

# INFORMATION MEMORANDUM

FOR RESTRICTED CIRCULATION ONLY



## ENEST GROUP BERHAD

(Company No. 1275638-T)

(Incorporated in Malaysia under the Companies Act, 2016)

**PROPOSED EXCLUDED ISSUE OF 50,000,000 NEW ORDINARY SHARES TO SOPHISTICATED INVESTORS WITHIN THE MEANINGS OF SECTION 230 OF THE CAPITAL MARKETS AND SERVICES ACT 2007, AT AN ISSUE PRICE OF RM0.08 PER SHARE IN CONJUNCTION WITH OUR PROPOSED LISTING ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD**

Approved Adviser, Custodian, Placement Agent and Continuing Adviser

**WYNCORP**  
CORPORATE FINANCE ADVISOR  
**WYNCORP ADVISORY SDN. BHD.**  
(Company No. 632322-H)

### CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS (AS DEFINED HEREIN) ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY ENEST GROUP BERHAD (“ENEST” OR “COMPANY”).

SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATIONS, AND, IF APPROPRIATE, CONSULTATION WITH STOCKBROKER, MANAGER, SOLICITOR, ACCOUNTANT AND OTHER PROFESSIONAL ADVISERS.

THERE ARE CERTAIN RISK FACTORS WHICH SOPHISTICATED INVESTORS SHOULD CONSIDER. PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 6 OF THIS INFORMATION MEMORANDUM.

**THIS INFORMATION MEMORANDUM IS DATED 28 MARCH 2019**

**IMPORTANT NOTICE**

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**A COPY OF THIS INFORMATION MEMORANDUM WILL BE DEPOSITED WITH THE SECURITIES COMMISSION MALAYSIA (“SC”). EACH RECIPIENT OF THIS INFORMATION MEMORANDUM (“RECIPIENT”) ACKNOWLEDGES AND AGREES THAT THE SC AND BURSA SECURITIES TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS INFORMATION MEMORANDUM, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS INFORMATION MEMORANDUM. THE SC AND BURSA SECURITIES DO NOT MAKE ANY ASSESSMENT ON THE SUITABILITY, VIABILITY OR PROSPECTS OF OUR COMPANY. SOPHISTICATED INVESTORS ARE EXPECTED TO MAKE THEIR OWN ASSESSMENT ON OUR COMPANY OR SEEK APPROPRIATE ADVICE BEFORE MAKING THEIR INVESTMENT DECISIONS.**

**NO PERSON IS AUTHORISED, IN CONNECTION WITH OUR PROPOSED EXCLUDED ISSUE (AS DEFINED HEREIN) AND PROPOSED LISTING (AS DEFINED HEREIN), TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS INFORMATION MEMORANDUM, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY ENEST OR WYNCORP ADVISORY SDN. BHD. (“WYNCORP”) AS OUR APPROVED ADVISER, CUSTODIAN, PLACEMENT AGENT AND CONTINUING ADVISER. THE DELIVERY OF THIS INFORMATION MEMORANDUM SHALL NOT, UNDER ANY CIRCUMSTANCES, IMPLY OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OR FINANCIAL POSITION OF OUR COMPANY AND/OR SUBSIDIARIES SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.**

**THE PURPOSE OF THIS INFORMATION MEMORANDUM IS TO PROVIDE INFORMATION ON THE BUSINESS AND AFFAIRS OF OUR COMPANY AND SUBSIDIARIES (COLLECTIVELY DEFINED AS “GROUP”) ONLY. THIS INFORMATION MEMORANDUM IS INTENDED FOR CIRCULATION ONLY TO PERSONS WHOM AN ISSUE OF SECURITIES WOULD CONSTITUTE AN EXCLUDED ISSUE WITHIN THE MEANINGS OF SECTION 230 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (“CMSA”).**

**THIS INFORMATION MEMORANDUM, IF FURNISHED TO YOU, IS STRICTLY FOR YOUR OWN USE AND IS NOT TO BE CIRCULATED TO ANY OTHER PARTY.**

**THE DISTRIBUTION OF THIS INFORMATION MEMORANDUM AND THE OFFERING OF OUR SHARES MAY, IN CERTAIN JURISDICTIONS, BE RESTRICTED BY LAW. WE REQUIRE PERSONS INTO WHOSE POSSESSION THIS INFORMATION MEMORANDUM COME INTO, TO INFORM THEMSELVES OF AND OBSERVE ALL SUCH RESTRICTIONS.**

**IN MAKING AN INVESTMENT DECISION, YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR COMPANY, AND SHOULD CONSULT TO THE EXTENT NECESSARY, YOUR OWN STOCKBROKER, MANAGER, SOLICITOR, ACCOUNTANT AND OTHER PROFESSIONAL ADVISERS PRIOR TO ANY INVESTMENT IN OUR COMPANY.**

**WE AND/OR WYNCORP DO NOT ASSUME ANY FIDUCIARY RESPONSIBILITIES OR LIABILITY FOR ANY CONSEQUENCES, FINANCIAL OR OTHERWISE, ARISING FROM THE SUBSCRIPTION OR ACQUISITION OF OUR SHARES.**

**IMPORTANT NOTICE (CONT'D)**

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Our Directors and the Promoters have seen and approved this Information Memorandum. They collectively and individually accept full responsibility for the accuracy of the information in this Information Memorandum. Having made reasonable enquiries, and to the best of their knowledge and belief, they confirm that, there is no false or misleading statement or other facts which if omitted, would make any statement in this Information Memorandum false or misleading. The opinions and intentions of our Group expressed herein are honestly held, and that there are no other facts the omission of which would, in the context our Proposed Listing and Proposed Excluded Issue, make this Information Memorandum as a whole or any information or expression of any such opinions or intentions herein, misleading in any material respects.

WYNCORP, being the Approved Adviser, Custodian, Placement Agent and Continuing Adviser to our Proposed Listing acknowledges that, based on all available information, and to the best of its knowledge, this Information Memorandum constitutes a full and true disclosure of all material facts concerning the Proposed Listing and Proposed Excluded Issue.

Sophisticated Investors should note that they may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws and regulations including any statement in the Information Memorandum that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Information Memorandum.

Our Proposed Excluded Issue is subject to the receipt of an approval for our Proposed Listing from Bursa Securities, who make no assessment on the suitability, viability or prospects of our Group or the merits of investing in our shares. WYNCORP, as our Approved Adviser, has assessed the suitability of our Group for admission to the LEAP Market as required under Rule 4.10 of Bursa Securities' LEAP Market Listing Requirements.

**MODE OF COMMUNICATION**

In accordance with the Constitution of our Company, we may send notices and documents to our securities holders ("**Holders**") by electronic means to the Holders' registered email address last maintained with either our Company Secretary or Bursa Malaysia Depository Sdn. Bhd. ("**Bursa Depository**"), as the case may be. Our Holders have a right to request for a hard copy of such notices and documents should they wish to do so. In such event, we will forward a hard copy of the notices and documents to the Holders, as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail to the Holders' registered Malaysian address last maintained with either our Company Secretary or Bursa Depository, as the case may be, at their own risk.

We may also publish notices and documents on our website as a form of electronic communication with our Holders. In such event, we will separately and immediately notify our Holders by way of:

- (i) ordinary mail;
- (ii) electronic means to the Holders' registered email address;
- (iii) advertisements in an English daily newspaper in Malaysia; and/or
- (iv) announcements on Bursa Securities.

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**IMPORTANT NOTICE (CONT'D)**

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**TERMS AND CONDITIONS BINDING ALL RECIPIENTS**

By accepting this confidential Information Memorandum, you hereby agree and undertake to be bound by the following terms and conditions:

1. This Information Memorandum is issued by our Company and distributed by us as well as WYNCORP. The distribution of this Information Memorandum shall be in paper/printed copy and/or electronic copy upon request by interested Recipients, free of charge. This Information Memorandum is distributed to interested Recipients for information purposes only and upon the express understanding that such Recipients will use it only for the purposes set forth below.
2. The information contained in this Information Memorandum, including any statement or fact or opinion, has been provided by us or on our behalf. It is being furnished solely for use by a limited number of prospective Sophisticated Investors for the purpose of evaluating their interest in investing in our Company ("**Proposed Investment**"). Nothing contained herein shall be taken as a commitment on our part to accept your Proposed Investment.
3. WYNCORP does not assume any obligation to provide any Recipient with access to any additional information or to update or revise any information contained herein. Nevertheless, we undertake to inform WYNCORP who in turn will inform Recipients in writing of any material development or of any material facts subsequent to the date of this Information Memorandum up to the date of closing of our Proposed Excluded Issue that will, directly or indirectly, affect our financial position or business. In all cases, you should rely on your own evaluation of the Proposed Investment.
4. You shall be solely responsible for your investment decision and are advised to seek independent financial, legal, tax or such other professional advice at your own cost and expense when making your independent appraisal, assessment, review and evaluation of our business, financial position, financial performance, prospects, the rights and obligations attaching to the shares in our Company ("**Shares**"), the merits of investing in our Shares, and the extent of risk involved in doing so.
5. Subject to the provisions of any laws, regulations and guidelines ("**Applicable Laws**"), we and WYNCORP each reserve the right to negotiate with one or more prospective Sophisticated Investors at any time. Subject to the Applicable Laws, we and WYNCORP each also reserve the right (without notice or recourse) to terminate, at any time, further participation by all or any Recipients without assigning any reasons thereof.
6. You shall not copy, reproduce, distribute, summarise, excerpt from or pass on any part of this Information Memorandum to any person at any time without the prior written consent of WYNCORP. You shall at all times keep confidential all information contained herein or any other information relating to the Proposed Investment, whether written, oral or in a visual or an electronic form, transmitted or made available to you in the course of your evaluation of the Proposed Investment. In the event that you do not undertake the Proposed Investment for any reason whatsoever, you shall upon request return all materials received from us or WYNCORP, including this Information Memorandum, without retaining any copies.

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**IMPORTANT NOTICE (CONT'D)**

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7. This Information Memorandum may not be distributed in any jurisdiction outside Malaysia except in accordance with the legal requirements applicable in such jurisdiction. No Recipient in any jurisdiction outside Malaysia may take any action upon this Information Memorandum if, in the relevant jurisdiction, such action cannot be taken by the Recipient without contravention of any relevant legal requirements.

It is the sole responsibility of any Recipient wishing to take any action upon this Information Memorandum to satisfy themselves as to the full observance of the laws of the relevant jurisdiction and/or Malaysia in connection therewith, including without limitation, the receipt of our securities or cash payments upon the sale of our securities by the Recipients, the repatriation of any money by the Recipients out of Malaysia, the obtaining of any governmental, exchange control or other consents which may be required, and the payment of any tax or duty due in such jurisdiction. We shall be entitled to be fully indemnified by such Recipients for any tax or payment made on behalf, of which the Recipients may be required to pay.

8. This Information Memorandum has not been made and will not be made to ensure that our Proposed Excluded Issue complies with the laws of any jurisdiction other than Malaysia. We and WYNCORP shall not accept any responsibility or liability in the event that any action taken by any Recipient in any jurisdiction outside Malaysia is or shall become illegal, unenforceable, voidable or void in such jurisdiction.

Such Recipients shall therefore immediately consult their professional advisers in relation to the observance of the relevant legal requirements and shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction and shall keep us and WYNCORP fully indemnified for the payment of such taxes or payments.

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**IMPORTANT NOTICE (CONT'D)**

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**PRIVACY NOTICE**

The Personal Data Protection Act 2010 (“**PDPA**”) was introduced to regulate the processing of personal data in commercial transactions. The PDPA requires us to inform you of your rights in respect of your personal data that is to be collected and processed by us.

Consequently, please be informed that the personal data and other information (collectively, “**Personal Data**”) that you provide will be used and processed by us in connection with our Proposed Excluded Issue only (“**Purpose**”), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be transferred to locations outside Malaysia or disclosed to the relevant authorities, our related corporations or our vendor, agent, contractor, service provider, consultant or adviser who provide services to us, including our Placement Agent, which may be located within or outside Malaysia. Save for the foregoing, your Personal Data will not be knowingly transferred to any place outside Malaysia or be knowingly disclosed to any other third party.

Without prejudice to the terms and conditions of our Proposed Excluded Issue as contained in this Information Memorandum, you may at any time hereafter make inquiries, complaints and, upon payment of a prescribed fee, request in writing for access to, or correction of, your Personal Data or limit the processing of your Personal Data (as described above) by submitting such request to the following:

Postal address: Enest Group Berhad  
c/o Mega Corporate Services Sdn. Bhd.  
Level 15-2, Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur

Kindly be informed that we will assume that you have consented and we will continue to process your Personal Data in accordance with this Privacy Notice unless we hear otherwise from you. You may exercise your rights in respect of your Personal Data in the manner described above.

This Privacy Notice may be amended from time to time and would be in effect on the date as determined by us. Any amendment to this Privacy Notice shall be published on any medium as we deem fit.

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**INDICATIVE TIMETABLE**

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An indicative timetable for our Proposed Excluded Issue is set out below:

<b>Event</b>	<b>Date</b>
Date of Information Memorandum	28 March 2019
Allotment of Excluded Issue Shares	May 2019*
Listing of our Company on the LEAP Market	June 2019*

Note:

\* *Subject to receipt of approval from Bursa Securities for our Proposed Listing. An announcement for the key relevant dates will be made after obtaining Bursa Securities' approval for our Proposed Listing.*

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**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

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All references to “our Company” or “Enest” in this Information Memorandum are to Enest Group Berhad. All references to “our Group” or “Enest Group” in this Information Memorandum are to our Company and our subsidiaries, taken as a whole. All references to “we”, “us”, “our” and “ourselves” are to our Company and our subsidiaries, save where the context otherwise requires. Statements as to our beliefs, expectations, estimates and opinions are those of our Company.

In this Information Memorandum, reference to the “Government” is to the Government of Malaysia, references to “Ringgit”, “Ringgit Malaysia”, “RM” and “sen” are to the lawful currency of Malaysia. Any discrepancies in the tables between the amounts listed and the totals in this Information Memorandum are due to rounding. Certain acronyms, technical terms and other abbreviations used are defined in “Definitions” section appearing after this section. Words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. References to persons shall include companies and corporations.

Any reference to any provisions of the statutes, rules and regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules and regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendment or re-enactment to statutes, rules and regulations, enactments or rules of stock exchange for the time being in force.

All reference to dates and times are references to dates and times in Malaysia unless otherwise stated.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Information Memorandum and you should not rely on it. If there is any discrepancy between the contents of such website relating to our Group and this Information Memorandum, the information contained in this Information Memorandum shall prevail.

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## **FORWARD-LOOKING STATEMENTS**

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This Information Memorandum contains forward-looking statements. All statements other than statements of historical facts included in this Information Memorandum, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and do not guarantee future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions and include all statements that are not historical facts.

Factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 6 on “Risk Factors”. We cannot give any assurance that the forward-looking statements made in this Information Memorandum will be realised. Such forward-looking statements are made only as at the LPD.

Save as required under Section 238(1) of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any updates or revision to any forward-looking statement contained in this Information Memorandum to reflect any changes in our expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Sophisticated Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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**DEFINITIONS**

The following terms in this Information Memorandum bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Act	:	Companies Act, 2016 as amended from time to time, and any re-enactments thereof
Board	:	The board of Directors of our Company
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CAGR	:	Compounded annual growth rate
CEO	:	Chief Executive Officer
CF/CCC	:	Certificate of fitness for occupation/ certificate of completion and compliance
China	:	The People's Republic of China
CMSA	:	Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
Constitution	:	The constitution of our Company
Director(s)	:	Member(s) of our Board
DVS	:	Department of Veterinary Services Malaysia
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Enest or Company	:	Enest Group Berhad (1275638-T)
Enest Group or Group	:	Collectively, Enest and its Subsidiaries
Enest Share(s) or Share(s)	:	Ordinary share(s) in our Company
EPS	:	Earnings per Share
ETP	:	Economic Transformation Programme
Excluded Issue Share(s)	:	New Share(s) to be issued pursuant to the Proposed Excluded Issue
Executive Directors	:	Collectively our Company's executive directors, namely Tan Heng Guan, Tan Teh Jie and Tan Teh Sheng
Financial Years Under Review	:	FYE 31 December 2016 and FYE 31 December 2017
FPE	:	Financial period ended
FYE	:	Financial year ended/ending 31 December
GP	:	Gross profit
IMR Report	:	Independent Market Research Report dated 27 March 2019 prepared by Providence Strategic Partners Sdn. Bhd., as set out in Section 5 of this Information Memorandum

**DEFINITIONS (CONT'D)**

Information Memorandum	:	This Information Memorandum dated 28 March 2019 in relation to our Proposed Excluded Issue and Proposed Listing
Issue Price	:	RM0.08 per Excluded Issue Share
Key Management	:	Key management personnel of our Group, namely our Executive Directors, Lok Chyi Yeu, Christopher Tan Yew Leong, and Michelle Lim Ying Junn
Listing Requirements	:	LEAP Market Listing Requirements of Bursa Securities
LPD	:	28 February 2019, being the latest practicable date prior to the date of this Information Memorandum
LEAP Market	:	LEAP Market of Bursa Securities
Ming Feng Acquisition	:	Acquisition by Enest Group Sdn. Bhd. of the entire issued share capital of Ming Feng comprising 10,721,600 shares from Tan Teh Jie, Tan Teh Sheng, Lee Har Ling, Ng Seng Choy, Chua Kian Heng, Ng Wei Keow, Chen Kwee Foong, Lee Choy Ling, Lok Chyi Yeu, Tan Teh Wee, Tan Teh Yat, Tan Teh Kah, Christopher Tan Yew Leong, Michelle Lim Ying Junn, Liao Xuemin, Yin Rongrong, Wu Xiaona, Zu Wenti, Du Feifan, He Fei, and Lau Yee Wu (collectively, the “ <b>Vendors</b> ”), for an aggregate purchase consideration of RM2,075,000 which was satisfied via the issuance of 20,750,000 new Shares at an issue price of RM0.10 per Share. The acquisition of Ming Feng by Enest Group Sdn. Bhd. was completed on 12 September 2018
Ming Feng SSA	:	Share sale agreement dated 10 July 2018 entered into between Enest Group Sdn. Bhd. and the Vendors for the Ming Feng Acquisition
NA	:	Net assets
Official List	:	A list specifying all securities listed on Bursa Securities
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price-to-earnings multiple
Promoters	:	Tan Heng Guan, Tan Teh Jie, Tan Teh Sheng and Tan Beng Heng, collectively
Proposed Excluded Issue	:	Proposed issue of 50,000,000 Excluded Issue Shares at the Issue Price to Sophisticated Investors within the meanings of Section 230 of the CMSA
Proposed Listing	:	Proposed admission to the Official List and the listing and quotation of our entire enlarged issued share capital of RM6,075,002, comprising 465,000,040 Shares on the LEAP Market
PROVIDENCE	:	Providence Strategic Partners Sdn. Bhd. (1238910-A), being the Independent Market Researcher

**DEFINITIONS (CONT'D)**

Public	:	All persons but excluding Directors of our Group, our Substantial Shareholders and their associates (as defined in the Listing Requirements)
R&D	:	Research and development
SC	:	Securities Commission Malaysia
SME	:	Small and medium-sized enterprise
Sophisticated Investors	:	Investors who fall within Part I of Schedule 7 of the CMSA
Substantial Shareholder(s)	:	Has the meaning given in Section 136 of the Act
WYNCORP	:	WYNCORP Advisory Sdn. Bhd. (632322-H), being the Approved Adviser, Custodian, Placement Agent and Continuing Adviser for our Proposed Excluded Issue and Listing
Ye Lin Acquisition	:	Acquisition by Enest Group Sdn. Bhd. of the entire issued share capital of Ye Lin comprising registered capital of RMB1,000,000 from Tan Heng Guan, Tan Teh Jie and Tan Teh Sheng, for an aggregate purchase consideration of RMB100. The acquisition of Ye Lin by Enest Group Sdn. Bhd. was completed on 22 October 2018
Ye Lin SSA	:	Share sale agreement dated 15 September 2018 entered into between Enest Group Sdn. Bhd., Tan Heng Guan, Tan Teh Jie and Tan Teh Sheng for the Ye Lin Acquisition

**CURRENCIES**

RM and sen	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
RMB	:	Chinese Yuan, the lawful currency of China

**OUR SUBSIDIARIES**

Ming Feng	:	Ming Feng Marketing (M) Sdn. Bhd. (1128909-P)
Ye Lin	:	Ye Lin Industrial (Shanghai) Co., Ltd. (91310115MA1K3FWH7W)
Dynamic Transforms	:	Dynamic Transforms Sdn. Bhd. (606526-P)

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## GLOSSARY OF TECHNICAL TERMS

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Technical terms used in this Information Memorandum bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Bird Flu	:	A viral infection that can infect not only birds, but also humans and other animals. H5N1 is the most common form of bird flu. It's deadly to birds and can easily affect humans and other animals that come in contact with a carrier
Bird's nest essence	:	The extract of certain substance from bird's nests
Brushing	:	A cleaning process where small brushes are used to brush the raw bird's nests
Edible bird's nest	:	The processed nests of swiftlets, made from strands of swiftlet saliva
GMP	:	Good Manufacturing Practice, a pre-requisite for the application of a manufacturing licence as well as product registration or cosmetic notification. It is a standard that should be followed by manufacturers of registered pharmaceutical/traditional products and notified cosmetics to ensure that the product manufactured is safe, efficacious and of quality
HACCP	:	Hazard Analysis and Critical Control Points, an internationally recognised structured operating method that helps organisations in the food and beverage industry to identify their food safety risks, prevent food safety hazards and address legal compliance
Impurities	:	Unwanted contamination which includes, amongst others, feather, sand particles and eggshells
Picking	:	A bird's nest cleaning process where plucking clips or forceps are used to pick impurities off from raw bird's nests
Purpose-built swiftlet homes	:	Purpose-built place to mimic the natural habitat of swiftlets to provide breeding place for swiftlets
Raw bird's nest	:	Unprocessed bird's nests, made from strands of swiftlet saliva
Sterilisation	:	The process of making bird's nest free from bacteria and other living microorganisms
Swiftlet	:	A small bird of the swift family which is found in Southeast Asia
Swiftlet farming	:	The farming of swiftlets in purpose-built swiftlet homes to harvest raw bird's nests
Trimming	:	A bird's nest cleaning process where unwanted parts of raw bird's nests are cut

## 1. CORPORATE DIRECTORY

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- BOARD OF DIRECTORS** :
- Tan Heng Guan  
*(Executive Chairman)*
  - Tan Teh Jie  
*(Executive Director / CEO)*
  - Tan Teh Sheng  
*(Executive Director / Deputy CEO)*
  - Datuk Ng Seing Liong  
*(Independent Non-Executive Director)*
- REGISTERED OFFICE** :
- Level 15-2, Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur
- Telephone No. : (+603) 2692 4271  
Facsimile No. : (+603) 2732 5388
- HEAD OFFICE/  
PRINCIPAL PLACE OF  
BUSINESS** :
- 2, First Floor  
Jalan Semenyih  
Bandar Kajang  
43000 Kajang  
Selangor Darul Ehsan
- Telephone No. : (+603) 8741 6609  
Website : [bailengyen.com.my](http://bailengyen.com.my)  
E-mail : [corporate@enest.com.my](mailto:corporate@enest.com.my)
- COMPANY SECRETARIES** :
- Lim Seck Wah (MAICSA 0799845)  
M. Chandrasegaran A/L S. Murugasu (MAICSA 0781031)
- Level 15-2, Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur
- Telephone No. : (+603) 2692 4271  
Facsimile No. : (+603) 2732 5388
- PRINCIPAL BANKERS** :
- Maybank Islamic Berhad  
1st & 2nd Floor, Maybank Building  
28-30, Jalan Tukang  
43000 Kajang  
Selangor Darul Ehsan
- Telephone No. : (+603) 8739 1703 / 1706  
(+603) 8737 7266  
Facsimile No. : (+603) 8739 1704
- RHB Bank Berhad  
17-1, The Boulevard  
Mid Valley City  
Lingkar Syed Putra  
59200 Kuala Lumpur
- Telephone No. : (+603) 2280 0259  
Facsimile No. : (+603) 2280 0018



**1. CORPORATE DIRECTORY (CONT'D)**

- APPROVED ADVISER,  
CUSTODIAN, PLACEMENT  
AGENT AND CONTINUING  
ADVISER** : WYNCORP Advisory Sdn. Bhd. (632322-H)  
Suite 50-4-9, Level 4  
Wisma UOA Damansara  
50, Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur
- Telephone No. : (+603) 2096 2286 / 2289  
Facsimile No. : (+603) 2011 2821
- EXTERNAL AUDITORS AND  
REPORTING ACCOUNTANTS** : Grant Thornton Malaysia (AF0737)  
Chartered Accountants  
Level 11, Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur
- Telephone No. : (+603) 2692 4022  
Facsimile No. : (+603) 2732 5119
- LEGAL ADVISER FOR OUR  
PROPOSED LISTING** : Azman Davidson & Co  
Suite 13.03, 13<sup>th</sup> Floor  
Menara Tan & Tan  
207 Jalan Tun Razak  
50400 Kuala Lumpur
- Telephone No. : (+603) 2164 0200  
Facsimile No. : (+603) 2164 0280
- LEGAL ADVISER FOR OUR  
DUE DILIGENCE IN CHINA** : Grandway Law Offices (Shanghai)  
23F, S2 Building  
The Bund Finance Center  
600 Zhongshan No.2 Road(E)  
Huangpu District  
Shanghai  
200001 China
- Telephone No. : (+8621) 2312 2000  
Facsimile No. : (+8621) 2312 2100
- SHARE REGISTRAR** : Mega Corporate Services Sdn. Bhd. (187984-H)  
Level 15-2, Bangunan Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur
- Telephone No. : (+603) 2692 4271  
Facsimile No. : (+603) 2732 5388
- INDEPENDENT MARKET  
RESEARCHER** : Providence Strategic Partners Sdn. Bhd. (1238910-A)  
L-2-1 Plaza Damas  
60, Jalan Sri Hartamas 1, Sri Hartamas  
50480 Kuala Lumpur
- Telephone No. : (+603) 7725 2288

**1. CORPORATE DIRECTORY (CONT'D)**

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**INDEPENDENT INTERNAL CONTROL CONSULTANT** : GovernAce Advisory & Solutions Sdn. Bhd. (1243730-W)  
Unit 210, Block B, Phileo Damansara 1  
9, Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya  
Selangor Darul Ehsan

Telephone No. : (+603) 2731 9203  
Facsimile No. : (+603) 2731 9399

**LISTING SOUGHT** : LEAP Market

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## 2. DETAILS OF OUR PROPOSED LISTING

### 2.1 PROPOSED LISTING SCHEME

Pursuant to our Proposed Listing, we intend to issue 50,000,000 Excluded Issue Shares, representing approximately 10.75% of our enlarged issued share capital at RM0.08 per Excluded Issue Share to Sophisticated Investors within the meanings of Section 230 of the CMSA.

Our Proposed Listing is subject to the receipt of an approval from Bursa Securities. Hence, we have concurrently made an application to Bursa Securities for the admission of our Company to the Official List and the listing and quotation of listing our entire enlarged issued share capital of RM6,075,002 comprising 465,000,040 Shares on the LEAP Market and are awaiting Bursa Securities' decision on the same.

### 2.2 BASIS OF ARRIVING AT THE ISSUE PRICE

Our Board, together with WYNCORP, have determined and agreed to the Issue Price of RM0.08 per Excluded Issue Share, after taking into consideration of the following factors:

- (i) our Group's EPS of approximately 0.11 sen based on our combined PAT of RM0.50 million for the FYE 2017 and our enlarged number of issued shares of 465,000,040 Shares which translate into a PE Multiple of approximately 72.73 times for the FYE 2017;
- (ii) our Group's EPS of approximately 0.50 sen based on our 12-month extrapolated consolidated PAT of RM2.31 million<sup>(1)</sup> and our enlarged number of issued shares of 465,000,040 Shares which translate into a PE Multiple of approximately 16.00 times;
- (iii) our Group's NA per share of approximately 0.33 sen based on our combined NA of RM1.37 million as at 31 December 2017 and our existing number of issued shares of 415,000,040 prior to the Proposed Excluded Issue;
- (iv) our competitive strengths as set out in Section 4.4 of this Information Memorandum; and
- (v) our future plans and business strategies to grow our business as set out in Section 4.11 of this Information Memorandum.

Prior to our Proposed Listing, there was no public market for our Shares within or outside Malaysia. You should note that the market price of our Shares subsequent to our Proposed Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares being traded. You are reminded to carefully consider the risk factors as set out in Section 6 of this Information Memorandum and form your own views on the valuation of our Shares before deciding to invest in them.

Note:

- (1) *Calculated based on the unaudited consolidated PAT of RM1.73 million for the FPE 30 September 2018.*

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## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

### 2.3 SHARE CAPITAL UPON OUR PROPOSED LISTING

Upon completion of the Proposed Excluded Issue, our entire enlarged issued shares of 465,000,040 Shares shall be listed on the LEAP Market. The details of our enlarged issued share capital are set out below:

	No. of Shares ( '000)	RM'000
Existing issued share capital	415,000	2,075
Proposed Excluded Issue	50,000	4,000
Enlarged issued share capital upon our Proposed Listing	465,000	6,075
Issue Price per Excluded Issue Share (RM)		0.08
<b>Market capitalisation at the Issue Price upon our Proposed Listing (RM'000)</b>		<b>37,200</b>

We have only 1 class of shares in our Company, namely ordinary shares. The Excluded Issue Shares will, upon allotment and issuance, rank pari-passu in all respects with our existing Shares, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Excluded Issue Shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share in the profits paid out by us as dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to any surplus in accordance with our Constitution.

At any general meeting of our Company, each shareholder shall be entitled to vote in person or by proxy or by attorney or by duly authorised representative. Each shareholder shall be entitled to appoint not more than 2 proxies to attend and vote at any general meeting of our Company. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy. On a poll, each shareholder present either in person or by proxy or by attorney or by duly authorised representative shall have 1 vote for each Share held.

