



ENEST GROUP BERHAD

(Company No. 1275638-T)

(Incorporated in Malaysia under the Companies Act, 2016)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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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 2018 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		12 Months	
	Individual period		Cumulative period	
	FYE 2019⁽¹⁾	FYE 2018⁽³⁾	FYE 2019⁽¹⁾	FYE 2018⁽³⁾
	RM'000	RM'000	RM'000	RM'000
Revenue	30,201	N/A	51,138	N/A
Cost of sales	(26,867)	N/A	(42,954)	N/A
Gross profit ("GP")	3,334	N/A	8,184	N/A
Other income	220	N/A	265	N/A
Administrative & other expenses	(2,867)	N/A	(5,244)	N/A
Profit from operations	687	N/A	3,205	N/A
Finance costs	(60)	N/A	(121)	N/A
Profit before tax ("PBT")	627	N/A	3,084	N/A
Tax expenses	(174)	N/A	(778)	N/A
Profit after tax ("PAT")/ Total comprehensive income	453	N/A	2,306	N/A
Profit for the financial period/ Total comprehensive income attributable to:				
- Owners of Enest	429	N/A	2,103	N/A
- Non-controlling interests ("NCI")	24	N/A	203	N/A
	453	N/A	2,306	N/A
GP margin (%)	11.04	N/A	16.00	N/A
PBT margin (%)	2.08	N/A	6.03	N/A
PAT margin (%)	1.50	N/A	4.51	N/A
Basic/diluted earnings per share (sen) ⁽²⁾	0.09	N/A	0.45	N/A
Number of shares in issue after the Excluded Issue ('000)	465,000	N/A	465,000	N/A

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 as elaborated under Note A7 herein.
- (3) No comparative figures for the preceding year corresponding period are presented as this is the second interim financial report announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities.



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

	As at 31.12.2019⁽¹⁾ RM'000 (unaudited)	As at 31.12.2018 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	3,472	2,670
Goodwill	1,840	1,840
	5,312	4,510
Current Assets		
Inventories	5,567	3,805
Trade receivables	3,930	394
Other receivables	6,298	5,861
Amount due from Director	2	-
Financial assets at fair value through profit or loss	2,006	3,951
Cash and bank balances	216	103
	18,019	14,114
TOTAL ASSETS	23,331	18,624
Equity		
Share capital	6,075	2,075
Merger deficit	(375)	(375)
Foreign currency translation reserve	1	1
Retained earnings	4,390	3,031
	10,091	4,732
NCI	731	528
Total Equity	10,822	5,260
Non-Current Liabilities		
Borrowings	1,963	1,861
Deferred tax liabilities	165	16
	2,128	1,877
Current Liabilities		
Borrowings	262	211
Trade payables	576	574
Other payables	8,869	9,020
Amount due to Directors	-	629
Bank overdraft	432	714
Tax payable	242	339
	10,381	11,487
Total Liabilities	12,509	13,364
TOTAL EQUITY AND LIABILITIES	23,331	18,624

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 2019	2,075	(375)	1	3,031	4,732	528	5,260
Issuance of new shares	4,000	-	-	-	4,000	-	4,000
Total comprehensive income for the financial year	-	-	-	2,103	2,103	203	2,306
Dividends paid	-	-	-	(744)	(744)	-	(744)
At 31 December 2019 ⁽¹⁾	6,075	(375)	1	4,390	10,091	731	10,822

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.*
- (2) *No comparative figures for the preceding year corresponding period are presented as this is the second interim financial report announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities.*

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

	Year-to-date ended	
	31.12.2019⁽¹⁾	31.12.2018⁽²⁾
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,084	N/A
<u>Adjustments for:</u>		
Depreciation	300	N/A
Interest expenses	121	N/A
Dividend income from financial assets at fair value through profit or loss	(41)	N/A
Operating profit before working capital changes	3,464	N/A
Increase in inventories	(1,762)	N/A
Increase in trade and other receivables	(3,973)	N/A
Decrease in trade and other payables	(149)	N/A
Cash used in operations	(2,420)	N/A
Tax paid	(726)	N/A
Net cash used in operating activities	(3,146)	N/A
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,102)	N/A
Realisation of financial assets at fair value through profit or loss	1,945	N/A
Dividend received from financial assets at fair value through profit or loss	41	N/A
Net cash generated from investing activities	884	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Excluded Issue	4,000	N/A
Interest paid	(121)	N/A
Dividends paid	(744)	N/A
Repayment to directors	(631)	N/A
Net drawdown of borrowings	153	N/A
Net cash generated from financing activities	2,657	N/A
Cash and cash equivalents		
Net changes	395	N/A
Brought forward	(611)	N/A
Cash and cash equivalents at end of the financial period	(216)	N/A



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

	Year-to-date ended	
	31.06.2019⁽¹⁾	31.12.2018⁽²⁾
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	216	N/A
Bank overdraft	(432)	N/A
	(216)	N/A

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.*
- (2) *No comparative figures for the preceding year corresponding period are presented as this is the second interim financial report announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities.*

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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 2018.

