**THE ADMISSION OF ENEST GROUP BERHAD TO THE LEAP MARKET WAS ADVISED BY OUR APPROVED ADVISOR, WYNCORP ADVISORY SDN BHD.**



**ENEST GROUP BERHAD**

(Company No. 1275638-T)

(Incorporated in Malaysia under the Companies Act, 2016)

**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 ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN COPORATE EXERCISES UNDERTAKEN BY ENEST GROUP BERHAD (“ENEST” OR THE “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 CONSIDERATION.**

**UNAUDITED SEMI-ANNUAL FINANCIAL STATEMENTS**

**FOR THE 6-MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020**

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

|  |  |  |
| --- | --- | --- |
| Audited Financial Statements | : | Consolidated financial statements for the FYE 2019 as audited by Grant Thornton Malaysia |
|  |  |  |
| Board | : | The Board of Directors of our Company |
|  |  |  |
| Bursa Securities | : | Bursa Malaysia Securities Berhad (635998-W) |
|  |  |  |
| CMSA | : | Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof |
|  |  |  |
| DVS | : | Department of Veterinary Services Malaysia |
|  |  |  |
| Enest or Company | : | Enest Group Berhad (1275638-T) |
|  |  |  |
| Enest Group or Group | : | Collectively, Enest and its Subsidiaries |
|  |  |  |
| FPE | : | Financial period ended/ending 30 June |
|  |  |  |
| HACCP | : | Hazard Analysis and Critical Control Points, an internationallyrecognised 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 |
|  |  |  |
| IMR Report | : | Independent Market Research Report dated 27 March 2019 prepared by Providence Strategic Partners Sdn. Bhd. |
|  |  |  |
| Information Memorandum | : | Information Memorandum dated 28 March 2019 in relation to the Proposed Excluded Issue |
| Share(s) | : | Ordinary share(s) in our Company |

All references to “our Company” or “Enest” in this document are to Enest Group Berhad. All references to “our Group” or “Enest Group” in this document 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.

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 document are due to rounding.

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND**

**OTHER COMPREHENSIVE INCOME**

**(UNAUDITED)**

|  |  |  |
| --- | --- | --- |
|  | **6 Months****Individual period** | **6 Months****Cumulative period** |
|  | **FPE 2020**(1) | **FPE 2019** | **FPE 2020**(1) | **FPE 2019** |
|  | **RM’000** | **RM’000** | **RM’000** | **RM’000** |
|  |  |  |  |  |
| Revenue | 23,688 | 20,937 | 23,688 | 20,937 |
| Cost of sales | (19,859) | (16,261) | (19,859) | (16,261) |
|  |  |  |  |  |
| Gross profit (“**GP**”) | 3,829 | 4,850 | 3,829 | 4,850 |
| Other income | 280 | 45 | 280 | 45 |
| Administrative & other expenses | (1,681) | (2,377) | (1,681) | (2,377) |
|  |  |  |  |  |
| Profit from operations | 2,428 | 2,518 | 2,428 | 2,518 |
| Finance costs | (75) | (61) | (75) | (61) |
|  |  |  |  |  |
| Profit before tax (“**PBT**”) | 2,353 | 2,457 | 2,353 | 2,457 |
| Tax expenses | (537) | (604) | (537) | (604) |
|  |  |  |  |  |
| **Profit after tax (“PAT”)/****Total comprehensive income** | **1,816** | 1,853 | **1,816** | 1,853 |
|   |  |  |  |  |
| **Profit for the financial period/****Total comprehensive income attributable to:**  |  |  |  |  |
| - Owners of Enest | 1,645 | 1,674 | 1,645 | 1,674 |
| **-** Non-controlling interest (“**NCI**”) | 171 | 179 | 171 | 179 |
|  |  |  |  |  |
|  | **1,816** | 1,853 | **1,816** | 1,853 |
|  |  |  |  |  |
| GP margin (%) | 16.16 | 23.16 | 16.16 | 23.16 |
| PBT margin (%) | 9.93 | 11.74 | 9.93 | 11.74 |
| PAT margin (%) | 7.67 | 8.85 | 7.67 | 8.85 |
| Basic/diluted earnings per share (sen)(2) | 0.35 | 0.36 | 0.35 | 0.36 |
| Number of shares in issue after the Excluded Issue (‘000) | 465,000 | 465,000 | 465,000 | 465,000 |
|  |  |  |  |  |

