

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 30 JUNE 2022**

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

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 EXCHANGE. 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.



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED) ⁽¹⁾**

	6 months Individual period		6 months Cumulative period	
	FPE 2022 RM'000	FPE 2021 RM'000	FPE 2022 RM'000	FPE 2021 RM'000
Revenue	50,435	49,720	50,435	49,720
Cost of sales	(42,800)	(44,178)	(42,800)	(44,178)
Gross profit ("GP")	7,635	5,542	7,635	5,542
Other income	368	1,345	368	1,345
Administrative & other expenses	(2,856)	(1,950)	(2,856)	(1,950)
Profit from operations	5,147	4,937	5,147	4,937
Finance costs	(57)	(78)	(57)	(78)
Profit before tax ("PBT")	5,090	4,859	5,090	4,859
Tax expenses	(1,424)	(1,129)	(1,424)	(1,129)
Profit after tax ("PAT")	3,666	3,730	3,666	3,730
Other Comprehensive Income				
Foreign currency translation differences	4	2	4	2
Total comprehensive income	3,670	3,732	3,670	3,732
PAT attributable to:				
- Owners of Enest	3,213	3,407	3,213	3,407
- Non-controlling interest ("NCI")	453	323	453	323
	3,666	3,730	3,666	3,730
Total comprehensive income attributable to:				
- Owners of Enest	3,217	3,409	3,217	3,409
- NCI	453	323	453	323
	3,670	3,732	3,670	3,732
GP margin (%)	15.14	11.15	15.14	11.15
PBT margin (%)	10.09	9.77	10.09	9.77
PAT margin (%)	7.27	7.50	7.27	7.50
Basic/diluted earnings per share (sen) ⁽²⁾	0.69	0.73	0.69	0.73
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 30.06.2022 ⁽¹⁾ RM'000 (unaudited)	As at 31.12.2021 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	5,322	4,866
Investment properties	628	628
Goodwill	1,840	1,840
	7,790	7,334
Current Assets		
Inventories	14,820	12,276
Trade receivables	4,212	7,694
Other receivables	15,575	8,570
Financial assets at fair value through profit or loss	1,586	1,586
Fixed deposits	470	440
Cash and bank balances	2,871	2,434
	39,534	33,000
TOTAL ASSETS	47,324	40,334
Equity		
Share capital	5,431	5,431
Merger deficit	(375)	(375)
Foreign currency translation reserve	16	12
Retained earnings	18,603	15,390
	23,675	20,458
NCI	2,007	1,554
Total Equity	25,682	22,012
Non-Current Liabilities		
Borrowings	4,126	1,534
Deferred tax liabilities	70	70
Lease liabilities	718	998
	4,914	2,602
Current Liabilities		
Trade payables	1,749	717
Other payables	9,136	9,686
Lease liabilities	623	374
Amount due to Directors	22	65
Borrowings	1,059	271
Bank overdraft	546	1,737
Tax payable	3,593	2,870
	16,728	15,720
Total Liabilities	21,642	18,322
TOTAL EQUITY AND LIABILITIES	47,324	40,334

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 CASH FLOWS
(UNAUDITED)**

	Year-to-date ended	
	30.06.2022 ⁽¹⁾	30.06.2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,094	4,861
<u>Adjustments for:</u>		
Depreciation	419	386
Dividend income from other investment	-	(15)
Interest expenses	61	78
Interest income	(11)	-
Loss on disposal of an associate	-	14
Unrealised gain on foreign exchange	(2)	-
	<hr/>	<hr/>
Operating profit before working capital changes	5,561	5,324
Inventories	(2,544)	1,051
Receivables	(3,523)	(4,889)
Payables	485	(870)
	<hr/>	<hr/>
Cash (used in)/generated from operations	(21)	616
Tax paid	(702)	(364)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(723)	252
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to an associate	-	85
Interest income	11	-
Purchase of property, plant and equipment	(875)	(551)
Realisation of financial assets at fair value through profit or loss	-	(15)
Dividend received from financial assets at fair value through profit or loss	-	15
Placement of fixed deposits	-	(20)
	<hr/>	<hr/>
Net cash used in investing activities	(864)	(486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(61)	(78)
Repayment to directors	(43)	(44)
Placement of fixed deposits pledged	(30)	-
Repayment of lease liabilities	(31)	-
Drawdown of term loan	3,959	-
Repayments of term loans	(579)	(284)
Dividends paid	-	(349)
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Net cash generated from/(used in) financing activities	3,215	(755)
Cash and cash equivalents		
Net changes	1,628	(989)
Brought forward	697	1,657
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	2,325	668



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

	Year-to-date ended	
	30.06.2022 ⁽¹⁾ RM'000	30.06.2021 RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	2,871	1,235
Fixed deposits	470	420
Bank overdraft	(546)	(567)
	2,795	1,088
Less: Fixed deposit pledged with a licenced bank	(470)	-
	2,325	1,088

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 2021.