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 2018, 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 2019

- MFRS 16 Leases
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 112 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 119 (*Plan Amendment, Curtailment or Settlement*)
- Amendments to MFRS 123 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

The adoption of the above MFRS, Amendments to MFRSs and IC Interpretation did not have any significant financial impact to the Group upon their initial application.

The following MFRSs and Amendments to MFRSs have been issued by the MASB but have not been early adopted by the Group:

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*

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

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 2018 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 unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the FYE 2019.

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 2019.

A7. DEBTS AND EQUITY SECURITIES

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

Excluded Issue

On 5 August 2019, the Company had completed the excluded issue of 50,000,000 new ordinary shares to sophisticated investors within the meaning of Section 230 of the Capital Markets and Services Act 2007 in conjunction with the listing of the Company on the LEAP Market of Bursa Securities, at an issue price of RM0.08 per share.

A8. DIVIDEND PAID/ DECLARED

On 5 September 2019, the Board declared an interim dividend of 0.16 sen per share on 465,000,040 shares amounting to RM744,000 in respect of the financial year ended 31 December 2019. The entitlement date for the interim dividend was 26 September 2019. The said interim dividend was paid on 10 October 2019.

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 FYE 2019.

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 2019 ("2 nd Half, FYE 2019")		6 months ended 30 June 2019 ("1 st Half, FYE 2019")	
	RM'000	%	RM'000	%
Local				
Malaysia	-	-	532	2.54%
Overseas				
China	29,718	98.40	19,969	95.38
Hong Kong	-	-	-	-
Australia	483	1.60	436	2.08
Total	30,201	100.00	20,937	100.00

Comparison between the 1st Half and 2nd Half of the FYE 2019

Our Group recorded total revenue of approximately RM30.2 million for the 2nd Half of the FYE 2019, an increase by approximately RM9.3 million from the 1st Half of the FYE 2019. This was primarily due to an increase in the sales volume during the 2nd Half of the FYE 2019 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 2019:

GP margin	Unaudited	
	6 months ended 31 December 2019 ("2nd Half, FYE 2019")	6 months ended 30 June 2019 ("1st Half, FYE 2019")
GP (RM'000)	3,334	4,850
Overall GP margin (%)	11.04	23.16

Comparison between the 1st Half and 2nd Half of the FYE 2019

Our Group's GP decreased by approximately RM1.6 million during the 2nd Half of the FYE 2019, 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 2nd Half of the FYE 2019.

B3. Other income

	Unaudited	
	6 months ended 31 December 2019 ("2nd Half, FYE 2019")	6 months ended 30 June 2019 ("1st Half, FYE 2019")
Other income	220	45

Comparison between the 1st Half and 2nd Half of the FYE 2019

Other income recorded for the 1st Half and 2nd Half of the FYE 2019 mainly consist of dividend income from unit trust and foreign exchange gain. The increase during the 2nd Half of the FYE 2019 was primarily due to higher dividend income from unit trust in line with the additional placements made.

B4. Administrative & other expenses

	Unaudited	
	6 months ended 31 December 2019 ("2nd Half, FYE 2019")	6 months ended 30 June 2019 ("1st Half, FYE 2019")
Administrative & other expenses	2,867	2,377

Comparison between the 1st Half and 2nd Half of the FYE 2019

In line with our revenue growth, administrative & other expenses increased by approximately RM0.5 million or 20.6% during the 2nd Half of the FYE 2019.



B5. Taxation

	Unaudited	
	6 months ended 31 December 2019 ("2 nd Half, FYE 2019")	6 months ended 30 June 2019 ("1 st Half, FYE 2019")
	RM'000	RM'000
Tax expenses	174	604
Effective tax rate (%)	27.75	24.58

Comparison between the 1st Half and 2nd Half of the FYE 2019

Our Group recorded a lower tax expenses during the 2nd Half of the FYE 2019, as compared to 1st Half of the FYE 2019, largely in line with the decrease in our Group's profit before tax as a result of lower gross profit recorded during the 2nd Half of the FYE 2019.

The effective tax rate is higher than the applicable statutory tax rate, primarily due to non-deductible expenses (particularly the listing expenses) added back in the tax computation.

B6. PAT and PAT margin

	Unaudited	
	6 months ended 31 December 2019 ("2 nd Half, FYE 2019")	6 months ended 30 June 2019 ("1 st Half, FYE 2019")
	RM'000	RM'000
PAT	453	1,853
PAT margin (%)	1.50	8.85

Comparison between the 1st Half and 2nd Half of the FYE 2019

Our Group recorded a lower PAT during the 2nd Half of the FYE 2019, mainly due to the decrease in GP and increase in 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	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 would be reallocated to the amount earmarked for working capital, consistent with the disclosure in the Information Memorandum.