*Notes:*

*(1) The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.*

*(2) Calculated based on the profit for the financial period attributable to owners of Enest, divided by the number of shares in issue after the Excluded Issue.*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**(UNAUDITED)**

|  |  |  |
| --- | --- | --- |
|  | **As at** **30.06.2020(1)** | **As at** **31.12.2019** |
|  | **RM’000** | **RM’000** |
|  | **(unaudited)** | **(audited)** |
| **Non-Current Assets** |  |  |
| Property, plant and equipment | 3,713 | 4,049 |
| Goodwill | 1,840 | 1,840 |
|  | **5,553** | **5,889** |
| **Current Assets** |  |  |
| Inventories | 6,393 | 5,398 |
| Trade receivables | 13,642 | 3,711 |
| Other receivables | 1,119 | 6,040 |
| Financial assets at fair value through profit or loss | 1,515 | 2,030 |
| Cash and bank balances | 224 | 385 |
|  | **22,893** | **17,564** |
|  |  |  |
| **TOTAL ASSETS** | **28,446** | **23,453** |
|  |  |  |
| **Equity** |  |  |
| Share capital | 5,431 | 5,431 |
| Merger deficit | (375) | (375) |
| Foreign currency translation reserve | (1) | 4 |
| Retained earnings | 6,222 | 4,572 |
|  | 11,277 | 9,632 |
| NCI | 929 | 758 |
| **Total Equity** | **12,206** | **10,390** |
|  |  |  |
| **Non-Current Liabilities** |  |  |
| Borrowings | 1,618 | 1,633 |
| Deferred tax liabilities | 60 | 69 |
| Lease liabilities | 774 | 763 |
|  | **2,452** | **2,465** |
| **Current Liabilities** |  |  |
| Trade payables | 9,171 | 465 |
| Other payables | 3,234 | 8,796 |
| Lease liabilities | 205 | 233 |
| Amount due to Directors | - | 76 |
| Borrowings | 211 | 226 |
| Bank overdraft | - | 432 |
| Tax payable | 967 | 370 |
|  | **13,788** | **10,598** |
|  |  |  |
| **Total Liabilities** | **16,240** | **13,063** |
|  |  |  |
| **TOTAL EQUITY AND LIABILITIES** | **28,446** | **23,453** |
|  |  |  |

*Note:*

1. *The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**(UNAUDITED)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Foreign** |  |  |  |  |
|  |  |  |  | **currency** |  |  |  |  |
|  |  | **Share** | **Merger** | **translation** | **Retained** | **Total** | **NCI** | **Total** |
|  |  | **capital** | **Deficit** | **reserve** | **earnings** |  |  | **equity** |
|  |  | **RM’000** | **RM’000** | **RM’000** | **RM’000** | **RM’000** | **RM’000** | **RM’000** |
|  |  |  |  |  |  |  |  |  |
| At 1 January 2019 |  | 2,075 | (375) | 1 | 3,031 | 4,732 | 528 | 5,260 |
| Total comprehensive income for the financial period |  | - | - | 2 | 1,672 | 1,674 | 179 | 1,853 |
|  |  |  |  |  |  |  |  |  |
| At 30 June 2019 |  | **2,075** | **(375)** | **3** | **4,703** | **6,406** | **707** | **7,113** |
|  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Foreign** |  |  |  |  |
|  |  |  |  | **currency** |  |  |  |  |
|  |  | **Share** | **Merger** | **translation** | **Retained** | **Total** | **NCI** | **Total** |
|  |  | **capital** | **Deficit** | **reserve** | **earnings** |  |  | **equity** |
|  |  | **RM’000** | **RM’000** | **RM’000** | **RM’000** | **RM’000** | **RM’000** | **RM’000** |
|  |  |  |  |  |  |  |  |  |
| At 1 January 2020 |  | 5,431 | (375) | 4 | 4,572 | 9,632 | 758 | 10,390 |
| Total comprehensive income for the financial period |  | - | - | (5) | 1,650 | 1,645 | 171 | 1,816 |
|  |  |  |  |  |  |  |  |  |
| At 30 June 2020(1) |  | **5,431** | **(375)** | **(1)** | **6,222** | **11,277** | **929** | **12,206** |
|  |  |  |  |  |  |  |  |  |

