Financial Statements and Related Announcement::First Quarter Results

Issuer & Securities

Issuer/ Manager	ENVICTUS INTERNATIONAL HOLDINGS LIMITED
Securities	ENVICTUS INTERNATIONAL HLDGLTD - SG1CF4000007 - BQD
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Announcement Details

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Additional Details

For Financial Period Ended	31/12/2016

Attachments	EIH_Q1FY2017_Financial Results.pdf EIH_Q1FY2017_NR.pdf Total size =369K

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

UNAUDITED FULL YEAR RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2016

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 31.12.2016 RM'000	3 months ended 31.12.2015 RM'000	Change %
Revenue	101,613	90,950	11.7
Cost of goods sold	(68,042)	(64,960)	4.7
Gross profit	33,571	25,990	29.2
Other operating income	3,724	6,657	(44.1)
Operating expenses			
Administrative expenses	(10,314)	(8,590)	20.1
Selling and marketing expenses	(19,371)	(13,456)	44.0
Warehouse and distribution expenses	(6,668)	(6,032)	10.5
Research and development expenses	(332)	(327)	1.5
Other operating expenses	(684)	(138)	>100
	(37,369)	(28,543)	30.9
(Loss)/Profit before interest and tax	**(74)**	**4,104**	**>100**
Finance costs	(1,158)	(796)	45.5
(Loss)/Profit before income tax	**(1,232)**	**3,308**	**>100**
Income tax expense	(407)	(732)	(44.4)
(Loss)/Profit for the period	**(1,639)**	**2,576**	**>100**

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

	3 months ended 31.12.2016 RM'000	3 months ended 31.12.2015 RM'000	Change %
(Loss)/Profit for the period	**(1,639)**	**2,576**	**>100**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	4,098	(4,696)	>100
Fair value gain/(loss) on available-for-sale financial assets	9,191	(20)	>100
Other comprehensive income, net of tax	13,289	(4,716)	>100
Total comprehensive income for the financial period	**11,650**	**(2,140)**	**>100**
(Loss)/Profit attributable to :			
Owners of the Company	(1,429)	2,844	>100
Non-controlling interests	(210)	(268)	(21.6)
	(1,639)	**2,576**	**>100**
Total comprehensive income attributable to:			
Owners of the Company	12,203	(1,167)	>100
Non-controlling interests	(553)	(973)	(43.2)
	11,650	**(2,140)**	**>100**

1(a) (ii) **(Loss)/Profit before income tax is arrived at after charging/(crediting) the following :**

	3 months ended 31.12.2016 RM'000	3 months ended 31.12.2015 RM'000	Change %
Allowance for doubtful receivables	266	313	(15.0)
Allowance for doubtful receivables, no longer required, now written back	(130)	(69)	88.4
Allowance for write down of inventories	-	385	<100
Amortisation of intangible assets	137	152	(9.9)
Depreciation of property, plant and equipment	4,501	3,630	24.0
Depreciation of investment property	117	-	100
Dividend income	(780)	(981)	(20.5)
Fair value gain on held-for-trading investments, net	(1,334)	(3,522)	(62.1)
Foreign currency exchange loss/(gain), net	677	(175)	>100
Gain on disposal of held-for-trading investments	(262)	(858)	(69.5)
Gain on disposal of property, plant and equipment	(157)	(54)	>100
Finance costs	1,158	796	45.5
Interest income	(277)	(398)	(30.4)
Inventories written off	61	-	100
Property, plant and equipment written off	43	144	(70.1)

