

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)

**UNAUDITED SEMI-ANNUAL FINANCIAL STATEMENTS
FOR THE 6-MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

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 CORPORATE 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.



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
FYE	:	Financial year ended/ending 31 December
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
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		12 Months Cumulative period	
	FYE 2020 ⁽¹⁾ RM'000	FYE 2019 RM'000	FYE 2020 ⁽¹⁾ RM'000	FYE 2019 RM'000
Revenue	54,400	30,201	78,088	49,998
Cost of sales	48,527	(26,867)	(68,386)	(44,037)
Gross profit ("GP")	5,873	3,334	9,702	5,961
Other income	1,127	220	1,407	253
Administrative & other expenses	(2,179)	(2,867)	(3,860)	(2,703)
Profit from operations	4,821	687	7,249	3,511
Finance costs	(65)	(60)	(140)	(209)
Profit before tax ("PBT")	4,756	627	7,109	3,302
Tax expenses	(1,091)	(174)	(1,628)	(782)
Profit after tax ("PAT")	3,665	453	5,481	2,520
Other comprehensive income for the financial period/year				
<u>Item that will be reclassified subsequently to profit or loss</u>				
- Foreign currency translation, net of tax	-	2	-	2
Total comprehensive income for the financial period/year	3,665	455	-	2,522
PAT attributable to:-				
- Owners of Enest	3,572	429	5,217	2,289
- Non-controlling interests ("NCI")	93	24	264	231
	3,665	453	5,481	2,520
Total comprehensive income attributable to:				
- Owners of Enest	3,572	431	5,217	2,291
- Non-controlling interests ("NCI")	93	24	264	231
	3,665	455	5,481	2,522
GP margin (%)	10.80	11.04	12.42	11.92
PBT margin (%)	8.74	2.08	9.10	6.60
PAT margin (%)	6.74	1.50	7.02	5.04
Basic/diluted earnings per share (sen) ⁽²⁾	0.77	0.09	1.12	0.49
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.*



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

	As at 31.12.2020 ⁽¹⁾ RM'000 (unaudited)	As at 31.12.2019 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	3,777	4,049
Goodwill	1,840	1,840
	5,617	5,889
Current Assets		
Inventories	9,143	5,398
Trade receivables	11,123	3,711
Other receivables	1,810	6,040
Financial assets at fair value through profit or loss	1,559	2,030
Fixed deposit	400	-
Cash and bank balances	1,571	385
	25,606	17,564
TOTAL ASSETS	31,223	23,453
Equity		
Share capital	5,431	5,431
Merger deficit	(375)	(375)
Foreign currency translation reserve	4	4
Retained earnings	9,789	4,572
	14,849	9,632
NCI	1,022	758
Total Equity	15,871	10,390
Non-Current Liabilities		
Borrowings	1,573	1,633
Deferred tax liabilities	439	69
Lease liabilities	330	763
	2,342	2,465
Current Liabilities		
Trade payables	8,530	465
Other payables	1,410	8,796
Lease liabilities	266	233
Amount due to Directors	22	76
Borrowings	226	225
Bank overdraft	611	432
Tax payable	1,945	370
	13,010	10,597
Total Liabilities	15,352	13,063
TOTAL EQUITY AND LIABILITIES	31,223	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)**

	Share capital RM'000	Merger Deficit RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	NCI RM'000	Total equity RM'000
At 1 January 2020	5,431	(375)	4	4,572	9,632	758	10,390
Total comprehensive income for the financial year	-	-	-	5,217	5,217	264	5,481
At 31 December 2020 ⁽¹⁾	5,431	(375)	4	9,789	14,849	1,022	15,871
At 1 January 2019	2,075	(375)	1	3,027	4,728	527	5,255
Issuance of new shares	4,000	-	-	-	4,000	-	4,000
Transaction cost of share issuance	(644)	-	-	-	(644)	-	(644)
Total comprehensive income for the financial year	-	-	3	2,289	2,292	231	2,523
Dividends paid	-	-	-	(744)	(744)	-	(744)
At 31 December 2019 ⁽¹⁾	5,431	(375)	4	4,572	9,632	758	10,390

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	
	31.12.2020 ⁽¹⁾ RM'000	31.12.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	7,109	3,302
<u>Adjustments for:</u>		
Depreciation	425	509
Impairment loss on goodwill	-	13
Interest expenses	140	209
Dividend income from financial assets at fair value through profit or loss	(50)	(66)
	<hr/>	<hr/>
Operating profit before working capital changes	7,624	3,967
Increase in inventories	(3,745)	(1,593)
Increase in trade and other receivables	(3,182)	(3,495)
Increase/(Decrease) in trade and other payables	678	(340)
	<hr/>	<hr/>
Cash used in operations	1,375	(1,461)
Tax refund/(paid)	317	(698)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	1,692	(2,159)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(153)	(698)
Net changes in financial assets at fair value through profit or loss	521	1,986
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	368	1,288
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Excluded Issue	-	4,000
Interest paid	(140)	(209)
Repayment of lease liabilities	(400)	(198)
Repayment of term loans	(59)	(213)
Issuance of share expenses	-	(644)
Dividends paid	-	(744)
Repayment to directors	(54)	(557)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(653)	1,435
Cash and cash equivalents		
Net changes	1,407	564
Brought forward	(47)	(611)
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial year	1,360	(47)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
(UNAUDITED)

	Year-to-date ended	
	31.12.2020⁽¹⁾	31.12.2019
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,571	385
Bank overdraft	(611)	(432)
Fixed deposits	400	-
	1,360	(47)

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.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of the unaudited combined interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2019, except for the following Amendments to MFRSs as disclosed below:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combinations – 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*
- Amendments to MFRS 4 *Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9*

The adoption of the above MFRS and Amendments to MFRSs did not have any significant financial impact to the Group.