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 2021, 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 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*

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

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 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative information*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112 *Income taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

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 2021 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

There were no material unusual items affecting assets, liabilities, equity, net income and cash flow of the Group during the current financial period.

A6. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts during the period ended 30 June 2022.

A7. DEBTS AND EQUITY SECURITIES

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

A8. DIVIDEND PAID/ DECLARED

There was no dividend declared during the semi-annual period under review.

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 was no change in the composition of the Group during the FPE 2022 under review.

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 business segment

	Unaudited			
	6 months ended 30 June 2022 ("FPE 2022")		6 months ended 30 June 2021 ("FPE 2021")	
	RM'000	%	RM'000	%
Edible bird's nest	47,000	93.19	49,720	100
Pharmacy	3,435	6.81	-	-
Total	50,435	100.00	49,720	100.00

Comparison between the FPE 2022 and the FPE 2021

Our Group recorded total revenue of approximately RM50.4 million for the FPE 2022, an increase by approximately RM0.7 million from the FPE 2021. This was primarily due to additional revenue contribution from our pharmacy business segment, partially offset by the decrease in revenue contribution from our edible bird's nest business segment.

B2. GP and GP margin

The following tables set out the breakdown of our Group's GP and GP margin for the FPE 2021 and FPE 2022:

GP margin	Unaudited	
	6 months ended 30 June 2022 ("FPE 2022")	6 months ended 30 June 2021 ("FPE 2021")
GP (RM'000)	7,635	5,542
Overall GP margin (%)	15.14	11.15

Comparison between the FPE 2022 and the FPE 2021

Our Group's GP margin increased by approximately 3.9% during the FPE 2022, as compared to FPE 2021, primarily due to higher GP margin generated from pharmacy business segment.

B3. Profit Level

	Unaudited	
	6 months ended 30 June 2022 ("FPE 2022")	6 months ended 30 June 2021 ("FPE 2021")
PBT (RM'000)	5,090	4,859
PBT margin (%)	10.09	9.77
PAT (RM'000)	3,666	3,730
PAT margin (%)	7.27	7.50



Comparison between the FPE 2022 and the FPE 2021

For the FPE 2022, our Group's PBT and PAT stood at approximately RM5.1 million (FPE 2021: RM4.9 million) and RM3.7 million (FPE 2021: RM3.7 million) respectively; slightly lower as compared to the FPE 2021. This was mainly due to lower other income recorded for the FPE 2022, as well as increase in administrative and other expenses in line with our expansion into pharmacy business segment.

B4. STATUS OF UTILISATION OF PROCEEDS

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Variance RM'000	Revised timeframe for the utilisation
R&D expenditure	500	101	399	By 5 August 2023
Capital expenditure	501	400	101	By 5 August 2023
Brand development expenditure	406	102	304	By 5 August 2023
Working capital	1,593	1,893	⁽¹⁾ (300)	Fully utilised
Estimated listing expenses	1,000	700	⁽¹⁾ 300	Fully utilised
Total	4,000	3,196	⁽²⁾ 804	

Notes

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

(2) *Remaining balance of the proceeds which are yet to be utilised.*

B5. PROSPECTS

Our business objectives are to maintain sustainable growth in our business and create long-term shareholder value.

Apart from our existing operations in the supply of edible bird's nest, we have commenced our pharmacy business segment since 2021, whereby we currently operate 3 physical pharmacy outlets and online pharmacy marketplaces via our online platform and e-commerce marketplaces.

To do so, in addition to our online pharmacy, we plan to expand our chain of pharmacies retail outlets to increase our market presence. We intend to continue set up additional outlets within Klang Valley over the next few years.

In addition, we are also looking into expanding our product offerings. At present we offer medical supplies (such as first aid supplies, health monitors and tests, medical tests, masks and gloves) and personal care products (such as hand sanitizers). We intend to expand our product range to include supplements and prescription medicine, as well as medical equipment (such as wheelchair, walking stick, arm sling, knee brace), as well as our in-house bird's nests products.

Barring any unforeseen circumstances, the Board of Directors is cautiously optimistic that the performance of the Group for the current financial year ending 31 December 2022 will remain stable and healthy.