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 31.12.2015 RM'000	3 months ended 31.12.2014 RM'000
Cash flows from operating activities		
Profit before income tax	3,308	806
Adjustments for:		
Allowance for doubtful receivables	313	202
Allowance for doubtful receivables no longer required, now written back	(69)	(104)
Allowance for write down of inventories	385	58
Amortisation of intangible assets	152	94
Depreciation of property, plant and equipment	3,630	2,765
Dividend income	(981)	(561)
Fair value (gain)/loss on held-for-trading investments	(3,522)	115
Foreign currency exchange gain, net	(1,030)	(167)
Gain on disposal of held-for-trading investments, net	(858)	-
Gain on disposal of property, plant and equipment	(54)	-
Finance costs	796	322
Interest income	(398)	(641)
Property, plant and equipment written off	144	-
Operating profit before working capital changes	1,816	2,889
Working capital changes:		
Inventories	4,085	633
Trade and other receivables	(17,213)	48,917
Trade and other payables	19,153	(18,067)
Cash generated from operations	7,841	34,372
Interest paid	(341)	(85)
Income tax paid, net	(662)	(966)
Net cash generated from operating activities	**6,838**	**33,321**
Cash flows from investing activities		
Acquisition of held-for-trading investments	(253)	(68,505)
Acquisition of investment in an associate	(32,123)	-
Dividend received	981	561
Interest received	398	641
Proceeds from disposal of held-for-trading investments	42,086	-
Proceeds from disposal of property, plant and equipment	132	-
Purchase of intangible assets	(607)	(148)
Purchase of property, plant and equipment	(70,499)	(2,394)
Net cash used in investing activities	**(59,885)**	**(69,845)**

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

	3 months ended 31.12.2015 RM'000	3 months ended 31.12.2014 RM'000
Cash flows from financing activities		
Interest paid	(455)	(237)
Repayment of finance lease obligations	(985)	(774)
Repayment of bank borrowings	(23,915)	(6)
Drawdown of bank borrowings	40,082	404
Net cash generated from/(used in) financing activities	**14,727**	**(613)**
Net change in cash and cash equivalents	(38,320)	(37,137)
Cash and cash equivalents at the beginning of financial period	96,471	144,047
Effect of exchange rate changes	(1,709)	3,829
Cash and cash equivalents at the end of financial period	**56,442**	**110,739**
Cash and cash equivalents comprise the following:		
Cash and bank balances	46,276	110,458
Unpledged fixed deposits	10,166	281
	56,442	**110,739**

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
Balance at 1 October 2015	111,406	(183)	40,219	(667)	9,507	(2,168)	215,419	373,533	(6,139)	367,394
Profit/(Loss) for the period:	-	-	-	-	-	-	2,844	2,844	(268)	2,576
Other comprehensive loss:										
Exchange differences on translating foreign operations	-	-	(3,991)	-	-	-	-	(3,991)	(705)	(4,696)
Available-for-sale financial assets: Loss arising during the period	-	-	-	(20)	-	-	-	(20)	-	(20)
Total other comprehensive loss	-	-	(3,991)	(20)	-	-	-	(4,011)	(705)	(4,716)
Total comprehensive (loss)/income for the financial period	-	-	(3,991)	(20)	-	-	2,844	(1,167)	(973)	(2,140)
Balance at 31 December 2015	111,406	(183)	36,228	(687)	9,507	(2,168)	218,263	372,366	(7,112)	365,254
Balance at 1 October 2014	111,406	(183)	12,969	(547)	9,507	(2,168)	215,782	346,766	(2,940)	343,826
Profit/(Loss) for the period:	-	-	-	-	-	-	806	806	(205)	601
Other comprehensive income/(loss):										
Exchange differences on translating foreign operations	-	-	4,886	-	-	-	-	4,886	-	4,886
Available-for-sale financial assets: Loss arising during the period	-	-	-	(95)	-	-	-	(95)	-	(95)
Total other comprehensive income/(loss)	-	-	4,886	(95)	-	-	-	4,791	-	4,791
Total comprehensive income /(loss) for the financial period	-	-	4,886	(95)	-	-	806	5,597	(205)	5,392
Balance at 31 December 2014	111,406	(183)	17,855	(642)	9,507	(2,168)	216,588	352,363	(3,145)	349,218

