

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 2022**

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 2021 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 31 December
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	
	FPE 2022 ⁽¹⁾ RM'000	FPE 2021 RM'000	FYE 2022 ⁽¹⁾ RM'000	FYE 2021 RM'000
Revenue	62,081	49,442	112,516	94,562
Cost of sales	(54,291)	(44,518)	(97,091)	(83,909)
Gross profit ("GP")	7,790	4,924	15,425	10,653
Other income	1,186	763	1,554	2,486
Administrative & other expenses	(5,170)	(1,885)	(8,026)	(4,386)
Profit from operations	3,806	3,802	8,953	8,753
Finance costs	(204)	(63)	(261)	(189)
Profit before tax ("PBT")	3,602	3,739	8,692	8,564
Tax expenses	(162)	(967)	(1,586)	(2,082)
Profit after tax ("PAT")	3,440	2,772	7,106	6,482
Other Comprehensive Income				
Foreign currency translation differences	(94)	-	(90)	12
Total comprehensive income	3,346	2,772	7,016	6,494
PAT attributable to:				
Owners of Enest	3,456	2,557	6,669	5,996
Non-controlling interest ("NCI")	(16)	215	437	486
	3,440	2,772	7,106	6,482
Total comprehensive income attributable to:				
- Owners of Enest	3,362	2,557	6,579	6,008
- NCI	(16)	215	437	486
	3,346	2,772	7,016	6,494
GP margin (%)	12.55	9.96	13.71	11.27
PBT margin (%)	5.80	7.56	7.73	9.26
PAT margin (%)	5.54	5.61	6.32	6.85
Basic/diluted earnings per share (sen) ⁽²⁾	0.74	0.55	1.43	1.29
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 31.12.2022 ⁽¹⁾ RM'000 (unaudited)	As at 31.12.2021 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	5,362	4,866
Investment properties	628	628
Goodwill	1,840	1,840
	7,830	7,334
Current Assets		
Inventories	10,839	12,276
Trade receivables	6,965	7,694
Other receivables	9,525	8,571
Financial assets at fair value through profit or loss	406	1,586
Fixed deposits	505	440
Cash and bank balances	3,645	2,433
	31,885	33,000
TOTAL ASSETS	39,715	40,334
Equity		
Share capital	5,431	5,431
Merger deficit	(375)	(375)
Foreign currency translation reserve	(77)	13
Retained earnings	22,058	15,389
	27,037	20,458
NCI	1,991	1,554
Total Equity	29,028	22,012
Non-Current Liabilities		
Borrowings	4,017	1,534
Deferred tax liabilities	70	70
Lease liabilities	1,146	998
	5,233	2,602
Current Liabilities		
Trade payables	1,357	717
Other payables	467	9,686
Lease liabilities	676	374
Amount due to Directors	-	65
Borrowings	1,669	272
Bank overdraft	4	1,737
Tax payable	1,281	2,870
	5,454	15,721
Total Liabilities	10,687	18,323
TOTAL EQUITY AND LIABILITIES	39,715	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 CHANGES IN EQUITY
(UNAUDITED)**

	Share capital	Merger Deficit	Foreign currency translation reserve	Retained earnings	Total	NCI	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	5,431	(375)	1	9,731	14,788	1,079	15,867
Total comprehensive income for the financial period	-	-	12	5,996	6,008	486	6,494
<u>Transaction with owners:</u>							
Acquisition of subsidiaries from non-controlling interest	-	-	-	11	11	(11)	*
Dividend paid	-	-	-	(349)	(349)	-	(349)
At 31 December 2021	5,431	(375)	13	15,389	20,458	1,554	22,012
	Share capital	Merger Deficit	Foreign currency translation reserve	Retained Earnings	Total	NCI	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	5,431	(375)	13	15,389	20,458	1,554	22,012
Total comprehensive income for the financial period	-	-	(90)	6,669	6,579	437	7,016
At 31 December 2022 ⁽¹⁾	5,431	(375)	(77)	22,058	27,037	1,991	29,028

Remark:

* Less than RM1,000

Note:

(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.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	Year-to-date ended	
	31.12.2022⁽¹⁾	31.12.2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	8,692	8,564
<u>Adjustments for:</u>		
Depreciation	751	631
Fair value adjustment on investment property	-	(94)
Gain of termination and remeasurement of lease contracts	(1)	(9)
Interest expenses	260	189
Interest income	(8)	(11)
Impairment loss on trade receivables	-	569
Impairment loss on amount due from an associate	-	81
Dividend income from financial assets at fair value through profit or loss	(25)	(29)
Loss on disposal of an associate	-	14
Unrealised gain on foreign exchange	(1,401)	(218)
	<hr/>	<hr/>
Operating profit before working capital changes	8,268	9,687
Changes in working capital:		
Inventories	1,437	(2,796)
Receivables	1,175	(2,504)
Payables	(5,869)	(2,251)
	<hr/>	<hr/>
Cash generated from/(used in) operations	5,011	2,136
Tax refund/paid	(3,174)	(748)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	1,837	1,388
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment from an associate	-	4
Proceeds from disposal of an associate	-	*
Acquisition of subsidiaries from non-controlling interest, net of cash acquired	-	*
Purchase of property, plant and equipment	(719)	(507)
Purchase of investment property	-	(534)
Dividends received	25	-
Interest received	8	11
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	(686)	(1,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(260)	(189)
Repayment to directors	(65)	(5)
Repayments of lease liabilities	(76)	(743)
Placement of fixed deposit pledged	(65)	(40)
Drawdown of term loan	3,200	263
Repayment of term loans	(940)	(257)
Dividends paid	-	(349)
	<hr/>	<hr/>
Net cash generated from/(used in) from financing activities	1,794	(1,320)
Cash and cash equivalents		
Net changes	2,945	(958)
Brought forward	696	1,654
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	3,641	696