*Notes:*

*(1) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.*

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

**(UNAUDITED)**

|  |  |
| --- | --- |
|  | **Year-to-date ended**  |
|  | **30.06.2020(1)** | **30.06.2019** |
|  | **RM’000** | **RM’000** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  |
| Profit before tax | 2,353 | 2,457 |
| Adjustments for: |  |  |
| Depreciation  | 336 | 118 |
| Interest expenses | 75 | 61 |
| Dividend income from financial assets at fair value through profit or loss | (15) | (43) |
|  |  |  |
| Operating profit before working capital changes | 2,749 | 2,593 |
| Increase in inventories | (995) | 232 |
| Increase in trade and other receivables | (5,010) | (7,953) |
| Decrease in trade and other payables | 3,144 | 4,848 |
|  |  |  |
| Cash used in operations | (112) | (280) |
| Tax refund/paid | 51 | (270) |
|  |  |  |
| **Net cash used in operating activities** | **(61)** | (550) |
|  |  |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |
| Purchase of property, plant and equipment | (30) | (478) |
| Realisation of financial assets at fair value through profit or loss | 515 | 3,229 |
| Dividend received from financial assets at fair value through profit or loss | 15 | 43 |
|  |  |  |
| **Net cash generated from investing activities** | **500** | 2,794 |
|  |  |  |
| **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |
| Interest paid | (75) | (61) |
| Repayment to directors | (76) | (429) |
| Net drawdown of borrowings | - | 384 |
| Repayment of term loans | (17) | (143) |
|  |  |  |
| **Net cash generated from financing activities** | **(168)** | (249) |
|  |  |  |
| **Cash and cash equivalents** |  |  |
| Net changes  | 271 | 1,995 |
| Brought forward | (47) | (611) |
|  |  |  |
| **Cash and cash equivalents at end of the financial period** | **224** | 1,384 |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont’d)**

**(UNAUDITED)**

|  |  |
| --- | --- |
|  | **Year-to-date ended**  |
|  | **30.06.2020(1)** | **30.06.2019** |
|  | **RM’000** | **RM’000** |
|  |  |  |
| Cash and cash equivalents comprise the following: |  |  |
|  |  |  |
| Cash and bank balances | 224 | 1,887 |
| Bank overdraft | - | (503) |
|  |  |  |
|  | **224** | **1,384** |

*Notes:*

1. *The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.*

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**EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134**

**A1. BASIS OF PREPARATION**

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention except otherwise stated. These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“**MASB**”) and Part C, Rule 6.12 and Appendix 6A of the LEAP Market Listing Requirements (“**LEAP LR**”) issued by Bursa Securities.

