

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 2023**

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 2022 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
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
Listing Proceeds	:	Gross proceeds of RM4.00 million raised from the excluded issue of 50,000,000 shares in conjunction with the listing of the Company on the LEAP market of Bursa Securities, completed on 7 August 2019
R&D	:	Research and Development
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.



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

	6 Months Individual period		6 Months Cumulative period	
	FPE 2023 ⁽¹⁾ RM'000	FPE 2022 RM'000	FPE 2023 ⁽¹⁾ RM'000	FPE 2022 RM'000
Revenue	62,644	50,435	62,644	50,435
Cost of sales	(53,804)	(42,800)	(53,804)	(42,800)
Gross profit ("GP")	8,840	7,635	8,840	7,635
Other income	1,743	368	1,743	368
Administrative & other expenses	(4,354)	(2,856)	(4,354)	(2,856)
Profit from operations	6,229	5,147	6,229	5,147
Finance costs	(158)	(57)	(158)	(57)
Profit before tax ("PBT")	6,071	5,090	6,071	5,090
Tax expenses	(1,386)	(1,424)	(1,386)	(1,424)
Profit after tax ("PAT")	4,685	3,666	4,685	3,666
Other Comprehensive Income				
Foreign currency translation differences	34	4	34	4
Total comprehensive income	4,719	3,670	4,719	3,670
PAT attributable to:				
Owners of Enest	4,317	3,213	4,317	3,213
Non-controlling interest ("NCI")	368	453	368	453
	4,685	3,666	4,685	3,666
Total comprehensive income attributable to:				
- Owners of Enest	4,351	3,217	4,351	3,217
- NCI	368	453	368	453
	4,719	3,670	4,719	3,670
GP margin (%)	14.11	15.14	14.11	15.14
PBT margin (%)	9.69	10.09	9.69	10.09
PAT margin (%)	7.48	7.27	7.48	7.27
Basic/diluted earnings per share (sen) ⁽²⁾	0.93	0.69	0.93	0.69
Weighted average number of shares in 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 weighted average number of shares in issue.*



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

	As at 30.06.2023 ⁽¹⁾ RM'000 (unaudited)	As at 31.12.2022 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	6,072	5,654
Investment properties	999	822
Goodwill	1,840	1,840
	8,911	8,316
Current Assets		
Inventories	13,270	11,334
Trade receivables	23,102	13,453
Other receivables	2,414	4,457
Financial assets at fair value through profit or loss	430	430
Fixed deposits with a licensed bank	506	505
Cash and bank balances	264	3,646
	39,986	33,825
TOTAL ASSETS	48,897	42,141
Equity		
Share capital	5,431	5,431
Merger deficit	(375)	(375)
Foreign currency translation reserve	(38)	(72)
Retained earnings	25,773	21,456
	30,791	26,440
NCI	2,319	1,951
Total Equity	33,110	28,391
Non-Current Liabilities		
Borrowings	4,591	3,633
Deferred tax liabilities	110	110
Lease liabilities	1,393	1,443
	6,094	5,186
Current Liabilities		
Trade payables	4,076	3,455
Other payables	786	770
Lease liabilities	492	496
Borrowings	1,466	2,109
Bank overdraft	278	4
Tax payable	2,595	1,730
	9,693	8,564
Total Liabilities	15,787	13,750
TOTAL EQUITY AND LIABILITIES	48,897	42,141

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 2022	5,431	(375)	12	15,390	20,458	1,554	22,012
Total comprehensive income for the financial period	-	-	4	3,213	3,217	453	3,670
At 30 June 2022	5,431	(375)	16	18,603	23,675	2,007	25,682
	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 2023	5,431	(375)	(72)	21,456	26,440	1,951	28,391
Total comprehensive income for the financial period	-	-	34	4,317	4,351	368	4,719
At 30 June 2023⁽¹⁾	5,431	(375)	(38)	25,773	30,791	2,319	33,110

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	
	30.06.2023 ⁽¹⁾ RM'000	30.06.2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	6,071	5,090
<u>Adjustments for:</u>		
Non-cash items		
Non-operating items		
Depreciation	450	419
Interest expenses	158	61
Interest income	(11)	(11)
Unrealised (loss)/gain on foreign exchange	-	(2)
	6,668	5,557
Operating profit before working capital changes		
Inventories	(1,936)	(2,544)
Receivables	(7,572)	(3,523)
Payables	637	485
	(2,203)	(25)
Cash used in operations		
Tax paid	(521)	(702)
	(2,724)	(727)
Net cash used in operating activities	(2,724)	(727)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,045)	(864)
Interest received	11	-
	(1,034)	(864)
Net cash used in investing activities	(1,034)	(864)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(158)	(61)
Repayment to directors	-	(43)
Placement of fixed deposit pledged	-	(30)
Net drawdown of borrowings	261	3,349
	103	3,215
Net cash generated from financing activities	103	3,215
Cash and cash equivalents		
Net changes	(3,655)	1,624
Brought forward	3,667	697
	12	2,321
Cash and cash equivalents at end of the financial period	12	2,321



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

	Year-to-date ended	
	30.06.2023⁽¹⁾	30.06.2022
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	264	2,871
Fixed deposits	506	470
Bank overdraft	(278)	(546)
	492	2,795
Less: Fixed deposit pledged with a licenced bank	(480)	(470)
	12	2,325

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 method unless otherwise stated. Any discrepancies in the tables between the amounts listed and the totals in this interim report are due to rounding.