1(b) (i) Statements of Financial Position

	Group		Company	
	As at 31.12.2016 RM'000	As at 30.09.2016 RM'000	As at 31.12.2016 RM'000	As at 30.09.2016 RM'000
Non-current assets				
Property, plant and equipment	212,168	195,930	1	1
Investment property	23,584	23,702	-	-
Investments in subsidiaries	-	-	13,974	13,627
Available-for-sale financial assets	26,660	17,041	26,460	16,829
Deferred tax assets	1,697	1,067	-	-
Intangible assets	32,475	30,667	3	7
	296,584	268,407	40,438	30,464
Current assets				
Inventories	39,550	43,723	-	-
Trade and other receivables	64,006	56,669	305,571	290,687
Tax recoverable	1,115	2,291	-	1,127
Held-for-trading investments	56,365	57,278	56,364	57,278
Fixed deposits	15,046	13,821	-	-
Cash and bank balances	34,232	45,561	3,769	4,633
	210,314	219,343	365,704	353,725
Current liabilities				
Trade and other payables	50,235	46,054	163,785	148,214
Bank borrowings	43,228	48,525	7,103	3,919
Finance lease payables	5,846	5,672	-	-
Current income tax payable	449	425	449	425
	99,758	100,676	171,337	152,558
Net current assets	110,556	118,667	194,367	201,167
Non-current liabilities				
Provision for restoration costs	1,428	864	-	-
Bank borrowings	35,059	26,409	-	-
Finance lease payables	14,250	15,049	-	-
Financial guarantee contracts	-	-	1,556	1,606
Deferred tax liabilities	2,554	2,553	-	-
	53,291	44,875	1,556	1,606
Net assets	**353,849**	**342,199**	**233,249**	**230,025**
Capital and reserves				
Share capital	111,406	111,406	111,406	111,406
Treasury shares	(183)	(183)	(183)	(183)
Foreign currency translation reserve	36,617	31,791	50,566	44,458
Fair value reserve	(6,921)	(15,727)	(6,288)	(15,107)
Share options reserve	9,507	9,507	9,507	9,507
Other reserves	(4,562)	(4,562)	-	-
Accumulated profits	216,853	218,282	68,241	79,944
Equity attributable to the owners of the Company	**362,717**	**350,514**	**233,249**	**230,025**
Non-controlling interests	(8,868)	(8,315)	-	-
Total equity	**353,849**	**342,199**	**233,249**	**230,025**

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

	Secured	
	As at 31.12.2016 RM'000	**As at 30.09.2016 RM'000**
Amount payable within one year		
Bank borrowings	43,228	48,525
Finance lease payables	5,846	5,672
	49,074	54,197
Amount payable after one year		
Bank borrowings	35,059	26,409
Finance lease payables	14,250	15,049
	49,309	41,458
Total	**98,383**	**95,655**

The Group's bank borrowings as at 31 December 2016 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 buildings;
⇨ Pledge of shares of a subsidiary;
⇨ Debenture comprising fixed and floating charge over all future and present assets of a subsidiary;
⇨ Pledge of available-for-sale financial assets; and
⇨ Company's Corporate Guarantees, except for a secured term loan of RM124,000 (30 September 2016 : RM131,000).

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 31.12.2016 RM'000	3 months ended 31.12.2015 RM'000
Operating activities		
(Loss)/Profit before income tax	(1,232)	3,308
Adjustments for:		
Allowance for doubtful receivables	266	313
Allowance for doubtful receivables no longer required, now written back	(130)	(69)
Allowance for write down of inventories	-	385
Amortisation of intangible assets	137	152
Depreciation of property, plant and equipment	4,501	3,630
Depreciation of investment property	117	-
Dividend income	(780)	(981)
Fair value gain on held-for-trading investments, net	(1,334)	(3,522)
Foreign currency exchange loss/(gain), net	1,291	(1,030)
Gain on disposal of held-for-trading investments	(262)	(858)
Gain on disposal of property, plant and equipment	(157)	(54)
Finance costs	1,158	796
Interest income	(277)	(398)
Inventories written off	61	-
Property, plant and equipment written off	43	144
Operating profit before working capital changes	3,402	1,816
Working capital changes:		
Inventories	4,602	4,085
Trade and other receivables	(5,501)	(17,213)
Trade and other payables	(562)	19,153
Cash generated from operations	1,941	7,841
Interest paid	(355)	(341)
Income tax refund/(paid), net	258	(662)
Net cash generated from operating activities	**1,844**	**6,838**
Investing activities		
Acquisition of held-for-trading investments	-	(253)
Acquisition of available-for-sale financial assets	-	(32,123)
Acquisition of subsidiaries, net of cash acquired (Note 1(c)(i))	404	-
Dividends received	780	981
Interest received	277	398
Proceeds from disposal of held-for-trading investments	3,954	42,086
Proceeds from disposal of property, plant and equipment	157	132
Purchase of intangible assets	(197)	(607)
Purchase of property, plant and equipment	(18,545)	(70,499)
Net cash used in investing activities	**(13,170)**	**(59,885)**