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## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

### 2.4 SHAREHOLDING STRUCTURE

Our shareholding structure before and after our Proposed Listing are set out below:

Shareholders	Details	Year of Original Investment prior to the Ming Feng Acquisition and Subdivision of Shares	Average Cost of Investment per Share (RM)	Before the Proposed Listing		After the Proposed Listing	
				No. of Shares	%	No. of Shares	%
<b><u>Promoters, Directors and/or Substantial Shareholders</u></b>							
Tan Heng Guan	Promoter and Executive Chairman	2015	-(a)	87,150,000	21.00	87,150,000	18.74
Tan Teh Jie	Promoter and Executive Director / CEO	2015	-(a)	83,041,520	20.01	83,041,520	17.86
Tan Teh Sheng	Promoter and Executive Director / Deputy CEO	2015	-(a)	84,535,520	20.37	84,535,520	18.18
Tan Beng Heng	Promoter and Substantial Shareholder	2015	-(a)	29,050,000	7.00	29,050,000	6.25
Datuk Ng Seing Liong	Independent Non-Executive Director	-	-	-	-	-	-
				283,777,040	68.38	283,777,040	61.03

**Note:**

(a) These are our Promoters, who founded and wholly-owned our Group prior to the investments by other existing shareholders.

## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

Shareholders	Details	Year of Original Investment prior to the Ming Feng Acquisition and Subdivision of Shares	Average Cost of Investment per Share (RM)	Before the Proposed Listing		After the Proposed Listing	
				No. of Shares	%	No. of Shares	%
<b>Existing non-Public shareholders</b>							
Christopher Tan Yew Leong	Director of Ming Feng  The Shares were received by him pursuant to the Ming Feng Acquisition and subdivision of Shares.	2017	0.01	9,503,500	2.29	9,503,500	2.04
Lok Chyi Yeu	Director of Dynamic Transforms  The Shares were received by him pursuant to the Ming Feng Acquisition and subdivision of Shares.	2018	0.03	12,450,000	3.00	12,450,000	2.68
				21,953,500	5.29	21,953,500	4.72

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## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

Shareholders	Details	Year of Original Investment prior to the Ming Feng Acquisition and Subdivision of Shares	Average Cost of Investment per Share (RM)	Before the Proposed Listing		After the Proposed Listing	
				No. of Shares	%	No. of Shares	%
<b>Existing Public shareholders</b>							
Group A <sup>(b)</sup>	The Shares were received by these shareholders pursuant to the Ming Feng Acquisition and subdivision of Shares.	2015 – 2017	0.01	74,202,000	17.88	74,202,000	15.96
Group B <sup>(b)</sup>	The Shares were received by these shareholders pursuant to the Ming Feng Acquisition and subdivision of Shares.	2018	0.03	35,067,500	8.45	35,067,500	7.54
				109,269,500	26.33	109,269,500	23.50
<b>New Public shareholders</b>	New shareholders pursuant to our Proposed Excluded Issue			-	-	50,000,000	10.75
<b>Total</b>				<b>415,000,040</b>	<b>100.00</b>	<b>465,000,040</b>	<b>100.00</b>

Note:

(b) These shareholders are not connected to our Promoters, Substantial Shareholders or Directors.

## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

### 2.5 UTILISATION OF PROCEEDS

Based on the Issue Price, we expect to raise gross proceeds of RM4 million from our Proposed Excluded Issue, which are intended to be utilised in the following manner:

Details of utilisation	RM'000	%	Estimated timeframe for utilisation upon Proposed Listing
(i) R&D expenditure	500	12.50	Within 24 months
(ii) Capital expenditure	501	12.53	Within 24 months
(iii) Brand development expenditure	406	10.15	Within 24 months
(iv) Working capital	1,593	39.82	Within 24 months
(v) Estimated listing expenses	1,000	25.00	Immediate
<b>Total</b>	<b>4,000</b>	<b>100.00</b>	

Further details on the utilisation of proceeds from our Proposed Excluded Issue are set out below:

**(i) R&D expenditure**

We intend to utilise approximately RM0.50 million of the proceeds to develop cosmetic products containing bird's nest essence as outlined in Section 4.11(i) of this Information Memorandum.

**(ii) Capital expenditure**

We intend to utilise approximately RM0.50 million of the proceeds to expand and renovate our existing production facilities, as outlined in Section 4.11(ii) of this Information Memorandum.

**(iii) Brand development expenditure**

We intend to utilise approximately RM0.41 million of the proceeds to strengthen our Bai Leng Yan® brand. This includes the rental and renovation costs of our new office and product showroom in Kuala Lumpur city center, as outlined in Section 4.11(iii) of this Information Memorandum.

**(iv) Working capital**

Our working capital requirements are expected to increase in line with the acquisition of Dynamic Transforms and expansion of our existing production facilities. Thus, we intend to allocate approximately RM1.59 million of the proceeds for the day-to-day operations of our Group, which shall include but are not limited to, staff costs, payments to suppliers and other creditors, as well as administrative expenses.

**(v) Estimated listing expenses**

The proceeds allocated for listing expenses include professional fees, fees payable to the relevant authorities and other miscellaneous expenses in relation to our Proposed Excluded Issue and Proposed Listing.



## 2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

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In the event that the actual amounts vary from the above estimates, the excess or deficit, as the case may be, would be reallocated to/from the amount earmarked for working capital.

Pending the utilisation of proceeds for the abovementioned purposes, save for the estimated listing expenses of RM1 million, the proceeds will be placed as deposits with licenced financial institutions, or used for investments in short-term deposits or money market, as our Board may in their absolute discretion deem appropriate.

The utilisation of proceeds from our Proposed Excluded Issue as aforesaid for our operations, in conjunction with our business expansion plans as outlined in Section 4.11 of this Information Memorandum, is expected to further improve our financial performance and thereby, enhance our shareholders' value.

Subject to amongst others our cash flow requirements, our improved financial performance would facilitate the payment of higher dividends to our shareholders. Please refer to Section 2.7 of this Information Memorandum for further details about our dividend policy.

### 2.6 OBJECTIVES OF OUR PROPOSED LISTING

The objectives of our Proposed Listing are as follows:

- (i) to enhance our Group's corporate profile which will enable our Group to expand our customer base locally and internationally;
- (ii) to enable our Group to gain access to the capital markets for cost-effective fund raising and allow us to achieve an optimal capital structure for our anticipated future expansion and growth as set out in this Information Memorandum;
- (iii) to provide an opportunity for the investing community to participate in the equity ownership and anticipated future growth of our Group; and
- (iv) to establish liquidity for our Shares.

### 2.7 DIVIDEND POLICY

As our Company is an investment holding company, our ability to pay dividends are dependent upon the dividends received from our Subsidiaries. The payment of dividends by our Subsidiaries is dependent upon amongst others their distributable profits, financial performance and cash flow requirements for operations and capital expenditure.

It is the intention of our Board to recommend and distribute a dividend of at least 20% of our annual audited PAT attributable to the shareholders of our Company. Any interim dividends declared will be subject to recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our general meeting.

You should take note that this dividend policy merely describes our Group's current intention and shall not constitute legally binding statement in respect of our Group's future dividends, which are subject to our Board's absolute discretion. Please refer to Section 6.2.4 of this Information Memorandum on the risk that our dividend payment is not guaranteed.

When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:

- (i) our anticipated future operating conditions as well as future expansion, capital expenditures and investment plans;
- (ii) our operating cash flow requirements and financing obligations;

**2. DETAILS OF OUR PROPOSED LISTING (CONT'D)**

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- (iii) our expected financial performance including return on equity and retained earnings;
- (iv) any restrictive covenants contained in our current and future financing arrangements;
- (v) the availability of adequate reserves and cash flows; and
- (vi) any material impact of tax laws and regulatory requirements.

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

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### 3. DETAILS OF OUR GROUP

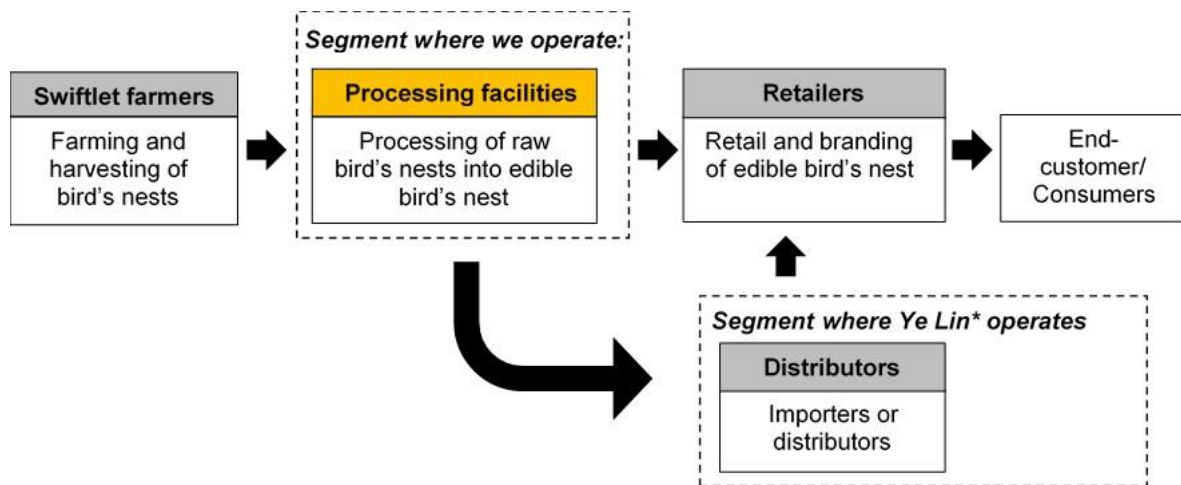
#### 3.1 OVERVIEW AND HISTORY OF OUR GROUP

##### 3.1.1 Overview of our Group

We are principally involved in the processing of edible bird's nest.

Edible bird's nests are the processed nests of swiftlets, made from the strands of swiftlet saliva. According to the IMR Report, these nests have been coveted in Chinese culture for their health and medicinal value. Over the years, scientific studies have been carried out and have successfully discovered that edible bird's nests have immune enhancing effect and promote skin-lightening.

As illustrated below, the industry value chain of the bird's nest industry comprises swiftlet farmers, processing facilities as well as distributors and retailers:



Remark:

\* As at the LPD, Ye Lin has yet to commence operations. It is in the midst of applying for the Animal and Plant Quarantine Entry Permit ("Entry Permit") in China for import of edible bird's nest and is expected to commence operations by the fourth quarter of 2019 upon obtaining the Entry Permit.

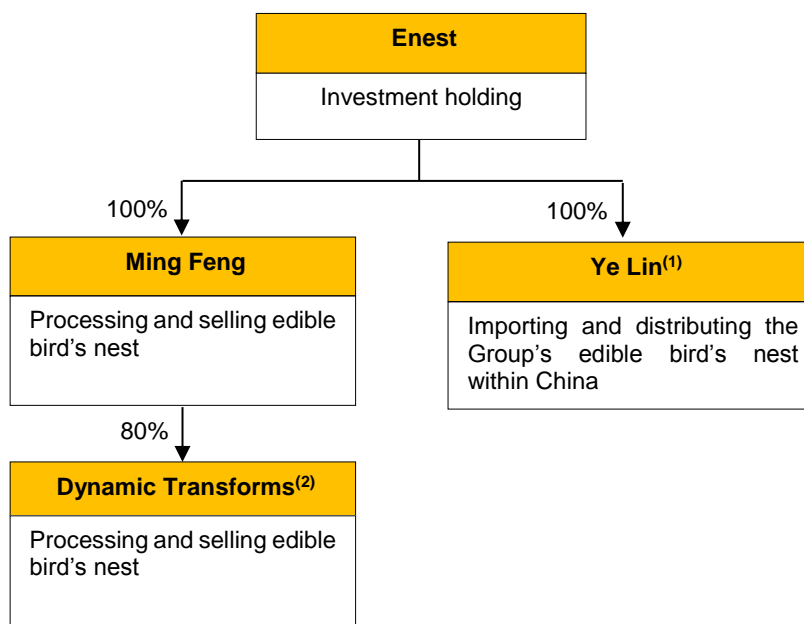
Our Group processes raw bird's nests into edible bird's nests. We primarily sell our products to distributors (including importers) and retailers of edible bird's nests in Malaysia, Hong Kong, Australia and China.

Our edible bird's nests are mainly sold to distributors, either under our Bai Leng Yen® brand name or unbranded depending on their request. The distributors will then onsell the products to the retailers for onward sales to end consumers.

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### 3. DETAILS OF OUR GROUP (CONT'D)

As at the LPD, our Group structure is as follows:



Notes:

- (1) As at the LPD, Ye Lin has yet to commence operations. It is in the midst of applying for the Entry Permit in China for import of edible bird's nest and is expected to commence operations by the fourth quarter of 2019 upon obtaining the Entry Permit.
- (2) The remaining 20% equity interest in Dynamic Transforms is not owned by our Group. The shareholders for the remaining 20% equity interest in Dynamic Transforms are listed below:

Shareholder name	Shareholding in Dynamic Transforms (%)
(i) Yang, YueYu	10.00
(ii) Yong Hin Seng	4.00
(iii) Yong John Yoon	3.00
(iv) Yong Jack Yoon	3.00
<b>Total</b>	<b>20.00</b>

The above individual shareholders of Dynamic Transforms are not connected to our Promoters, Substantial Shareholders or Directors.

Details of our Subsidiaries are set out in Section 3.3 of this Information Memorandum.

### 3. DETAILS OF OUR GROUP (CONT'D)

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#### 3.1.2 Incorporation and history

Our Company was incorporated in Malaysia under the Act as a private limited company on 9 April 2018 under the name Enest Group Sdn. Bhd. On 16 November 2018, we were converted into a public limited company and assumed our present name to facilitate the listing of our Group on the LEAP Market.

Ming Feng was co-founded by our Executive Chairman, Tan Heng Guan, our CEO, Tan Teh Jie, our Deputy CEO, Tan Teh Sheng and our Substantial Shareholder, Tan Beng Heng. Ming Feng's business is spearheaded by our Executive Chairman and CEO, both of whom have been instrumental and dedicated in contributing to the strategic direction, growth, development, operation and success of our Group.

Both our Executive Chairman and CEO had extensive experience in different segments of the bird's nest industry value chain. Prior to the incorporation of our Group, our Executive Chairman, Tan Heng Guan, founded Sri Kerdu Bird Nest Sdn. Bhd. and operated a swiftlet farming business in 2014, which accorded him with a strong background in this segment. Meanwhile, our CEO, Tan Teh Jie was involved in the distribution of edible bird's nest through the incorporation of Zheng Feng Equity Sdn. Bhd. in 2013 and thus, had established a strong network of customers.

Our Executive Chairman is still involved in swiftlet farming business through Sri Kerdu Bird Nest Sdn. Bhd., while our CEO has sold his entire equity interest in Zheng Feng Equity Sdn. Bhd. to his partner, Wang Fong Luang @ How Fong Luang back in 2015.

Our Executive Chairman and CEO saw the commercial potential of venturing into bird's nest processing. They thus incorporated Ming Feng under the Act as a private limited company on 26 January 2015. We commenced operations in the processing of edible bird's nest on 1 April 2015 in our present headquarter and production facility in Kajang, Selangor.

We secured our first international sale when we secured a contract to export edible bird's nests to Hong Kong in April 2016.

In August 2016, Ye Lin was incorporated to facilitate our future expansion into the distribution and retail of bird's nest products marketed under our brand name in China. As at the LPD, Ye Lin has yet to commence operations. It is expected to commence operations at end of 2019 or early 2020, as it is in the midst of applying for the Permit for the Quarantine of Entry Animals and Plants in China for importing purposes.

In March 2017, we expanded our geographical reach into the Australian market when we secured our first export sale from the country. We subsequently began exporting edible bird's nests to Singapore in November 2017.

Ming Feng attained its export licence to market to China in June 2018 and consequently began exporting edible bird's nests to China in July 2018.

Dynamic Transforms was subsequently acquired by Ming Feng in May 2018 to further expand our business operations. The acquisition of Dynamic Transforms benefits us with immediate access to additional processing facility and workforce, so that we are better-positioned to tap into China market by increasing our export of edible bird's nests to China.

### 3. DETAILS OF OUR GROUP (CONT'D)

#### 3.1.3 Key milestones/achievements

The table below sets out our key milestones/achievements:

Year	Key Milestones/Achievements
2015	<ul style="list-style-type: none"> <li>Ming Feng was incorporated</li> </ul>
2016	<ul style="list-style-type: none"> <li>We secured our first international sale to Hong Kong<sup>(1)</sup></li> <li>Ye Lin was incorporated</li> </ul>
2017	<ul style="list-style-type: none"> <li>We secured our first export sale to Australia and Singapore<sup>(1)</sup></li> <li>We were awarded the Enterprise 50 Award by SME Corporation Malaysia, an award programme to recognise small medium enterprises with growth potential. Winners are selected based on a range of criteria such as their financial capabilities, operations and management competencies</li> <li>We were awarded the World Prestige International Honorary Award by World Prestige International Sdn. Bhd., an award programme for companies in Malaysia to recognise their achievements. Selection criteria for winners are based on brand valuation, consumer market research and public online votes</li> </ul>
2018	<ul style="list-style-type: none"> <li>Ming Feng attained export licence to export to China market</li> <li>Dynamic Transforms was acquired</li> <li>We were awarded the Golden Bull Award 2018 – Emerging SME by Business Media International and Sphere Exhibits, an award programme for small medium enterprises with annual sales turnover below RM5 million in the last 3 financial years in recognition of their success. Winners are selected based on a range of criteria such as the management outlook, vision and mission statements, corporate uniqueness and philosophy, projected growth and financial performance</li> <li>We were awarded the Golden Eagle Award by Nanyang Siang Pau, an award programme for companies in Malaysia in recognition of their achievements. The companies are audited by Ernst and Young and judged by a panel of independent judges.</li> </ul>

Note:

(1) *Export licence is not required for sales to Hong Kong, Australia and Singapore. However, we need to apply for export permit from the Department of Malaysian Quarantine and Inspection Services for every export sale to these countries.*

### 3. DETAILS OF OUR GROUP (CONT'D)

#### 3.2 SHARE CAPITAL

As at the LPD, our issued share capital is RM2,075,002, comprising 415,000,040 Shares.

Details of the changes in our issued share capital since incorporation up to the LPD are as follows:

Date of Allotment	Number of Shares Alloted	Consideration	Cumulative Issued Share Capital (RM)
9 April 2018	2	Cash	2
12 September 2018	20,750,000	Other than cash <sup>(1)</sup>	2,075,002
23 November 2018	394,250,038	Subdivision <sup>(2)</sup>	2,075,002

*Note:*

(1) Pursuant to Ming Feng Acquisition.

(2) Subdivision on the basis of every existing Share is to be sub-divided into 20 new Shares.

None of our Shares were issued at a discount, on special terms or based on installment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares.

#### 3.3 DETAILS OF OUR SUBSIDIARIES

The details of our Subsidiaries as at the LPD are as follows:

Name and Registration Number	Date of Incorporation/ Country of Incorporation	Issued Share Capital/ Registered Capital	Our Company's Effective Interest (%)
<b><u>Direct Subsidiaries</u></b>			
Ming Feng (1128909-P)	26 January 2015/ Malaysia	RM1,699,892	100
Ye Lin (91310115MA1K3FWH7W)	22 August 2016/ China	RMB1,000,000	100
<b><u>Subsidiary of Ming Feng</u></b>			
Dynamic Transforms (606526-P)	19 February 2003/ Malaysia	RM600,000	80

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## 4. BUSINESS OVERVIEW

### 4.1 OUR PRINCIPAL ACTIVITIES AND PRODUCTS

We are principally involved in the processing of edible bird's nests. Our edible bird's nests are mainly sold to distributors, either under our Bai Leng Yen® brand name or unbranded depending on their request. The distributors will then onsell the products to the retailers for onward sales to end consumers. We presently supply edible bird's nests to distributors in both local and foreign markets.

Our edible bird's nests are certified by DVS Malaysia. We are also in compliance with the terms and conditions for implementation of HACCP system for our edible bird's nest. Our products are also HALAL certified.

Below are illustrations of our edible bird's nests:



Our edible bird's nests are either shaped like a cup or are triangular in shape.

Prices of the bird's nest cups can vary in terms of size, density and volume of orders. The types of edible bird's nest we produce can be categorised as follows:

Specifications	Product Types
Size (in terms of length)	<ul style="list-style-type: none"> <li>• 3cm to 4cm</li> <li>• More than 4cm</li> </ul>
Density	<ul style="list-style-type: none"> <li>• Dense and complete cup-shaped</li> <li>• Less dense and triangular shaped (requires filling from cracked pieces of edible bird's nests)</li> </ul>

### 4.2 PRINCIPAL MARKETS

Our products are supplied to both local customers as well as overseas markets. Our HACCP-compliant facilities and our DVS Malaysia-certified edible bird's nests are recognised by both the local customers and the overseas markets. Our revenue contribution by geographical location for the FYE 2017 and FPE 30 September 2018 are shown in the table below:

	FYE 2017		FPE 30 September 2018	
	Revenue <sup>(1)</sup> (RM'000)	% over Total Revenue (%)	Revenue <sup>(2)</sup> (RM'000)	% over Total Revenue (%)
<b>Local market:</b>				
Malaysia	919	20.36	1,878	15.57
<b>Overseas market:</b>				
China	-	-	9,483	78.63
Hong Kong	3,378	74.85	345	2.86
Others <sup>(3)</sup>	216	4.79	354	2.94
	3,594	79.64	10,182	84.43
<b>Total</b>	<b>4,513</b>	<b>100.00</b>	<b>12,060</b>	<b>100.00</b>



#### 4. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Does not include revenue of Dynamic Transforms as it was not part of our Group prior to the acquisition in 2018.
- (2) Includes revenue of Dynamic Transforms, as it becomes our 80%-owned subsidiary in 2018.
- (3) Others consist of Australia and Singapore. These countries contribute less than 5% of our Group's total revenue.

For the FPE 30 September 2018, we recorded approximately RM9.48 million sales from China representing 78.63% of our total revenue. This is in line with the acquisition of Dynamic Transforms (who is having the export licence to sell, and has been selling, to China) and commencement of export sales to China by Ming Feng upon obtaining the export licence in June 2018.

Pursuant to our shift of focus to China market, we received lower orders from Hong Kong. As a result, revenue contribution from Hong Kong decreased from 74.85% of our total revenue in the FYE 2017 to 2.86% in the FPE 30 September 2018.

#### 4.3 LOCATION OF OPERATIONS

Our headquarter and main production facility are located in Kajang, Selangor. We also have a production facility located in Batu Caves, Selangor which is occupied by Dynamic Transforms. Please refer to Section 4.13 of this Information Memorandum for further details on properties owned and rented by our Group.

#### 4.4 COMPETITIVE STRENGTHS

We believe that our historical successes and future prospects are underpinned by the following competitive strengths:

**(i) We pride ourselves with our strong commitment to provide our customers with quality products**

We place importance on ensuring the quality of the edible bird's nests that we produce and market. We implement stringent hygiene protocols and quality checks in each processing step during the processing of raw bird's nests. Prior to the packing of the processed edible bird's nests, a final inspection is performed to ensure the quality of our edible bird's nests.

Our processing facilities are recognised as HACCP-compliant facilities by Ministry of Health Malaysia. With our HACCP-compliant facilities, we are able to assure our customers that our bird's nest products meet the required standards of quality, efficacy and safety. Our products are also certified by DVS Malaysia.

Further details on the quality assurance and control practices that we adopt are set out in Section 4.6 of this Information Memorandum.

In addition, following the increasing awareness on food security as well as heightened laws and regulations in this area, we believe our prioritisation on quality is one of the key factors to winning and maintaining customers.

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**4. BUSINESS OVERVIEW (CONT'D)**

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**(ii) We have an experienced leadership team**

We believe that our management team's experience, drive and passion have been, and will continue to be, instrumental to our Group's success.

Prior to our incorporation, our Executive Chairman and CEO were engaged in the bird's nest industry. Our Executive Chairman, Tan Heng Guan founded and operated a swiftlet farming business, which accorded him with a strong background in this segment. Meanwhile, our CEO, Tan Teh Jie was involved in the distribution of edible bird's nest. Their expertise and experience in the edible bird's nest industry is bolstered with support from their professional network in the industry.

This acts as a foundation for the Group and will be instrumental to our future business growth and development.

**(iii) We are well-positioned to capitalise on the growth in the domestic and international bird's nest market**

According to the industry overview as set out in Section 5 of this Information Memorandum, the demand for edible bird's nests is expected to grow owing to factors such as:

- increasing demand from international markets, particularly China;
- growing disposable income in Malaysia;
- scientific studies on the benefits of bird's nests which has led to an increased awareness on the medicinal or health benefits of edible bird's nests;
- increasing awareness of the need for a healthy lifestyle; and
- favourable initiatives by the Government of Malaysia to grow the edible bird's nest industry.

The demand for edible bird's nests, especially in China, is envisaged to grow positively.

According to the IMR Report by PROVIDENCE, the edible bird's nest industry in Malaysia grew from an annual production output of 46.0 tonnes in 2013 to approximately 423.4 tonnes in 2017, representing a CAGR of 74.2%. Under the ETP, it is forecast that the industry will reach RM3.5 billion or 870.0 tonnes of bird's nests by 2020.

Meanwhile, China is the largest consumer of edible bird's nest, accounting for approximately 65.0% of global edible bird's nest consumption. Imports of edible bird's nest into China, in terms of volume, grew from 3.1 tonnes in 2014 to 81.4 tonnes in 2017, representing a CAGR of 197.5%.

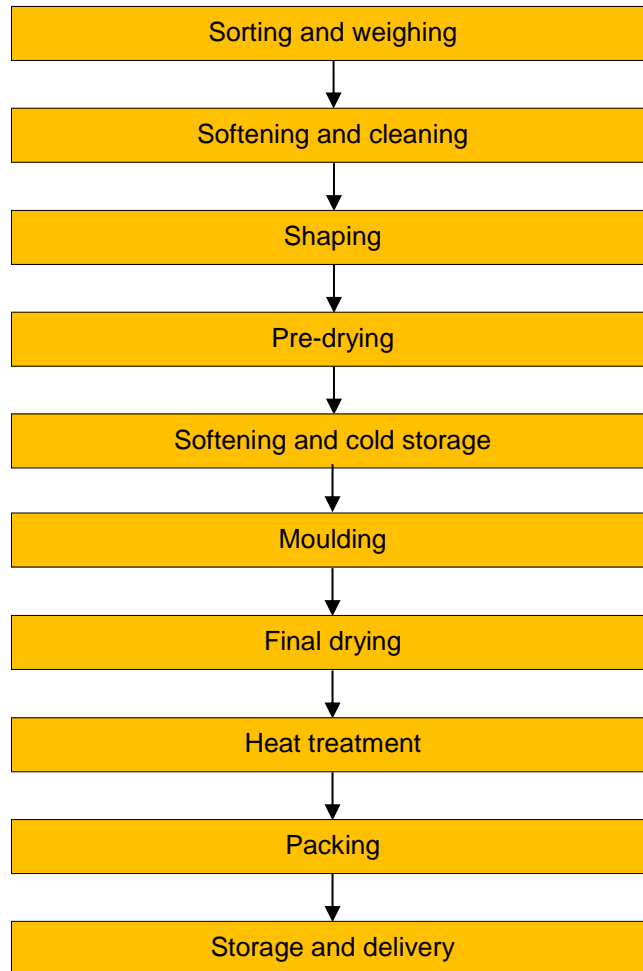
The growing demand of edible bird's nests presents growth opportunities for our Group. We believe our Group is well-positioned to capitalise on the growth in the domestic and international bird's nest industry, having the necessary export licence for China market. We believe this will provide us with long term and sustainable growth.

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.5 PROCESS FLOW

Our key processes are as summarised below:



**(i) Sorting and weighing**

Upon the receipt of raw bird's nests, we conduct visual and odour inspection to ensure the raw bird's nest are intact, free from pest infestation and offensive odours, as well as contains no hazardous foreign materials such as glass.

The raw bird's nests are then sorted out in accordance to size and density, and are weighted.

**(ii) Softening and cleaning**

The raw bird's nests are soaked in filtered water for 1 minute prior to the processing of raw bird's nests in order to soften them for subsequent processing stages. The softened raw bird's nests then undergo trimming, brushing and picking to remove dirt, feathers or unwanted parts. Post this stage, a visual inspection is performed to ensure that the impurities have been cleaned.

**(iii) Shaping**

The cleansed bird's nests are shaped into desired shape before they are sent for pre-drying.

#### 4. BUSINESS OVERVIEW (CONT'D)

**(iv) Pre-drying**

The cleansed bird's nests undergo drying process in our designated ventilation room for 6 hours. The dried bird's nests are then weighed and the weight is recorded.

**(v) Softening and cold storage**

The dried bird's nests are dipped into water for softening purposes. The softened bird's nests are stored in the chiller for at least 12 hours before being sent for next stage of processing.

**(vi) Moulding**

The softened and chilled bird's nests are shaped on mould.

**(vii) Final drying**

The shaped bird's nests undergo another round of drying for at least 6 hours.

**(viii) Heat treatment**

The dried and processed bird's nests will undergo heat treatment for drying and sterilisation purposes.

**(ix) Packing**

Once the bird's nests have undergone heat treatment, they are weighed before being packed into desired packaging specifications.

**(x) Storage and delivery**

The packed bird's nests are then stored in our air-conditioned store room pending for delivery to our clients.

#### 4.6 QUALITY CONTROL

We place the utmost importance in ensuring that the manufacturing processes of our bird's nest products comply with HACCP system requirements. To meet these requirements in all aspects of our manufacturing processes, quality control procedures are incorporated within the manufacturing processes to ensure the quality and safety of our products.