These unaudited interim financial statements should be read in conjunction with the Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the FYE 2019.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the FYE 2019, except for the adoption of the following MFRS and Amendments to MFRSs as disclosed below:

Effective for annual periods commencing on or after 1 January 2020

* *Amendments to References to the Conceptual Framework in MFRS Standards*, as issued by MASB on 30 April 2018
* Amendments to MFRS 3 *Definition of a Business*
* Amendments to MFRS 101 and MFRS 108 *Definition of Material*
* Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*

 The following MFRS’s and Amendments to MFRS’s have been issued by the MASB but are not early adopted by the Group:

Effective for annual periods commencing on or after 1 June 2020

* Amendment to MFRS 16 *Covid-19 Related Rent Concessions*

Effective for annual periods commencing on or after 1 January 2021

* MFRS 17 *Insurance Contracts*

Effective for annual periods commencing on or after 1 January 2022

* Amendments to MFRSs contained in the document entitled “*Annual Improvements to MFRS Standards 2018-2020”*
* Amendments to MFRS 3 *Reference to the Conceptual Framework*
* Amendments to MFRS 116 *Proceeds before Intended Use*
* Amendments to MFRS 137 *Onerous Contracts – Cost of Fulfilling a Contract*

Deferred

* Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group is in the process of assessing the impact of implementing these accounting standards and amendments, since the effects would only be observable for the future financial years.

**A3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors’ report on the Group’s most recent annual audited financial statements for the FYE 2019 were not subject to any qualification.

**A4. SEASONALITY OR CYCLICALITY OF OPERATION**

Generally, our Group’s business is not subjected to any cyclical or seasonal trend.

**A5. UNUSUAL ITEMS**

The operations and financial performance of the Group during the FPE 2020 were affected by the movement control order imposed by the Government in response to the Covid-19 pandemic.

**A6. MATERIAL CHANGES IN ESTIMATES**

There were no significant changes in estimates of amounts reported in prior financial years that have a material impact on the FPE 2020.

**A7. DEBTS AND EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the semi-annual period and financial year under review.

**A8. DIVIDEND PAID/ DECLARED**

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

**A9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

There were no material events subsequent to the end of financial period under review that have not have been reflected in this interim financial report.

**A10. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no material changes in the composition of the Group during the FPE 2020.

**A11. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

There were no contingent assets and contingent liabilities as at the date of this report.

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**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**B1. Revenue**

**By geographical location**

|  |  |
| --- | --- |
|  | **Unaudited** |
|  | **6 months ended** **30 June 2020****(“FPE 2020”)** | **6 months ended** **30 June 2019****(“FPE 2019”)** |
|  | **RM’000** | **%** | **RM’000** | **%** |
|  |  |  |  |  |
| **Local** |  |  |  |  |
| Malaysia | 271 | 1.14 | 532 | 2.54 |
|  |  |  |  |  |
| **Overseas** |  |  |  |  |
| Canada | 102 | 0.43 | - | - |
| China | 22,996 | 97.08 | 19,969 | 95.38 |
| Australia | 319 | 1.35 | 436 | 2.08 |
|  | 23,417 | 98.86 | 20,405 | 97.46 |
|  |  |  |  |  |
| **Total** | **23,688** | **100.00** | **20,937** | **100.00** |
|  |  |  |  |  |

**Comparison between the FPE 2020 and the FPE 2019**

Our Group recorded total revenue of approximately RM23.688 million for the FPE 2020, an increase by approximately RM2.751 million from the FPE 2019. This was primarily due to an increase in the sales volume during the FPE 2020 in line with growing demands from overseas markets (particularly China) for quality and higher-graded edible bird’s nest.

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. The average selling prices of edible bird’s nest are also subject to fluctuation depending on the market supply and demand condition.

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

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**B2. GP and GP margin**

The following tables set out the breakdown of our Group’s GP and GP margin for the FPE 2019:

|  |  |
| --- | --- |
| **GP margin** | **Unaudited** |
| **6 months ended****30 June 2020****(“FPE 2020”)** | **6 months ended** **30 June 2019****(“FPE 2020”)** |
|  |  |  |
| GP (RM’000) | 3,829 | 4,850 |
|  |  |  |
| **Overall GP margin (%)** | **16.16** | **23.16** |
|  |  |  |

**Comparison between the FPE 2020 and the FPE 2019**

Our Group’s GP decreased by approximately RM1.021 million during the FPE 2020, despite the increase in our Group’s revenue. This was primarily due to lower average selling prices of our edible bird’s nest, as a result of intensified market competition for exports to China; both from the local industry players as well as international suppliers particularly from Indonesia. Consequently, our Group revised the average selling prices of our edible bird’s nest in order to sustain our competitiveness in the market; resulting in a lower overall GP margin recorded during the FPE 2020.