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

	3 months ended 31.12.2016 RM'000	3 months ended 31.12.2015 RM'000
Financing activities		
Net changes in fixed deposits pledged to a bank	(544)	-
Interest paid	(803)	(455)
Repayment of finance lease obligations	(1,418)	(985)
Repayment of bank borrowings	(20,320)	(23,915)
Drawdown of bank borrowings	24,018	40,082
Net cash generated from financing activities	**933**	**14,727**
Net change in cash and cash equivalents	(10,393)	(38,320)
Cash and cash equivalents at the beginning of financial year	58,323	96,471
Effect of exchange rate changes	253	(1,709)
Cash and cash equivalents at the end of financial period	**48,183**	**56,442**
Cash and cash equivalents comprise the following:		
Cash and bank balances	34,232	46,276
Fixed deposits	14,221	10,166
Bank overdraft	(270)	-
	48,183	**56,442**

1(c)(i) Note to Consolidated Statement of Cash Flows

On 30 November 2016, the Group acquired 2,925,000 ordinary shares in the share capital of The Delicious Group Sdn Bhd ("TDGSB"), representing 100% of equity interest in TDGSB for a total aggregate cash consideration of RM518,000.

The fair value of the identifiable assets and liabilities of TDGSB as at the acquisition date were as follows:

	Fair value recognised on acquisition RM'000	Carrying amount on acquisition RM'000
Net identifiable assets and liabilities:		
Property, plant and equipment	590	590
Intangible asset*	1,329	-
Inventories	180	180
Trade and other receivables	1,658	1,658
Tax recoverable	101	101
Cash and bank balances	922	922
Trade and other payables	(4,240)	(4,240)
Provisions	(439)	(439)
Total identifiable net assets	101	(1,228)
Goodwill arising from acquisition*	417	
Total purchase consideration	518	
Less: Cash and bank balances acquired	(922)	
Net cash inflow from acquisition	(404)	

* Goodwill and brand arising from the acquisition have been determined on a provisional basis.

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 2016	111,406	(183)	31,791	(15,727)	9,507	(4,562)	218,282	350,514	(8,315)	342,199
Loss for the period	-	-	-	-	-	-	(1,429)	(1,429)	(210)	(1,639)
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	4,826	(385)	-	-	-	4,441	(343)	4,098
Available-for-sale financial assets	-	-	-	9,191	-	-	-	9,191	-	9,191
Total other comprehensive Income	-	-	4,826	8,806	-	-	-	13,632	(343)	13,289
Total comprehensive income for the financial period	-	-	4,826	8,806	-	-	(1,429)	12,203	(553)	11,650
Balance at 31 December 2016	111,406	(183)	36,617	(6,921)	9,507	(4,562)	216,853	362,717	(8,868)	353,849
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 income:										
Exchange differences on translating foreign operations	-	-	(3,991)	-	-	-	-	(3,991)	(705)	(4,696)
Available-for-sale financial assets	-	-	-	(20)	-	-	-	(20)	-	(20)
Total other comprehensive income	-	-	(3,991)	(20)	-	-	-	(4,011)	(705)	(4,716)
Total comprehensive 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

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	Share options reserve RM'000	Accumulated profits RM'000	Total equity RM'000
Balance at 1 October 2016	111,406	(183)	44,458	(15,107)	9,507	79,944	230,025
Loss for the period	-	-	-	-	-	(11,703)	(11,703)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	6,108	(385)	-	-	5,723
Available-for-sale financial assets	-	-	-	9,204	-	-	9,204
Total other comprehensive income	-	-	6,108	8,819	-	-	14,927
Total comprehensive income for the financial period	-	-	6,108	8,819	-	(11,703)	3,224
Balance at 31 December 2016	111,406	(183)	50,566	(6,288)	9,507	68,241	233,249
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 income :							
Exchange differences on translating foreign operations	-	-	(5,838)	-	-	-	(5,838)
Total other comprehensive income	-	-	(5,838)	-	-	-	(5,838)
Total comprehensive income for the financial period	-	-	(5,838)	-	-	13,820	7,982
Balance at 31 December 2015	111,406	(183)	45,566	-	9,507	73,088	239,384

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 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**
After share consolidation			
Issued and fully paid-up ordinary shares as at 30 September 2016 and 31 December 2016	126,385,289	46,526	111,406

Treasury Shares	**COMPANY**		
	Number of treasury shares	**S$'000**	**RM'000**
After share consolidation			
Balance as at 31 December 2016	(242,000)	(76)	(183)

On 12 February 2016, the Company completed its share consolidation exercise with every five (5) existing shares consolidated to constitute one (1) consolidated share.