Our Group adopts the following quality assurance and control procedures at various stages of bird's nest processing to ensure that quality standards are consistently upheld:

Quality Control Processes	Parameter	Description
Raw material inspection	<ul style="list-style-type: none"> <li>• Profile</li> <li>• Odour</li> <li>• Cleanliness</li> <li>• Moisture</li> </ul>	Performing visual inspection on all materials to ensure the quality of each material is consistent with the specified parameters
In-process quality control	<ul style="list-style-type: none"> <li>• Shape</li> <li>• Cleanliness</li> </ul>	<ul style="list-style-type: none"> <li>• Performing visual inspection on all bird's nests to ensure that all foreign materials (e.g. feathers and dirt) have been removed</li> <li>• Performing visual inspection on all bird's nests to ensure that the shape is appropriate</li> </ul>

#### 4. BUSINESS OVERVIEW (CONT'D)

Quality Control Processes	Parameter	Description
Final product inspection	<ul style="list-style-type: none"> <li>Moisture</li> <li>Quantity</li> <li>Labelling</li> </ul>	Performing inspection on all packaged products to ensure products: <ul style="list-style-type: none"> <li>contain moisture level less than 15%</li> <li>are appropriately labelled</li> <li>are according to customer specifications</li> </ul>

#### 4.7 SALES AND MARKETING STRATEGIES

The sales and marketing staff are led by our CEO, Tan Teh Jie. We have, and will continue to, use the following strategies to garner sales:

##### (i) Leveraging on existing networks

Both our Executive Chairman and CEO have extensive experience in the bird's nest industry. Our Executive Chairman, Tan Heng Guan has been involved in the swiftlet farming business while our CEO, Tan Teh Jie was involved in the distribution of edible bird's nest prior to the founding of our Group. They have thus cultivated a professional network over the years.

##### (ii) Referrals

Our existing customers routinely refer new business to us, and the resulting customers have confidence in our range of edible bird's nest. Our marketing and sales team is also dedicated in building and maintaining long-term business relationships with our customers by regularly obtaining feedback on our products to better understand market trends and consumer preferences. Referrals received from our business associates are testament that our business relationships with these parties have been favourable.

##### (iii) Building awareness of our brand name and services

###### • Participation in trade fairs

We participate in local and international trade fairs to showcase our edible bird's nest. We believe such trade fairs allow us to create market awareness on our brand and our range of edible bird's nest, thereby generating interest to attract prospective customers and business associates. In addition, these trade fairs also keep us abreast with market trends and consumer preferences.

###### • Sponsorship

We have sponsored a locally-produced movie called 'C144 Human x Nature', which will be aired internationally in Asia. Through this sponsorship, we hope to increase the market awareness of our Bai Leng Yen® brand name as this brand name will be featured in this movie and its marketing campaigns.

###### • Advertisement in magazines

We have advertised our edible bird's nest in various magazines to enhance public awareness of our Bai Leng Yen® brand name. We believe that these advertisements will allow us to reach our target customers and assist us to secure orders from potential customers.

#### 4. BUSINESS OVERVIEW (CONT'D)

- **Corporate website**

We have established a corporate website at [www.bailengyen.com.my](http://www.bailengyen.com.my) which provides immediate searchable information on our Group, including our range of edible bird's nest. The current widespread use of the Internet as a source of information allows us to cross geographical borders, and facilitates access from any part of the world, thereby expanding our market reach and exposure.

#### 4.8 MAJOR CUSTOMERS

Our edible bird's nests are mainly sold to distributors, either under our Bai Leng Yen® brand name or unbranded depending on their request. The distributors will then onsell the products to the retailers for onward sales to end consumers.

Our sales to the distributors are on outright sale basis. The table below shows our Group's major customers over the past 2 financial years, who individually account for more than 5% of our Group's total sales:

No.	Customers	Country	FYE 2016		FYE 2017		Years of relationship
			Total Sales (RM'000)	%	Total Sales (RM'000)	%	
1.	Chong Yat Tung <sup>(1)</sup>	Hong Kong	1,580	61.91	2,181	48.33	2 years
2.	Jacob Lang Bo <sup>(1)</sup>	Hong Kong	181	7.09	-	-	2 years
3.	Chin Shing Hong <sup>(1)</sup>	Hong Kong	-	-	1,095	24.26	1 year
4.	Dynamic Transforms <sup>(2)</sup>	Malaysia	-	-	636	14.09	1 year
5.	CSBN Procurement Sdn. Bhd. <sup>(3)</sup>	Malaysia	-	-	257	5.69	1 year

Notes:

- (1) *Distributor. According to the IMR Report, it is common in the bird's nest industry for some distributors to be freelance individual traders.*
- (2) *Dynamic Transforms was a customer prior to its acquisition by Ming Feng in 2018. It is principally involved in processing and selling edible bird's nest. Ming Feng and Dynamic Transforms sourced from each other processed edible bird's nest wherever there is excessive customer order which needs to be fulfilled within a short time frame.*
- (3) *Distribution company.*

The change in our major customers from year to year reflects that we are not reliant on any one of these customers. Although we continued to sell to Mr. Chong Yat Tung (an importer of our edible bird's nest in Hong Kong) in both the FYEs 2016 and 2017, we are not reliant on him as we can opt to sell through alternative importers.

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.9 MAJOR SUPPLIERS

Our major suppliers are primarily the distributors that involved in the distribution and trading of raw bird's nest. The table below shows our Group's major suppliers over the past 2 financial years, who individually account for more than 5% of our Group's total purchases:

No.	Supplier Name	FYE 2016		FYE 2017		Years of relationship
		Total Purchases <sup>(1)</sup> (RM'000)	%	Total Purchases <sup>(1)</sup> (RM'000)	%	
1.	LCT Standard Trading <sup>(3)</sup>	316	16.09	-	-	2 years
2.	Nurul Syifa Amira Binti Karim <sup>(2)</sup>	161	8.20	-	-	2 years
3.	T T Bird Nest Enterprise <sup>(3)</sup>	140	7.13	-	-	2 years
4.	Nature Best Industries <sup>(2)</sup>	108	5.50	-	-	2 years
5.	Tee Jed Yeou <sup>(4)</sup>	-	-	746	22.67	1 year
6.	Dynamic Transforms <sup>(5)</sup>	-	-	491	14.92	1 year
7.	Zamilah Binti Mohd Nor <sup>(2)</sup>	-	-	419	12.74	1 year
8.	Low Kim Yoong <sup>(2)</sup>	-	-	197	5.99	1 year
9.	Choo Ting Yung <sup>(4)</sup>	-	-	186	5.65	1 year

**Notes:**

- (1) Total purchases for the FYEs 2016 and 2017 amounted to RM1,963,714 and RM3,290,323 respectively.
- (2) Sole proprietor in the business of raw bird's nest distribution.
- (3) Partnership in the business of raw bird's nest distribution.
- (4) Distributor of raw bird's nests. According to the IMR Report, it is common in the bird's nest industry for some distributors to be freelance individual traders.
- (5) Dynamic Transforms was a supplier prior to its acquisition by Ming Feng in 2018. It is principally involved in processing and selling edible bird's nest. Ming Feng and Dynamic Transforms sourced from each other processed edible bird's nest wherever there is excessive customer order which needs to be fulfilled within a short time frame.

Whilst we may choose to procure in bulk from certain suppliers to attain competitive pricing, we are not dependent on any of our suppliers as the supply of raw bird's nests are generally readily available in Malaysia. According to the IMR Report by PROVIDENCE, there are 9,416 registered swiftlet premises and 6,482 swiftlet farming operators in Malaysia in 2017.

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.10 MAJOR LICENCES AND PERMITS

Our Board confirms that the Group has obtained all approvals and licences necessary for our business operations. Our Group is materially dependent on the following licences and permits for our business and profitability:

##### 4.10.1 Ming Feng

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
1.	Trade, Business and Industrial Licence  <i>For premise: 2, First Floor, Jalan Semenyih, Kajang, Selangor</i>	Non-illuminated signboard not exceeding 8m <sup>2</sup> (packaging and sale of bird's nest Bai Leng Yen®)  Bird's nest company of more than 260m <sup>2</sup> (packaging and sale of bird's nest)	Majlis Perbandaran Kajang ("MPKJ")	Account No. LBUS- 07581 / File No. MPKJ/CL/1/140/2015	01.01.2019 – 31.12.2019	(i) Subject to Licensing, Business Trade and Industrial By-law (MPKJ) 2007, Licensing of Food Establishment By-law (MPKJ) 2007, Advertisement (MPKJ) By-laws 2007, Beauty and Health Establishments (MPKJ) By-law 2013, Wholesale Markets (MPKJ) By-law 2007, Cybercafe (MPKJ) By-law 2007, Swimming Pool (MPKJ) By- law 2013, Hotel By-law (MPKJ) 2013, Hawkers By-law (MPKJ) 2007, Food Operator By-law (MPKJ) 2007, Dog Licensing and Dog Breeding House By-law (MPKJ) 2007, Swiftlet Farming and Bird Nest By-law (MPKJ) 2013, Entertainment and Entertainment Premises Enactment 1995 and including all amendments to the By-law.	Noted and complied.



## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(ii) This licence shall expire on 31 December each year or such other period approved by the licensing authority.</p> <p>(iii) The licensing authority has the right to cancel the approved licence at any time.</p> <p>(iv) The licence holder shall comply with all conditions and restrictions set out by the licensing authority.</p> <p>(v) The licence holder is required to prepare rubbish bin.</p> <p>(vi) The licence shall be displayed at a visible location in the licenced premises at all times.</p> <p>(vii) The licence holder is prohibited from providing free plastic on daily basis.</p> <p>(viii) The licence shall be renewed before expiry and can be renewed 3 months prior to the expiry.</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted and complied.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						(ix) The premises owner is obliged to inform the licensing authority on any change of ownership for properties within the area of MPKJ.	Noted.
2.	Bird Nest Product Certification	Certificate certifying the edible bird's nest product and its processing fulfils the rules and requirements implemented by the bird's nest certification house	Beijing Ecocert Certification Centre Co., Ltd.	Certificate No. YW0008MY1600	17.02.2017 – 16.02.2021	None	Nil
3.	HACCP Certificate	Certificate certifying that Ming Feng of No. 2, First Floor, Jalan Semenyih, Bandar Kajang, 43000 Kajang, Selangor fulfils the terms and conditions for implementation of hazard analysis and critical control point system for its raw	Ministry of Health Malaysia	Certification No. 53-M14-01770	16.06.2016 – 15.06.2019	(i) The HACCP certificate and logo shall not be transferred nor shall its content be altered.  (ii) Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Senior Director for Food Safety and Quality, Ministry of Health Malaysia for further action. Certification will be automatically void should the	Noted.  Noted.

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
		cleaned edible bird's nest				<p>factory or premise ceased operation.</p> <p>(iii) The certificate holder shall be subjected to inspection, monitoring and enforcement activities conducted by the Ministry of Health Malaysia.</p> <p>(iv) The certificate holder is subjected to the laws and regulations that are currently in force in the country.</p> <p>(v) The certificate holder shall be held responsible for any abuse or manipulation of the certificate. Any loss or damage to the certificate shall immediately be informed in writing to the Senior Director for Food Safety and Quality, Ministry of Health Malaysia.</p> <p>(vi) The certificate remains the property of the Ministry of Health Malaysia. It may be withdrawn or terminated at any time if there is violation of any guidelines, laws or regulations that are currently in force.</p>	<p>Noted.</p> <p>Noted and complied.</p> <p>Noted.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						(vii) The use of the logo is only for food product that is being produced in the premise as stated in the certificate.	Complied.
4.	Certificate of authentication HALAL	Certificate certifying the raw cleaned edible bird's nest manufactured/ distributed/ managed by the Company has complied with Islamic Law and Malaysian Halal Standard and approved by Halal Certification Panel of Islamic Religious Department of Selangor	Government of Malaysia  (Department of Islamic Development Malaysia)	Reference No. JAKIM/(S)/(22.00)/49 2/2/ 1 036-04/2016	01.09.2016 – 30.09.2020	<p>(i) This Halal Certificate of Authentication (the Certificate) and the Malaysian Halal Logo (the Logo) shall not be traded, transferred nor shall its contents be altered.</p> <p>(ii) The use of the Certificate is subject to the laws and regulations that are currently in force.</p> <p>(iii) Any changes to the name or address of the company, factory or premise, name of the product, ingredients, suppliers or anything related thereto shall be informed in writing to the Director General of the Department of Islamic Development of Malaysia (JAKIM) for further action.</p> <p>(iv) The Certificate holder shall at all times be subject to inspection, monitoring and enforcement conducted either by the JAKIM, Islamic</p>	<p>Noted.</p> <p>Noted and complied.</p> <p>Noted.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>Religious Council/Department (MAIN/JAIN) of the States or the Ministry of Domestic Trade, Co-operations and Consumerism (KPDNKK).</p> <p>(v) The Certificate holder shall be held responsible for any abuse or misappropriation of the Certificate. Any loss or damage of the Certificate shall be reported to the Royal Malaysian Police (PDRM) and shall immediately be informed in writing to the Director General of JAKIM.</p> <p>(vi) The Certificate may be suspended or withdrawn at any time by JAKIM, MAIN/JAIN or KPDNKK if there is doubt in terms of Islamic Law or violation of any laws or regulations that are currently in force.</p> <p>(vii) The Certificate holder shall exhibit the Logo on the product or the approved premise as stated in the Certificate.</p>	<p>Noted.</p> <p>Noted.</p> <p>Complied.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(viii) The Certificate shall be signed by the certificate holder and a copy of the signed certificate shall be submitted to the Director General of JAKIM.</p> <p>(ix) The Certificate shall be exhibited only at the address as stated in the Certificate.</p> <p>(x) The use of the Logo on the approved product or premise shall be accompanied by the Reference Number and Standard Number as stated in the Certificate for such product or premise.</p> <p>(xi) Renewal application shall be made 3 months before the expiry of the halal certificate.</p>	<p>Complied.</p> <p>Complied.</p> <p>Complied.</p> <p>Noted.</p>
5.	Makanan Selamat Tanggungjawab Industri ("MeSTI") Certificate	Certificate certifying that Ming Feng of No. 2, First Floor, Jalan Semenyih, Bandar Kajang, 43000 Kajang, Selangor fulfills the terms and conditions for certification of	Ministry of Health Malaysia	Certification No. 78/B/000453-082016	19.08.2016 – 18.08.2019	<p>(i) The MeSTI certificate and logo shall not be transferred nor shall its content be altered.</p> <p>(ii) Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Senior Director of Food Safety and Quality, Ministry of Health</p>	<p>Noted.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
		MeSTI ie. has appropriate standards of procedure in place for the implementation of food safety assurance program				<p>Malaysia for further action. Certification will be automatically void should the factory or premise ceased operation.</p> <p>(iii) The certificate holder shall be subjected to inspection, monitoring and enforcement activities conducted by the Ministry of Health Malaysia.</p> <p>(iv) The certificate holder is subjected to the laws and regulations that are currently in force in the country.</p> <p>(v) The certificate holder shall be held responsible for any abuse or manipulation of the certificate. Any loss or damage of the certificate shall immediately be informed in writing to the Senior Director for Food Safety and Quality, Ministry of Health Malaysia.</p> <p>(vi) The certificate remains the property of Ministry of Health Malaysia. It may be withdrawn or terminated at any time if there is violation of any</p>	<p>Noted.</p> <p>Noted and complied.</p> <p>Noted.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>guidelines, laws or regulations that are currently in force.</p> <p>(vii) The use of the logo is only allowed for food product that is being produced in the premise as stated in the certificate.</p>	Complied.
6.	Certification from Department of Veterinary Services (“DVS”), Ministry of Agriculture and Agro-Based Industry Malaysia (“VHM Award Certificate”)	Certificate certifying that Ming Feng of No. 2, First Floor, Jalan Semenyih, Bandar Kajang, 43000 Kajang, Selangor, Malaysia has fulfilled the DVS requirements and the implementation of Quality Assurance Program and HACCP System	DVS, Ministry of Agriculture and Agro-Based Industry Malaysia	Certification No. 075/2017	Until 31.12.2019 <sup>(1)</sup>	<p>(i) The logo can be imprinted on labels/packaging of approved products only. Samples of logo – imprinted on packaging either in photographic or normal-size form should be submitted to DVS as evidence of use.</p> <p>(ii) The use of the Veterinary Health Mark (“VHM”) logo is only permitted for products and premises that have been approved by the DVS.</p> <p>(iii) The management of approved establishments agrees to give access to DVS staffs for purpose of inspection, surveillance and compliance audit, sampling for laboratory testing and other relevant veterinary inspection tasks.</p>	<p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted.</p>



## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(iv) Any changes in management, plant, additional product and processing operations have to notify DVS promptly not later than 30 days after such changes.</p> <p>(v) The management of approved establishments is permitted to use the VHM logo only for the period as stated on the VHM Award Certificate.</p> <p>(vi) For contract manufacturing of approved establishment for other organisation or companies shall state name of approved manufacturer (manufactured by) and manufactured for (name of organisation) on the packaging material. The logo shall be printed beside the name of the approved manufacturer.</p> <p>(vii) Packing and repacking is only allowed for approved manufacturer and establishment.</p>	<p>Noted.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p>

4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(viii) This VHM Award Certificate can be withdrawn on the following conditions:</p> <ul style="list-style-type: none"> <li>(a) when major non-compliance is observed during surveillance and review audits;</li> <li>(b) when there is a change in the premises location as compared to the one approved at the time of award of VHM logo by DVS;</li> <li>(c) changes in the company management not notified to the DVS;</li> <li>(d) changes in the operational system as compared to the one approved at the time of award by the DVS; or</li> <li>(e) voluntary request withdrawal from the program.</li> </ul>	Noted.

**4. BUSINESS OVERVIEW (CONT'D)**

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
7.	Certification of Registration of Food Premises	Certificate certifying that Ming Feng has registered its food premises at No. 2, First Floor, Jalan Semenyih, Bandar Kajang, 43000 Kajang, Selangor which involved in food processing activity.	Ministry of Health Malaysia	Registration No. BO2P1150623- 022183	23.06.2015 – 21.06.2021	(i) This certificate of registration is non-transferrable.  (ii) Renewal of the certificate of registration must be made 1 month prior to expiry.	Noted.  Noted.

Note:

(1) There is no issue date provided in the certificate.

In addition to the above major licences and permits obtained by Ming Feng, Ming Feng is also registered with Certification and Accreditation Administration of China (“CNCA”) under registration no. A1A009 which is effective from 22 June 2018, allowing Ming Feng to export edible bird’s nest to China.

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## 4. BUSINESS OVERVIEW (CONT'D)

## 4.10.2 Dynamic Transforms

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
1.	GMP Certificate from Ministry of Health Malaysia	Certificate certifying Dynamic Transforms fulfil the terms and conditions for implementation of GMP system	Ministry of Health Malaysia	Certification No. 78-D7-00438	21.08.2018 – 20.08.2021	<p>(i) The GMP certificate and logo shall not be transferred nor shall its content be altered.</p> <p>(ii) Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Senior Director for Food Safety and Quality, Ministry of Health Malaysia for further action. Certification will be automatically void should the factory or premise ceased operation.</p> <p>(iii) The certificate holder shall be subjected to inspection, monitoring and enforcement activities conducted by the Ministry of Health Malaysia.</p> <p>(iv) The certificate holder is subjected to the laws and regulations that are currently in force in the country.</p> <p>(v) The certificate holder shall be held responsible for any abuse or manipulation of the</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted and complied.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>certificate. Any loss or damage of the certificate shall immediately be informed in writing to the Senior Director for Food Safety and Quality, Ministry of Health Malaysia.</p> <p>(vi) The certificate remains the property of the Ministry of Health Malaysia. It may be withdrawn or terminated at any time if there is violation of any guidelines, laws or regulations that are currently in force.</p> <p>(vii) The use of the logo is only allowed for food product that is being produced in the premise as stated in the certificate.</p>	<p>Noted.</p> <p>Noted and complied.</p>

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## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
2.	Certification from DVS, Ministry of Agriculture and Agro-Based Industry Malaysia ( <b>"GVHP Award Certificate"</b> )	Certificate certifying that Dynamic Transforms of 15B & 15C, Jalan PS 9/2, Prima Selayang, 68100 Batu Caves, Selangor has fulfilled the DVS requirements and the implementation of good veterinary hygiene practices.	DVS, Ministry of Agriculture and Agro-Based Industry Malaysia	Certification No. GVHP 010/2017	Until 31.12.2019 <sup>(1)</sup>	<p>(i) The logo can be imprinted on labels/packaging of approved products only. Samples of logo – imprinted on packaging either in photographic or normal-size form should be submitted to DVS as evidence of use.</p> <p>(ii) The use of the Good Veterinary Hygiene Practice (<b>"GVHP"</b>) logo is only permitted for products and premises that have been approved by the DVS, Malaysia.</p> <p>(iii) The management of approved establishments agrees to give access to DVS staffs for purposes of inspection, surveillance and compliance audit, sampling for laboratory testing and other relevant veterinary inspection tasks.</p> <p>(iv) Any changes in management, plant, additional product and processing operations have to be promptly notified to DVS but in any case not later than 30 days after such changes.</p>	<p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted.</p> <p>Noted.</p>

4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(v) The management of approved establishments is permitted to the use of the GVHP logo only for the period as stated on the GVHP Award Certificate.</p> <p>(vi) The GVHP Award Certificate award can be withdrawn on the following conditions:</p> <ul style="list-style-type: none"> <li>(a) when non-compliance in observed during surveillance and review audits.</li> <li>(b) when there is a change in the location of the premises used for normal operations as compared to the time of award of GVHP logo by the DVS.</li> <li>(c) changes in the management of the company not being notified to the DVS.</li> <li>(d) change in the system of operation as compared to the one approved at the time of award by the DVS.</li> </ul>	<p>Noted and complied.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						(e) receipt of the voluntary request withdrawal from the program.	
3.	HACCP Certificate	Certificate certifying that Dynamic Transforms of 15B & 15C, Jalan PS 9/2, Prima Selayang, 68100 Batu Caves, Selangor has fulfilled the terms and conditions for implementation of HACCP system for its raw cleaned edible bird's nest	Ministry of Health Malaysia	Certification No. 53-D6-01593	21.08.2018 – 20.08.2021	<p>(i) The HACCP certificate and logo shall not be transferred nor shall its content be altered.</p> <p>(ii) Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Senior Director for Food Safety and Quality, Ministry of Health Malaysia for further action. Certification will be automatically void should the factory or premise ceased operation.</p> <p>(iii) The certificate holder shall be subjected to inspection, monitoring and enforcement activities conducted by the Ministry of Health Malaysia.</p> <p>(iv) The certificate holder is subjected to the laws and regulations that are currently in force in the country.</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted and complied.</p>



## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(v) The certificate holder shall be held responsible for any abuse or manipulation of the certificate. Any loss or damage to the certificate shall immediately be informed in writing to the Senior Director for Food Safety and Quality, Ministry of Health Malaysia.</p> <p>(vi) The certificate remains the property of the Ministry of Health Malaysia. It may be withdrawn or terminated at any time if there is violation of any guidelines, laws or regulations that are currently in force.</p> <p>(vii) The use of the logo is only for food product that is being produced in the premise as stated in the certificate.</p>	<p>Noted.</p> <p>Noted.</p> <p>Complied.</p>
4.	Certificate of authentication HALAL	Certificate certifying the raw cleaned edible bird's nest manufactured/ distributed/ managed by Dynamic Transforms of 15A, Jalan PS 9/2,	Government of Malaysia (Department of Islamic Development Malaysia)	Reference No. JAKIM/(S)/(22.00)/492/2/ 1 055-12/2013	01.09.2018 – 31.10.2020	<p>(i) This Halal Certificate of Authentication (the Certificate) and the Malaysian Halal Logo (the Logo) shall not be traded, transferred nor shall its contents be altered.</p> <p>(ii) The use of the Certificate is subject to the laws and</p>	<p>Noted.</p> <p>Noted and complied.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
		Prima Selayang, 68100 Batu Caves, Selangor has complied with Islamic Law and Malaysian Halal Standard and approved by Halal Certification Panel of Islamic Religious Department of Selangor				<p>regulations that are currently in force.</p> <p>(iii) Any changes to the name or address of the company, factory or premise, name of the product, ingredients, suppliers or anything related thereto shall be informed in writing to the Director General of the Department of Islamic Development of Malaysia (JAKIM) for further action.</p> <p>(iv) The Certificate holder shall at all times be subject to inspection, monitoring and enforcement conducted either by the JAKIM, Islamic Religious Council/Department (MAIN/JAIN) of the States or the Ministry of Domestic Trade, Co-operations and Consumerism (KPDNKK).</p> <p>(v) The Certificate holder shall be held responsible for any abuse or misappropriation of the Certificate. Any loss or damage of the Certificate shall be reported to the Royal Malaysian Police (PDRM) and shall immediately be informed</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>in writing to the Director General of JAKIM.</p> <p>(vi) The Certificate may be suspended or withdrawn at any time by JAKIM, MAIN/JAIN or KPDKK if there is doubt in terms of Islamic Law or violation of any laws or regulations that are currently in force.</p> <p>(vii) The Certificate holder shall exhibit the Logo on the product or the approved premise as stated in the Certificate.</p> <p>(viii) The Certificate shall be signed by the certificate holder and a copy of the signed certificate shall be submitted to the Director General of JAKIM.</p> <p>(ix) The Certificate shall be exhibited only at the address as stated in the Certificate.</p> <p>(x) The use of the Logo on the approved product or premise shall be accompanied by the Reference Number and Standard Number as stated in</p>	<p>Noted.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>the Certificate for such product or premise.</p> <p>(xi) Renewal application shall be made 3 months before the expiry of the halal certificate.</p>	Noted.
5.	MeSTI certificate	Certificate certifying that Dynamic Transforms of 15B & 15C, Jalan PS9/2 Prima Selayang, 68100 Batu Caves, Selangor fulfills the terms and conditions for certification of MeSTI ie. has appropriate standards of procedure in place for the implementation of food safety assurance program	Ministry of Health Malaysia	Certification No. 78/B/000040-112012 (2)	24.09.2018 – 20.08.2021	<p>(i) The MeSTI certificate and logo shall not be transferred nor shall its content be altered.</p> <p>(ii) Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Senior Director of Food Safety and Quality, Ministry of Health Malaysia for further action. Certification will be automatically void should the factory or premise ceased operation.</p> <p>(iii) The certificate holder shall be subjected to inspection, monitoring and enforcement activities conducted by the Ministry of Health Malaysia.</p> <p>(iv) The certificate holder is subjected to the laws and</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted and complied.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>regulations that are currently in force in the country.</p> <p>(v) The certificate holder shall be held responsible for any abuse or manipulation of the certificate. Any loss or damage of the certificate shall immediately be informed in writing to the Senior Director for Food Safety and Quality, Ministry of Health Malaysia.</p> <p>(vi) The certificate remains the property of Ministry of Health Malaysia. It may be withdrawn or terminated at any time if there is violation of any guidelines, laws or regulations that are currently in force.</p> <p>(vii) The use of the logo is only allowed for food product that is being produced in the premise as stated in the certificate.</p>	<p>Noted.</p> <p>Noted.</p> <p>Complied.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
6.	<p>Licence from Majlis Perbandaran Selayang ("MPS")</p> <p><i>For premise: No. 15A, (1st Floor), Jalan PS 9/2, Prima Selayang, Batu Caves, 68100 Selangor</i></p>	<p>Office – more than 120m<sup>2</sup></p> <p>Illuminated signboard not exceeding 8m<sup>2</sup></p> <p>Sale licence</p>	MPS	Account No. L-60142 / Ref No. MPS.2/6-11746 PI	01.01.2019 – 31.12.2019	<p>(i) Every licence issued by MPS will expire on 31 December each year and shall be renewed before or on the expiry date. 10% of the licence fee shall be chargeable for payment made after 31 December.</p> <p>(ii) The licence holder shall at all times comply with Local Government Act 1976, Road, Drainage &amp; Building Act 1974 and all By-laws of MPS together with all additional conditions imposed by MPS from time to time including any amendments thereto.</p> <p>(iii) Business and advertisement licence fee shall be paid immediately to avoid any legal action taken against the licence holder.</p> <p>(iv) The licence issued is subject to conditions as stated in the letter of approval.</p> <p>(v) The licence holder shall at all times display the premise licence at a visible location to</p>	<p>Noted.</p> <p>Noted and complied.</p> <p>Complied.</p> <p>Noted.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>ease the enforcement work being carried out by MPS.</p> <p>(vi) MPS has the right to withdraw/cancel/refuse to renew the licence without reason.</p> <p>(vii) The licence holder shall present the latest payment receipt at the MPS office if no payment bill is received.</p> <p>(viii) Any change of information in the licence shall be submitted to the licence department.</p> <p>(ix) The licence holder shall inform MPS in the event the licence holder ceases business operation.</p> <p>(x) Every premises shall be equipped with appropriate rubbish bin.</p> <p>(xi) The licence holder shall comply with the decision of Majlis Mesyuarat Kerajaan Negeri (MMKN) 21/2016 as follows:</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Complied.</p> <p>Complied.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(a) The enforcement of reducing use of plastic bag and polystyrene from January 2017 onwards.</p> <p>(b) All business in Selangor shall no longer be allowed to provide free plastic bag.</p> <p>(c) No usage of food container and polystyrene at all premises including food premises and night market.</p>	
7.	<p>Licence from MPS</p> <p><i>For premise: No. 15B &amp; 15C, Jalan PS 9/2, Prima Selayang, Batu Caves, 68100 Selangor</i></p>	<p>Grocery store (sell/provide service) – less than 90m<sup>2</sup></p> <p>Non-illuminated signboard not exceeding 8m<sup>2</sup></p> <p>Other food establishment not included in this schedule (produce/process) less than 500m<sup>2</sup></p> <p>Office – more than 120m<sup>2</sup></p>	MPS	Account No. L-48909 / Ref No. MPS.2/6-10417 PI	01.01.2019 – 31.12.2019	<p>(i) Every licence issued by MPS will expire on 31 December each year and shall be renewed before or on the expiry date. 10% of the licence fee shall be chargeable for payment made after 31 December.</p> <p>(ii) The licence holder shall at all times comply with Local Government Act 1976, Road, Drainage &amp; Building Act 1974 and all By-laws of MPS together with all additional conditions imposed by MPS from time to time including any amendments thereto.</p>	<p>Noted.</p> <p>Noted and complied.</p>



## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(iii) Business and advertisement licence fee shall be paid immediately to avoid any legal action taken against the licence holder.</p> <p>(iv) The licence issued is subject to conditions as stated in the letter of approval.</p> <p>(v) The licence holder shall at all times display the premise licence at a visible location to ease the enforcement work being carried out by MPS.</p> <p>(vi) MPS has the right to withdraw/cancel/refuse to renew the licence without reason.</p> <p>(vii) The licence holder shall present the latest payment receipt at the MPS office if no payment bill is received.</p> <p>(viii) Any change of information in the licence shall be submitted to the licence department.</p> <p>(ix) The licence holder shall inform MPS in the event the licence holder ceases business operation.</p>	<p>Complied.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(x) Every premises shall be equipped with appropriate rubbish bin.</p> <p>(xi) The licence holder shall comply with the decision of Majlis Mesyuarat Kerajaan Negeri (MMKN) 21/2016 as follows:</p> <p>(a) The enforcement of reducing use of plastic bag and polystyrene from January 2017 onwards.</p> <p>(b) All business in Selangor shall no longer be allowed to provide free plastic bag.</p> <p>(c) No usage of food container and polystyrene at all premises including food premises and night market.</p>	<p>Complied.</p> <p>Complied.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
8.	Licence from MPS  <i>For premise: No. 15 (Ground Floor), Jalan PS 9/2, Prima Selayang, Batu Caves, 68100 Selangor</i>	Warehouse / frozen room (wholesale/ storage) less than 500m <sup>2</sup>	MPS	Account No. L- 61723 / Ref No. MPS.2/29-1133 (P)	01.01.2019 – 31.12.2019	<p>(i) Every licence issued by MPS will expire on 31 December each year and shall be renewed before or on the expiry date. 10% of the licence fee shall be chargeable for payment made after 31 December.</p> <p>(ii) The licence holder shall at all times comply with Local Government Act 1976, Road, Drainage &amp; Building Act 1974 and all By-laws of MPS together with all additional conditions imposed by MPS from time to time including any amendments thereto.</p> <p>(iii) Business and advertisement licence fee shall be paid immediately to avoid any legal action taken against the licence holder.</p> <p>(iv) The licence issued is subject to conditions as stated in the letter of approval.</p> <p>(v) The licence holder shall at all times display the premise licence at a visible location to</p>	<p>Noted.</p> <p>Noted and complied.</p> <p>Complied.</p> <p>Noted.</p> <p>Noted.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>ease the enforcement work being carried out by MPS.</p> <p>(vi) MPS has the right to withdraw/ cancel/ refused to renew the licence without reason.</p> <p>(vii) The licence holder shall present the latest payment receipt at the MPS office if no payment bill is received.</p> <p>(viii) Any change of information in the licence shall be submitted to the licence department.</p> <p>(ix) The licence holder shall inform MPS in the event the licence holder ceases business operation.</p> <p>(x) Every premises shall be equipped with appropriate rubbish bin.</p> <p>(xi) The licence holder shall comply with the decision of Majlis Mesyuarat Kerajaan Negeri (MMKN) 21/2016 as follows:</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Complied.</p> <p>Complied.</p>

## 4. BUSINESS OVERVIEW (CONT'D)

No.	Licence/ Certificate	Purpose of Licence/ Certificate	Approving Authority/ Issuer	Certificate No./ Licence No./ Registration No./ Reference No.	Validity Period	Conditions Imposed	Status of Compliance with Terms/ Conditions
						<p>(a) The enforcement of reducing use of plastic bag and polystyrene from January 2017 onwards.</p> <p>(b) All business in Selangor shall no longer be allowed to provide free plastic bag.</p> <p>(c) No usage of food container and polystyrene at all premises including food premises and night market.</p>	
9.	Certification of Registration of Food Premises	Certificate certifying that the Dynamic Transforms has registered its food premises at 15B & 15C, Jalan PS 9/2, Prima Selayang 68100 Batu Caves, Selangor which involved in food processing activity	Ministry of Health Malaysia	Registration No. BO1P1110929-002607	18.11.2017 – 26.09.2020	<p>(i) This certificate of registration is non-transferrable.</p> <p>(ii) Renewal of the certificate of registration must be made 1 month prior to expiry.</p>	<p>Noted.</p> <p>Noted.</p>

**4. BUSINESS OVERVIEW (CONT'D)***Note:*

(1) There is no issue date provided in the certificate.