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
Balance at 1 October 2015	111,406	(183)	51,404	9,507	59,268	231,402
Profit for the period	-	-	-	-	13,820	13,820
Other comprehensive loss:						
Exchange differences on translating foreign operations	-	-	(5,838)	-	-	(5,838)
Total other comprehensive loss	-	-	(5,838)	-	-	(5,838)
Total comprehensive income/(loss) for the period	-	-	(5,838)	-	13,820	7,982
Balance at 31 December 2015	111,406	(183)	45,566	9,507	73,088	239,384
Balance at 1 October 2014	111,406	(183)	9,707	9,507	71,432	201,869
Loss for the period	-	-	-	-	(6,852)	(6,852)
Other comprehensive income:						
Exchange differences on translating foreign operations	-	-	5,725	-	-	5,725
Total other comprehensive income	-	-	5,725	-	-	5,725
Total comprehensive income/(loss) for the period	-	-	5,725	-	(6,852)	(1,127)
Balance at 31 December 2014	111,406	(183)	15,432	9,507	64,580	200,742

1(d) (i) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrant, 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 also the number of shares that may be issued on conversion of all the outstanding convertibles 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 **1 October 2015 and 31 December 2015**	631,926,528	46,526	111,406

Treasury Shares	COMPANY		
	Number of treasury shares	S$'000	RM'000
Balance as at 31 December 2015	(1,210,000)	(76)	(183)

Share Capital	COMPANY		
	Number of shares	S$'000	RM'000
Issued and fully paid-up ordinary shares as at **1 October 2014 and 31 December 2014**	631,926,528	46,526	111,406

Treasury Shares	COMPANY		
	Number of treasury shares	S$'000	RM'000
Balance as at 31 December 2014	(1,210,000)	(76)	(183)

	As at 31.12. 2015	As at 31.12. 2014
The number of shares that may be issued on exercise of share options outstanding at the end of the period	12,043,000	12,173,000

1(d) (ii) 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 2015, the total number of issued shares less treasury shares of the Company was 630,716,528 shares (30 September 2015: 630,716,528 shares).

1(d) (iii) 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 2015.

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 Group has adopted the same accounting policies and methods of computation in these financial statements as those used in preparing the audited annual financial statements for the financial year ended 30 September 2015. In addition, the Group also adopted various revisions to the Singapore Financial Reporting Standards ("FRS") which became effective beginning 1 October 2015.

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 adoption of the said revisions has no significant impact to these financial statements.

6 **Earnings 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 December 2015	 2014
Net profit attributable to owners of the Company for the financial period (RM '000)	2,844	806
Weighted average number of ordinary shares		
- Basic	630,716,528	630,716,528
- Fully diluted	630,716,528	630,716,528
Earnings per share (EPS) (RM sen)		
- Basic	0.45	0.13
- Fully diluted	0.45	0.13

Diluted earnings per share is the same as the basis earnings per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the share conversion would be to decrease the profit per share.

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 31.12.15 RM sen	As at 30.09.15 RM sen	As at 31.12.15 RM sen	As at 30.09.15 RM sen
Net asset value per ordinary share based on issued share capital at the end of the financial period	57.91	58.25	37.95	36.69

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) Trading and Frozen Food Division;
b) Food Services Division – Texas Chicken;
c) Nutrition Division; and
d) Food Processing Division comprising of:
- Bakery;
- Butchery;
- Beverages; and
- Contract Packing for Dairy and Juice based drinks.

Performance Review

Review on Consolidated Statement of Comprehensive Income

The Group recorded a revenue of RM91.0 million for the first quarter ended 31 December 2015 ("Q1FY2016"), an increase of RM6.6 million as compared to RM84.4 million in the corresponding financial period ended 31 December 2014 ("Q1FY2015"), which was driven mainly by the better performance from the Food Services Division and Trading and Frozen Food Division.

Texas Chicken, under the Food Services Division, continued to register a strong increase in revenue from RM9.0 million to RM16.2 million, representing an increase of RM7.2 million or 80% as a result of the opening of additional nine new restaurant outlets and better sales performance attributed to market acceptance of its products quality, value and brand. The revenue of Trading and Frozen Food Division recorded an increase of RM3.5 million from RM47.2 million to RM50.7 million mainly due to increase in sales from its retail and proprietary sectors. However, the revenue of Nutrition Division reduced marginally to RM9.8 million from RM10.6 million as the Division continues to be affected by the residual impact of a period of unattractive trading terms compounded by pressure owing to stronger competition as stronger Australian dollar made it easier for a multitude of American brands to flood into Australia market. The revenue of the Food Processing Division dropped slightly by RM0.2 million affected by the poor performance of its contract packing for Dairy and Juice based drinks business which contributed a lower revenue of RM1.2 million due to lower sales volumes arising from reduced orders from customers. Its bakery business also registered a slower sales of RM0.7 million owing to the consumers' sentiment remains weak from the aftermath of the GST regime and market demand was low. These decreases have been offset by better performance of the butchery and the beverage businesses which registered an increase of RM1.6 million collectively due to increase in proprietary customers and higher export and local sales, respectively.