Share Capital	**COMPANY**		
	Number of shares	**S$'000**	**RM'000**
Issued and fully paid-up ordinary shares as at 30 September 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)

	As at 31.12.2016 After share consolidation	**As at 31.12.2015 Before share consolidation**
The number of shares that may be issued on exercise of share options outstanding at the end of the period	2,408,600	12,043,000

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 December 2016, the total number of issued shares less treasury shares of the Company was 126,143,289 shares (30 September 2016: 126,143,289 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 December 2016.

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 2016. In addition, the Group also adopted various revisions to the Singapore Financial Reporting Standards ("FRS") which became effective beginning 1 October 2016.

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	
	31.12.2016	**31.12.2015**
Net (loss)/profit attributable to owners of the Company for the financial period (RM '000)	(1,429)	2,844
Weighted average number of ordinary shares		
- Basic	126,143,289	126,143,289
- Fully diluted	126,143,289	126,143,289
Earnings per share (RM sen)		
- Basic	(1.13)	2.25
- Fully diluted	(1.13)	2.25

Comparative basic and diluted earnings per share have been adjusted to reflect the effect of Share Consolidation during the current financial period.

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 31.12.2016 RM	As at 30.09.2016 RM	As at 31.12.2016 RM	As at 30.09.2016 RM
Net asset value per ordinary share based on issued share capital at the end of the financial period/year	2.81	2.71	1.85	1.82

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 and San Francisco Coffee;
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 RM101.6 million for the first quarter ended 31 December 2016 ("Q1FY2017"), an increase of RM10.6 million as compared to RM91.0 million in the corresponding financial period ended 31 December 2015 ("Q1FY2016"). The increase in the Group's topline was mainly contributed by the Food Services and Food Processing Divisions.

Food Services Division continues to register a robust growth in topline by 73.4% from RM16.2 million to RM28.1 million, driven mainly by Texas Chicken which achieved a strong increase in revenue from RM16.2 million to RM22.0 million, representing an increase of RM5.8 million or 35.8% as a result of the opening of eleven additional new restaurant outlets and improved sales performance attributed to market acceptance of its products quality, value and brand recognition. The newly acquired San Francisco Coffee chain and Delicious restaurant business have also contributed an additional RM5.2 million and RM0.9 million revenue, respectively to the Division.

The Food Processing Division's performance also improved, recording a RM1.5 million or 8.2% growth in revenue, from RM18.3 million to RM19.8 million. This was primarily driven by better performance of Contract Packing for Dairy and Juice based drinks business which contributed sales growth of RM1.7 million on the back of greater sales volume. In addition, the bakery business also saw an increase in revenue of RM0.7 million largely based on secured new customers. These increases were offset by slower growth from its beverages business which recorded a reduction in revenue of RM0.8 million due to lower export and local sales resulting from the continued soft China economy and ongoing price wars amongst the local competitors.

However, the improved performance was offset by lower revenue contribution from the Trading and Frozen Food Division and Nutrition Division which saw a decrease of RM2.3 million and RM0.5 million in revenue respectively. Trading and Frozen Division recorded a lower revenue of RM44.3 million as compared to RM46.6 million in the same period last year due to weak consumer sentiment arising from weakening Ringgit. Nutrition division saw a drop in revenue from RM10.0 million to RM9.5 million primarily due to increasingly competitive Australian market where the Australian Route channel has battled against the proliferation of imported US brands. This led to a significant increase in dealing and promotions to retain market share. The NZ route channel remained under pressure during the quarter from online trading competitors also taking advantage of cheaper US brands.

The Group gross profit margin improved from 28.6% to 33.0% quarter-on-quarter mainly due to increased sales from the Food Services Division which derives higher margin from their products.

A reduction in other income of RM3.0 million, from RM6.7 million to RM3.7 million was largely due to lower income generated from held-for-trading investments of RM3.3 million.