In addition to the above major licences and permits obtained by Dynamic Transforms, Dynamic Transforms is also registered with CNCA under registration no. A3A003 which is effective from 4 July 2017, allowing Dynamic Transforms to export edible bird's nest to China.

**4.10.3 Ye Lin**

<b>No.</b>	<b>Licence/ Certificate</b>	<b>Purpose of Licence/ Certificate</b>	<b>Approving Authority/ Issuer</b>	<b>Certificate No./ Licence No./ Registration No./ Reference No.</b>	<b>Validity Period</b>	<b>Conditions Imposed</b>	<b>Status of Compliance with Terms/ Conditions</b>
1.	Business Licence	Permission of conducting business	The Industrial & Commercial Administration Bureau of China (Shanghai) Pilot Free Trade Zone	Unified Social Credit Code No. 91310115MA1K3FWH7W	22.10.2018 – 21.08.2046	Nil.	N/A
2.	Registration Certificate of Customs Declaration Unit	Confirmation that the company is qualified for customs declaration	Customs of the People's Republic of China (Shanghai Waigaoqiao Customs)	Registration No. 3122449414	Nil.	Nil.	N/A
3.	Record-filing Form of Self Application for Entry-Exit Inspection and Quarantine	Confirmation that the company is qualified for import and export business	Shanghai Entry- Exit Inspection and Quarantine Bureau	Record filing No. 3100688268	Nil.	Nil.	N/A

**4. BUSINESS OVERVIEW (CONT'D)**

<b>No.</b>	<b>Licence/ Certificate</b>	<b>Purpose of Licence/ Certificate</b>	<b>Approving Authority/ Issuer</b>	<b>Certificate No./ Licence No./ Registration No./ Reference No.</b>	<b>Validity Period</b>	<b>Conditions Imposed</b>	<b>Status of Compliance with Terms/ Conditions</b>
4.	Food Operation Licence	Confirmation that the company is qualified for foods business	The Industrial & Commercial Administration Bureau of Shanghai Pudong New Area	Registration No. JY13101150430043	17.04.2018 – 02.12.2020	Only for the sale of the pre-packaged foods.	Noted and to be complied.

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.11 FUTURE PLANS AND BUSINESS STRATEGIES

We have identified the following strategies as means to further grow our business and to strengthen our position:

**(i) We intend to progressively venture into developing cosmetic products containing bird's nest essence**

Edible bird's nest has been traditionally consumed as a means to promote, amongst others, overall immunity and better skin complexion. As such, we intend to venture into developing cosmetic products containing bird's nest essence.

We are in the midst of discussions with relevant faculties in local universities to explore the possibility of establishing partnerships to create new products containing bird's nest essence. The researches serve to, amongst others, observe the daily optimum amount for consumption by the human body and discover health benefits associated with the consumption and/or application of bird's nest. The findings of the researches will be applied towards developing cosmetic products containing bird's nest essence to expand our product range.

Post the successful development of the new cosmetic products, we will apply for the necessary approval from the relevant authorities before commercialisation of the new cosmetic products. We intend to engage a contract manufacturer to manufacture the new cosmetic products. The commercialisation of the new cosmetic products is intended to be financed by internally-generated funds and/or external borrowings.

In addition, the researches will also focus on the operational aspects of bird's nest processing and production efficiency. In terms of operational aspects, the researches will focus on, amongst others, developing methods to lower the contents of pollutants (namely nitrite and nitrate) in edible bird's nest as well as increasing production efficiency.

We have earmarked approximately RM0.50 million of the proceeds from our Proposed Excluded Issue for the progressive development of cosmetic products containing bird's nest essence.

The development of cosmetic products will be carried out progressively, and is expected to entail the following stages:

Description	Estimated timeframe
<b>R&amp;D Stage:</b>	
(i) Development of an appropriate and efficient processing technique of bird's nest essence	Within 24 months from our Proposed Listing
(ii) Development of a suitable, effective and safe product formulation	
(iii) Determining the daily optimum amount for consumption or application	
<b>Commercialisation Stage:</b>	
(iv) Application of the necessary approval from the relevant authorities	Within 12 months upon completion of the R&D Stage
(v) Finalisation of a suitable contract manufacturer to manufacture the new cosmetic products	
(vi) Identification of suitable retailers for the commercialisation of the new cosmetic products	



#### 4. BUSINESS OVERVIEW (CONT'D)

##### (ii) We intend to expand our production facilities

As disclosed in Section 4.3 of this Information Memorandum, our headquarter and main production facility are located in Kajang, Selangor. We also have a production facility located in Batu Caves, Selangor which is occupied by Dynamic Transforms.

We intend to expand our production team and thus, require more space for processing activities. As such, we intend to hire up to an additional 150 general workers to undertake processing of edible bird's nests. In order to cater for this growth, we intend to expand our main production facility located in Kajang, Selangor to facilitate the growth of our business.

As at the LPD, our headquarter and main production facility are located on the first floor of a 3-and-a-half-storey shoplot in Kajang, Selangor, while our warehouse is located on the ground floor of the same shoplot. We intend to rent the mezzanine and second floor of the same shoplot and are currently in the midst of finalising the rental agreement for the said premises.

Once the rental agreements are finalised, and upon receipt of the proceeds from our Proposed Excluded Issue, we will begin renovation works. Our new headquarter and warehouse will be on the ground floor of the shoplot, while our production facilities will be located on the mezzanine, first and second floor of the same shoplot.

We expect that the renovation works will take 6 months to complete. Upon completion, we will begin our recruitment activities and we expect to commence operations in our new headquarter, warehouse and production facilities by end of 2019. Meanwhile, we will also be applying for export licence to market products produced from our new production facilities in China.

We have earmarked approximately RM0.50 million of the proceeds from our Proposed Excluded Issue to fund the renovation works for the new headquarter, warehouse and production facilities.

##### (iii) We intend to strengthen our edible bird's nest brand and venture into the retail of our edible bird's nest under our brand name

We intend to strengthen the branding of our edible bird's nest under the Bai Leng Yen® brand name.

We intend to rent and renovate 2 small office home office ("SOHO") units located in Kuala Lumpur city center as our future office and product showroom. With the new office and product showroom, we aim to provide greater accessibility and convenience to customers for products viewing at our new office. In addition, this is expected to increase the visibility and awareness of our business and our edible bird's nest.

The table below illustrates the breakdown of the estimated cost for our brand development expenditure:

No.	Description	Estimated Cost (RM'000)
1	Renovation	320
2	Rental of 2 SOHO units for 24 months*	86
<b>Total Estimated Cost</b>		<b>406</b>

Remark:

\* We intend to renew the tenancy agreement upon the expiry of the initial tenancy period of 24 months.

#### 4. BUSINESS OVERVIEW (CONT'D)

We have earmarked approximately RM0.41 million of the proceeds from our Proposed Excluded Issue to fund the abovementioned brand development.

Further, we believe that our marketing efforts in building the Bai Leng Yen® brand name will ease our venture into the retailing segment. Details of our existing sales and marketing strategies are set out in Section 4.7 of this Information Memorandum.

#### 4.12 MATERIAL CONTRACTS NOT IN THE ORDINARY COURSE OF BUSINESS

Save as disclosed below, there are no other material contracts (including contracts not in writing), not being contracts entered into in the ordinary course of business and of material amount, that have been entered into by Enest Group within the 2 years preceding the LPD:

- (i) Ming Feng had on 2 February 2018 entered into a sale and purchase agreement with Market Performance Sdn. Bhd. to purchase the land together with the building (if any) erected thereon held under Title No. PM 2675, PT Lot No. 2365, Mukim Bandar Selayang, District Gombak, Selangor for a purchase consideration of RM2,000,000. The property acquired is a four-storey shop office currently used by Dynamic Transforms for storage of the edible bird's nest, office use, and processing facilities.

The purchase consideration was determined based on the fair value as assessed by an independent valuer, and to be settled in cash.

The transaction was completed on 17 July 2018.

Our Chief Operating Officer, Lok Chyi Yeu is the director and shareholder of Market Performance Sdn. Bhd. However, this transaction is not considered as a related party transaction as he is neither a director of the Company nor a director of Ming Feng, and he was only appointed as our Chief Operating Officer in August 2018 after the completion of this transaction.

- (ii) Ming Feng had entered into a sale and purchase agreement dated 2 February 2018 with Liew Choong Beng, Chew Tock Juan, Chee Chooi Hong and Chow Chin Ngai ("**Dynamic Transforms Vendors**") to purchase 540,000 shares representing 90% of the total issued and paid-up share capital in Dynamic Transforms from Dynamic Transforms Vendors for a total purchase consideration of RM2,700,000 in the following manner:

Name	Number of shares in Dynamic Transforms ('000)	Purchase Consideration (RM'000)
▪ Liew Choong Beng	90	450
▪ Chew Tock Juan	18	90
▪ Chee Chooi Hong	258	1,290
▪ Chow Chin Ngai	174	870
<b>Total</b>	<b>540</b>	<b>2,700</b>

The acquisition of 258,000 shares held by Chee Chooi Hong in Dynamic Transforms (representing 43% of the total issued and paid-up share capital in Dynamic Transforms) was completed in May 2018. Ming Feng subsequently entered into a supplemental letter with Liew Choong Beng, Chew Tock Juan and Chow Chin Ngai on 30 May 2018 whereby the parties agreed that:

#### 4. BUSINESS OVERVIEW (CONT'D)

- (i) Ming Feng will only acquire 162,000 shares held by Chow Chin Ngai in Dynamic Transforms (representing 27% of the total issue and paid-up share capital in Dynamic Transforms) for a purchase consideration of RM810,000; and
- (ii) Ming Feng will not acquire the 90,000 shares and 18,000 shares held by Liew Choong Beng and Chew Tock Juan respectively in Dynamic Transforms.

The total purchase consideration of RM2,700,000 was agreed by Ming Feng and the Dynamic Transform Vendors after taking into consideration average annual revenue of approximately RM1.57 million generated by Dynamic Transforms based on its audited financial statements for the financial years ended 31 March 2016 and 2017. The total purchase consideration implied a price-to-sales ratio of approximately 2 times, and is to be satisfied by cash.

The entire transaction (pursuant to the sale and purchase agreement dated 2 February 2018 and the supplement letter dated 30 May 2018) was completed on 30 May 2018.

- (iii) Ming Feng had entered into a sale and purchase agreement dated 16 April 2018 with Lok Chyi Yeu to purchase 60,000 shares representing 10% of the total issued and paid-up share capital in Dynamic Transforms for a purchase consideration of RM299,892 to be satisfied by issuance of 321,600 shares in Ming Feng to Lok Chyi Yeu.

The purchase consideration was determined on the same basis as disclosed above under Section 4.12(ii) of this Information Memorandum.

The transaction was completed on 16 April 2018.

- (iv) Enest had on 10 July 2018 entered into the Ming Feng SSA for the Ming Feng Acquisition. The Ming Feng Acquisition was completed on 12 September 2018.

The purchase consideration was determined based on the audited net assets of Ming Feng as at 31 December 2017 and after taking into consideration the increase in paid-up capital subsequent to 31 December 2017 as disclosed below:

	<b>RM'000</b>
Audited net assets of Ming Feng as at 31 December 2017	1,375
Increase in paid-up capital pursuant to the issuance of new shares for the acquisition of 10% equity interest in Dynamic Transforms	300
Increase in paid-up capital pursuant to the allotment of new shares subsequent to 31 December 2017	400
<b>Adjusted net assets of Ming Feng</b>	<b>2,075</b>

- (v) Enest had on 15 September 2018 entered into the Ye Lin SSA for the Ye Lin Acquisition. The Ye Lin Acquisition was completed on 22 October 2018.

The purchase consideration was determined to be a nominal sum, in view that Ye Lin has yet to commence operations.

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.13 MATERIAL PROPERTIES

##### 4.13.1 Material properties owned by our Group

As at the LPD, our Group does not own any other landed or immovable property or asset save for the following:

Registered/ Beneficial Owner	Title/ Property Address	Description of Property/ Existing Use	Category of Land Use/ Tenure of Property	Restrictions in Interest/ Material Encumbrances	Date of Acquisition/ Approximate Age of Building	Land Size/ Gross Built- Up Area	Date of Issuance of CF or CCC/ Certificate No./ Issuing Authority
Ming Feng	PM 2675, Lot 2365, Bandar Selayang, Daerah Gombak, Negeri Selangor/  15, Jalan PS 9/2, Prima Selayang, 68100 Batu Caves, Selangor Darul Ehsan	4-storey shop office/  Ground floor is used as a storage;  First floor is used as an office; and  Second and third floor are used as processing facilities.	Building/  99 years, expiring on 09.08.2098	This land cannot be transferred, leased or charged unless with the consent of the State Authority/  Charged to Maybank Islamic Berhad	17.07.2018/  10 years	1,920 square feet/  7,680 square feet	01.02.2008/  B 01028/  MPS

Our Board confirms that the above property:

- (i) does not breach any of the category land use conditions or permissible land use;
- (ii) has complied with current statutory requirements, land rules or building regulations and environmental rules and regulations; and
- (iii) the existing building has been issued with CF/CCC.

#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.13.2 Material properties rented by our Group

As at the LPD, there are no material properties rented by our Group save for the following:

No.	Landlord	Tenant	Rental	Commencement Date	Term/ Expiry of Tenancy	Premise	Permitted Use of Premise as stated in the Tenancy Agreement	Date of Issuance of CF or CCC/ Certificate No./ Issuing Authority
1.	Caristra Holdings Sdn. Bhd.	Ming Feng	RM6,300 per month	01.03.2017	2 years/ 01.03.2019	No. 2, First Floor, Jalan Semenyih Pekan Kajang, 43000 Kajang, Selangor Darul Ehsan	For the business of bird's nest	13.11.2018/  2656/  MPKJ
2.	Caristra Holdings Sdn. Bhd.	Ming Feng	RM9,000 per month	01.07.2018	2 years/ 30.06.2020	No. 2B-G and 2B-M, Jalan Semenyih Pekan Kajang, 43000 Kajang, Selangor Darul Ehsan	For the business of bird's nest	13.11.2018/  2656/  MPKJ
3.	TLY Textile Trading Sdn. Bhd.	Dynamic Transforms	RM3,000 per month	01.05.2018	3 years/ 30.04.2021	13B & 13C, Jalan PS 9/2, Taman Prima Selayang, 68100 Batu Caves, Selangor	Processing center relating to bird nest product, pharmaceuticals, medicinal, herbal and healthcare products centre, administrative office and appurtenant thereof	01.02.2008/  B 01028/  MPS

**4. BUSINESS OVERVIEW (CONT'D)**

<b>No.</b>	<b>Landlord</b>	<b>Tenant</b>	<b>Rental</b>	<b>Commencement Date</b>	<b>Term/ Expiry of Tenancy</b>	<b>Premise</b>	<b>Permitted Use of Premise as stated in the Tenancy Agreement</b>	<b>Date of Issuance of CF or CCC/ Certificate No./ Issuing Authority</b>
4.	Shanghai Sky Tiger Logistics Co., Ltd.	Ye Lin	RMB14,000 per annum	03.12.2017	3 years/ 02.12.2020	Room 701-B11, Building 2, No. 29 Jiatai Road, Shanghai, China	Official business	N/A

Our Board confirms that the above rented properties:

- (i) do not breach any of the category land use conditions or permissible land use;
- (ii) have complied with current statutory requirements, land rules or building regulations and environmental rules and regulations; and
- (iii) the existing properties have been issued with CF/CCC.

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#### 4. BUSINESS OVERVIEW (CONT'D)

##### 4.14 EMPLOYEES

Over the years, we have never experienced major turnover in terms of our employees. The table below shows our Group's total employees as at the LPD:

	Total Number of Employees		
	As at the LPD <sup>(1)</sup>		
	Local	Foreign	Total
Directors <sup>(2)</sup>	4	-	4
Managers	6	-	6
Executives	7	-	7
General workers	8	26	34
	<b>25</b>	<b>26</b>	<b>51</b>

Notes:

(1) Includes employees of Dynamic Transforms.

(2) Represents our Board.

None of our employees belongs to any labour union. Our Key Management enjoy good working relationship with our employees. As at the LPD:

- (i) our foreign workers possess valid visa; and
- (ii) there is no major industrial dispute pertaining to our employees.

##### 4.15 INTERNAL CONTROL SYSTEM

In order to ensure the adequacy and effectiveness of our internal control system, our Company has engaged the Independent Internal Control Consultant to conduct a review. The Board, after taking into consideration the review results by the Independent Internal Control Consultant, is of the opinion that our internal control framework is adequate and operating effectively.

##### 4.16 PROSPECTS

Our Board is of the view that we will capture future growth opportunities presented by the growing industry we operate in by leveraging on our competitive strengths as highlighted in Section 4.4 of this Information Memorandum.

The edible bird's nest industry in Malaysia recorded an annual production output volume of approximately 46.0 tonnes in 2013. The industry grew to approximately 423.4 tonnes in annual production output volume in 2017.

Under the ETP, it is forecast that the industry will reach RM3.5 billion or 870.0 tonnes of edible bird's nests by 2020. As set in the ETP, the Government aims to grow the local edible bird's nest industry and targets to achieve a 40.0% market share of the global edible bird's nest industry by 2020.

A large proportion of Malaysia's bird's nests are exported. In 2017, approximately 66.7% of total edible bird's nest exports in the country were exported to China.

(Source: IMR Report by PROVIDENCE)

Against this backdrop, we seek a listing on the LEAP Market to facilitate our future growth and undertake our strategies identified in Section 4.11 of this Information Memorandum. This will place us in a position to be able to ensure our long-term growth and sustainability in the industry.

## 5. INDUSTRY OVERVIEW

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PROVIDENCE STRATEGIC PARTNERS SDN BHD  
(1238910-A)  
L-2-1, Plaza Damas, No. 60, Jalan Sri Hartamas 1,  
Sri Hartamas, 50480 Kuala Lumpur, Malaysia.  
T: +603 7725 2288

27 March 2019

The Board of Directors

ENEST GROUP BERHAD  
2, First Floor  
Jalan Semenyih, Bandar Kajang  
43000 Kajang, Selangor Darul Ehsan

Dear Sirs,

**Industry Overview on the Edible Bird's Nest Industries in Malaysia and China for the Listing of Enest Group Berhad on the LEAP Market of Bursa Malaysia Securities Berhad ("Bursa Securities")**

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This Industry Overview Report on the Edible Bird's Nest Industries in Malaysia and China was prepared by PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") for inclusion in the Information Memorandum of Enest Group Berhad.

For and on behalf of PROVIDENCE:

MELISSA LIM  
EXECUTIVE DIRECTOR



## 5. INDUSTRY OVERVIEW (CONT'D)



# 1 EDIBLE BIRD'S NEST INDUSTRY IN MALAYSIA

## DEFINITION AND SEGMENTATION

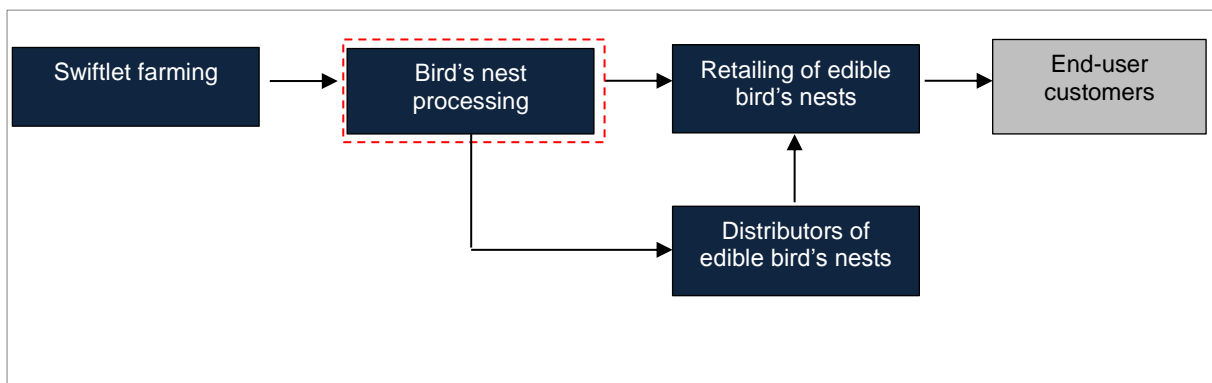
Edible bird's nests are nests of small swiftlets, which are birds typically found in Southern Asia. They are shaped in half-cups, made from the strands of swiftlet saliva. Edible bird's nests are coveted in Chinese culture for their health and medicinal benefits. They were first consumed in China during the Tang Dynasty over 1,000 years ago.

Edible bird's nest is typically consumed as bird's nest soup, where it is simmered in a broth. Increasingly, it is also being used in health food and beverages (including traditional Chinese medicines or health supplementary products) as well as in skincare and cosmetics products. It is said to strengthen the body's immune system, improve healing properties, promote wrinkle-free complexions and radiant skin tones due to its combination of protein, carbohydrate and fibres.

In the past, bird's nests were harvested directly from their natural habitats, which are the vertical walls of caves. This has been proven as physically challenging and dangerous. As a result, custom-built swiftlet homes began evolving in the 1970s and 1980s. Swiftlet homes, either using existing structures such as shop houses or purpose-built ones, are located close to these swiftlet populations to replicate the natural habitat of swiftlets (i.e. the cave environment). Swiftlets are attracted to these homes through swiftlet chirping sounds that are played continuously through a series of audio speakers located throughout the homes.

The value chain of the edible bird's nest industry comprises swiftlet farmers, processing facilities, as well as distributors and retailers. Swiftlet farmers comprise both individual farmers and swiftlet farming facilities. On the other hand, bird's nest processing is typically carried out by processing facilities that have been licensed by HACCP-compliant facilities by Ministry of Health Malaysia. Distributors of edible bird's nests can be freelance individual traders or distribution companies, while retailers are typically brand owners or edible bird's nest retailing companies.

**Value chain of the edible bird's nest**



Note:

  Denotes the segment in which Enest Group Berhad presently operates

Source: PROVIDENCE

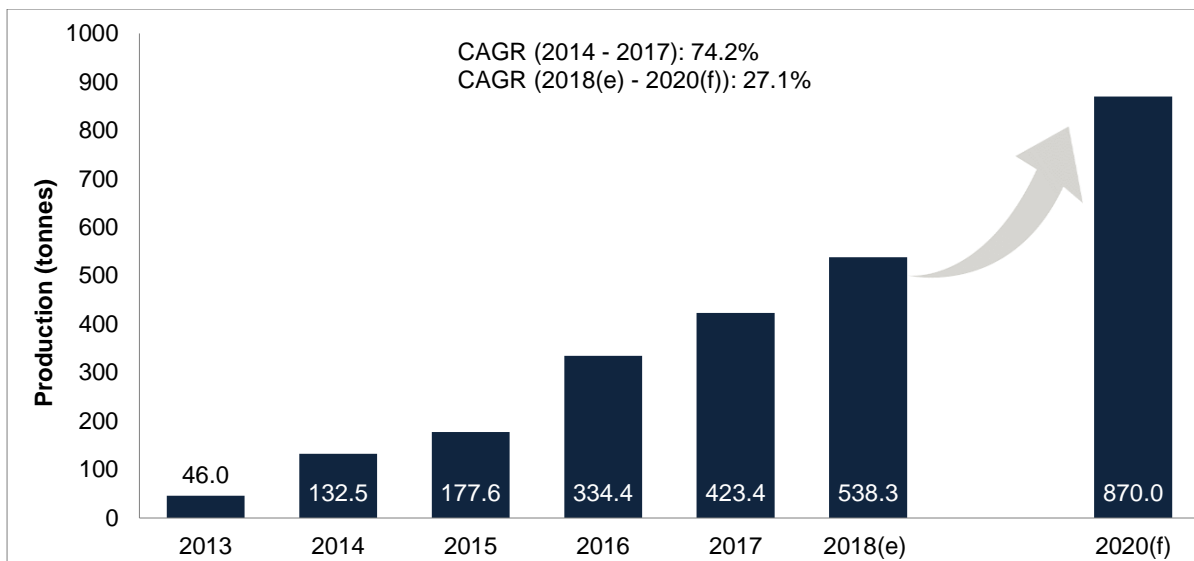
## 5. INDUSTRY OVERVIEW (CONT'D)



### INDUSTRY PERFORMANCE, SIZE AND GROWTH

Malaysia is one of the largest producer of bird's nests in the world, producing approximately 25% of the global production of edible bird's nests. The edible bird's nest industry in Malaysia grew from an annual production output of 46.0 tonnes in 2013 to approximately 423.4 tonnes in 2017, at a compound annual growth rate ("CAGR") of 74.2%.

Malaysia's production of edible bird's nest



Source: PROVIDENCE analysis, Economic Transformation Programme ("ETP")

Under the ETP, it is forecast that the industry will reach RM3.5 billion or 870.0 tonnes of bird's nests by 2020.

As set in the ETP, the Government aims to grow the local edible bird's nest industry and targets to achieve a 40.0% market share of the global edible bird's nest industry by 2020. As at 2017, there are 9,416 swiftlet premises and 6,482 operators in Malaysia.<sup>1</sup>

The Government also plans to develop downstream opportunities within this industry by increasing the production of personal care products and health supplements through the processing of locally produced bird's nests. The edible bird's nest industry is expected to generate a gross national income ("GNI") of USD1.5 billion (RM4.5 billion<sup>2</sup>) for the country by 2020 and create approximately 20,000 new jobs.