The gross profit margin improved from 26.9% to 28.6% quarter-on-quarter. The improvement was mainly due to higher margin from the Food Services Division due to price increase in certain products and better food costs management.

Other income of RM6.7 million comprises mainly the total income of RM5.7 million attributed to the fair value gain, dividend income, interest income and gain on disposal arising from held-for-trading investments.

Operating expenses increased for the quarter from RM24.8 million to RM28.5 million, an increase of RM3.7 million or 15.2% mainly due to higher selling and marketing expenses of RM2.4 million and administrative expenses of RM1.6 million. These expenses are mainly due to additional staff costs, rental of outlets, royalty fees and utility charges incurred for the expansion of restaurant business.

Finance costs increased by RM0.5 million mainly from the additional trade line facilities, hire purchase facilities and drawdown of borrowings for the acquisition of land and building.

The Group's effective tax rate is 22.1% as compared to 25.4% quarter-on quarter due to certain gains of certain subsidiaries are not subject to tax.

Overall, the Group reported a higher profit before tax of RM3.3 million compared to RM0.8 million in the corresponding quarter last year mainly attributable to the improvement in the Group's profit margin and gains from investments.

Review on Statements of Financial Position

Under non-current assets, the increase of RM106.0 million in property, plant and equipment (net of depreciation charges) was mainly attributed to the acquisition of land and building of RM100.6 million (inclusive of deposits paid of RM36.4 million) and the set up costs of the new restaurant outlets. Additionally, the Group has also made a major investment in an associate company amounting to RM32.1 million. These resulted in the overall increase in non-current assets by RM102.8 million.

Trade and other receivables increased by RM17.0 million principally due to GST input tax claimable of RM6.4 million incurred on the acquisition of land and building, deposits of RM4.1 million paid for the proposed acquisition of the food and beverage business, outstanding amount of RM3.1 million from the sale of land and building, and prepayments made on setting up of the new restaurant outlets of RM2.5 million. The proceeds of RM42.1 million from the disposal of held-for-trading investments together with the bank balances of RM50.2 million were utilised for the acquisition of land and building, investments and placement of fixed deposits. These have resulted the overall current assets decreased by RM67.9 million.

The Group's current liabilities increased by RM18.1 million mainly due to deposits received of RM14.1 million for the sale of land and building. Additionally, the increase was also due to higher purchases and capital expenditure incurred for additional new restaurant outlets.

The Group's non-current liabilities increased by RM19.0 million largely due to additional financing for the acquisition of corporate building.

Review on Consolidated Statement of Cash Flows

The Group registered a net decrease in cash and cash equivalents of RM38.3 million for the current quarter ended 31 December 2015.

Net cash generated from operating activities amounting to RM6.8 million were attributable to the reduction in inventories of RM4.1 million, increase in payables of RM19.1 million and operating cash flow of RM1.8 million, which were partially offset against the funding of receivables of RM17.2 million, income tax paid of RM0.7 million and interest paid of RM0.3 million.

For the investing activities, the Group utilised RM103.5 million for the purchase of property, plant and equipment, investment in an associate company, purchase of intangible assets and held-for-trading investments. Cash amounting to RM43.6 million were received from sale of held-for-trading investments and property, plant and equipment, dividend and interest. These resulted in net cash utilised of RM59.9 million in the investing activities.

Net cash generated from financing activities of RM14.7 million arose from the drawdown of bank borrowings of RM40.1 million for the acquisition of land and building and utilisation of trade line facilities, which were partially offset by the repayment of these facilities and interest paid of RM25.4 million.

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) Trading and Frozen Food Division

With oil price hitting new lows in January 2016 due to glut concern and the slowdown of the China economy, the Malaysian Ringgit continues to worsen against the major currencies of its trading partners, particularly the US Dollar. This leads to higher cost of imported food costs resulting in margins pressure. The division is passing the increased cost gradually to its customers albeit not wholly due to the slowing down of the real economy arising from the impact of the implementation of GST, competitive environment and general increase in toll charges and reduction of rebate in electricity charges.