Operating expenses rose to RM37.4 million from RM28.5 million, an increase of RM8.9 million or 30.9%. This was principally due to higher selling and marketing expenses and administrative expenses, which increased by RM5.9 million or 44.0% and RM1.7 million or 20.1% respectively mainly attributed to costs associated with opening of new Texas Chicken restaurant outlets and inclusion of operating costs of the newly acquired San Francisco Coffee chain and Delicious restaurant business. Other operating expenses of RM0.7 million represent mainly the foreign currency exchange loss.

Finance costs increased from RM0.8 million to RM1.2 million mainly due to higher borrowings coupled with an additional hire purchase facilities for the new restaurant outlets.

Income tax expense reduced to RM0.4 million compared to RM0.7 million in Q1FY2016 as a result of lower taxable income. The Group's effective tax rate was higher mainly arising from the additional tax charge as a result of increase in profit generated by certain subsidiaries and the non-availability of group relief for losses incurred by certain subsidiaries.

Overall, the Group registered a loss after tax for the period of RM1.6 million as compared to a profit after tax of RM2.6 million in Q1FY2016.

Review on Statements of Financial Position

Overall non-current assets increased by RM28.2 million. The property, plant and equipment increased by RM16.2 million largely attributed to the RM10.3 million incurred for construction of factory buildings, RM7.3 million set up costs for the new restaurant outlets and renovation for new corporate office building. The Group's investment in available-for-sale financial assets registered a fair value gain of RM9.2 million. Goodwill and brand value of RM1.7 million was provisionally identified following the acquisition of TDGSB which contributed to the increase in intangible assets by RM1.8 million.

A reduction in inventories by RM4.2 million was attributable to lower stock holding and increase in sales. Trade and other receivables increased by RM7.3 million was due to longer collection period, and inclusion of receivables from a newly acquired subsidiary. Part of the cash and bank balances together with the RM4.0 million net proceeds from the disposal of held-for-trading investments were utilised for the construction of factory buildings, set up costs for new restaurant outlets and acquisition of a subsidiary. These have resulted the overall current assets decreased by RM9.0 million.

The Group's current liabilities declined by RM0.9 million mainly due to lower borrowings of RM5.3 million as a result of a reduction in trade line facilities taken. However, this was offset against the increase in trade and other payables of RM4.2 million mainly attributed to the capital expenditure incurred for the opening of new restaurant outlets and inclusion of payables from a newly acquired subsidiary.

The Group's non-current liabilities increased by RM8.4 million largely due to additional borrowings to finance the construction of factory buildings, renovation of new corporate office building and working capital.

Review on Consolidated Statement of Cash Flows

The Group registered a net decrease in cash and cash equivalents of RM10.4 million for the current period ended 31 December 2016.

Net cash generated from operating activities amounted to RM1.8 million was derived from the operating profit of RM3.4 million and reduction in inventories of RM4.6 million, which has offset against the increase in receivables of RM5.5 million and increase in payables of RM0.6 million.

For investing activities, the Group utilised RM18.7 million mainly for the purchase of property, plant and equipment. Cash amounting to RM5.5 million were largely raised from the sale of held-for-trading investments, dividend and interest received. These resulted in net cash utilised of RM13.2 million in the investing activities.

Net cash generated from financing activities of RM0.9 million arose from the drawdown of bank borrowings of RM24.0 million to partially fund the working capital and corporate office building. This amount was reduced by RM23.1 million which was mainly utilised for settlement of borrowings and hire purchase creditors.

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

The weakening of the Ringgit against major currencies in the world has resulted in an increase in most food costs. However, measures to pass on the increased food costs to consumers is limited by the implementation of the Price Control and Anti-Profiteering Act, which come into effect on 1 January 2017. In addition, consumers spending continues to be muted, thus impacting the revenue.

The prices of beef, lamb and mutton from Australia and New Zealand have been quite stable in the first quarter but prices in the second quarter have increased.

Going forward for the next quarter in order to mitigate the continuous price increases and maintain market share, more road shows and promotions will be launched.

b) Food Services Division

Prices of raw materials are expected to increase with the weakening of the Malaysia Ringgit. To mitigate the impact, Texas will be increasing menu prices in the Q2FY2017. For bone-in-chicken price remains unchanged. Higher rebates have been obtained from suppliers due to achievement of higher volume to mitigate the impact. 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 volume grows in tandem with the increasing number of outlets. The Division also constantly source for new suppliers to complement its growing business to ensure the lowest prices are obtained.