A large proportion of Malaysia's bird's nests are exported. The industry saw a downturn in 2011 due to China imposing a ban on Malaysia's bird's nest after the discovery of high levels of nitrite in unprocessed swiftlet nests. However, the export market to China has since improved, when China lifted the ban in 2014. Since then, Malaysia has increased export of bird's nest to China. In 2014, RM29.3 million in value, or approximately 48.1% of bird's nest processed in Malaysia are exported to

<sup>1</sup> Source: Department of Veterinary Services ("DVS")

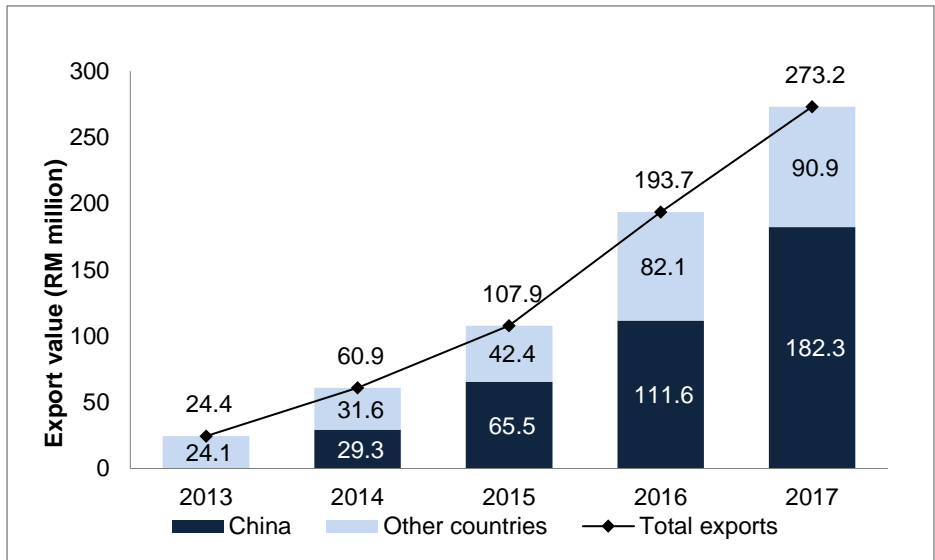
<sup>2</sup> Forecast data in 2020 was converted from USD to RM based on the average annual exchange rate for 2017, at USD1 = RM4.3008

5. INDUSTRY OVERVIEW (CONT'D)



China, compared to RM0.3 million in the previous year. In 2017, approximately 66.7% of total edible bird's nest exports in the country were exported to China.

**Malaysia's export of edible bird's nest**



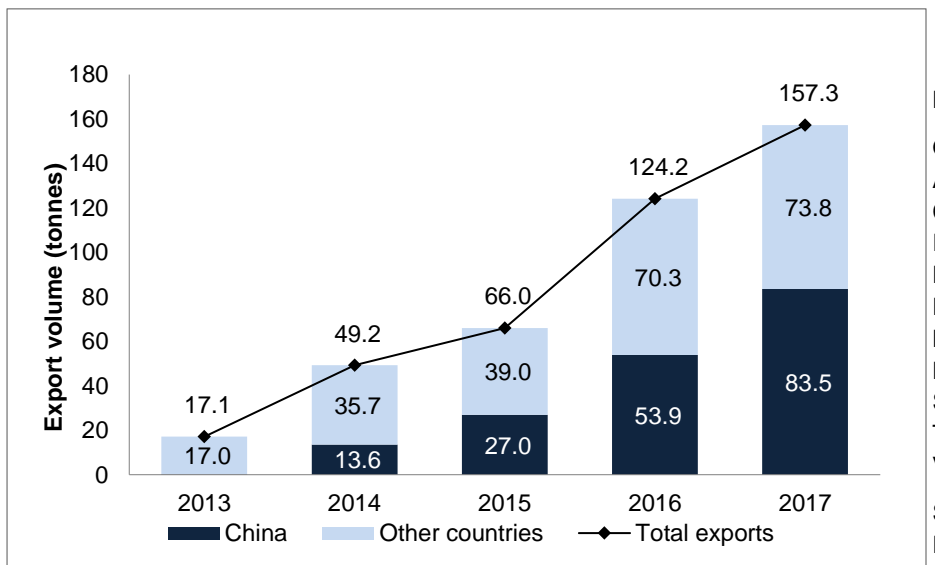
Note:

Other countries include Australia, Brunei Darussalam, Canada, Cambodia, Hong Kong, Indonesia, Japan, Republic of Korea, People's Democratic Republic of Laos, Macao, Myanmar, Netherlands, Norway, Singapore, Taiwan, Thailand, United States and Vietnam.

Source: Department of Statistics Malaysia, PROVIDENCE analysis

In terms of volume, in 2014, 13.6 tonnes of bird's nest processed in Malaysia were exported to China, compared to 0.1 tonnes in the previous year. In 2017, 83.5 tonnes of bird's nest were exported to China, a growth of 6 times, as compared to the export in 2014.

**Malaysia's export of edible bird's nest**



Note:

Other countries include Australia, Brazil, Cambodia, Canada, Hong Kong, Indonesia, Italy, Japan, Republic of Korea, People's Democratic Republic of Laos, Macao, Myanmar, Netherlands, Norway, Singapore, Slovenia, Thailand, United States and Vietnam.

Source: Comtrade, PROVIDENCE analysis

## 5. INDUSTRY OVERVIEW (CONT'D)



### KEY DEMAND DRIVERS

#### **Increasing demand from international markets leading to a growing export market for edible bird's nests**

Demand for locally produced edible bird's nests in Malaysia has been largely fuelled by international markets, primarily China. China is Malaysia's largest export market, and Malaysia exported approximately 66.7% of its edible bird's nests to China in 2017.

China is the world's most populous country and it is the second largest economy after the United States of America. Its gross domestic production ("GDP") is one of the fastest growing worldwide, growing at a CAGR of 6.2% between 2013 and 2017.<sup>3</sup> Meanwhile, China's urbanisation rate grew from 53.0% in 2013 to 58.0% in 2017.<sup>4</sup> The economic growth and increasing urbanisation rate in China are indicators of a flourishing economy.

Further details on the growth of demand for edible bird's nest in China are set out in **Chapter 2 – Overview of the Edible Bird's Nest Market in China**.

The abovementioned factors, coupled with the fact that edible bird's nests are coveted amongst China's population, will likely continue to remain as a constant driver for the edible bird's nest industry in Malaysia.

#### **Growing disposable income of the population will lead to greater spending power for expensive and quality purchases such as edible bird's nests**

Malaysia's GDP per capita increased by 24.7% from approximately RM34,289.0 in 2013 to RM42,767.1 in 2017, while purchasing power parity per capita income increased by 22.5% from approximately International Dollars 24,034.0 to International Dollars 29,431.5 during the same period.<sup>5</sup>

This increase in income is leading to a rise in a more affluent population that has greater spending power. Consequently, consumer purchases are diversifying from necessities to more expensive and quality purchases, which include edible bird's nests. An increase in demand for edible bird's nests will contribute to the overall growth of the industry in Malaysia.

#### **Scientific studies on the benefits of edible bird's nests has led to an increased awareness of the medicinal or health benefits of edible bird's nests**

For hundreds of years, edible bird's nests have been coveted in Chinese culture for their health and medicinal benefits. The Chinese culture believes that edible bird's nests have a high nutritional and medicinal value, as bird's nests contain essential amino acids, carbohydrates, ash and lipids. With these substances, the Chinese population believes that edible bird's nests can stimulate cell division and growth, enhance tissue growth and regeneration and improve human immune system.

Over the years, scientific studies have been carried out to scientifically measure the benefits of edible bird's nests. Some of these studies have successfully discovered that edible bird's nests have immune-enhancing effect that promoted cell division and promotes skin-lightening.<sup>6</sup>

<sup>3</sup> Source: World Bank

<sup>4</sup> Source: World Bank

<sup>5</sup> Source: World Bank

<sup>6</sup> Source: Based on a scientific study conducted to prove the benefits of edible bird's nests in 1986 by Ng, Chan and Kong in Hong Kong and in 2015 by Chan, G.K.L., et al. in Hong Kong

## 5. INDUSTRY OVERVIEW (CONT'D)

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As the awareness of the benefits of edible bird's nests increases, there will be a growth in demand for edible bird's nests.

### **Increasing awareness of the need for a healthy lifestyle is expected to constantly drive demand for edible bird's nests**

With the increase in urbanisation and work hours, there is an increase in the awareness for a healthy lifestyle. In addition to physical exercise, consumers, especially those in middle-income and high-income segments, have turned to alternative medicine and/or health supplements. Due to edible bird's nest being expensive, it is typically afforded by these income segments who believe in the health benefits it brings.

As the awareness for a healthy lifestyle increases, there will be a growth in demand for edible bird's nests.

### **Favourable Government initiatives which will drive the growth of the edible bird's nest industry**

The agriculture sector is a major contributor to Malaysia's GNI and thus has been identified as 1 of the 12 key economic focus areas under the ETP. The ETP (2011-2020) was launched in 2010 with the goal of promoting Malaysia into an inclusive and sustainable high-income country by the year 2020. Under the agriculture sector, the edible bird's nest industry has been identified as one of the Entry Point Projects.

Under the ETP, the Government aims to capture 40.0% of the global edible bird's nest market by 2020. To achieve this target, the Government encourages the increase in upstream production of edible bird's nests by building an additional 2,000 new farms yearly and 6 collection centres, while encouraging the industry to move towards the domestic processing of edible bird's nests into downstream value-added products. As of 2017, there are a total of 9,416 registered swiftlet premises.<sup>7</sup>

PROVIDENCE views that these initiatives taken by the Government via various projects will boost the edible bird's nest industry in Malaysia.

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<sup>7</sup> Source: DVS

## 5. INDUSTRY OVERVIEW (CONT'D)



### COMPETITIVE OVERVIEW

As Enest Group Berhad is in the business of processing of raw bird's nest into cleaned edible bird's nest, as well as export, this Industry Overview has identified industry players that are in the processing of edible bird's nests business, as illustrated below:

- Aeries Purebird Nest (M) Sdn Bhd
- Amazing Biotech International Sdn Bhd
- Amity AKF Enterprise Sdn Bhd
- Ardent Vision Sdn Bhd
- Biogrow Resources Sdn Bhd
- Blue Sky Bird Nest Sdn Bhd
- Borneo Nature Sdn Bhd
- Borneo Yin Woh Sdn Bhd
- Creation Swiftlet Import & Export Sdn Bhd
- Dama Dingji Yanwo Sdn Bhd
- Dragon Birdnest Sdn Bhd
- Duta Sialin Biotechnology Sdn Bhd
- Fuciphagus Agritech Sdn Bhd
- Genius Revolution Sdn Bhd
- Glitter Summer Sdn Bhd
- Indas Utama Sdn Bhd
- Ka Sin Success (M) Sdn Bhd
- Koperasi Penternak Burung Walit Malaysia Berhad
- Kuan Wellness Sdn Bhd
- Maxim Birdnest (M) Sdn Bhd
- Mei Wen Birdnest Trading Sdn Bhd
- Mobile Harvesters Sdn Bhd
- Numakka Birdnest Sdn Bhd
- Pasfa Swiftlet Sdn Bhd
- PT Swift Marketing Sdn Bhd
- Rickson(M) Sdn Bhd
- Royal Bird's Nest Sdn Bhd
- SKY Food Supply Sdn Bhd
- Sai Kim Enterprise Sdn Bhd
- Seng Peng Birdnest Sdn Bhd
- Soon Her Sdn Bhd
- SQB Sdn Bhd
- Steady Farm Sdn Bhd
- Sunshine Region Sdn Bhd
- Superb Diversified Sdn Bhd
- Swallows House Enterprise
- Swiftlet Fortune Manufacturing Sdn Bhd
- Syarikat Amity AKF Enterprise Sdn Bhd
- Think Birdnest Sdn Bhd
- Tian Ma Bird Nest Sdn Bhd
- V Nest Sdn Bhd
- Wansern Agrotech Sdn Bhd
- Wing Shen Food Industries Sdn Bhd
- Yan OU Holdings (M) Sdn Bhd
- Yanming Resources Sdn Bhd
- Yen Pao Lai (M) Sdn Bhd
- Zheng Feng Equity Sdn Bhd

Source: China Academy of Inspection and Quarantine, DVS, PROVIDENCE

## 5. INDUSTRY OVERVIEW (CONT'D)

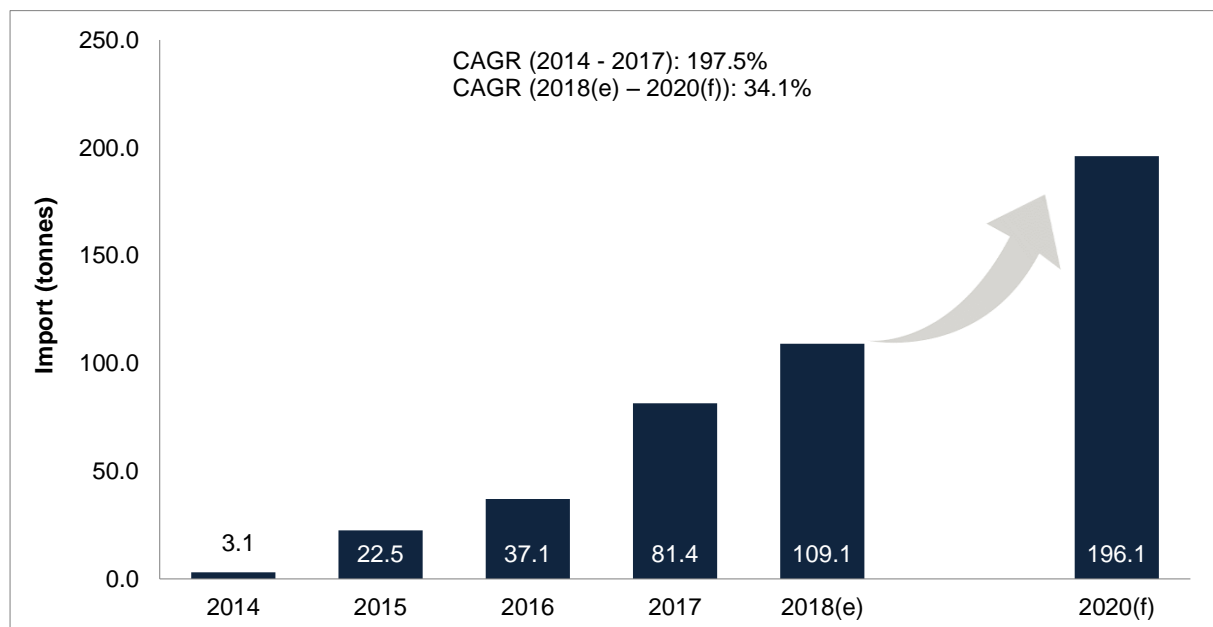


# 2 OVERVIEW OF THE EDIBLE BIRD'S NEST INDUSTRY IN CHINA

China is the largest consumer of edible bird's nests, consuming approximately 65.0% of global edible bird's nest consumption. Due to its geographical location, China's domestic production of edible bird's nest is negligible, resulting in the country relying on imports from Southeast Asia. As such, the edible bird's nest industry can be measured in terms of its imports into the country.

Imports of edible bird's nest into China, in terms of volume, grew from 3.1 tonnes in 2014 to 81.4 tonnes in 2017, at a CAGR of 197.5%. PROVIDENCE forecasts edible bird's nest imports in China to reach 196.1 tonnes by 2020, registering a CAGR of 34.1% between 2018 and 2020.

**Imports of edible bird's nest in China**



Note:

Earliest available data is as at 2014

Source: China Academy of Inspection and Quarantine, PROVIDENCE

The growth in market demand for edible bird's nests in China is largely fueled by the growing spending power of the population. The population's disposable income, as depicted by purchasing power parity per capita income, increased by 35.9% from approximately International Dollars 12,368.0 in 2013 to International Dollars 16,806.7 in 2017.<sup>8</sup> As disposable income increases, the population in the country have a greater propensity to spend on products deemed as luxurious and high value.

<sup>8</sup> Source: World Bank

## 5. INDUSTRY OVERVIEW (CONT'D)

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This is supported by the fact that China is the world's most populous country, comprising primarily of Chinese ethnicity. China's population grew, from 1,357.4 million persons in 2013 to 1,386.4 million persons in 2017.<sup>9</sup> As edible bird's nests are coveted in the Chinese culture for its medicinal and health properties, this indicates a growing demand for edible bird's nests.

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<sup>9</sup> Source: World Bank



## 6. RISK FACTORS

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**YOU SHOULD CAREFULLY CONSIDER, ALONG WITH OTHER MATTERS IN THIS INFORMATION MEMORANDUM, THE RISK FACTORS SET OUT BELOW.**

### 6.1 RISKS RELATING TO OUR BUSINESS OPERATIONS AND THE INDUSTRY IN WHICH OUR GROUP OPERATES

#### 6.1.1 We are exposed to operational risks

Our business is subject to day-to-day operational risks, namely the risk of fire, flood, disruptions in supply of utilities, outbreak of Bird Flu and other diseases, breakdown of heating and cooling equipment, logistics failure and stock pilferage. These risks may cause significant interruptions to the processing of bird's nest, thereby having an adverse effect on our business operations and financial performance.

There can be no assurance that our existing or future management, operational and financial systems, procedures and controls will be adequate to avoid the occurrence of the aforementioned operational risks.

#### 6.1.2 We are dependent on supply of foreign workers

The processing of raw bird's nest is labour intensive in nature. In light of the volume of edible bird's nests our Group produces and will continue to produce, trained and experienced workers are vital in our business to ensure optimal yield during the processing of bird's nests.

Our operations are dependent on the supply of foreign workers. As at the LPD, we have 51 employees, of which 26 or approximately 50.98% of our total employees are foreign workers, mainly from Bangladesh and Vietnam. As such, inadequate supply of foreign workers as well as revision in policy in relation to hiring of foreign workers by the Malaysian Government may disrupt our operations resulting in an adverse impact on our financial performance.

As part of our efforts to manage our dependency on our foreign workers, we work closely with our recruitment agencies for the recruitment and renewal of work permits for the foreign workers. To date, we have not experienced any material adverse effect on our operations as a result of shortage in the supply of foreign workers for our operations nor were there any interruptions in our operations during the past 12 months due to shortage of foreign workers.

We can also resort to hiring local workers in the event of prolonged shortage of supply of foreign workers. However, if such situation occurs, our profitability may be affected as the employment costs of local workers are likely to be higher as compared to that of the foreign workers.

#### 6.1.3 We are exposed to fluctuations in the demand and prices of edible bird's nests

The prices of edible bird's nests fluctuate in accordance to the demand and supply of edible bird's nests. In the event that the market price of edible bird's nest falls significantly, our financial performance may be adversely affected. Such adverse movements in the demand and supply and prices of edible bird's nests are beyond the control of our Group.

Our Group will continuously focus on ensuring the high quality of our edible bird's nests and cultivate customer loyalty in order to cope with the fluctuation in the demand and prices. However, there can be no assurance that our efforts in ensuring high quality of our edible bird's nests will be adequate to cope with the risk of fluctuation in the demand and prices.

## 6. RISK FACTORS (CONT'D)

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### 6.1.4 We face competition in the edible bird's nest industry

Notwithstanding our competitive strengths, our business continues to face competition both locally and internationally as edible bird's nests are considered to be expensive commodities.

We believe that with our focus on, amongst others, ensuring the high quality of our products as well as our technical experience and know-how in processing and distribution of edible bird's nest, will enable our Group to remain competitive in the edible bird's nest industry.

However, no assurance can be given that our Group will be able to maintain our competitiveness against current and future competitions.

### 6.1.5 We are dependent on Executive Directors and Key Management

Our success can be attributed to the leadership of our Executive Directors and Key Management led by our Executive Chairman, Tan Heng Guan and CEO, Tan Teh Jie.

We believe that our continued and future success is therefore dependent on our ability to retain our Key Management personnel, who are responsible for formulating and implementing our business strategies, business development and daily management of our operations.

Sudden departure of Key Management personnel without appropriate replacement within a short time frame may have an adverse impact on our Group's operations.

Our Group recognises the importance of these Key Management personnel and has made efforts to put in place human resource strategies such as competitive compensation packages and career development opportunities.

Further, we also believe that by enhancing our corporate profile as a listed issuer, we will be able to attract more qualified personnel to continuously play an active role in the growth and success of our Group.

However, no assurance can be given that these measures would result in the successful recruitment, retention and/or motivation of our Key Management.

### 6.1.6 We are exposed to changes in regulations on edible bird's nests in the principal markets we serve

We export our edible bird's nests to China, Hong Kong, Australia and Singapore. As such, our edible bird's nests may be subject to testing and regulations pertaining to the quality, hygiene and safety of the products enforced in the respective countries/markets. Our products may also be subject to other import conditions such as tariffs, quotas, licensing and other trade restrictions.

While we will continuously ensure the quality of our products, changes in regulations such as tariffs, quotas and licensing are factors beyond our control. In the event of adverse changes in regulations, our business operations and financial performance may be adversely affected.

## 6. RISK FACTORS (CONT'D)

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### 6.2 RISKS RELATING TO INVESTMENT IN OUR SHARES

#### 6.2.1 No prior market for our Shares and possible volatility of our share price

There is no prior market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Proposed Listing or if developed, that such market will be sustained.

In addition, our Shares could trade at prices that may be lower than the Issue Price of RM0.08 per Share as a result of many factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These include, amongst others, prevailing global and local economic conditions, the depth and liquidity of the market for our Shares and investors' individual perceptions of our Group.

#### 6.2.2 Control by our Promoters may limit your ability to influence the outcome of matters requiring approval of our shareholders

Upon the Proposed Listing, our Promoters will collectively hold approximately 61.03% of our enlarged issued share capital. As a result, they will still be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as exert significant influence on the outcome of certain matters requiring the approval of our shareholders, unless they are required to abstain from voting by law and/or as required by the relevant authorities.

Nevertheless, our Group will be governed by the Listing Requirements upon our Proposed Listing and is bound to ensure any future transactions involving related parties are entered into on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders. The Board will continue to be guided by WYNCORP as the Continuing Adviser subsequent to our Proposed Listing.

#### 6.2.3 Delay in our Proposed Listing or our Proposed Listing may be aborted

Our Proposed Listing may be delayed or aborted on the occurrence of any one or more of the following events:

- (i) we are unable to meet the public shareholding spread requirement as stipulated by the Listing Requirements, whereby at least 10% of our enlarged issued share capital for which the Proposed Listing is sought shall be held by public shareholders;
- (ii) the revocation of approvals from the relevant authority for our Proposed Listing and/or admission to the Official List of the LEAP Market for whatever reason; and
- (iii) the occurrence of any force majeure events, which are beyond our control, before our Proposed Listing.

Although we will endeavour to comply with the regulatory requirements for successful implementation of our Proposed Listing, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of our Proposed Listing.

In the event that our Proposed Listing does not take place within 6 months from the date of approval by Bursa Securities for our Proposed Listing on the LEAP Market (or such further extension of time as Bursa Securities may allow) or we abort the Proposed Listing on the LEAP Market, Sophisticated Investors will not receive any Shares but we will return in full, without interest, all monies paid in respect of any application for our

**6. RISK FACTORS (CONT'D)**

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Shares within 14 days and our Directors shall be jointly and severally liable to repay the monies with interest at the rate of 10% per annum or such other rate as may be prescribed by Bursa Securities upon expiration of that period until full refund is made.

In the event that our Proposed Listing is aborted and/or terminated and our Shares have been allotted to the shareholders, a return of monies to all of our shareholders could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation may be carried out in one of the following manners:

- (i) By a special resolution of our shareholders in the general meeting, together with consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation by the High Court of Malaysia in accordance with section 116 of the Act; or
- (ii) By a special resolution of our shareholders in the general meeting, supported by a solvency statement made by all the Directors of the Company in accordance with section 117 of the Act.

There can be no assurance that such monies can be recovered within a short period of time, or at all, in such circumstances.

**6.2.4 We may not be able to pay dividends**

Our Company is a holding company and we conduct substantially all of our operations through our Subsidiaries. Accordingly, an important source of our income, and subsequently an important factor in our ability to pay dividends on our Shares, is the quantum of dividends and other distributions that our Company receives from our Subsidiaries.

The ability of our Subsidiaries to pay dividends or make other distributions to our Company in the future will depend upon their operating results, earnings, capital requirements, general financial conditions and the governmental laws, decrees, regulations and/or relevant legislations in other countries relating to the repatriation of capital or the remittance of profit by or to our Group. In addition, changes in accounting standards may also affect the ability of our Subsidiaries, and consequently, our ability to pay dividends.

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

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## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.1 SHAREHOLDINGS OF OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The shareholdings of our Promoters, Substantial Shareholders, Directors and Key Management in our Company before and after our Proposed Listing are as follows:

Name	Position/ Directorship	Before Proposed Listing				After Proposed Listing			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Heng Guan	Executive Chairman	87,150,000	21.00	-	-	87,150,000	18.74	-	-
Tan Teh Jie	Executive Director / CEO	83,041,520	20.01	-	-	83,041,520	17.86	-	-
Tan Teh Sheng	Executive Director / Deputy CEO	84,535,520	20.37	-	-	84,535,520	18.18	-	-
Datuk Ng Seing Liong	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Tan Beng Heng	Substantial Shareholder	29,050,000	7.00	-	-	29,050,000	6.25	-	-
Lok Chyi Yeu	Chief Operating Officer	12,450,000	3.00	-	-	12,450,000	2.68	-	-
Christopher Tan Yew Leong	Chief Financial Officer	9,503,500	2.29	-	-	9,503,500	2.04	-	-
Michelle Lim Ying Junn	Production Manager	1,909,000	0.46	-	-	1,909,000	0.41	-	-

## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 7.2 PROFILES OF OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

- (i) **Tan Heng Guan**, a Malaysian, aged 59, is our Executive Chairman. He was appointed to the Board on 16 November 2018.

He obtained Sijil Pelajaran Malaysia in 1978 from Sekolah Menengah Abu Bakar Temerloh, Pahang. He started his career in his family business of rubber and palm oil kernel trading in Termeloh, Pahang. Throughout his stint in his family business from 1980 to 1990, he gathered his experience in the commercial field and expanded the rubber and palm oil kernel trading business together with his siblings by establishing their palm kernel and rubber scalps collector branches.

In 1996, Tan Heng Guan shifted his business focus to palm oil plantation business with the incorporation of Sri Kerdau Commodities Sdn. Bhd. to trade palm oil fruit bunches and palm oil kernel. Having identified the need to diversify his business to ensure its long term sustainable growth, he diversified his business in 2008 by venturing into property development and swiftlet farming concurrently. In 2008, he incorporated Sri Kerdau Development Sdn. Bhd. to venture into property development in Pahang and Sri Kerdau Bird Nest Sdn. Bhd. to venture into swiftlet farming.

In 2015, recognising the commercial potential of bird's nest processing, Tan Heng Guan co-founded Ming Feng with Tan Teh Jie, Tan Teh Sheng and Tan Beng Heng and assumed his present role as Executive Chairman. Tan Heng Guan brings with him close to 40 years of experience in entrepreneurship.

He is responsible for the overall strategic direction and planning of our Group.

Tan Heng Guan is the father of our Executive Director / CEO, Tan Teh Jie and Executive Director / Deputy CEO, Tan Teh Sheng; and the brother of our Substantial Shareholder, Tan Beng Heng.

- (ii) **Tan Teh Jie**, a Malaysian, aged 26, is our Executive Director and CEO. He was appointed to our Board on 9 April 2018.

He graduated with a Bachelor of Business Administration from Victoria University School of Management, Switzerland in 2014. He later obtained his Master of Industrial Business Management from Southwest State University, Russia in 2015.

While Tan Teh Jie was studying for his bachelor's degree in 2013, he incorporated Zheng Feng Equity Sdn. Bhd. with his partner to venture into the bird's nest distribution business. It was during this time when he built his experience and professional network in the industry.

Upon his graduation in 2015, he sold his entire equity interest in Zheng Feng Equity Sdn. Bhd. to his partner, Wang Fong Luang @ How Fong Luang and co-founded Ming Feng with Tan Heng Guan, Tan Teh Sheng and Tan Beng Heng. He has since been instrumental to the growth and development of our Group to date.

He is responsible for overseeing our Group's business operations and development.

Tan Teh Jie is the son of our Executive Chairman, Tan Heng Guan, the brother of our Executive Director / Deputy CEO, Tan Teh Sheng and the nephew of our Substantial Shareholder, Tan Beng Heng.

## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

- (iii) **Tan Teh Sheng**, a Malaysian, aged 24, is our Executive Director and Deputy CEO. He was appointed to our Board on 9 April 2018.

He graduated with Bachelor of Sciences (Honours) in Psychology and Cognitive Neuroscience from University of Nottingham Malaysia in 2017.

He co-founded Ming Feng in 2015 with Tan Heng Guan, Tan Teh Jie and Tan Beng Heng. As Deputy CEO, Tan Teh Sheng supports our CEO in ensuring the smooth running of our Group's operations.

He is primarily responsible for overseeing the administrative functions of our Group.

Tan Teh Sheng is the son of our Executive Chairman, Tan Heng Guan, the brother of our Executive Director / CEO, Tan Teh Jie and the nephew of our Substantial Shareholder, Tan Beng Heng.

- (iv) **Datuk Ng Seing Liong**, a Malaysian, aged 65, is our Independent Non-Executive Director. He was appointed to the Board on 16 November 2018.

Datuk Ng graduated with Diploma in Commerce from Tunku Abdul Rahman University College (formerly known as Tunku Abdul Rahman College) in 1977. He is a Chartered Accountant, approved Company Auditor, Liquidator and Tax Agent. He is a Member of Malaysian Institute of Accountants, Fellow Member of the Association of Chartered Certified Accountants United Kingdom, Associate Member of Institute of Chartered Secretaries & Administrators United Kingdom, Member of Malaysian Institute of Certified Public Accountants, Fellow Member of Institute of Co-operative and Management Auditors Malaysia and Fellow Member of Chartered Institute of Taxation, Malaysia.

Datuk Ng has over 40 years of experience in audit, tax, corporate advisory as well as receivership and liquidation. He is presently the Senior Partner of S. L. Ng & Associates (formerly known as S. L. Ng & Lean). He also holds directorships in 2 public companies, namely Eversendai Corporation Berhad and Golden Land Berhad, both listed on the Main Market of Bursa Securities.