These unaudited interim consolidated 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 issued by Bursa Securities.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2022 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 financial year ended 31 December 2022.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of the unaudited consolidated interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2022, except for the adoption of the following MFRSs and Amendments to MFRSs as disclosed below:

Effective for annual periods commencing on or after 1 January 2023

- MFRS 17: *Insurance Contracts*
- Amendments to MFRS 17: *Initial Application of MFRS 17* and MFRS 9 - *Comparative Information*
- Amendments to MFRS 101: *Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108: *Definition of Accounting Estimates*
- Amendments to MFRS 112: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 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 107 and MFRS 7: *Supplier Finance Arrangements*

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 2022 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 semi-annual period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts during the period ended 30 June 2023.

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 paid or 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 semi-annual 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 semi-annual period 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.

A12. CAPITAL COMMITMENTS

There were no material capital commitments in respect of property, plant and equipment as at the date of the report.



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

B1. Revenue

	Unaudited			
	6 months ended 30 June 2023 ("FPE 2023")		6 months ended 30 June 2022 ("FPE 2022")	
	RM'000	%	RM'000	%
Edible bird's nest	61,454	98.10	47,000	93.19
Pharmacy	1,190	1.90	3,435	6.81
Total	62,644	100.00	50,435	100.00

Our Group recorded total revenue of approximately RM62.64 million for the FPE 2023 (FPE 2022: RM50.44 million), representing an increase of approximately RM12.20 million as compared to the FPE 2022. This was primarily due to increase in revenue contribution from our edible bird's nest business segment of approximately RM14.45 million, in line with the growing market demand; which was partially offset by the decrease in revenue from our pharmacy business segment of RM2.25 million as a result of intensifying market competition.

B2. Profitability level

	Unaudited	
	6 months ended 30 June 2023 ("FPE 2023")	6 months ended 30 June 2022 ("FPE 2022")
GP (RM'000)	8,840	7,635
GP margin (%)	14.11	15.14
PBT (RM'000)	6,071	5,090
PBT margin (%)	9.69	10.09
PAT	4,685	3,666
PAT margin (%)	7.48	7.27

Commentaries

Our Group recorded a GP of approximately RM8.84 million for the FPE 2023 (FPE 2022: RM7.64 million), in line with the growth in our revenue. Our GP margin for the FPE 2023 stood at 14.11%, decreased marginally as compared to the FPE 2022; mainly due to overall increase in cost of sales.

Our Group's PBT stood at approximately RM6.07 million for the FPE 2023 (FPE 2022: RM5.09 million), whilst our Group's PAT stood at approximately RM4.69 million (FPE 2022: RM3.67 million); in line with the improved revenue and GP. The overall increase in revenue and GP was, however, partially offset by higher administrative and other expenses incurred during the FPE 2023.



B3. STATUS OF UTILISATION OF PROCEEDS

Purpose	Intended utilisation of proceeds after Proposed Variation RM'000	Actual utilisation RM'000	Variance RM'000	⁽¹⁾ Revised timeframe for the utilisation
R&D expenditure	101	101	-	Fully utilised
Capital expenditure	501	501	-	Fully utilised
Brand development expenditure	102	102	-	Fully utilised
Working capital	2,296	⁽²⁾ 1,893	⁽³⁾ 403	4 August 2024
Estimated listing expenses	1,000	700	⁽²⁾ 300	Fully utilised
Total	4,000	3,297	703	

Notes:

- (1) Revised timeframe for utilisation after the Second Extension. Further details of the Second Extension are outlined in the Company's circular to shareholders dated 26 May 2023.
- (2) The excess amount of RM300,000 has been reallocated to the amount earmarked for working capital, consistent with the disclosure in the Information Memorandum.
- (3) The remaining unutilised balance of RM0.70 million earmarked for R&D expenditure and brand development expenditure to working capital after the Proposed Variation. Further details of the Proposed Variation are outlined in the Company's circular to shareholders dated 26 May 2023 and subsequently approved by shareholders at the Company's EGM held on 15 June 2023.

B4. PROSPECTS

The Group's overall positive performance for the FPE 2023 was largely supported by the growing demand for our edible bird's nest.

Apart from our existing operations in the supply of edible bird's nest, the Group has also 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 intend to further expand its product offerings for its pharmacy business segment.

Furthermore, with the consistent growth in our edible bird's nest business segment, the Group will continue to review its production and supply chain process to further enhance the operational efficiency and profitability to ensure sustainable growth.

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 2023 will remain positive and promising.