Consumers' sentiment is lower following the implementation of the GST which has triggered increase in prices of goods and services compounded with the increase in toll charges, reduction in rebate for electricity charges and increase in fuel price. All these factors have resulted in a slower retail market with consumers tightening on spending. Despite these factors, Texas Chicken is able to sustain healthy sales due to market acceptance of its brand, products quality, value and services.

Texas Chicken brand continues to grow strength from strength as evidenced from the encouraging support during the openings of new outlets during the year in Klang Valley. Texas Chicken has during Q1FY2017 opened five outlets bringing a total of 33 outlets. The top line continues to grow from strength to strength on the back of the success of the operations executions, marketing strategy and limited time offers together with the growing number of outlets. Because of the continuing strength of Texas Chicken, it has been attracting offers from malls and shoplots in the Klang Valley and outstation. This has enable Texas Chicken to improve the site selections and rental terms.

On 19 January 2017, Texas Chicken opened its first outlet in Penang, outside the Klang Valley, bringing a total of 34 outlets to date, with planned opening of another seven outlets over the next three quarters.

San Francisco Coffee has embarked on sourcing for alternative suppliers to mitigate the potential price increase arising from the weakening Ringgit for imported raw materials like green beans, syrups and local cups and lids. Milk price remains stable.

Competition is expected to heat up with the openings of new coffee chains Doutor Coffee and Costa Coffee from Japan and United Kingdom respectively and local homegrown brand, Espresso Lab, has started to compete with San Francisco Coffee by targeting office buildings.

San Francisco Coffee plans to open another 12 new stores in FY2017. Current rebranding exercise which is expected to be completed by Q2 FY2017, will introduce new logo, tone of voice, menu, concept of stores of which every store would have its own unique feature. The new concept will enable the brand to make a presence in mall and lifestyle market, diversifying from the current niche market which focuses mainly on office buildings.

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 been increasing in recent months. However, in the last month, prices have stabilised and in some cases fallen back up to 10% suggesting the worldwide supply position has reached a level of equilibrium. Prices for dairy products are beginning to lift after a long period of low prices brought about by over supply and weak demand. 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 prices for whey proteins have been stable for several quarters, however, with the series of price rises experienced for mainstream commodity dairy products it is possible there may be a movement by suppliers to increase prices for whey proteins. The long period of soft pricing for whey proteins together with a favourable exchange rate position has continued to deliver some improvement in cost of goods sold in the last three quarters. The company predominantly draws their specialised protein ingredients exclusively from Fonterra Cooperative, New Zealand's pre-eminent dairy product supplier. All remaining raw materials and packaging requirements are actively tendered via the company's contracted powder products manufacturer on an open book costing basis.

The 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 of time but has currently stabilized the position with 29% market share of New Zealand key accounts. The aggressive promotional programme being activated by key competitor, Vitaco, continues to be the primary reason for the loss of market share.

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 Horleys sales and marketing team continues to make a strenuous effort reduce the 'cost to serve' customers in this channel reflecting the changing retail environment with an increasing proportion of sales being via the web purchases.

Focus is currently on developing products within the sports and nutrition range with a natural positioning. A plant based protein powder offering reflecting international trend in this direction has been launched in the last quarter with good acceptance from the trade and work is underway to significantly reinvigorate the *Sculpt* women's shaping protein product offering and to reconnect with the company's large database of *Sculpt* users.

The Division has also commenced a long-term plan to diversify the product offering from a sole dependence on sports nutrition and weight management products. A new range of UHT long life non-dairy beverages (PET bottles), almond and macadamia has been launched in New Zealand under the *Covet* brand in the emerging and growing chilled supermarket segment. The Division reported that selected ranging has been achieved throughout the New Zealand supermarket trade with initial off-take being encouraging to date. The primary immediate focus is to drive consumers to the range and to endeavour to gain additional ranging in key NZ retail outlets. Presentations will also be made to the Australian supermarket groups later in Q2 FY2017.

d) Food Processing Division

(i) Bakery

Wheat, which forms a huge portion of raw material cost is in the uptrend since the global demand is increasing. Other raw materials prices had increased due to fuel price and weakening of Ringgit Malaysia in the global market, indirectly impacting the margins. Cost saving exercises are being carried out to mitigate the high cost and the efficiency of production is being closely monitored to ensure lower production costs. The current weakening of Malaysian Ringgit has also resulted in the increased cost of sugar, yeast and other ingredients. 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.