- (v) **Tan Beng Heng**, a Malaysian, aged 64, is our Substantial Shareholder.

He obtained Sijil Pelajaran Malaysia in 1973 from Sekolah Menengah Abu Bakar Temerloh, Pahang. He started his career in his family business of rubber and palm oil kernel trading in Termeloh, Pahang.

In 1996, he was appointed as director in Sri Kerdau Commodities Sdn. Bhd., which involved in trading of palm oil fruit bunches and palm oil kernel. In 2008, he was appointed as director of Sri Kerdau Development Sdn. Bhd., a property development company. In 2010, he was appointed as director in SKC Plantations Sdn. Bhd., an oil palm plantation company. In 2014, he was appointed as director of Sri Kerdau Bird Nest Sdn. Bhd., a swiftlet farming company. He is responsible for financial management and strategic planning of the aforementioned companies and has over 40 years of experience in variety of industries.

In 2015, he co-founded Ming Feng with Tan Heng Guan, Tan Teh Jie and Tan Teh Sheng.

Tan Beng Heng is the brother of our Executive Chairman, Tan Heng Guan and the uncle of our Executive Director / CEO, Tan Teh Jie and Executive Director / Deputy CEO, Tan Teh Sheng.

**7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

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- (vi) **Lok Chyi Yeu**, a Malaysian, aged 35, is our Chief Operating Officer.

He graduated from University Tunku Abdul Rahman with a Bachelor of Information System and Engineering in 2005.

He started his career in the bird's nest industry when he joined Genius Revolution Sdn. Bhd., a former subsidiary of Dynamic Transforms (ceased to be a subsidiary of Dynamic Transforms in 2016), as a Management Trainee upon his graduation. Subsequently, he was transferred to Dynamic Transforms in 2006. He is appointed as director of Dynamic Transforms since 2016 and continues to hold the position as of to-date.

He joined our Group in 2018 post the acquisition of Dynamic Transforms by Ming Feng as Chief Operating Officer. As our Chief Operating Officer, he oversees our sales and marketing activities, particularly the dealings with distributors and importers in China. He is primarily responsible for client relationship building and international sales development, as he maintains regular communications with our stakeholders in China.

- (vii) **Christopher Tan Yew Leong**, a Malaysian, aged 30, is our Chief Financial Officer.

He graduated with Bachelor of Commerce (majoring in Accounting and Finance) from University of South Australia in 2011. He is a Chartered Accountant where he holds memberships in Certified Practising Accountant Australia and Malaysian Institute of Accountants.

He started his career in the auditing and accounting industry upon graduation and has accumulated close to 5 years of experience in audit, tax and financial reporting; having served in several audit firms, where he was assigned to audit and tax assignments involving companies in various industries such as manufacturing, furniture and beddings, trading and retail, logistics and clothing, mobile application development, property development and power generation.

In 2016, he joined our Group as Chief Financial Officer. He is responsible for our Group's financial and accounting functions including statutory and regulatory compliance.

- (viii) **Michelle Lim Ying Junn**, a Malaysian, aged 26, is our Production Manager.

She graduated with Bachelor of Sciences (Honours) in Nutrition from University of Nottingham Malaysia in 2016.

Upon graduation, she joined our Group as Assistant Production Manager. In 2018, she was promoted to her present role as Production Manager. She oversees our Group's operational functions, where she is tasked to manage the processing of edible bird's nests, quality control and quality assurance of our products, as well as operational safety, health and environment.

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## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 7.3 INVOLVEMENT OF OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT IN BUSINESSES/ CORPORATIONS OUTSIDE OUR GROUP

Save as disclosed below, our Promoters, Substantial Shareholders, Directors and Key Management do not have any other interest and directorship in other corporations outside our Group for the past 3 years up to the LPD:

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
Tan Heng Guan	<b>Present Involvement</b>					
	Ming Feng Development Sdn. Bhd.	Construction of buildings	Director	19 April 2017	-	Existing
	Big Store Poultry Sdn. Bhd.	Export and import of poultry and poultry products, raising, breeding and production of chicken, broiler	Director/ Shareholder	1 June 2017	20.00	Existing
	Duta Megamas Sdn. Bhd.	Investment holding and property development, cultivating and trading in oil palm and other agricultural products	Director/ Shareholder	20 July 2011	22.50	Existing
	Sri Kerdau Commodities Sdn. Bhd.	Cultivating and trading in oil palm and all other agricultural products	Director/ Shareholder	2 April 1996	25.00	Existing
	Ming Feng Builder Sdn. Bhd.	Construction and project management	Director/ Shareholder	5 July 2016	30.00	Existing
	Ming Feng Logistics Sdn. Bhd.	Logistics	Director/ Shareholder	11 March 2016	40.00	Existing

**7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
	Ming Feng Trading Sdn. Bhd.	Stock share investment	Director/ Shareholder	25 March 2015	15.00	Existing
	Sri Kerdau Bird Nest Sdn. Bhd.	Swiftlet farming	Director/ Shareholder	12 September 2014	25.00	Existing
	SKC Plantation Sdn. Bhd.	Investment and property development and cultivating and trading in oil palm and other agricultural products	Director/ Shareholder	17 June 2010	25.00	Existing
	Sri Kerdau Development Sdn. Bhd.	Investment holding and property development	Director/ Shareholder	17 March 2008	25.00	Existing
	Chop Eng Seng Huat Plantation Sdn. Bhd.	Wholesale of palm oil, preparation of crops for primary markets, wholesale of rubber	Director/ Shareholder	20 November 2017	25.00	Existing
	Redboy Ventures Sdn. Bhd.	Motion picture, video and television programme production activities. Creative, arts and entertainment activities	Director/ Shareholder	5 September 2017	30.00	Existing
	Tat Ma Group Sdn. Bhd.	Growing of oil palm (estate), activities of holding companies and growing of oil palm (smallholdings)	Director/ Shareholder	19 October 2018	25.00	Existing

## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
	Chop Eng Seng Huat	Supply of fertilizers, agricultural poisons, nurseries/nursery seeds, cottage/tank repair/repair services, workshop machines & equipment, rental/management of farms/gardens, washing of buildings, cleaning of areas, salvage boat services, port management, plantation, agriculture & livestock	Partner	1 July 1983 <sup>(1)</sup>	25.00	Existing
	<b>Previous Involvement – past 3 years</b>					
	Bangsa Bangsa Holdings Sdn. Bhd.	Dormant	Director	5 November 2012	-	Dissolved on 11 November 2015

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**7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
Tan Teh Jie	<b>Present Involvement</b>					
	Ming Feng Development Sdn. Bhd.	Construction of buildings	Director	19 April 2017	-	Existing
	Big Store Poultry Sdn. Bhd.	Export and import of poultry and poultry products, raising, breeding and production of chicken, broiler	Director/ Shareholder	1 June 2017	10.00	Existing
	Ming Feng Builder Sdn. Bhd.	Construction and project management	Director/ Shareholder	5 July 2016	10.00	Existing
	Ming Feng Logistics Sdn. Bhd.	Logistics	Director/ Shareholder	11 March 2016	20.00	Existing
	Ming Feng Trading Sdn. Bhd.	Stock share investment	Director/ Shareholder	25 March 2015	25.00	Existing
	Redboy Ventures Sdn. Bhd.	Motion picture, video and television programme production activities. Creative, arts and entertainment activities	Shareholder	N/A	10.00	Existing

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**7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
Tan Teh Sheng	<b>Present Involvement</b>					
	Ming Feng Development Sdn. Bhd.	Construction of buildings	Director	19 April 2017	-	Existing
	Big Store Poultry Sdn. Bhd.	Export and import of poultry and poultry products, raising, breeding and production of chicken, broiler	Director/ Shareholder	1 June 2017	10.00	Existing
	Ming Feng Builder Sdn. Bhd.	Construction and project management	Director/ Shareholder	5 July 2016	10.00	Existing
	Ming Feng Logistics Sdn. Bhd.	Logistics	Director/ Shareholder	11 March 2016	40.00	Existing
	Ming Feng Trading Sdn. Bhd.	Stock share investment	Director/ Shareholder	25 March 2015	25.00	Existing
	Redboy Ventures Sdn. Bhd.	Motion picture, video and television programme production activities. Creative, arts and entertainment activities	Shareholder	N/A	10.00	Existing

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## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
Datuk Ng Seing Liong	<b>Present Involvement</b>					
	S. L. Ng Corporate Solutions Sdn. Bhd.	Provider for corporate recovery, restructuring services, forensic services, act as trustee and other related consultancy services	Director/ Shareholder	1 March 2008	50.00	Existing
	Sim Sin Construction Development Sdn. Bhd.	Property development	Director/ Shareholder	18 October 1983	25.00	Existing
	Ng Siak Khui Realty Sdn. Bhd.	Property management and investment holding	Director/ Shareholder	23 May 1977	17.21	Existing
	S. L. Ng Tax Services Sdn. Bhd.	Tax agents and business management consultants	Director/ Shareholder	9 September 1998	40.00	Existing
	Feri Warisan Baik Sdn. Bhd.	Investment holding and management	Director/ Shareholder	22 November 2011	50.00	Existing
	Eversendai Corporation Berhad	Investment holding and provision of management services to the subsidiaries	Director/ Shareholder	18 June 2010	-	Existing
	Kota Kelang Properties Sdn. Bhd.	Investment holding	Director/ Shareholder	21 October 2011	50.00	Existing
United Teochew (Malaysia) Berhad	Investment holding	Director	15 October 2001	-	Existing	

**7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
	Golden Land Berhad	Investment holding and provision of management services. Cultivation of oil palm	Director	25 April 2018	-	Existing
	Greenre Sdn. Bhd.	Energy and environmental design. Improve the sustainable performance of buildings	Director	15 August 2013	-	Existing
	Linggi Oil Palm Realty Sdn. Bhd.	Planters and sellers of oil palm	Director/ Shareholder	28 March 1988	18.75	Existing
	Kota Kelang Development Sdn. Bhd.	Housing development	Director/ Shareholder	25 August 1989	55.00	Existing
	Intermont Holdings Sdn. Bhd.	Property management	Director/ Shareholder	1 July 1998	45.00	Existing
	Kota Kelang Construction Sdn. Bhd.	Housing contractor and building development	Director/ Shareholder	5 March 1980	17.65	Existing
	Rehda Institute	To receive an administer funds for education, creation, scientific, social and charitable purpose all for the public welfare	Director	17 January 2012	-	Existing

## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
Tan Beng Heng	<b>Present Involvement</b>					
	Chop Eng Seng Huat Plantation Sdn. Bhd.	Wholesale of palm oil, preparation of crops for primary markets, wholesale of rubber	Director/ Shareholder	20 November 2017	25.00	Existing
	Ming Feng Development Sdn. Bhd.	Construction of buildings	Director	19 April 2017	-	Existing
	Sri Kerdau Commodities Sdn. Bhd.	Cultivating and trading in oil palm and all other agricultural products	Director/ Shareholder	2 April 1996	25.00	Existing
	Sri Kerdau Development Sdn. Bhd.	Investment holding and property development	Director/ Shareholder	17 March 2008	25.00	Existing
	Duta Megamas Sdn. Bhd.	Investment holding and property development, cultivating and trading in oil palm and other agricultural products	Director/ Shareholder	3 August 2011	22.50	Existing
	SKC Plantation Sdn. Bhd.	Investment and property development and cultivating and trading in oil palm and other agricultural products	Director/ Shareholder	17 June 2010	25.00	Existing
Ming Feng Trading Sdn. Bhd.	Stock share investment	Director	25 March 2015	25.00	Existing	



**7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
	Sri Kerdau Bird Nest Sdn. Bhd.	Swiftlet farming	Director/ Shareholder	12 September 2014	25.00	Existing
	Big Store Poultry Sdn. Bhd.	Export and import of poultry and poultry products, raising, breeding and production of chicken, boiler	Director/ Shareholder	1 June 2017	20.00	Existing
	Tat Ma Group Sdn. Bhd.	Growing of oil palm (estate), activities of holding companies and growing of oil palm (smallholdings)	Director/ Shareholder	19 October 2018	25.00	Existing
	Chop Eng Seng Huat	Supply of fertilizers, agricultural poisons, nurseries/nursery seeds, cottage/tank repair/repair services, workshop machines & equipment, rental/management of farms/gardens, washing of buildings, cleaning of areas, salvage boat services, port management, plantation, agriculture & livestock	Partner	1 July 1983 <sup>(1)</sup>	25.00	Existing

## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
Lok Chyi Yeu	<b>Present Involvement</b>					
	Nature Remedy Sdn. Bhd.	Dormant	Director/ Shareholder	28 September 2011	0.01	Existing
	Biomoney Sdn. Bhd.	General trading	Director/ Shareholder	14 April 2014	65.00	Existing
	Market Performance Sdn. Bhd.	General trading	Director/ Shareholder	15 December 2006	45.00	Existing
	Excel Connections Sdn. Bhd.	Harvesting of bird's nest and trading in bird's nest products	Shareholder	N/A	1.25	Existing
	Triple Asia Sdn. Bhd.	Purchase and acquire for investment lands, houses, buildings and plantations	Shareholder	N/A	10.00	Existing
	Merit Seas Sdn. Bhd.	Trading in bird's nest, medicinal and health tonic products and commission agents	Shareholder	N/A	6.25	Existing
	Modern Starlight Sdn. Bhd.	Investment holding	Director/ Shareholder	13 July 2010/ (28 June 2016)	50.00	Existing
	<b>Previous Involvement – past 3 years</b>					
	Genius Revolution Sdn. Bhd.	Trading, import, export, manufacturing and dealing in all kinds of pharmaceuticals medicinal and healthcare products	Director	6 March 2015/ (31 October 2016)	-	Existing

## 7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Name	Company	Principal Activities	Designation/ Interest	Date of Appointment/ (Resignation)	Shareholding/ Entitlement (%)	Status as at the LPD
	Evergreen Station Sdn. Bhd.	General traders, buying or selling, trading and operating in food products	Director/ Shareholder	4 November 201	50.00	Dissolved on 19 October 2017
	Buyrex Sdn. Bhd.	Dormant	Director/ Shareholder	6 July 2007	40.00	Dissolved on 14 July 2017
	D & D Bakery Sdn. Bhd.	Dormant	Shareholder	N/A	25.00	Dissolved on 20 December 2017
Christopher Tan Yew Leong	<b>Present Involvement</b>					
	YL Corporate Services	Provision of company secretarial, financial accounting, management accounting, management services, data processing, financial management, general management and management consultancy services to the public	Sole Proprietor	1 January 2018 <sup>(1)</sup>	100.00	Existing

Note:(1) *Date of venturing into the business.*

**7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

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**7.4 CONFIRMATION BY OUR DIRECTORS**

None of our Directors:

- (i) are undischarged bankrupts nor are they subject to any proceedings under bankruptcy laws;
- (ii) have ever been charged with, convicted for or compounded for any offence under securities laws, corporation laws or any other laws involving fraud or dishonesty in a court of law;
- (iii) have ever had any action taken against them for any breach for the listing requirements or rules issued by Bursa Securities, for the past 5 years; and
- (iv) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past 5 years.

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## 8. APPROVALS AND CONDITIONS

### 8.1 APPROVALS AND CONDITIONS

The listing and quotations of our entire enlarged issued share capital on the LEAP Market is subject to the following:

- (i) approval from Bursa Securities for the listing of the Shares; and
- (ii) the successful completion of the Proposed Excluded Issue.

### 8.2 MORATORIUM ON OUR SHARES

Pursuant to Rule 3.07 of the Listing Requirements, the Shares held by our Promoters, amounting to 283,777,040 Shares (representing approximately 61.03% of the enlarged issued share capital upon our Proposed Listing) are to be placed under moratorium.

Our Promoters, who hold any of our Shares directly and indirectly upon our Proposed Listing, have fully accepted the moratorium whereby they will not be permitted to sell, transfer or assign any part of their interest in the Shares during the moratorium period as follows:

- (i) The moratorium applies to the entire shareholdings of our Promoters for a period of 12 months from the date of our listing on the LEAP Market; and
- (ii) Upon expiry of the first 12 months, our Promoters shall maintain an aggregate shareholding amounting to 209,250,018 Shares representing 45% of the enlarged issued share capital of our Company for another period of 36 months.

Lok Chyi Yeu and our existing Public shareholders – Group B (as highlighted in Section 2.4 of this Information Memorandum) have voluntarily agreed to place their entire shareholdings in our Company (aggregating to 47,517,500 Shares which represent approximately 10.22% of the enlarged issued share capital upon our Proposed Listing) on moratorium for a period of 12 months from the date of our listing on the LEAP Market.

Name	Moratorium shares during the 12-month moratorium <sup>(1)</sup>		Moratorium shares during the 36-month moratorium <sup>(2)</sup>	
	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(3)</sup>
<b><u>Promoters</u></b>				
Tan Heng Guan	87,150,000	18.74	64,262,208	13.82
Tan Teh Jie	83,041,520	17.86	61,232,718	13.17
Tan Teh Sheng	84,535,520	18.18	62,334,356	13.40
Tan Beng Heng	29,050,000	6.25	21,420,736	4.61
<b>Total</b>	<b>283,777,040</b>	<b>61.03</b>	<b>209,250,018</b>	<b>45.00</b>
<b><u>Existing non-Public Shareholders</u></b>				
Lok Chyi Yeu	12,450,000	2.68	-	-
<b><u>Existing Public Shareholders</u></b>				
Group B <sup>(4)</sup>	35,067,500	7.54	-	-
<b>Total</b>	<b>47,517,500</b>	<b>10.22</b>	<b>-</b>	<b>-</b>

**8. APPROVALS AND CONDITIONS (CONT'D)**

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Notes:

- (1) *From the date of our listing on the LEAP Market.*
- (2) *Upon the expiry of 12 months from the date of our listing on the LEAP Market.*
- (3) *Based on our enlarged issued share capital of 465,000,040 Shares upon the completion of the Proposed Excluded Issue.*
- (4) *The Shares were received by these shareholders pursuant to the Ming Feng Acquisition and subdivision of Shares. Their original investments were made in 2018.*

**8.3 UNDERTAKINGS IN RELATION TO THE PROPOSED EXCLUDED ISSUE**

In accordance with Rule 3.10 of the Listing Requirements:

- (a) Enest undertakes to open a trust account with a financial institution licensed by Bank Negara Malaysia ("**Trust Account**") where all monies received from the Sophisticated Investors pursuant to subscription of our Shares will be deposited therein. The Trust Account will be jointly operated by Enest and WYNCORP;
- (b) Enest and WYNCORP undertake that all monies deposited in the Trust Account will not be withdrawn until the date of listing of our Shares on the LEAP Market; and
- (c) Enest undertakes to repay without interest all monies received from the Sophisticated Investors if:
  - (i) the Proposed Listing does not take place within 6 months from the date of Bursa Securities' approval for the Proposed Listing on the LEAP Market or such further extension of time as Bursa Securities may allow; or
  - (ii) the Proposed Listing is aborted by Enest.

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**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

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**9.1 RELATED PARTY TRANSACTIONS**

Under the Listing Requirements, a “related party transaction” is a transaction entered into between the listed corporation or its subsidiaries and a related party. A “related party” of a listed issuer is:

- (i) a director having the same meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or a chief executive of the listed corporation or its subsidiaries; or
- (ii) a major shareholder who has an interest of 10% or more of the total number of all the voting shares in a corporation and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed corporation or its subsidiaries; or
- (iii) a person connected with such director or major shareholder.

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**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)**

Save as disclosed below, we confirm that there are no existing or presently proposed related party transactions entered into between our Group and our Directors, Substantial Shareholders, Key Management and/or persons connected with them for the FYE 2017 and subsequent period up to the LPD.

No.	Transacting Parties	Nature of Relationship	Nature of Transaction	FYE 2017 (RM'000)	Up to the LPD (RM'000)
1.	Enest and Tan Teh Jie and Tan Teh Sheng	<ul style="list-style-type: none"> <li>▪ Tan Teh Jie and Tan Teh Sheng are our Promoters, Substantial Shareholders and Directors.</li> <li>▪ Tan Teh Jie and Tan Teh Sheng are the directors of Ming Feng.</li> </ul>	Acquisition of 4,397,000 and 2,934,100 ordinary shares in Ming Feng from Tan Teh Jie and Tan Teh Sheng respectively, by Enest by way of share swap.	-	1,419
2.	Sri Kerdau Bird Nest Sdn. Bhd. and Ming Feng	<ul style="list-style-type: none"> <li>▪ Tan Heng Guan, Tan Beng Heng, Tan Teh Jie and Tan Teh Sheng are our Promoters and Substantial Shareholders.</li> <li>▪ Tan Heng Guan, Tan Teh Jie and Tan Teh Sheng are our Directors.</li> <li>▪ Tan Teh Jie and Tan Teh Sheng are the directors of Ming Feng.</li> <li>▪ Tan Heng Guan and Tan Beng Heng are the directors of Sri Kerdau Bird Nest Sdn. Bhd.</li> <li>▪ Tan Heng Guan, Tan Beng Heng, Tan Teh Jie and Tan Teh Sheng are family members.</li> </ul>	Purchase of raw bird's nest. <sup>(1)</sup>	21	-



**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)**

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Note:

(1) *Our Board confirms that the related party transaction was transacted on an arm's length basis and on normal commercial terms, which are not unfavourable to our Group and are not detrimental to our minority shareholders, determined after taking into consideration the price quotation from non-related parties.*

After our Proposed Listing, we will be required to seek our shareholders' approval for us to enter into a material related party transaction in accordance with the Listing Requirements. Interested director, major shareholder and/or person connected to them shall abstain from voting on the resolution in respect of the related party transaction in which they have an interest.

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**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)****9.2 INTEREST IN SIMILAR BUSINESS**

As at the LPD, save as disclosed below, none of our Directors, Substantial Shareholders and/or Key Management have any interest, direct or indirect in any businesses or corporations that carry on a similar trade as that of our Group:

<b>Directors/ Substantial Shareholders/ Key Management</b>	<b>Company</b>	<b>Principal Activities</b>	<b>Designation/ Interest</b>	<b>Shareholding (%)</b>
Lok Chyi Yeu	Excel Connections Sdn. Bhd.	Harvesting of bird's nest and trading in bird's nest products	Shareholder	1.25
	Merit Seas Sdn. Bhd.	Trading in bird's nest, medicinal and health tonic products and commission agents	Shareholder	6.25

Our Board is of the opinion that Lok Chyi Yeu's involvement in the abovementioned companies does not give rise to any conflict of interest or affect his ability to perform his role and responsibilities as our Chief Operating Officer in view that, save for his shareholding in the abovementioned companies, he is not involved in the decision making process, day-to-day management and operations of these companies.

**9.3 TRANSACTIONS ENTERED INTO THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS**

Our Board has confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or any of our Subsidiaries was a party during the Financial Years Under Review and subsequent period up to the LPD.

**9.4 LOANS AND GUARANTEES MADE TO OR FOR THE BENEFIT OF RELATED PARTIES AND ASSOCIATES**

Our Board has confirmed that there are no outstanding loans and/or guarantees of any kind made by our Group to or for the benefit of any related party for the Financial Years Under Review and subsequent period up to the LPD.

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## 10. FINANCIAL INFORMATION

### 10.1 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets out the summary of the audited combined statements of profit or loss and other comprehensive income for the FYEs 2016 and 2017, and the unaudited consolidated statements of profit or loss and other comprehensive income for the 9-month FPEs 30 September 2017 and 2018, and should be read in conjunction with the Management Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 10.4 of this Information Memorandum:

	<-----Audited----->		<-----Unaudited----->	
	FYE		9-month FPE 30 September	
	2016 <sup>(1)</sup> RM'000	2017 <sup>(1)</sup> RM'000	2017 <sup>(2)</sup> RM'000	2018 <sup>(3)</sup> RM'000
Revenue	2,552	4,513	1,894	12,060
Cost of sales	(2,151)	(3,457)	(1,429)	(8,774)
<b>GP</b>	<b>401</b>	<b>1,056</b>	<b>465</b>	<b>3,286</b>
Other income	154	-	-	5
Selling and distribution expenses	(5)	(77)	(74)	(48)
Administrative expenses	(368)	(341)	(93)	(1,021)
Finance cost	-	-	-	(22)
<b>PBT</b>	<b>182</b>	<b>638</b>	<b>298</b>	<b>2,200</b>
Taxation	(56)	(134)	(109)	(474)
<b>PAT</b>	<b>126</b>	<b>504</b>	<b>189</b>	<b>1,726</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>126</b>	<b>504</b>	<b>189</b>	<b>1,726</b>
PAT/ Total comprehensive income attributable to :				
- Owners of Enest	126	504	189	1,437
- Non-controlling interests	-	-	-	289
	<b>126</b>	<b>504</b>	<b>189</b>	<b>1,726</b>
GP margin (%) <sup>(4)</sup>	15.71	23.40	24.55	27.25
EBITDA <sup>(5)</sup>	225	684	330	2,307
EBITDA margin (%) <sup>(6)</sup>	8.82	15.16	17.42	19.13
PBT margin (%) <sup>(7)</sup>	7.13	14.14	15.73	18.24
PAT margin (%) <sup>(8)</sup>	4.94	11.17	9.98	14.31
Basic/Diluted EPS (sen) <sup>(9)</sup>	0.03	0.11	0.04	0.31
Number of Shares in issue after the Proposed Excluded Issue ('000)	465,000	465,000	465,000	465,000

**10. FINANCIAL INFORMATION (CONT'D)**Notes:

- (1) The audited combined statements of profit or loss and other comprehensive income for the FYEs 2016 and 2017 do not include the financials from Dynamic Transforms, as it was acquired by Ming Feng in 2018.
- (2) The financials for the FPE 30 September 2017 consist of Ming Feng only.
- (3) Dynamic Transforms became Ming Feng's subsidiary in 2018, upon completion of the acquisition of 80% equity interest in Dynamic Transforms by Ming Feng. Hence, the financials for the FPE 30 September 2018 have consolidated the figures of Dynamic Transforms.
- (4) GP margin is computed based on the GP over revenue.
- (5) EBITDA is computed based on the following:

	<-----Audited----->		<-----Unaudited----->	
	FYE 31 December		9-month FPE 30 September	
	2016 RM'000	2017 RM'000	2017 RM'000	2018 RM'000
PBT	182	638	298	2,200
<u>Add</u>				
Depreciation	43	46	32	85
Interest expense	-	-	-	22
<b>EBITDA</b>	<b>225</b>	<b>684</b>	<b>330</b>	<b>2,307</b>

- (6) EBITDA margin is computed based on the EBITDA over revenue.
- (7) PBT margin is computed based on the PBT over revenue.
- (8) PAT margin is computed based on the PAT over revenue.
- (9) Basic/Diluted EPS is computed based on PAT attributable to owners of combining entities divided by our enlarged number of issued shares of 465,000,040 Shares after the Proposed Listing.

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**10. FINANCIAL INFORMATION (CONT'D)****10.2 COMBINED STATEMENTS OF FINANCIAL POSITION**

The following table sets out the summary of the audited combined statements of financial position as at 31 December 2016 and 2017, and the unaudited consolidated statements of financial position as at 30 September 2017 and 2018, and should be read in conjunction with the Management Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 10.4 of this Information Memorandum:

	<-----Audited----->		<-----Unaudited----->	
	As at 31 December		As at 30 September	
	2016 <sup>(1)</sup> RM'000	2017 <sup>(1)</sup> RM'000	2017 <sup>(2)</sup> RM'000	2018 <sup>(3)</sup> RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	296	285	294	645
Deferred tax assets	1	-	-	-
Investment properties	-	-	-	1,983
Goodwill	-	-	-	1,219
<b>Total non-current assets</b>	<b>297</b>	<b>285</b>	<b>294</b>	<b>3,847</b>
<b>Current assets</b>				
Inventories	267	571	901	2,291
Trade receivables	-	313	31	1,810
Other receivables	27	331	29	587
Tax recoverable	-	-	-	9
Cash and bank balances	217	95	462	601
<b>Total current assets</b>	<b>511</b>	<b>1,310</b>	<b>1,423</b>	<b>5,298</b>
<b>TOTAL ASSETS</b>	<b>808</b>	<b>1,595</b>	<b>1,717</b>	<b>9,145</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	300	1,000	452	2,075
Merger deficit	-	-	-	(375)
(Accumulated losses) / Retained earnings	(129)	375	60	1,414
	171	1,375	512	3,114
Non-controlling interests	-	-	-	352
<b>Total equity</b>	<b>171</b>	<b>1,375</b>	<b>512</b>	<b>3,466</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	-	-	-	1,870
Amount due to directors	-	-	123	201
Deferred tax liabilities	-	17	18	18
<b>Total non-current liabilities</b>	<b>-</b>	<b>17</b>	<b>141</b>	<b>2,089</b>
<b>Current liabilities</b>				
Borrowings	-	-	-	892
Trade and other payables	515	132	968	2,404
Amount due to directors	122	33	19	114
Tax payable	-	38	77	180
<b>Total current liabilities</b>	<b>637</b>	<b>203</b>	<b>1,064</b>	<b>3,590</b>
<b>Total liabilities</b>	<b>637</b>	<b>220</b>	<b>1,205</b>	<b>5,679</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>808</b>	<b>1,595</b>	<b>1,717</b>	<b>9,145</b>

**10. FINANCIAL INFORMATION (CONT'D)**

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Notes:

- (1) *The audited combined statements of financial position as at 31 December 2016 and 2017 do not include the financials from Dynamic Transforms, as it was acquired by Ming Feng in 2018.*
- (2) *The financials for the FPE 30 September 2017 consist of Ming Feng only.*
- (3) *Dynamic Transforms became Ming Feng's subsidiary in 2018, upon completion of the acquisition of 80% equity interest in Dynamic Transforms by Ming Feng. Hence, the financials for the FPE 30 September 2018 have consolidated the figures of Dynamic Transforms.*

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**10. FINANCIAL INFORMATION (CONT'D)****10.3 COMBINED STATEMENTS OF CASH FLOWS**

The following table sets out the summary of the audited combined statements of cash flows for the FYEs 2016 and 2017, and the unaudited consolidated statements of cash flows for the 9-month FPEs 30 September 2017 and 2018, and should be read in conjunction with the Management Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 10.4 of this Information Memorandum:

	<-----Audited----->		<----Unaudited---->	
	FYE		9-month FPE 30 September	
	2016 <sup>(1)</sup> RM'000	2017 <sup>(1)</sup> RM'000	2017 <sup>(2)</sup> RM'000	2018 <sup>(3)</sup> RM'000
Net cash from operating activities	10	28	104	658
Net cash used in investing activities	(18)	(335)	(30)	(4,271)
Net cash from financing activities	163	185	171	4,119
Net increase/(decrease) in cash and cash equivalents	155	(122)	245	506
Cash and cash equivalents at beginning of the year	62	217	217	95
Cash and cash equivalents at end of the year	<b>217</b>	<b>95</b>	<b>462</b>	<b>601</b>
<u>Consist of</u> Cash and bank balances	<b>217</b>	<b>95</b>	<b>462</b>	<b>601</b>

Notes:

- (1) The audited combined statements of cash flows for the FYEs 2016 and 2017 do not include the financials from Dynamic Transforms, as it was acquired by Ming Feng in 2018.
- (2) The financials for the FPE 30 September 2017 consist of Ming Feng only.
- (3) Dynamic Transforms became Ming Feng's subsidiary in 2018, upon completion of the acquisition of 80% equity interest in Dynamic Transforms by Ming Feng. Hence, the financials for the FPE 30 September 2018 have consolidated the figures of Dynamic Transforms.