The prices of imported beef from Australia and New Zealand continue to increase without abatement due to the weak Malaysian Ringgit, high cattle prices and demand. In order to mitigate the high prices, Pok Brothers are sourcing more beef supplies from Brazil as they are comparatively cheaper. As for lamb shoulder, the price has softened about 9% due to reduced demand from China. For other products, agency principals have agreed to support in the form of higher promotion funding, discounts and capping of prices until June 2016.

b) Food Services Division

The weakening of Malaysian Ringgit against US Dollar has resulted in a slight increase in imported food costs like fries and tortilla. There were no changes in price for fries since the expiry of the contracted price in December 2015. Texas Chicken is looking at purchasing locally produced tortilla to mitigate the impact. For bone-in-chicken, one of the suppliers has reduced its price slightly due to higher volume. Overall, Texas Chicken should be able to negotiate for better prices of most food costs as it will be in a better bargaining position as the number of outlets keeps growing. The Company is also constantly sourcing for new suppliers to complement its growing business and to ensure the best possible prices are obtained.

Consumers' sentiment is lower following the implementation of GST which has triggered increase in prices of goods and services and the increase in toll charges and reduction in rebate for electricity charges. The retail market has been slower with consumers tightening on spending. Despite these factors, Texas Chicken continues to enjoy healthy sales due to market acceptance of its brand, products quality and value.

Texas Chicken brand has started to gain strength in the Klang Valley as evidenced from the encouraging support received from consumers during the recent opening of outlets in Star Avenue Lifestyle Mall and Midpoint Shopping Centre in December 2015, and M3 Residency Mall in January 2016. More consumers are aware of the brand presence in strategic locations and the shops or complex owners are more willing to offer a visible site for Texas Chicken. We have opened four outlets in the current quarter and has plan to open another seven outlets within the Klang Valley for the next three quarters.

c) 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 prices for milk powder have stablised in recent months following a period when they fell to their lowest levels for several years. 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. The outlook for these specialised whey protein remains occluded. Having substantially reduced the high levels of finished goods inventory associated with the recent change of contract manufacturers the company is now actively tendering for their raw materials and packaging requirements which is serving to generate some significant cost savings further enhanced by favourable foreign exchange movements.

The Nutrition 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 stabilized the position over the last three quarters at 32-35% market share of New Zealand key accounts. The division recently appointed an experienced FMCG marketer to the position of marketing and Business Development Manager who has immediately set about strengthening our trade relationships and has successfully won a greater commitment from one of the key supermarket groups to make a greater commitment to co-funding promotional activity. Also the current range offering is being reviewed for re-launch later in FY2016. Specific focus is being placed on the diary based powder products with a view to strengthening the Horleys offering in the face of increased competitor offerings in this segment.

In the traditional channel for sales of sports and weight management supplements being gyms, health food and supplement shop channel Horleys have for some period lost market share. This has been primarily due to more competitively priced US brands as well as significant increase in dealing by Australian and New Zealand brands as they fight desperately to retain some market share. The continued strengthening of the USD is slowly beginning to impact the US brands however there has been little significant change in market share or trade buying interest at this stage. Horleys is slowly stabilizing sales and has significantly reduced the ‘cost to serve’ customers reflecting the changing retail environment with an increasing proportion of sales being via the web purchases.

The division has historically placed a lot of weight on innovation to stimulate new demand and to keep Horleys at the forefront. While a programme of NPD activity will continue with regard to the Horleys product range offering the Nutrition Division is currently focussing the majority of NPD efforts toward the launch of a new range of non-dairy beverages (Almond, Coconut milks etc.) ex the group’s New Zealand based beverage factory (EDNZ). An opportunity has been identified to capitalise on a growth area within the beverage category as well as to capitalise on the group’s unique manufacturing capability with the region to manufacture UHT long life non-dairy beverages in PET bottles to be sold in the chilled section in supermarkets and up-market grocery outlets throughout Australia and New Zealand. Presentations to the trade in Australia and New Zealand will be undertaken in between March and July 2016 with launch anticipated in the last quarter of FY2016.

d) Food Processing Division

(i) Bakery

Wheat, which forms a material portion of raw material cost, is on a continuous downtrend due to weak global demand especially from China. However, the advantage of the reduction in wheat cost has been negated by the weakening of the Malaysian Ringgit against the US Dollar. Flour millers have indicated about rebate reduction effective January 2016. Other suppliers like sugar, yeast, and other ingredients have also increased prices due to the rising cost resulting from weakening of the Ringgit. In addition, the Malaysian government has put a cap price on industrial diesel, thus preventing the price from falling further when sold to the industrial users.