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

	Year-to-date ended	
	31.12.2022 ⁽¹⁾	31.12.2021
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	3,645	2,433
Fixed deposits	505	440
Bank overdraft	(4)	(1,737)
	4,146	1,136
Less: Fixed deposit pledged with a licenced bank	(505)	(440)
	3,641	696

Remark:

* Less than RM1,000

Note:

(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*

Effective for annual periods commencing on or after 1 January 2024

- Amendments to MFRS 16 *Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Non-current Liabilities with Covenants*
- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-Current*



A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 reported in prior financial years that have a material impact on the FYE 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 and financial year under review.

A8. DIVIDEND PAID/ DECLARED

There was no dividend paid or declared during the FYE 2022.

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 been reflected in this interim financial report.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There was no material change in the composition of the group subsequent to the end of financial period under review that have not been reflected in this interim financial report.

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				Unaudited		Audited	
	6 months ended 30 June 2022 ("FPE 2022")		6 months ended 30 June 2021 ("FPE 2021")		12 months ended 31 December 2022 ("FYE 2022")		12 months ended 31 December 2021 ("FYE 2021")	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Edible bird's nest	61,018	98.29	48,982	99.07	108,018	96.00	94,102	99.51
Pharmacy	1,063	1.71	460	0.93	4,498	4.00	460	0.49
Total	62,081	100.00	49,442	100.00	112,516	100.00	94,562	100.00

Commentaries

Our Group recorded total revenue of approximately RM62.1 million and RM112.5 million for the FPE 2022 and the FYE 2022 respectively, representing an increase of approximately RM12.7 million and RM17.9 million respectively as compared to the FPE 2021 and the FYE 2021. This was primarily due to additional revenue contribution from our pharmacy business segment and increase in revenue generated from our edible bird's nest business segment.

B2. Profitability level

	Unaudited		Unaudited		Audited	
	6 months ended 30 June 2022 ("FPE 2022")	6 months ended 30 June 2021 ("FPE 2021")	12 months ended 31 December 2022 ("FYE 2022")	12 months ended 31 December 2021 ("FYE 2021")		
GP (RM'000)	7,790	4,924	15,425	10,653		
GP margin (%)	12.55	9.96	13.71	11.27		
PBT (RM'000)	3,602	3,739	8,692	8,564		
PBT margin (%)	5.80	7.56	7.73	9.26		
PAT	3,440	2,772	7,106	6,482		
PAT margin (%)	5.54	5.61	1.43	1.29		

Commentaries

Backed by the revenue growth, our Group recorded improved GP for the FPE 2022 and the FYE 2022 respectively as compared to the FPE 2021 and FYE 2021.

Our Group's PBT stood at approximately RM3.6 million (FPE 2021: RM3.7) and RM8.7 million (FYE 2021: RM8.6 million) respectively for the FPE 2022 and FYE 2022, whilst our Group's PAT stood at approximately RM3.4 million (RM2.8 million) and RM7.1 million (RM6.5 million) respectively for the FPE 2022 and FYE 2022; in line with the improved revenue and gross profit partially mitigated by an overall increase in administrative and other operating expenses associated with the expansion of our operations.



B3. 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	501	-	Fully utilised
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	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.*

B4. PROSPECTS

The Group's overall positive performance for the financial year ended 31 December 2022 was largely supported by the growing demand for our edible bird's nest and increase in revenue contribution from our pharmacy business.

Apart from our existing operations in the supply of edible bird's nest, the Group has expanded its business to the pharmacy business segment since 2021. The Group currently operates three physical pharmacy outlets and an online pharmacy marketplace via our online platform and e-commerce marketplaces. In addition, the Group plans to expand its existing chain of pharmacy retail outlets to increase its market presence, with the intention of setting up additional outlets within the Klang Valley over the next few years. The Group is also looking into expanding its product offerings. Apart from its existing product offerings of medical supplies such as first aid supplies, health monitors and tests, medical tests, masks, and gloves, and personal care products such as hand sanitizers, the Group intends to expand its product range to include supplements and prescription medicine, as well as medical equipment such as wheelchairs, walking canes, arm slings, and knee braces, and new in-house bird's nest related products.

Barring any unforeseen circumstances, the Group is cautiously optimistic and expects that the Group's performance for the financial year ending 31 December 2023 will remain favourable given the growing demand for our edible bird's net as well as the expansion planned for our pharmacy business segment.

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