**Net cash from operating activities****FYE 2017**

For the FYE 2017, our Group recorded net cash inflows from operating activities amounted to approximately RM0.03 million on the back of PBT of RM0.64 million and added back depreciation of approximately RM0.05 million; offset against the following:

- (i) Cash outflows for working capital of approximately RM0.58 million; and
- (ii) Tax payment of RM0.08 million.

**10. FINANCIAL INFORMATION (CONT'D)**

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**9-month FPE 30 September 2018**

For the FPE 30 September 2018, our Group recorded net cash inflows from operating activities amounted to approximately RM0.66 million on the back of PBT of RM2.20 million and added back depreciation of RM0.09 million; offset against the following:

- (i) Cash outflows for working capital of approximately RM1.40 million; and
- (ii) Net tax payment of RM0.23 million.

**Net cash used in investing activities****FYE 2017**

For the FYE 2017, our Group recorded net cash outflows of approximately RM0.34 million for investing activities primarily attributable to the following:

- (i) Purchase of property, plant and equipment amounted to approximately RM0.04 million comprising mainly computer and office equipment; and
- (ii) Deposit paid of RM0.3 million for the acquisition of Dynamic Transforms.

**9-month FPE 30 September 2018**

For the FPE 30 September 2018, our Group recorded net cash outflows of approximately RM4.27 million for investing activities mainly attributable to the following:

- (i) Acquisition of Dynamic Transforms amounted to approximately RM2.07 million; and
- (ii) Purchase of property, plant and equipment amounted to approximately RM2.20 million comprising mainly acquisition of the property occupied by Dynamic Transforms (as disclosed under Section 4.12(i) of this Information Memorandum), costs incurred for renovation and acquisition of office equipment and computer.

**Net cash from financing activities****FYE 2017**

For the FYE 2017, our Group recorded net cash inflows of approximately RM0.18 million from financing activities, primarily attributable to advances from directors of RM0.03 million and proceeds from issuance of shares of RM0.15 million.

**9-month FPE 30 September 2018**

For the FPE 30 September 2018, our Group recorded net cash inflows of approximately RM4.12 million from financing activities, primarily attributable to the following:

- (i) Advances from directors of approximately RM0.28 million;
- (ii) Net drawdown of borrowings of approximately RM2.76 million; and
- (iii) Proceeds from issuance of shares of approximately RM1.08 million.



**10. FINANCIAL INFORMATION (CONT'D)****10.4 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our past financial condition and results of operations should be read in conjunction with our Audited Combined Financial Statements as set out in the Appendix I of this Information Memorandum.

The following discussion and analysis contain certain forward-looking statements that involve risks and uncertainties some of which may be beyond our control. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Information Memorandum, particularly in the section entitled 'Risk Factors' set out in Section 6 of this Information Memorandum.

**10.4.1 Revenue**

Please refer to Section 4 of this Information Memorandum for our Group's detailed business overview. Please also refer to Section 6 of this Information Memorandum for the risk factors that may affect our revenue and financial performance.

For the Financial Years Under Review and the financial period under review, all of our revenue was derived from processing and selling edible bird's nests.

The following table sets out our revenue by geographical location for the FYEs 2016 and 2017, as well as for the 9-month FPEs 30 September 2017 and 2018:

	Audited				Unaudited			
	FYE				9-month FPE 30 September			
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Local</b>								
Malaysia	858	33.62	919	20.36	-	-	1,878	15.57
<b>Overseas</b>								
China	-	-	-	-	-	-	9,483	78.63
Hong Kong	1,694	66.38	3,378	74.85	1,719	90.76	345	2.86
Others <sup>(1)</sup>	-	-	216	4.79	175	9.24	354	2.94
	1,694	66.38	3,594	79.64	1,894	100.00	10,182	84.43
<b>Total</b>	<b>2,552</b>	<b>100.00</b>	<b>4,513</b>	<b>100.00</b>	<b>1,894</b>	<b>100.00</b>	<b>12,060</b>	<b>100.00</b>

*Note:*

(1) Others consist of Australia and Singapore.

**Comparison between the FYE 2016 and the FYE 2017**

Our Group recorded total revenue of approximately RM4.51 million for the FYE 2017, increased by approximately RM1.96 million or 76.86% as compared to the preceding year; mainly due to higher export sales by approximately RM1.90 million or 112.43% in line with our Group's strategy to expand overseas market.

**10. FINANCIAL INFORMATION (CONT'D)**

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Our Group recorded sales volume of approximately 0.73 tonnes for the FYE 2017 (FYE 2016: 0.80 tonnes), decreased by approximately 0.07 tonnes or 8.75% as compared to the preceding year.

The decrease in sales volume was mitigated by the overall increase in average selling prices of our edible bird's nests, in line with the growing demand from overseas markets (particularly Hong Kong and China) for quality and higher-graded edible bird's nests.

Selling prices of edible bird's nest vary depending on the quality and grading of the finished products in terms of size and density, as well as the food safety and quality assurance put in place by the producer.

Our Group is well-positioned to capture the growing demand and command better selling price as our processing facilities are HACCP-compliant and our edible bird's nests are certified by DVS Malaysia.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

Our Group recorded total revenue of approximately RM12.06 million for the FPE 30 September 2018, increased by approximately RM10.17 million as compared to the FPE 30 September 2017; mainly attributable to the following factors:

- (i) consolidation of sales generated by Dynamic Transforms, who became our subsidiary during the financial period under review, upon completion of the acquisition of 80% equity interest in Dynamic Transforms by Ming Feng; and
- (ii) additional export sales generated by Ming Feng during the financial period under review, upon attaining the export licence to sell edible bird's nests to China market.

Our Group recorded sales volume of approximately 2.08 tonnes for the FPE 30 September 2018 (FPE 30 September 2017: 0.39 tonnes), increased by approximately 1.69 tonnes or 433.33% as compared to the preceding year corresponding period; mainly due to the abovementioned factors.

Apart from the increase in sales volume, our Group also recorded overall increase in average selling prices of our edible bird's nests during the financial period under review; in line with the growing demand from overseas markets (particularly Hong Kong and China) for quality and higher-graded edible bird's nests.

Selling prices of edible bird's nest vary depending on the quality and grading of the finished products in terms of size and density, as well as the food safety and quality assurance put in place by the producer.

Our Group is well-positioned to capture the growing demand and command better selling price as our processing facilities are HACCP-compliant and our edible bird's nests are certified by DVS Malaysia.

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**10. FINANCIAL INFORMATION (CONT'D)****10.4.2 Cost of sales**

The following table sets out the breakdown of our Group's cost of sales by cost category for the FYEs 2016 and 2017, as well as for the 9-month FPEs 30 September 2017 and 2018:

	Audited				Unaudited			
	FYE				9-month FPE 30 September			
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material costs	1,711	79.55	2,986	86.38	976	68.30	7,631	86.97
Labour costs	290	13.48	270	7.81	298	20.85	889	10.13
Production overheads	150	6.97	201	5.81	155	10.85	254	2.90
<b>Total</b>	<b>2,151</b>	<b>100.00</b>	<b>3,457</b>	<b>100.00</b>	<b>1,429</b>	<b>100.00</b>	<b>8,774</b>	<b>100.00</b>

**Comparison between the FYE 2016 and the FYE 2017**

For the FYE 2017, our Group's cost of sales increased by approximately RM1.31 million or 60.93%; generally in line with our revenue growth during the FYE 2017. The increase in cost of sales during the year was mainly due to overall increase in average purchase prices of raw bird's nests in line with the growing demand.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

For the FPE 30 September 2018, our Group's cost of sales increased by approximately RM7.34 million; in line with our revenue growth during the financial period under review. The increase in cost of sales during the year was mainly due to higher purchases of raw bird's nests to cater for the growing sales and overall increase in average purchase prices of raw bird's nests in line with increasing market demand.

**10.4.3 GP and GP margin**

	Audited		Unaudited	
	FYE		9-month FPE 30 September	
	2016	2017	2017	2018
	RM'000	%	RM'000	%
GP (RM'000)	401	1,056	465	3,286
GP margin (%)	15.71	23.40	24.55	27.25

**Comparison between the FYE 2016 and the FYE 2017**

For the FYE 2017, our Group's GP increased by approximately RM0.66 million or 165% as compared to the preceding year, in line with our revenue growth.

Our Group's overall GP margin for the FYE 2017 stood at 23.40%, higher as compared to the preceding year, mainly due to overall increase in average selling prices of our edible bird's nests in line with the rising consumers' demand for quality and higher-graded edible bird's nests.

**10. FINANCIAL INFORMATION (CONT'D)**

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Selling prices of edible bird's nest vary depending on the quality and grading of the finished products in terms of size and density, as well as the food safety and quality assurance put in place by the producer.

Our Group is well-positioned to capture the growing demand and command better selling price as our processing facilities are HACCP-compliant and our edible bird's nests are certified by DVS Malaysia.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

Backed by our revenue growth, our Group's GP increased by approximately RM2.82 million during the FPE 30 September 2018 as compared to the FPE 30 September 2017.

Our Group's overall GP margin for the FPE 30 September 2018 stood at 27.25%, higher as compared to the FPE 30 September 2017; primarily due to overall increase in average selling prices of our edible bird's nests in line with the rising market demand, backed by the increased sales volume.

Selling prices of edible bird's nest vary depending on the quality and grading of the finished products in terms of size and density, as well as the food safety and quality assurance put in place by the producer.

Our Group is well-positioned to capture the growing demand and command better selling price as our processing facilities are HACCP-compliant and our edible bird's nests are certified by DVS Malaysia.

**10.4.4 Other income****Comparison between the FYE 2016 and the FYE 2017**

Our Group did not record any other income for the FYE 2017. Other income recorded in the preceding year was due to transportation fees charged to customers, which we have ceased the practice for the FYE 2017.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

Other income recorded during the FPE 30 September 2018 mainly consist of gain on disposal of unit trust.

**10.4.5 Selling and distribution expenses****Comparison between the FYE 2016 and the FYE 2017**

Our Group's selling and distribution expenses increased by approximately RM0.07 million as compared to the preceding year, as a result of higher marketing and promotional expenses incurred during the year; in tandem with our marketing and expansion plans to grow our revenue.

**Comparison between the FPE 30 September 2018 and the FPE 30 September 2017**

Our Group's selling and distribution expenses decreased by approximately RM0.03 million as compared to the FPE 30 September 2017, as a result of lower marketing and promotional expenses incurred during the FPE 30 September 2018.

**10. FINANCIAL INFORMATION (CONT'D)****10.4.6 Administrative expenses**

The following table set out a breakdown of our Group's administrative expenses for the FYEs 2016 and 2017, as well as for the 9-month FPEs 30 September 2017 and 2018:

	Audited				Unaudited			
	FYE				9-month FPE 30 September			
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	177	48.10	199	58.36	11	11.83	134	13.13
Travelling and transportation costs	54	14.67	34	9.97	26	27.95	42	4.11
Upkeep expenses	31	8.42	34	9.97	24	25.80	67	6.56
Professional fees	33	8.97	27	7.92	5	5.38	363	35.55
Depreciation of property, plant and equipment	6	1.63	8	2.35	5	5.38	51	5.00
Insurance	5	1.36	5	1.46	5	5.38	45	4.41
GST expenses	1	0.27	1	0.29	1	1.08	120	11.75
Others <sup>(1)</sup>	61	16.58	33	9.68	16	17.20	199	19.49
<b>Total</b>	<b>368</b>	<b>100.00</b>	<b>341</b>	<b>100.00</b>	<b>93</b>	<b>100.00</b>	<b>1,021</b>	<b>100.00</b>

Note:

(1) Others consist of items which individually account for less than 5% of our total administrative expenses.

**Comparison between the FYE 2016 and the FYE 2017**

Our Group's administrative expenses remained relatively consistent throughout the Financial Years Under Review.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

For the FPE 30 September 2018, our Group's administrative expenses increased by approximately RM0.93 million as compared to the FPE 30 September 2017.

**10. FINANCIAL INFORMATION (CONT'D)**

The increase in administrative expenses during the financial period under review was primarily attributable to the following:

- (i) higher professional fees incurred in relation to our Proposed Listing;
- (ii) higher staff costs following the acquisition of Dynamic Transforms; and
- (iii) additional GST expenses incurred in relation to the acquisition of property by Ming Feng as disclosed under Section 4.12(i) of this Information Memorandum.

**10.4.7 Taxation**

	Audited				Unaudited			
	FYE				9-month FPE 30 September			
	2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Income tax:								
- Current year	-	-	116	86.57	90	82.57	473	99.79
Deferred tax	56	100.00	18	13.43	19	17.43	1	0.21
<b>Total</b>	<b>56</b>	<b>100.00</b>	<b>134</b>	<b>100.00</b>	<b>109</b>	<b>100.00</b>	<b>474</b>	<b>100.00</b>
<b>Effective tax rate</b>	<b>30.77%</b>		<b>21.00%</b>		<b>36.58%</b>		<b>21.55%</b>	

**Comparison between the FYE 2016 and the FYE 2017**

For the FYE 2017, our Group's overall tax expense increased by approximately RM0.07 million or 116.67% as compared to the preceding year; in line with our improved PBT.

For the FYE 2017, our Group's effective tax rate stood at 21%, mainly due to tax savings arising from preferential tax rate for the first RM500,000 of our chargeable income.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

For the FPE 30 September 2018, our Group's overall tax expenses increased by approximately RM0.36 million as compared to the FPE 30 September 2017, representing an effective tax rate of 21.55% (FPE 30 September 2017: 36.58%).

The increase in overall tax expenses was generally in line with the improved PBT recorded by our Group during the financial period under review. The effective tax rate was lower for the FPE 30 September 2018, mainly due to lower current year provision for income tax as a result of utilisation of prior years' tax losses by Dynamic Transforms to offset against the increase in taxable income during the financial period under review.

**10. FINANCIAL INFORMATION (CONT'D)****10.4.8 PAT and PAT margin**

	Audited		Unaudited	
	FYE		9-month FPE 30 September	
	2016	2017	2017	2018
PAT (RM'000)	126	504	189	1,726
PAT margin (%)	4.94	11.17	9.98	14.31

**Comparison between the FYE 2016 and the FYE 2017**

Backed by the improved sales and GP performance as explained in above sections, our Group's PAT for the FYE 2017 increased by approximately RM0.37 million or 284.62% as compared to the preceding year.

PAT margin improved from 4.94% for the FYE 2016 to 11.17% in the FYE 2017, mainly due to improved GP and PBT margin.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

Our Group's PAT for the FPE 30 September 2018 increased by approximately RM1.54 million as compared to the FPE 30 September 2017, in line with our improved sales and GP performance during the financial period under review.

PAT margin improved from 9.98% for the FPE 30 September 2017 to 14.31% for the FPE 30 September 2018, in line with the improved GP and PBT margin.

**10.4.9 Key financial ratios**Financial stability and liquidity

		Audited		Unaudited	
		FYE		9-month FPE 30 September	
		2016	2017	2017	2018
Net assets	(RM'000)	171	1,375	512	3,466
Current ratio <sup>(1)</sup>	(times)	0.80	6.45	1.34	1.48

Note:

(1) Computed based on current assets over current liabilities as at the respective financial year/period-end.

**Comparison between the FYE 2016 and the FYE 2017**

For the FYE 2017, our Group's financial stability and liquidity recorded further enhancement; in line with the growth in our revenue and PAT during the year under review.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

For the FPE 30 September 2018, our Group's financial stability and liquidity recorded further enhancement; in line with the growth in our revenue and PAT during the financial period under review.

**10. FINANCIAL INFORMATION (CONT'D)**Turnover period

	Audited		Unaudited	
	FYE		9-month FPE 30 September	
	2016	2017	2017	2018
Trade receivables turnover period <sup>(1)</sup> (days)	-	25	4	41
Trade payables turnover period <sup>(2)</sup> (days)	-	*	2	13
Inventories turnover period <sup>(3)</sup> (days)	45	60	172	71
Gearing ratio <sup>(4)</sup> (days)	-	-	-	0.80

Remark:

\* Negligible.

Notes:

- (1) Computed based on trade receivables balance over our Group's revenue for the respective financial year/period, multiplied by number of days in the financial year/period.
- (2) Computed based on trade payables balance over our Group's cost of sales for the respective financial year/period, multiplied by number of days in the financial year/period.
- (3) Computed based on inventories balance over our Group's cost of sales for the respective financial year/period, multiplied by number of days in the financial year/period.
- (4) Computed based on the total borrowings over total equity as at the respective financial year/period-end.

**(i) Trade receivables turnover period****Comparison between the FYE 2016 and the FYE 2017**

Our trade receivables turnover period stood at 25 days for the FYE 2017, which fell within the normal credit period of up to 30 days granted by our Group to our customers.

No trade receivable was recorded for the FYE 2016, as our sales were primarily transacted on cash term.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

Our Group's trade receivables turnover period increased from 4 days for the FPE 30 September 2017 to 41 days for the FPE 30 September 2018, primarily due to higher sales transacted on credit terms.

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**10. FINANCIAL INFORMATION (CONT'D)****(ii) Trade payables turnover period****Comparison between the FYE 2016 and the FYE 2017**

Our trade payables turnover period was negligible for the FYE 2017 (FYE 2016: nil), as our purchases were primarily made on cash term.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

Our Group's trade payables turnover period increased from 2 days for the FPE 30 September 2017 to 13 days for the FPE 30 September 2018, which fell within the normal credit term granted by our suppliers; as a result of higher purchases made on credit terms in line with higher sales transacted on credit terms.

**(iii) Inventories turnover period****Comparison between the FYE 2016 and the FYE 2017**

Our Group's inventories turnover period increased from 45 days for the FYE 2016 to 60 days for the FYE 2017, primarily due to higher closing stock of processed edible bird's nests kept by our Group in order to cater for deliveries in subsequent months; in line with the increasing demands for our edible bird's nests particularly the China market.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

Our Group's inventories turnover period decreased from 172 days for the FPE 30 September 2017 to 71 days for the FPE 30 September 2018, in line with faster consumption of inventory to fulfill the growing demand for our edible bird's nests.

**(iv) Gearing ratio****Comparison between the FYE 2016 and the FYE 2017**

No borrowings were recorded for Financial Years Under Review.

**Comparison between the FPE 30 September 2017 and the FPE 30 September 2018**

Our Group's recorded gearing ratio of 0.80 times for the FPE 30 September 2018 (FPE 30 September 2017: Nil), primarily due to the drawdown of term loans to finance the following:

- (a) acquisition of property as disclosed under Section 4.12(i) of this Information Memorandum; and
- (b) acquisition of 80% equity interest in Dynamic Transforms by Ming Feng as disclosed under Section 4.12(ii) of this Information Memorandum.

Our Board will, from time to time, review our Group's gearing ratio and make adjustment to our Group's capital structure, where appropriate.

## **11. OTHER INFORMATION**

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### **11.1 DECLARATIONS BY ADVISERS ON CONFLICTS OF INTEREST**

#### **11.1.1 Declaration by WYNCORP**

WYNCORP confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Approved Adviser, Custodian, Placement Agent and Continuing Adviser for our Proposed Listing.

#### **11.1.2 Declaration by Grant Thornton Malaysia**

Grant Thornton Malaysia confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the External Auditors and Reporting Accountants for our Proposed Listing.

#### **11.1.3 Declaration by Azman Davidson & Co**

Azman Davidson & Co confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Legal Adviser for our Proposed Listing.

#### **11.1.4 Declaration by Grandway Law Offices (Shanghai)**

Grandway Law Offices (Shanghai) confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Legal Adviser for the due diligence exercise of Ye Lin on China Law for our Proposed Listing.

#### **11.1.5 Declaration by PROVIDENCE**

PROVIDENCE confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Independent Market Researcher for our Proposed Listing.

#### **11.1.6 Declaration by GovernAce Advisory & Solutions Sdn. Bhd.**

GovernAce Advisory & Solutions Sdn. Bhd. confirms that there is no conflict of interest that exists or is likely to exist in its capacity as the Independent Internal Control Consultant for our Proposed Listing.

### **11.2 CONSENTS**

The written consents of our Approved Adviser, Custodian, Placement Agent, Continuing Adviser, Legal Adviser, Principal Bankers, Share Registrar, Independent Internal Control Consultant and Company Secretary as set out in the Corporate Directory under Section 1 of this Information Memorandum for the inclusion in this Information Memorandum of their names in the form and context in which such names appear have been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

The written consent of the External Auditors and Reporting Accountants for the inclusion of its name and the Independent Auditors' Report, and all references thereto in the form and context in which they appear in this Information Memorandum has been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

The written consent of the Independent Market Researcher for the inclusion of its name and the Independent Market Research Report, and all references thereto in the form and context in which they appear in this Information Memorandum has been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

**11. OTHER INFORMATION (CONT'D)**

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**11.3 MATERIAL LITIGATION AND CONTINGENT LIABILITIES**

Our Group is not involved in any litigation, claims or arbitration and our Board does not have any knowledge of any proceedings pending or threatened against our Group or any facts which are likely to give rise to any proceedings, which would have a material adverse effect on the business or financial position of our Group.

As at the LPD, we do not have any material contingent liabilities which have become enforceable or are likely to become enforceable, which in the opinion of our Board, will or may substantially affect the ability of our Group to meet our obligations as and when they fall due.

**11.4 DOCUMENTS AVAILABLE FOR INSPECTION**

Copy of the following documents are available free of charge for inspection during normal business hours on weekday (Saturday, Sundays and public holidays excepted) at our registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, Kuala Lumpur 50250 Wilayah Persekutuan, for at least 1 month after our Proposed Listing on the LEAP Market:

- (i) Our Constitution;
- (ii) The material contracts not in the ordinary course of business referred to in Section 4.12 of this Information Memorandum; and
- (iii) The letters of consent referred to in Section 11.1 of this Information Memorandum.

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**APPENDIX I –**

**AUDITED COMBINED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED 31 DECEMBER 2016 AND 31 DECEMBER  
2017**

**Company No: 1275638 - T**

**ENEST GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED FINANCIAL STATEMENTS**

**1 JANUARY 2016, 31 DECEMBER 2016  
AND 31 DECEMBER 2017**

**GRANT THORNTON MALAYSIA  
CHARTERED ACCOUNTANTS**

**Member Firm of Grant Thornton International Ltd**

**Company No: 1275638 - T**

**ENEST GROUP BERHAD**

(Incorporated in Malaysia)

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## **INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF**

### **ENEST GROUP BERHAD**

(Incorporated in Malaysia)

**Company No: 1275638 - T**

#### **Report on the Audit of the Combined Financial Statements**

#### **Opinion**

We have audited the combined financial statements of Enest Group Berhad (“the Company” or “Enest”) and its subsidiary (collectively known as “the Group” or “Enest Group”), which comprise the combined statements of financial position as at 1 January 2016, 31 December 2016 and 31 December 2017, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2016 and 31 December 2017, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 40 of the combined financial statements.

These combined financial statements have been prepared for inclusion in the information memorandum of Enest Group Berhad (“Information Memorandum”) in connection with the proposed listing and quotation of the enlarged issued and paid-up share capital of Enest Group Berhad on the Leading Entrepreneur Accelerator Platform Market (“LEAP Market”) of Bursa Malaysia Securities Berhad (“Proposed Listing”). This report is given for the purposes of complying with the LEAP Market listing requirements issued by Bursa Malaysia Securities Berhad and for no other purpose.

In our opinion, the combined financial statements give a true and fair view of the combined financial position of the Group as of 1 January 2016, 31 December 2016 and 31 December 2017 and of its combined financial performance and cash flows for the financial years ended 31 December 2016 and 31 December 2017 in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”).

#### **Basis of Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Combined Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence and Other Ethical Responsibilities**

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

---

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**Company No: 1275638 - T**

**Report on the Audit of the Combined Financial Statements (cont'd)**

**Responsibilities of the Directors for the Combined Financial Statements**

The Directors of the Company are responsible for the preparation of the combined financial statements so as to give a true and fair view in accordance with MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;



**Company No: 1275638 - T**

**Report on the Audit of the Combined Financial Statements (cont'd)**

**Auditors' Responsibilities for the Audit of the Combined Financial Statements (cont'd)**

We also (cont'd):-

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Other Matters**

This report is made solely for the inclusion in the Information Memorandum of the Company in connection with the proposed excluded issue of 50,000,000 ordinary shares of the Company at an indicative price of RM0.08 per share and the listing and quotation of the entire issued share capital of the Company on the LEAP Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purpose. We do not assume responsibility to any other person for the content of this report.



GRANT THORNTON MALAYSIA  
(NO. AF: 0737)  
CHARTERED ACCOUNTANTS



OOI POH LIM  
(NO: 3087/10/19(J))  
CHARTERED ACCOUNTANT

Kuala Lumpur

**ENEST GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017, 31 DECEMBER 2016 AND 1 JANUARY 2016**

	<u>Note</u>	<u>31.12.2017</u> RM	<u>31.12.2016</u> RM	<u>1.1.2016</u> RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	284,943	296,644	322,032
Deferred tax assets	5	-	1,000	57,000
Total non-current assets		<u>284,943</u>	<u>297,644</u>	<u>379,032</u>
<b>Current assets</b>				
Inventories	6	570,728	266,521	14,176
Trade receivables	7	313,150	-	-
Other receivables	8	330,525	27,534	18,000
Cash and bank balances		<u>95,292</u>	<u>216,653</u>	<u>62,379</u>
Total current assets		<u>1,309,695</u>	<u>510,708</u>	<u>94,555</u>
<b>TOTAL ASSETS</b>		<u><u>1,594,638</u></u>	<u><u>808,352</u></u>	<u><u>473,587</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
<b>Equity attributable to owners of the combining entities:-</b>				
Share capital	9	1,000,000	300,000	5,000
Retained earnings/(Accumulated losses)		<u>374,932</u>	<u>(128,813)</u>	<u>(255,094)</u>
<b>Total equity</b>		<u>1,374,932</u>	<u>171,187</u>	<u>(250,094)</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	5	<u>17,000</u>	-	-
Total non-current liabilities		<u>17,000</u>	-	-

**ENEST GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION AS AT  
31 DECEMBER 2017, 31 DECEMBER 2016 AND 1 JANUARY 2016 (CONT'D)**

	<u>Note</u>	<u>31.12.2017</u> RM	<u>31.12.2016</u> RM	<u>1.1.2016</u> RM
<b>EQUITY AND LIABILITIES (CONT'D)</b>				
<b>LIABILITIES (CONT'D)</b>				
<b>Current liabilities</b>				
Trade payables	10	1,023	-	25,040
Other payables	11	130,863	514,739	443,855
Amount due to Directors	12	33,152	122,426	254,786
Tax payable		37,668	-	-
		<u>202,706</u>	<u>637,165</u>	<u>723,681</u>
Total current liabilities				
		<u>219,706</u>	<u>637,165</u>	<u>723,681</u>
Total liabilities				
		<u>1,594,638</u>	<u>808,352</u>	<u>473,587</u>
<b>TOTAL EQUITY AND LIABILITIES</b>				

The accompanying notes form an integral part of the combined financial statements.

**ENEST GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2017 AND 2016**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
Revenue	13	4,513,715	2,551,508
Cost of sales		<u>(3,457,240)</u>	<u>(2,150,502)</u>
Gross profit		1,056,475	401,006
Other income		-	153,747
Selling and distribution expenses		(77,293)	(4,932)
Administrative expenses		<u>(341,437)</u>	<u>(367,540)</u>
Profit before tax	14	637,745	182,281
Tax expense	15	<u>(134,000)</u>	<u>(56,000)</u>
Profit for the financial year		503,745	126,281
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u><u>503,745</u></u>	<u><u>126,281</u></u>
Profit for the financial year/Total comprehensive income attributable to:-			
- Owners of the combining entities		<u><u>503,745</u></u>	<u><u>126,281</u></u>
Earnings per share attributable to owners of the combining entities:-			
- Basic (sen)	16	<u><u>5.05</u></u>	<u><u>1.38</u></u>
- Diluted (sen)	16	<u><u>*</u></u>	<u><u>*</u></u>

\* There are no dilutive potential equity instruments that would give a diluted effect to the basic earnings per share.

The accompanying notes form an integral part of the combined financial statements.

**ENEST GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 2016**

	<u>Note</u>	<u>Share capital</u> RM	Retained earnings/ (Accumulated <u>losses</u> ) RM	<u>Total</u> RM
Balance at 1 January 2016		5,000	(255,094)	(250,094)
<b>Transaction with owners:-</b>				
Issuance of ordinary shares	9	295,000	-	295,000
Total comprehensive income for the financial year		-	126,281	126,281
Balance as at 31 December 2016		300,000	(128,813)	171,187
<b>Transaction with owners:-</b>				
Issuance of ordinary shares	9	700,000	-	700,000
Total comprehensive income for the financial year		-	503,745	503,745
Balance as at 31 December 2017		1,000,000	374,932	1,374,932

The accompanying notes form an integral part of the combined financial statements.