**B3. Other income**

|  |  |
| --- | --- |
|  | **Unaudited** |
| **6 months ended****30 June 2020****(“FPE 2020”)** | **6 months ended** **30 June 2019****(“FPE 2020”)** |
|  | **RM’000** | **RM’000** |
|  |  |  |
| Other income | 280 | 45 |
|  |  |  |

**Comparison between the FPE 2020 and the FPE 2019**

Other income recorded for the FPE 2019 and 2020 mainly consist of dividend income from unit trust and foreign exchange gain. The increase during the FPE 2020 was primarily due to gain from foreign exchange gain.

**B4. Administrative & other expenses**

|  |  |
| --- | --- |
|  | **Unaudited** |
| **6 months ended****30 June 2020****(“FPE 2020”)** | **6 months ended** **30 June 2019****(“FPE 2019”)** |
|  | **RM’000** | **RM’000** |
|  |  |  |
| Administrative & other expenses | 1,681 | 2,377 |
|  |  |  |

**Comparison between the FPE 2020 and the FPE 2019**

Administrative & other expenses decreased by approximately RM0.696 million during the FPE 2020 due to Movement Control Order (MCO) implemented in Malaysia which led to a decrease in electricity bills, overtime costs, and rental costs. Besides that, a large portion of the administrative and other expenses during the FPE 2019 was contributed by listing expenses, which were one off and non-recurring during the FPE 2020.

**B5. Taxation**

|  |  |
| --- | --- |
|  | **Unaudited** |
|  | **6 months ended****30 June 2020****(“FPE 2020”)** | **6 months ended****30 June 2019****(“FPE 2019”)** |
|  |  |  |
| Tax expenses (RM’000) | 537 | 604 |
|  |  |  |
| **Effective tax rate (%)** | **22.82** | **24.58** |
|  |  |  |

**Comparison between the FPE 2020 and the FPE 2019**

Our Group recorded a lower tax expenses during the FPE 2020, as compared to the FPE 2019, largely in line with the decrease in our Group’s profit before tax as a result of lower gross profit recorded during the FPE 2020.

**B6. PAT and PAT margin**

|  |  |
| --- | --- |
|  | **Unaudited** |
|  | **6 months ended****30 June 2020****(“FPE 2020”)** | **6 months ended****30 June 2019****(“FPE 2019”)** |
|  |  |  |
| PAT (RM’000) | 1,816 | 1,853 |
|  |  |  |
| **PAT margin (%)** | **7.67** | **8.85** |
|  |  |  |

**Comparison between the FPE 2020 and the FPE 2019**

Our Group recorded a lower PAT during the FPE 2020, mainly due to the decrease in GP.

**B7. STATUS OF UTILISATION OF PROCEEDS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Purpose** | **Proposed utilisation****RM’000** | **Actual utilisation****RM’000** | **Variance****RM’000** | **Estimated timeframe for utilisation upon listing** |
| R&D expenditure | 500 | - | 500 | Within 24 months |
| Capital expenditure | 501 | 400 | (1) 101 | Within 24 months |
| Brand development expenditure | 406 | - | 406 | Within 24 months |
| Working capital | 1,593 | 910 | 683 | Within 24 months |
| Estimated listing expenses | 1,000 | 700 | (1) 300 | Immediate |
| **Total** | **4,000** | **2,010** | **1,990** |  |
|  |  |  |  |  |

*Note*

1. *The excess amount of RM300,000 and RM101,000 would be reallocated to the amount earmarked for working capital, consistent with the disclosure in the Information Memorandum.*