Due to lack of stimulus from the market arising from the low global fuel price, consumer spending remains weak following the implementation of the GST coupled with increase in toll charges and reduction in rebate on electricity charges and lifting of subsidy for cooking oil. Most grocers and retailers have temporary delayed any expansion plan and undertaken reduced promotional activities.

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. To control costs, measures have been undertaken to improve process efficiencies and controlling wastages and returns. In addition, the division has implemented price increase for certain of its existing products to mitigate the escalating costs of raw materials and labour. As labour shortage is currently been experienced by the industry, the Bakery business will focus on the production of frozen dough which will provide the Division a competitive edge in the market. A major supply chain contract has been signed and new business lead been under development with a local major grocer and a restaurant group. The Division also has plan to penetrate overseas market to improve revenue and reduced its reliance in an overcrowded local market.

(ii) Butchery

The weakening of the Ringgit together with the strong demand from various countries has resulted in an increase in all imported meat prices. Even prices of Brazilian meat, which are cheaper previously, have increased significantly. Other than negotiating with major customers for price increase, costs reduction measures have been undertaken to mitigate the impact on the increased costs.

Consumers' sentiment has been affected by global slowdown and the weakening Ringgit. This has impacted the Malaysian economy resulting in slowdown in the business. Retail customers are switching to lower quality meat which the Division cannot compete in. To counteract the impact, the division has introduced more products into the market, with focus on the retail pack of 100gm which is still very strong in the local market. It has also embarked on promotions and roadshows to promote its products and has now penetrated into the new markets in Sabah and Sarawak.

The recent implementation of the Price Control and Anti-Profiteering Act effective on 1 January 2017 has made it very challenging for the business to increase prices as the Act is very restrictive on price increases. As a consequence, margin will be squeezed.

(iii) Beverages

Export sales were affected by the slower growth in China. To mitigate the impact, the Division will focus on other export market including entering into OEM partnership with companies in the Asean countries.

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. To support growth, manpower has been increased.

In the next three to six months, prices of its raw material i.e. sugar, soya bean and other packaging materials will increase due to the weakening of the Ringgit against the US Dollar. Contracted prices for tin cans have expired on 31 December 2016. Prices are expected to increase in the second quarter of FY2017. However, 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 the division's costs. Farmgate price is still at a low NZD6.00/KG.

Demand for PET Aseptic products continues to grow within Australia and New Zealand. 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 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 nut based dairy free alternative milk beverages such as coconut, almond, and macadamia. Drinking yoghurt and real coffee is under development.

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 2016.

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 first 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 2016 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

13 February 2017

ENVICTUS INTERNATIONAL HOLDINGS LIMITED
Registration No: 200313131Z

NEWS RELEASE

ENVICTUS RECORDS 11.7% TOPLINE GROWTH TO RM101.6 MILLION[1] IN Q1FY2017

- ***Texas Chicken expansion and newly acquired San Francisco Coffee chain achieves robust 73.4% growth for Food Services Division***
- ***Gross profit margin up 4.4 percentage points to 33.0% from increased sales of higher margin products in Food Services Division***
- ***Total store count of 34 Texas Chicken outlets to date, with planned opening of seven outlets over the next three quarters***
- ***San Francisco Coffee chain plans to open 12 new stores in FY2017***

Singapore, February 13, 2017 – Envictus International Holdings Limited ("Envictus" "恒益德國際控股有限公司" or the "Group"), an established Food & Beverage ("F&B") Group, today announced a revenue growth of 11.7% to RM101.6 million for the financial period ended December 31, 2016 ("Q1FY2017") as compared to RM91.0 million in the previous corresponding quarter ("Q1FY2016"). Mainly in line with higher costs to support business expansion and acquisition, coupled with lower other income, Envictus reported a loss after tax of RM1.6 million in Q1FY2017, from a profit after tax of RM2.6 million in Q1FY2016.

[1] *Approximately S$32.5 million. Currency conversion based on S$1.00 = RM3.1288*

Envictus' Group Chairman, Dato' Jaya Tan said, "During the quarter, we have continued to invest in marketing and branding activities to drive business growth. Food Services remains our star performer, with Texas Chicken's strong revenue growth underpinned by the opening of 11 additional new restaurant outlets since Q1FY2016. We are very pleased with the continued good market acceptance of this brand, which is synonymous with product quality and value.