**ENEST GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 2016**

	<u>2017</u> RM	<u>2016</u> RM
<b>OPERATING ACTIVITIES</b>		
Profit before tax	637,745	182,281
<b>Adjustments for:-</b>		
Depreciation	46,342	43,367
Operating profit before working capital changes	684,087	225,648
Changes in working capital:-		
Inventories	(304,207)	(252,345)
Receivables	(316,141)	(9,534)
Payables	42,872	45,844
Cash generated from operations	106,611	9,613
Tax paid	(78,332)	-
Net cash from operating activities	28,279	9,613
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(34,641)	(17,979)
Deposit paid	(300,000)	-
Net cash used in investing activities	(334,641)	(17,979)

**ENEST GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS FOR THE  
FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 2016 (CONT'D)**

	<u>2017</u>	<u>2016</u>
	RM	RM
<b>FINANCING ACTIVITIES</b>		
Advances from/(Repayments to) Directors	33,152	(132,360)
Proceeds from issuance of shares	151,849	295,000
	<hr/>	<hr/>
Net cash from financing activities	185,001	162,640
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS</b>		
Net changes	(121,361)	154,274
Brought forward	216,653	62,379
	<hr/>	<hr/>
Carried forward	95,292	216,653
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of the combined financial statements.

**ENEST GROUP BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

**1.1 Introduction**

The combined financial statements of Enest Group Berhad (“the Company” or “Enest”) and its subsidiary (“the combining entity”) have been prepared by the Directors for inclusion in the Information Memorandum in connection with the listing and quotation of the enlarged issued and paid-up share capital of the Company on the Leading Entrepreneur Accelerator Platform (“LEAP Market”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and shall not be relied on for any other purposes.

For the purpose of the proposed listing, the Company had executed the acquisition of the entire equity interest in Ming Feng Marketing (M) Sdn. Bhd. for a total consideration of RM2,075,000, which was satisfied in full by the allotment and issuance of 20,750,000 new ordinary shares of RM0.10 each (“Proposed Acquisition”).

The listing scheme of the Company on the LEAP Market of Bursa Securities entails the proposed excluded issue of 50,000,000 ordinary shares of the Company at an indicative price of RM0.08 per share (“Proposed Excluded Issue”), representing 10.75% of the enlarged issued and paid-up share capital of the Company.

Upon completion of the Proposed Acquisition and Proposed Excluded Issue, the Company would seek the listing and quotation of its entire issued and paid-up share capital of RM6,075,002 comprising 465,000,040 ordinary shares on the LEAP Market of Bursa Securities (“Proposed Listing”).

**1.2 Corporate information**

Enest Group Sdn. Bhd. was a private limited liability company, incorporated on 9 April 2018 and domiciled in Malaysia. On 16 November 2018, it was converted into a public limited company and assumed its present name of Enest Group Berhad.

The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur. The principal place of business of the Company is located at No. 2, First Floor, Jalan Semenyih, Bandar Kajang, 43000 Kajang, Selangor Darul Ehsan.

The principal activity of the Company is that of investment holding. The principal activities of the combining entity is disclosed in Note 24 to the Combined Financial Statements. There have been no significant changes in the nature of these activities during the financial years ended 31 December 2016 and 31 December 2017.



## **2. BASIS OF PREPARATION**

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of the common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements of the combining entities for the relevant period were prepared in a manner similar to the “pooling-of-interest” method, as if the entities within the combining entities were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of the entities within the combining entities, if later. Such manner of presentation reflects the economic substance of the combining entities, which were under common control throughout the relevant period.

These combined financial statements combine the audited results of Ming Feng Marketing (M) Sdn. Bhd. as at 1 January 2016, 31 December 2016 and 31 December 2017 and for the financial years ended 31 December 2016 and 31 December 2017. The audited financial statements of Enest Group Berhad have not included in these combined financial statements as it is incorporated after the financial year ended 31 December 2017 on 9 April 2018 to facilitate the Proposed Listing.

The combined financial statements have been prepared as if the combining entities have operated as a single economic entity throughout financial years ended 31 December 2016 and 31 December 2017 and have been prepared using financial information obtained from the records of the combining entities during the reporting years.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Company, as the combined financial statements reflect business combinations under common control for the purpose of the Proposed Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting years.

### **2.1 Statement of compliance**

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”) based on the Guidance Note on ‘Combined Financial Statements’ issued by the Malaysian Institute of Accountants in relation to the Listing.

**2. BASIS OF PREPARATION (CONT'D)**

**2.2 Basis of measurement**

The combined financial statements are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**2.3 Functional and presentation currency**

Items included in the financial statements of each of the combining entities are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The functional currency of the combining entities is Ringgit Malaysia (“RM”). The combined financial statements are presented in RM which is the functional and presentation currency of the combining entities. All financial information is presented in RM and all values are rounded to the nearest RM except when otherwise stated.

**2.4 Adoption of amendments/Improvements to MFRSs**

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these combined financial statements.

At the beginning of the current financial year, the Group adopted amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2016.

Initial application of the amendments/improvements to the standards did not have material impact to the combined financial statements of the Group.

**2.5 Standards issued but not yet effective**

At the date of authorisation of these combined financial statements, certain new standards, amendments and interpretations to existing standards have been published by MASB but are not yet effective and have not been early adopted by the Group.

Management anticipates that all relevant pronouncements will be adopted in the Group’ accounting policies for the first period beginning after the effective date of the pronouncement.

The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the combined financial statements of the Group except as mentioned below.

**2. BASIS OF PREPARATION (CONT'D)**

**2.5 Standards issued but not yet effective (cont'd)**

**MFRS 9 Financial instruments**

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new “expected credit loss model” under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The adoption of MFRS 9 is not expected to have any significant impact on the combined financial statements of the Group and the Group plan to adopt the new standard on the required effective date.

**MFRS 15 Revenue from contracts with customers**

MFRS 15 presents new requirements for the recognition of revenue, replacing the guidance of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Int 13 Customer Loyalty Programmes, IC Int 15 Agreements for Construction of Real Estate, IC Int 18 Transfers of Assets from Customers and IC Int 131 Revenue – Barter Transaction Involving Advertising Services. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of MFRS 15 will result in a change in accounting policy. The adoption of MFRS 15 is not expected to have any significant impact on the combined financial statements of the Group and the Group plan to adopt the new standard on the required effective date.

**MFRS 16 Leases**

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statement of financial position by recognising a “right-of-use” asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to be increase substantially.

**2. BASIS OF PREPARATION (CONT'D)**

**2.5 Standards issued but not yet effective (cont'd)**

**MFRS 16 Leases (cont'd)**

MFRS 16 also:

- Changes the definition of a lease,
- Sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods,
- Changes the accounting for sale and leaseback arrangements,
- Largely retains MFRS 117's approach to lessor accounting, and
- Introduces new disclosure requirements.

The adoption of MFRS 16 will result in a change in accounting policy. The adoption of MFRS 16 is not expected to have any significant impact on the combined financial statements of the Group and the Group plan to adopt the new standard on the required effective date.

**2.6 Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the combined financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

**2.6.1 Estimation uncertainty**

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

**Useful lives of depreciable assets**

The management estimates the useful lives of the property, plant and equipment to be 5 to 10 years and reviews the useful lives of depreciable assets at each reporting date. At 31 December 2017, the management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to changes in the expected level of usage and technology developments, resulting in adjustment to the Group's assets.

**2. BASIS OF PREPARATION (CONT'D)**

**2.6 Significant accounting estimates and judgements (cont'd)**

**2.6.1 Estimation uncertainty (cont'd)**

**Useful lives of depreciable assets (cont'd)**

The management expects that the expected useful lives of the property, plant and equipment would not have material difference from the management's estimation hence it would not result in material variance in the Group's profit for the financial year.

The carrying amount of the Group's property, plant and equipment at the end of the reporting date is disclosed in Note 4 to the Combined Financial Statements.

**Impairment of loans and receivables**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

The carrying amount of the Group's receivables at the end of the reporting date is disclosed in Notes 7 and 8 to the Combined Financial Statements.

**Impairment of non-financial assets**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

**2. BASIS OF PREPARATION (CONT'D)**

**2.6 Significant accounting estimates and judgements (cont'd)**

**2.6.1 Estimation uncertainty (cont'd)**

**Inventories**

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economic changes which may cause selling prices to change rapidly, and the Group's profit to changes.

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

The carrying amount of the Group's inventories at the end of the reporting date is disclosed in Note 6 to the Combined Financial Statements.

**Income taxes**

Significant estimation is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognise liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

**2.6.2 Significant management judgement**

There is no significant area of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the Combined Financial Statements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Group applied the significant accounting policies, as summarised below, consistently throughout all years presented in the Combined Financial Statements, unless otherwise stated.

**3.1 Basis of consolidation**

**3.1.1 Common control business combination**

A business combination involving entities under common control is a business combination in which all the Group or business are ultimately controlled by the same party or parties both before or after the business combination, and that control is not transitory.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.1 Basis of consolidation (cont'd)**

##### **3.1.1 Common control business combination (cont'd)**

For such common control business combinations, the merger accounting principles are used to account for the assets, liabilities, results, equity changes and cash flows of the Group in the combined financial statements.

Under the merger method of accounting, the results of combining entities are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the end of transfer. On combination, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference are classified and presented as movement in other capital reserves.

The effect of all transactions and balances between the Group, whether occurring before or after the combination, are eliminated in preparing the combined financial statements.

#### **3.2 Property, plant and equipment**

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such costs as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful lives. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Furniture and fittings	10%
Office equipments	10%
Air-conditioners	10%
Computers	20%
Electrical and fittings	10%
Plant and machineries	10%
Signboards	10%
Renovations	10%

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.2 Property, plant and equipment (cont'd)**

The residual values, useful lives and depreciation method are reviewed at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

**3.3 Impairment of non-financial assets**

The Group assess at each reporting date whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

**3.4 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.



**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.4 Leases (cont'd)**

**3.4.1 Operating lease**

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the combined statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they are incurred.

**3.5 Financial instruments**

Financial assets and financial liabilities are recognised when the Group become a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below:-

**3.5.1 Financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

- (a) loans and receivables;
- (b) financial assets at fair value through profit or loss;
- (c) held to maturity investments; and
- (d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.5 Financial instruments (cont'd)**

**3.5.1 Financial assets (cont'd)**

A financial asset is derecognised when, and only when the contractual right to receive cash flows from the asset has expired or when the financial assets is transferred to another party without retaining control or substantially all risks and rewards of the asset has been transferred.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commit to purchase or sell the asset.

At the reporting date, the Group have not designated any financial assets as at financial assets at fair value through profit or loss, held to maturity investment and available-for-sale financial assets. The Group carries only loans and receivables on its combined statements of financial position.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's trade and most of the other receivables and cash and cash equivalents fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

**3.5.2 Financial liabilities**

After the initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities measure at amortised cost using effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished, discharged, cancelled or expired, or through amortisation process. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.5 Financial instruments (cont'd)**

**3.5.2 Financial liabilities (cont'd)**

At reporting date, the Group carried only other financial liabilities on its combined statements of financial position.

**Other financial liabilities measured at amortised cost**

The Group's financial liabilities include trade and other payables and amount due to Directors.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

**3.5.3 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**3.6 Impairment of financial assets**

The Group assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

**Receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group consider factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.6 Impairment of financial assets (cont'd)**

**Receivables and other financial assets carried at amortised cost (cont'd)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**3.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and bank balances which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

**3.8 Inventories**

Inventories comprises raw materials, work-in-progress and manufactured goods which are stated at the lower of cost and net realisable value.

Cost of raw materials is determined on first-in-first-out basis. Cost of finished goods and work-in-progress include raw materials, direct labour and an appropriate proportion of production overhead.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make sale. Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in profit or loss in the period in which it occurs.

**3.9 Equity and reserves and distribution to owners**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary share are recorded at the proceeds received, net of directly attribute incremental transaction cost, ordinary shares are classified as equity.

Retained earnings/(Accumulated losses) include all current financial year and prior financial years profits/(losses).

All transactions with owners of the Group are recorded separately within equity.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.10 Employee benefits**

**3.10.1 Short term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by the employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

**3.10.2 Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group pay fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the Group make such contributions to the Employees Provident Fund (“EPF”).

**3.11 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue relating to sale of goods is recognised net of sales returns and discount upon the transfer of significant risk and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**3.12 Income tax**

**3.12.1 Current tax**

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised in financial position as liability (or asset) to the extent that it is unpaid (or refundable). Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.12 Income tax (cont'd)**

**3.12.2 Deferred tax**

Deferred tax liabilities and assets are provided for under the liability method in respect of all temporary differences at the reporting date between the carrying amount of an asset or liability in the statement of financial position and its tax base including unused tax losses and capital allowances.

The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**3.12.3 Goods and Services Tax (“GST”)**

GST is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Group paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:-

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the customs is included as part of receivables or payables in the combined statements of financial position.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.13 Provisions**

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision is discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**3.14 Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the combined statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

**3.15 Operating segment**

An operating segment is a component of the combining entities that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the combining entities' other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Majority of the operations of the combining entities are involved in business of processing and selling bird nest products. Hence, the Group is not required to present its segment reporting under MFRS 8.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.16 Related parties**

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:-
  - (i) Has control or joint control over the Group; or
  - (ii) Has significant influence over the Group; or
  - (iii) Is a member of the key management personnel of the Group.
  
- (b) An entity is related to the Group if any of the following conditions applies:-
  - (i) The entity and the Group are members of the same group; or
  - (ii) One entity is an associate or joint venture of the other entity; or
  - (iii) Both entities are joint ventures of the same third party; or
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
  - (v) The entity and the Group are members of the same group; or
  - (vi) One entity is an associate or joint venture of the other entity; or
  - (vii) Both entities are joint ventures of the same third party; or
  - (viii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
  - (ix) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group; or
  - (x) The entity is controlled or jointly-controlled by a person identified in (a) above; or
  - (xi) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the Group; or
  - (xii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

**3.17 Earnings per ordinary share**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the net profit attributable to common controlling shareholders by the weighted average number of shares in issue.

Diluted EPS is calculated by dividing the net profit for the year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted EPS is not applicable as the combining entities do not have potential dilutive equity instruments that would give a diluted effect to the basic EPS.



4. **PROPERTY, PLANT AND EQUIPMENT**

	<u>Furniture and fittings</u> RM	<u>Office equipments</u> RM	<u>Air- conditioners</u> RM	<u>Computers</u> RM	<u>Electrical and fittings</u> RM	<u>Plant and machineries</u> RM	<u>Signboards</u> RM	<u>Renovations</u> RM	<u>Total</u> RM
<b>Cost</b>									
At 1.1.2016	80,935	5,591	33,000	39,720	51,282	25,379	3,170	123,150	362,227
Additions	8,868	1,800	942	6,369	-	-	-	-	17,979
At 31.12.2016	89,803	7,391	33,942	46,089	51,282	25,379	3,170	123,150	380,206
Additions	940	10,360	-	15,817	1,274	3,800	-	2,450	34,641
At 31.12.2017	90,743	17,751	33,942	61,906	52,556	29,179	3,170	125,600	414,847
<b>Accumulated depreciation</b>									
At 1.1.2016	8,094	559	3,300	7,944	5,128	2,538	317	12,315	40,195
Charge for the financial year	8,980	1,478	3,393	9,218	5,128	2,538	317	12,315	43,367
At 31.12.2016	17,074	2,037	6,693	17,162	10,256	5,076	634	24,630	83,562
Charge for the financial year	9,027	1,538	3,394	11,583	5,234	2,791	317	12,458	46,342
At 31.12.2017	26,101	3,575	10,087	28,745	15,490	7,867	951	37,088	129,904
<b>Net carrying amount</b>									
At 31.12.2017	64,642	14,176	23,855	33,161	37,066	21,312	2,219	88,512	284,943
At 31.12.2016	72,729	5,354	27,249	28,927	41,026	20,303	2,536	98,520	296,644
At 1.1.2016	72,841	5,032	29,700	31,776	46,154	22,841	2,853	110,835	322,032

5. **DEFERRED TAX (LIABILITIES)/ASSETS**

	<u>31.12.2017</u> RM	<u>31.12.2016</u> RM	<u>1.1.2016</u> RM
Brought forward	1,000	57,000	-
Recognised in profit or loss (Note 15)	<u>(18,000)</u>	<u>(56,000)</u>	<u>57,000</u>
Carried forward	<u><u>(17,000)</u></u>	<u><u>1,000</u></u>	<u><u>57,000</u></u>

The components of deferred tax (liabilities)/assets are made up of temporary differences arising from:

	<u>31.12.2017</u> RM	<u>31.12.2016</u> RM	<u>1.1.2016</u> RM
Carrying amount of qualifying property, plant and equipment in excess of its tax base	(17,000)	(19,000)	(13,000)
Unabsorbed business loss	-	20,000	50,000
Unutilised capital allowances	<u>-</u>	<u>-</u>	<u>20,000</u>
	<u><u>(17,000)</u></u>	<u><u>1,000</u></u>	<u><u>57,000</u></u>

6. **INVENTORIES**

	<u>31.12.2017</u> RM	<u>31.12.2016</u> RM	<u>1.1.2016</u> RM
Raw materials	27,234	38,870	14,176
Work-in-progress	83,444	32,828	-
Finished goods	<u>460,050</u>	<u>194,823</u>	<u>-</u>
	<u><u>570,728</u></u>	<u><u>266,521</u></u>	<u><u>14,176</u></u>
Recognised in profit or loss	<u><u>2,986,116</u></u>	<u><u>1,711,369</u></u>	<u><u>945,266</u></u>

7. **TRADE RECEIVABLES**

Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group to the trade receivables ranged from 0 to 30 (31.12.2016 and 1.1.2016: Nil) days. Other credit terms are assessed and approved on a case-by-case basis.

8. **OTHER RECEIVABLES**

	<u>31.12.2017</u> RM	<u>31.12.2016</u> RM	<u>1.1.2016</u> RM
Non-trade receivables	2,490	3,000	-
Deposits	322,100	21,600	18,000
Prepayments	5,935	2,934	-
	<u>330,525</u>	<u>27,534</u>	<u>18,000</u>

9. **SHARE CAPITAL**

**Issued and fully paid-up:**

**Number of ordinary shares:**

	<u>Total</u> Unit
At 1.1.2016	5,000
Issued during the year	<u>295,000</u>
At 31.12.2016	300,000
Issued during the year	700,000
Sub-division	<u>9,000,000</u>
At 31.12.2017	<u>10,000,000</u>
<b>Amount:</b>	RM
At 1.1.2016	5,000
Issued during the year	<u>295,000</u>
At 31.12.2016	300,000
Issued during the year	<u>700,000</u>
At 31.12.2017	<u>1,000,000</u>

- (a) The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Group.
- (b) The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Group's residual assets.

10. **TRADE PAYABLES**

Trade payables are unsecured, non-interest bearing and the normal credit term granted by the suppliers ranging from 0 to 30 (31.12.2016: Nil and 1.1.2016: 0 to 30) days.

11. **OTHER PAYABLES**

	<u>31.12.2017</u> RM	<u>31.12.2016</u> RM	<u>1.1.2016</u> RM
Non-trade payables	21,934	425,725	437,645
Accruals of expenses	43,613	39,200	6,210
GST payable	65,316	49,814	-
	<u>130,863</u>	<u>514,739</u>	<u>443,855</u>

Included in non-trade payables is an amount of Nil (31.12.2016: RM425,725 and 1.1.2016: RM435,725) due to a company in which certain Directors have interest. There amounts are unsecured, non-interest bearing and repayable on demand.

12. **AMOUNT DUE TO DIRECTORS**

The amount due to Directors are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

13. **REVENUE**

Revenue represents the net invoiced value for goods sold and services rendered less discount.

14. **PROFIT BEFORE TAX**

Profit before tax has been determined after charging amongst other items, the followings:-

	<u>2017</u> RM	<u>2016</u> RM
Depreciation	46,342	43,367
Rental expense	<u>85,600</u>	<u>72,856</u>

15. TAX EXPENSE

	<u>2017</u> RM	<u>2016</u> RM
<u>Current tax</u>		
- Current year provision	116,000	-
<u>Deferred tax (Note 5)</u>		
- Current year	17,000	56,000
- Underprovision in prior year	1,000	-
	18,000	56,000
	134,000	56,000

A reconciliation of income tax expense at the statutory tax rate and effective tax rate of the Group is as follows:-

	<u>2017</u> RM	<u>2016</u> RM
Profit before tax	637,745	182,281
Income tax at Malaysian tax rate of 24%	153,059	43,747
Tax effects in respect of :-		
Expenses not allowable for tax purposes	11,941	12,253
Tax savings for the first tranche of chargeable income	(30,000)	-
Underprovision of deferred tax in prior year	(1,000)	-
Effective tax expense	134,000	56,000

The Group's unabsorbed business losses amounting to approximately Nil (2016: RM84,000), which can be carried forward to offset against future taxable profit.

However, the above amounts are subject to approval of the Inland Revenue Board of Malaysia.

16. **EARNINGS PER SHARE**

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the financial years attributable to common controlling shareholders of the combining entities over the weighted average number of ordinary shares in issue of the combining entities during the financial years as follows:

	<u>2017</u> RM	<u>2016</u> RM
Net profit attributable to owners of the combining entities	<u>503,745</u>	<u>126,281</u>
Weighted average number of ordinary shares	<u>9,973,151</u>	<u>9,181,516</u>
Basic earnings per share (sen)	<u>5.05</u>	<u>1.38</u>

(b) Diluted earnings per share

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting year.

17. **EMPLOYEE BENEFITS EXPENSES**

	<u>2017</u> RM	<u>2016</u> RM
Staff costs	<u>466,906</u>	<u>461,684</u>

The following are included in the employee benefits expenses:-

	<u>2017</u> RM	<u>2016</u> RM
Defined contribution plan	26,605	28,179
Director's emoluments	-	<u>25,000</u>

18. **RELATED PARTY DISCLOSURES**

(a) Related party transaction:-

	<u>2017</u> RM	<u>2016</u> RM
Purchase from a company in which certain Directors have interest	<u>20,724</u>	<u>18,843</u>

**18. RELATED PARTY DISCLOSURES (CONT'D)**

- (b) Outstanding balances arising from related party transactions are disclosed in Notes 11 and 12 to the Combined Financial Statements.
- (c) Key management personnel are defined as the person having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The remuneration of Directors are disclosed in Note 17 to the Combined Financial Statements. The Group has no other members of key management personnel other than the Board of Directors.

**19. COMMITMENTS**

**19.1 Operating lease commitments**

The future lease payable under non-cancellable operating lease pertaining to the Group in respect of rental of premises are as follows:-

	<u>2017</u> RM	<u>2016</u> RM
Not later than one year	87,600	27,000
Later than one year but not later than five years	<u>12,600</u>	<u>12,000</u>
	<u><u>100,200</u></u>	<u><u>39,000</u></u>

**19.2 Capital commitment**

	<u>2017</u> RM	<u>2016</u> RM
<u>Authorised and contracted for:-</u>		
Acquisition of subsidiary	2,729,892	-
Property, plant and equipment	<u>1,500,000</u>	<u>-</u>
	<u><u>4,229,892</u></u>	<u><u>-</u></u>

**20. OPERATING SEGMENT**

The combined entities are principally involved in the business of processing and selling bird nest products.

No product and services segment information and geographical information are presented as the Chief Operating Decision Maker ("CODM") views the combining entities as a single reportable segment.

There were no major customer contributing revenue which equals to ten percent (10%) or more of the total revenue.

21. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Loans and receivables (“L&R”);  
 (b) Other liabilities measured at amortised cost (“AC”).

	<b>Carrying amount</b>	<b>L&amp;R</b>	<b>AC</b>
	RM	RM	RM
<u>31.12.2017</u>			
<b>Financial assets</b>			
Trade receivables	313,150	313,150	-
Other receivables	324,590	324,590	-
Cash and bank balances	95,292	95,292	-
	<u>733,032</u>	<u>733,032</u>	<u>-</u>
<b>Financial liabilities</b>			
Trade payables	1,023	-	1,023
Other payables	65,547	-	65,547
Amount due to Directors	33,152	-	33,152
	<u>99,722</u>	<u>-</u>	<u>99,722</u>
<u>31.12.2016</u>			
<b>Financial assets</b>			
Other receivables	24,600	24,600	-
Cash and bank balances	216,653	216,653	-
	<u>241,253</u>	<u>241,253</u>	<u>-</u>
<b>Financial liabilities</b>			
Other payables	464,925	-	464,925
Amount due to Directors	122,426	-	122,426
	<u>587,351</u>	<u>-</u>	<u>587,351</u>
<u>1.1.2016</u>			
<b>Financial assets</b>			
Other receivables	18,000	18,000	-
Cash and bank balances	62,379	62,379	-
	<u>80,379</u>	<u>80,379</u>	<u>-</u>



21. **FINANCIAL INSTRUMENTS (CONT'D)**

**Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Loans and receivables (“L&R”);
- (b) Other liabilities measured at amortised cost (“AC”).

<u>31.1.2016 (cont'd)</u>	<u>Carrying amount</u> RM	<u>L&amp;R</u> RM	<u>AC</u> RM
<b>Financial liabilities</b>			
Trade payables	25,040		25,040
Other payables	443,855	-	443,855
Amount due to Directors	254,786	-	254,786
	<u>723,681</u>	<u>-</u>	<u>723,681</u>

**Financial risk management**

**Financial risks**

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group’ business whilst managing its risks. The Group operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) **Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group’s policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the company of counterparties whose aggregate credit exposure is significant in relation to the Group’s total credit exposure.

It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control.

21. **FINANCIAL INSTRUMENTS (CONT'D)**

**Financial risk management (cont'd)**

**Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) **Credit risk**

The areas where the Group is exposed to credit risk are as follows:-

**Receivables**

As at the end of the reporting date, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statement of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values.

A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk and are monitored individually.

*Ageing analysis of trade receivables*

<u>31.12.2017</u>	<u>Gross</u> RM	Individually <u>impaired</u> RM	<u>Net</u> RM
Past due 1-30 days	228,032	-	228,032
Past due 31-60 days	85,052	-	85,052
Past due more than 61 days	66	-	66
	<u>313,150</u>	<u>-</u>	<u>313,150</u>

As at 31 December 2017, trade receivables amounting to RM313,150 (31.12.2016 and 1.1.2016: RMNil) that were due at the reporting date but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

**21. FINANCIAL INSTRUMENTS (CONT'D)**

**Financial risk management (cont'd)**

**Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

**(a) Credit risk (cont'd)**

In respect of trade receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics except for 92% (31.12.2016 and 1.1.2016: Nil) of total Group's trade receivables was due from 2 (31.12.2016 and 1.1.2016: Nil) major customers.

In respect of other receivables, the Group is not subjected to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics.

The net carrying amount of receivables is considered a reasonable approximate of fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

**Deposits with a bank**

The Group is exposed to significant concentration of credit risk with one (31.12.2016 and 1.1.2016: one) single bank as the entire cash is placed with the same bank.

The entire deposits with a bank are neither past due nor impaired due to it is placed with reputable financial institutions with high credit ratings and no history of default.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables and amount due to Directors, the Group maintain a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The Group aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The maturity profile based on the contractual undiscounted repayment obligations is less than one year.

**21. FINANCIAL INSTRUMENTS (CONT'D)**

**Financial risk management (cont'd)**

**Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

**(b) Liquidity risk (cont'd)**

**Fair value of financial instruments**

The carrying amounts of financial assets and liabilities of the Group at the reporting date approximate their fair values due to their short-term nature of these financial instruments and insignificant impact of discounting.

**Fair value hierarchy**

No fair value hierarchy has been disclosed as the Group does not have any financial instruments measured at fair value.

**22. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manage its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new share capital. There were no changes in the Group' approach to capital management during the financial year.

**23. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR**

(a) On 29 November 2017, a combining entity sub-divide the issued and paid-up share capital of the combining entity by way of sub-dividing 1,000,000 units of ordinary shares of each into 10,000,000 units of ordinary shares as the basis of every 1 share is to be sub-divided into 10 new ordinary shares.

(b) On 2 February 2018, a combining entity entered into a sale and purchase agreement ("SPA") to acquire 90% of the issued and paid-up share capital of Dynamic Transforms Sdn. Bhd. ("DTSB") for a purchase consideration of RM2,700,000.

The SPA shall be conditional to the purchase of the property registered in the name of Market Performance Sdn. Bhd. ("MPSB") held under Title No. PM 2675, PT Lot No. 2365, Mukim Bandar Selayang, District Gombak, Selangor for a purchase consideration of RM2,000,000.

**23. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)**

(b) (cont'd)

The SPA is conditional to the purchase of the property registered in the name of MPSB because the said property is occupied by DTSB for its operations. DTSB and MPSB have two common substantial shareholders and one common director.

(c) On 16 April 2018, a combining entity entered into a SPA to acquire 10% of the issue and paid-up share capital in Dynamic Transforms Sdn. Bhd. for a consideration of RM299,892 via issuance of 321,600 ordinary shares of the combining entity.

**24. COMBINING ENTITY**

Detail of the combining entity is as follow:

<u>Name of the combining entity</u>	<u>Country of incorporation</u>	<u>Date of incorporation</u>	<u>Principal activities</u>
Ming Feng Marketing (M) Sdn. Bhd.	Malaysia	26.01.2015	Engaged in the business of processing and selling bird nest products.

**ENEST GROUP BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying combined financial statements set out on pages 5 to 40 are drawn up in accordance with Malaysia Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial position as at 1 January 2016, 31 December 2016 and 31 December 2017, and of its combined financial performance and cash flows for the financial years ended 31 December 2016 and 31 December 2017.



.....  
Tan Teh Jie



.....  
Tan Teh Sheng

Kuala Lumpur



**ENEST GROUP BERHAD**

(Company No. 1275638-T)

(Incorporated in Malaysia under the Companies Act, 2016)

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