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DBE: KFC deal, new venture to lift profit

NEXT PHASE OF GROWTH STRATEGY: Firm partners seven Taiwan companies to produce, retail fried chicken snacks

OOI TEE CHING
SITIAWAN
bt@mediaprima.com.my

DBE Gurney Resources Bhd is banking on its RM50 million supply contract with Kentucky Fried Chicken (KFC) and new business of retailing fried chicken snacks to get back to profitability, said managing director Alex Ding Seng Huat.

In a recent signing ceremony here, DBE extended its partnership with a consortium of seven companies from Taiwan to produce fried chicken snacks branded HARUMI for six years, starting March 1.

The seven companies are Taiwan Shing Co Ltd, Jien Peng International Co Ltd, Fu Hsin International Co Ltd, Solatek Co Ltd, HTS Technology Co Ltd, Ultra Brave Technology and Formosa Food King Co Ltd.

"After 30 years, we've reached the next phase of our growth strategy. By moving downstream into retailing fried chicken snacks, we aim for higher profit margin from the current business of farming and processing live poultry," he said.

DBE held the signing ceremony with Taiwanese partners to initiate the business of fried chicken snacks, in conjunction with its 30th anniversary.

DBE operates a 114,000-tonne-per-year feedmill and a 60,000-bird-per-day slaughter house. The company has six breeder farms with a total capacity of 100,000 birds per year, 11 broiler farms which can supply 10 million birds per year, and a hatchery with six sets of incubators that can produce 12 million eggs a year.



DBE Gurney Resources has **six breeder farms** with a total capacity of 100,000 birds per year.

DBE's processing centre is able to pack 1.5 million chicken cuts per month. It was reported that DBE is looking to export its premium poultry cuts to China, Japan and Kazakhstan.

"Our poultry quality have reached export standards. We are waiting for approvals from the authorities. If we get the green light, we would be the first Malaysian company to export chicken to China," he said.

Ding then said the new business of retailing fried chicken snacks, branded HARUMI, will see its first restaurant in Perak open by middle of the year.

"In three years, we aim to have 30 restaurants, 3,000 kiosks and 300 mobile trucks through franchising," he added.

Three months ago, DBE announced that it had clinched a one-year contract to supply poultry cuts to KFC. The contract, which started January 1, entails the supply of poultry cuts which will be served at KFC restaurants in Perak (52 outlets) and Selangor (25 outlets).

Ding highlighted this contract will generate RM50 million in revenue for the current year.

"This supply contract with KFC and the new business of HARUMI

fried chicken will help turn around our business to profitability by the end of the year," he said.

After the signing ceremony, Jien Peng International general manager Zhen Nan Hsu, who represent the Taiwanese partners, expressed hope that they collectively intend to buy up to 20 per cent stake in DBE via subscription of redeemable convertible notes (RCNs).

Back in April 2015, DBE issued RCNs to raise up to RM50 million. "We, collectively as a consortium, have the intention to buy up to 20 per cent stake in DBE. It will be an exchange for our technology transfer and marketing know-how in HARUMI fried chicken snacks.

Asked if he and the other Taiwanese investors intend to take over DBE, Zhen replied, "We'll only take a maximum of 20 per cent stake in DBE. We have a clear understanding to be strategic partners with the Ding family which currently owns 20 per cent in DBE," Zhen said.

When asked how much the seven Taiwanese investors are prepared to fork out for a 20 per cent stake in DBE, Zhen replied: "It is difficult to give an estimate. We'll probably subscribe the RCNs at market price when we come to the final decision".