"For San Francisco Coffee, we look forward to the completion of the rebranding exercise by Q2FY2017, through a host of strategies, from the introduction of new logo to refreshed menu to store concepts, aimed at increasing San Francisco Coffee's presence in malls and lifestyle markets."

Financial Review

The Group's RM10.7 million topline growth during the financial quarter was mainly contributed by Food Services Division's exceptional revenue growth of RM11.9 million with the opening of 11 additional Texas Chicken outlets attributed to market acceptance. In addition, the newly acquired San Francisco Coffee chain and Delicious restaurants contributed RM5.2 million and RM0.9 million to revenue growth respectively. The Food Processing Division registered a modest revenue growth of RM1.5 million. The improved performance of these two divisions more than offset the dips in revenue of RM2.3 million and RM0.5 million from the Trading and Frozen Food and Nutrition Divisions respectively.

Gross profit margin improved 4.4 percentage points to 33.0% in Q1FY2017 on the back of increased sales from higher margin products from the Food Services Division.

Other income declined by 44.1% to RM3.7 million mainly due to lower income generated from held-for-trading investments.

Operating expenses rose RM8.9 million to RM37.4 million in Q1FY2017 mainly due to higher selling, marketing and administrative expenses mainly attributed to costs associated with the opening of new Texas Chicken restaurant outlets as well as an inclusion of operating costs of newly acquired San Francisco Coffee and Delicious restaurant business. Finance costs rose RM0.4 million to RM1.2 million due to higher borrowings for expansion of new restaurant outlets and corporate office.

Consequently, the Group registered a loss after tax of RM1.6 million in Q1FY2017, from a profit after tax of RM2.6 million in Q1FY2016.

The Group's cash and cash equivalents stood at RM48.2 million while shareholders' equity was RM353.8 million as at December 31, 2016.

Outlook

The Trading and Frozen Food Division expects to mitigate concerns over the weakening of the Ringgit and the resulting rise in food costs, through the launch of more roadshows and promotions, to maintain its market share.

Commenting on the Group's Food Services Division, Group Chief Executive Officer, Dato' Kamal Tan said, "We've once again expanded our footprint beyond the Klang Valley, opening our first outlet in Penang in January this year, bringing a total of 34 outlets to date. With a strong branding, Texas Chicken has attracted offers from malls and shoplots in Klang Valley and beyond, enabling us to improve site selections and rental terms."

"For San Francisco Coffee, plans are underway to open another 12 new stores in FY2017. Together with our rebranding strategy, we are optimistic of capturing market share even as competition heats up."

The Nutrition Division has commenced a long-term plan to diversify its product offering beyond sports nutrition and weight management products, which have become very competitive across channels in Australia and New Zealand. The Division's recent launches of a new range of bars with a natural/protein claim profile and a new range of UHT long life non-dairy beverages (PET bottles) throughout Australia and New Zealand in the emerging and growing chilled supermarket segment have received encouraging responses. The Group is focused on gaining additional product ranging in the retail segment in New Zealand and to make headway in supermarkets in Australia.

The Food Processing Division's businesses are pressured by increasing raw material import prices due to the current weak Ringgit, lacklustre consumer sentiment and intense competition within the processed food sector. Besides branding activities, cost controls and price increase for certain products, the businesses are executing strategies to diversify into other markets and segments to drive revenue potential.

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. Envictus also owns Malaysian homegrown 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) and Replace™ (an isotonic sports drink in powder format). More recently NNL also launched a range of nut milks under the Covet™ brand name. The Covet range is manufactured by Envictus Dairies NZ Ltd, a sister company to NNL. 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 Bakery 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.

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.

ISSUED ON BEHALF OF	:	Envictus International Holdings Limited
BY	:	Citigate Dewe Rogerson, i.MAGE Pte Ltd 55 Market Street #02-01 SINGAPORE 048941
CONTACT	:	Ms Dolores Phua at telephone
DURING OFFICE HOURS	:	6534-5122 (Office)
AFTER OFFICE HOURS	:	9750-8237 (Handphone)
EMAIL	:	dolores.phua@citigatedrimage.com

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