Consumer spending remains weak following the implementation of the GST coupled with increase in toll charges and reduction in rebate on electricity charges and economic slowdown.

In order to counteract the intense competition among bakeries, management has embarked on some branding activities like revamping a new logo, new packaging and engagement of customers in social media. A new research and development laboratory will be built to produce new products and also to improve existing products. To control costs, measures have been undertaken to improve process efficiencies and controlling of returns.

(ii) Butchery

Gourmessa’s meat is supplied by Pok Brothers. As the cost of imported meat have been impacted by the weakening Ringgit, the margin of Gourmessa is similarly affected as it is also constrained in passing the increased cost entirely to the retail outlets. Due to the continuous increase, Gourmessa has switch to cheaper beef sourced from Brazil to improve margin. Sales have also improved by targeting certain and new customers.

The operations of Gourmessa are currently affected by the limited capacity of its present facilities. The Group have recently purchased several pieces of land in the Selangor Halal Hub Pulau Indah(“SHHP”) and intends to relocate the butchery existing facilities to SHHP whereby bigger production facilities will be built to cater for increased demand. Other than the benefit of having bigger production facilities, Gourmessa‘s brand will be enhanced by being located in a Halal Park and can also potentially be eligible for special tax incentives for companies located in the Selangor Halal Hub.

(iii) Beverage

The local sales of beverage business for the current financial year have been impacted by the change of the distribution channel resulting from the sale of the Group’s Dairies Division in the FY2014. In addition, export sales were also affected by the slower growth in China. Export sales will also be slow in the next quarter as China enters into the winter season where demand for can drinks is at the lowest. Unless China recovers from its declining growth, export demand could be affected even after the winter period. To mitigate the impact, the company has managed to secure two overseas customers in the current quarter.

In the local market, there is currently a price war amongst competitors. To remain competitive and maintain volume, discounts, incentives and other promotion activities are provided to the retailers. In addition, two new products will be launched in the next quarter with better profit margins.

In the next three to six months, prices of its raw material i.e. sugar, soya bean and other packaging materials would be on the upward trend due to the weakening of Malaysia Ringgit. However, empty tin cans are not affected as the current contracted price only expire at the end of 2016. Subsequently any increase in raw material prices will impact all manufacturers in the industry.

(iv) Contract Packing for Dairy and Juice Based Drinks

Farm Milk forms a significant component of EDNZ’s costs. International prices for milk powder have come off their high around the end of 2013 providing some pricing relief in recent quarters. Overall world demand for milk products remains muted reflecting the current world economic outlook. Farmgate price has fallen from a high of NZD8.65/KG Milk solids in 2014 to NZD4.70/KG in current quarter. In addition, the weaker NZ Dollar has come down from a high of USD88 cent in 2014 to USD67 cent today. The weakening of these two key price drivers has made NZ dairy products more attractive to overseas buyers, particularly in China and Taiwan.

Demand for PET Aseptic products continues to grow in within Australia and New Zealand and the global market. There are no major PET Aseptic manufacturers with any significant capacity in the region to compete with EDNZ at this time.

EDNZ’s unique advantage remains as dairy and non-dairy Aseptic co-packing in PET Bottles plus direct access to New Zealand Fresh Farm milk. These factors together with co-pack price increases and resolution of the sterility issues that have impacted the business are contributing to improved margins for new and existing customers. The company continues to enjoy strong demand for supply of high value added Aseptic PET bottled products.

The division continues to focus on new product offerings to meet the increase in consumer demand for aseptically bottled beverages. The current focus is grain and nut based dairy free alternative milk beverages such as coconut, almond, soy, rice, macadamia. Dairy free drinking yoghurt is under development. Goat milk is another new product under consideration.

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 period ended 31 December 2015.

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 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).

15 **Negative assurance confirmation on third 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 2015 to be false or misleading in any material respect. A statement signed by us is on record.

BY ORDER OF THE BOARD
ENVICTUS INTERNATIONAL HOLDINGS LIMITED

Dato' Kamal Y P Tan
Group CEO

4 February 2016

ENVICTUS

ENVICTUS INTERNATIONAL HOLDINGS LIMITED
Registration No: 200313131Z

NEWS RELEASE

ENVICTUS ACHIEVES NET PROFIT OF RM2.6 MILLION[1] 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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