The following MFRSs and Amendments to MFRSs 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

- Amendments to MFRS 16 *Leases – Covid-19 Related Rent Concessions*

Effective for annual periods commencing on or after 1 January 2021

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest rate Benchmark Reform – Phase 2*

Effective for annual periods commencing on or after 1 January 2022

- Annual Improvements to MFRS Standards 2018 – 2020
- Amendments to MFRS 3 *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116 *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*



A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effective for annual periods commencing on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

Deferred (date to be determined by MASB)

- 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 notable cyclical or seasonal trend.

A5. UNUSUAL ITEMS

Save for certain short-term interruption to the Group's operations due to the movement control orders enforced by the Government to curb the COVID-19 pandemic, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period under review.

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 FYE 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

No dividend has been paid or declared by the Company during the financial year.

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

There were no material events subsequent to the end of financial year under review that have not have been reflected in this interim financial report and/or announced to Bursa Securities.

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A10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the FYE 2020. Two new subsidiaries have been incorporated during the 2nd Half of FYE 2020, the details of which have been announced to Bursa Securities. The two subsidiaries have yet to commence operations during the FYE 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 31 December 2020 ("2 nd Half, FYE 2020")		6 months ended 31 December 2019 ("2 nd Half, FYE 2019")	
	RM'000	%	RM'000	%
Local				
Malaysia	110	0.20	-	-
Overseas				
Canada	-	-	-	-
China	54,184	99.60	29,718	98.40
Japan	6	0.01	-	-
Australia	100	0.19	483	1.60
Total	54,400	100.00	30,201	100.00

Our Group recorded total revenue of approximately RM54.4 million for the 2nd Half of the FYE 2020 , an increase by approximately RM24.2 million as compared to the 2nd Half of the FYE 2019. This was primarily due to an increase in the sales volume during the 2nd Half of the FYE 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 FYE 2020:

GP margin	Unaudited	
	6 months ended 31 December 2020 ("2 nd Half, FYE 2020")	6 months ended 31 December 2019 ("2 nd Half, FYE 2019")
GP (RM'000)	5,873	3,334
Overall GP margin (%)	10.80	11.04

Our Group's GP increased by approximately RM2.5 million during the 2nd Half of the FYE 2020, which is in line with the increase of the Group's revenue. The overall GP margin remained relatively consistent, stood at 10.80% for the 2nd Half of the FYE 2020 (2nd Half of the FYE 2019: 11.04%).

B3. Other income

	Unaudited	
	6 months ended 31 December 2020 ("2 nd Half, FYE 2020")	6 months ended 31 December 2019 ("2 nd Half, FYE 2019")
Other income	1,127	220

Other income recorded for the 2nd Half of the FYE 2020 increased by approximately RM0.9 million, mainly contributed by dividend income from unit trust and foreign exchange gain.

B4. Administrative & other expenses

	Unaudited	
	6 months ended 31 December 2020 ("2 nd Half, FYE 2020")	6 months ended 31 December 2019 ("2 nd Half, FYE 2019")
Administrative & other expenses	2,179	2,867

Administrative & other expenses decreased by approximately RM0.7 million during the 2nd Half of the FYE 2020, mainly due to savings from lower rental costs and wage subsidies provided by government.



B5. Taxation

	Unaudited	
	6 months ended 31 December 2020 ("2 nd Half, FYE 2020")	6 months ended 31 December 2019 ("2 nd Half, FYE 2019")
	RM'000	RM'000
Tax expenses	1,091	174
Effective tax rate (%)	22.94	27.75

Our Group recorded a higher tax expenses during the 2nd Half of the FYE 2020, as compared to 2nd Half of the FYE 2020, largely in line with the increase in our Group's profit before tax as a result of higher gross profit recorded during the 2nd Half of the FYE 2020.

B6. PAT and PAT margin

	Unaudited	
	6 months ended 31 December 2020 ("2 nd Half, FYE 2020")	6 months ended 31 December 2019 ("2 nd Half, FYE 2019")
	RM'000	RM'000
PAT	3,665	453
PAT margin (%)	6.74	1.50

Our Group recorded a higher PAT during the 2nd Half of the FYE 2020, mainly due to the increase in GP, higher other income and savings on administrative & other expenses as explained above.

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	101	Within 24 months
Brand development expenditure	406	-	406	Within 24 months
Working capital	1,593	1,344	683	Within 24 months
Estimated listing expenses	1,000	700	(¹) 300	Immediate
Total	4,000	2,444	1,990	

Note

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



B8. PROSPECTS OF THE GROUP

The Board of Directors will continue to focus on strengthening its operational efficiencies and expand its overseas market upon uplifting of the international travel restriction. Nevertheless, the Board of Directors remain cautious in monitoring its operations closely, amid the recent resurgence of the Covid-19 cases and rise in raw material prices.

Despite the current Covid-19 situation, the group has managed to achieve growth during the FYE 2020, primarily due to encouraging demand in bird's nest which is generally expected to continue to grow in the foreseeable future. Barring any unforeseen circumstances, the Group is cautiously optimistic that the financial performance for the FYE 2021 will remain favourable.