



## **ENEST GROUP BERHAD**

(Company No. 1275638-T)

(Incorporated in Malaysia under the Companies Act, 2016)

# **INTERIM FINANCIAL REPORT FOR THE 6-MONTH FINANCIAL PERIOD ENDED 30 JUNE 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
Excluded Issue	:	Issue of 50,000,000 Excluded Issue Shares at the Issue Price to Sophisticated Investors within the meanings of Section 230 of the CMSA
Excluded Issue Shares	:	New Shares to be issued pursuant to the Excluded Issue
FPE	:	Financial period ended 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 Excluded Issue
Listing	:	Admission to the Official List and the listing and quotation of our entire enlarged issued share capital of RM6,075,002, comprising 465,000,040 Shares on the LEAP Market of Bursa Securities
Share(s)	:	Ordinary share(s) in our Company
Sophisticated Investor(s)	:	Investor(s) who fall within Part 1 of Schedule 7 of the CMSA
Subsidiaries	:	Collectively, the following companies: (i) Dynamic Transforms Sdn. Bhd. (606526-P); (ii) Ming Feng Marketing (M) Sdn. Bhd. (1128909-P); and (iii) Ye Lin Industrial (Shanghai) Co., Ltd. (91310115MA1K3FWH7W)



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)**

	Individual period		Cumulative period	
	6-month FPE 2019 RM'000	6-month FPE 2018 <sup>(1)</sup> RM'000	6-month FPE 2019 RM'000	6-month FPE 2018 <sup>(1)</sup> RM'000
Revenue	20,937	N/A	20,937	N/A
Cost of sales	(16,261)	N/A	(16,261)	N/A
Gross profit ("GP")	4,850	N/A	4,850	N/A
Other income	45	N/A	45	N/A
Selling and distribution expenses	(5)	N/A	(5)	N/A
Administrative expenses	(2,372)	N/A	(2,372)	N/A
Profit from operations	2,518	N/A	2,518	N/A
Finance costs	(61)	N/A	(61)	N/A
Profit before tax ("PBT")	2,457	N/A	2,457	N/A
Tax expenses	(604)	N/A	(604)	N/A
<b>Profit after tax ("PAT")/ Total comprehensive income</b>	<b>1,853</b>	N/A	<b>1,853</b>	N/A
<b>Profit for the financial period/ Total comprehensive income attributable to:</b>				
- Owners of Enest	1,674	N/A	1,674	N/A
- Non-controlling interests ("NCI")	179	N/A	179	N/A
	<b>1,853</b>	N/A	<b>1,853</b>	N/A
GP margin (%)	23.16	N/A	23.16	N/A
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	2,635	N/A	2,635	N/A
EBITDA margin (%)	12.59	N/A	12.59	N/A
PBT margin (%)	11.74	N/A	11.74	N/A
PAT margin (%)	8.85	N/A	8.85	N/A
Basic/diluted earnings per share (sen) <sup>(2)</sup>	0.36	N/A	0.36	N/A
Number of shares in issue after the Excluded Issue ('000)	465,000	N/A	465,000	N/A

Notes:

N/A Not applicable.

(1) No comparative figures for the preceding year corresponding period are presented as this is the first interim financial report on the consolidated results for the financial period ended 30 June 2019 announced by the Company in compliance with the LEAP Market Listing Requirements of Bursa Securities.

(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 30.06.2019 <sup>(1)</sup> RM'000 (unaudited)	As at 31.12.2018 RM'000 (audited)
<b>Non-Current Assets</b>		
Property, plant and equipment	3,030	2,670
Goodwill	1,840	1,840
	<b>4,870</b>	<b>4,510</b>
<b>Current Assets</b>		
Inventories	3,573	3,805
Trade receivables	3,781	394
Other receivables	10,427	5,861
Financial assets at fair value through profit or loss	722	3,951
Cash and bank balances	1,887	103
	<b>20,390</b>	<b>14,114</b>
<b>TOTAL ASSETS</b>	<b>25,260</b>	<b>18,624</b>
<b>Equity</b>		
Share capital	2,075	2,075
Merger deficit	(375)	(375)
Foreign currency translation reserve	3	1
Retained earnings	4,703	3,031
	6,406	4,732
NCI	707	528
<b>Total Equity</b>	<b>7,113</b>	<b>5,260</b>
<b>Non-Current Liabilities</b>		
Borrowings	2,050	1,861
Deferred tax liabilities	16	16
	<b>2,066</b>	<b>1,877</b>
<b>Current Liabilities</b>		
Borrowings	263	211
Trade payables	322	574
Other payables	14,120	9,020
Amount due to Directors	200	629
Bank overdraft	503	714
Tax payable	673	339
	<b>16,081</b>	<b>11,487</b>
<b>Total Liabilities</b>	<b>18,147</b>	<b>13,364</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25,260</b>	<b>18,624</b>
<b>NET ASSETS PER SHARE (RM)<sup>(2)</sup></b>	<b>0.01</b>	<b>0.01</b>

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.
- (2) Calculated based on the Company's enlarged issued share capital of 465,000,040 ordinary shares.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 (UNAUDITED)**

	<b>Share capital RM'000</b>	<b>Merger Deficit RM'000</b>	<b>Foreign currency translation reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>	<b>NCI RM'000</b>	<b>Total equity RM'000</b>
At 1 January 2019	2,075	(375)	1	3,031	4,732	528	<b>5,260</b>
Total comprehensive income for the financial period	-	-	2	1,672	1,674	179	<b>1,853</b>
At 30 June 2019 <sup>(1)</sup>	2,075	(375)	3	4,703	6,406	707	<b>7,113</b>

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.*

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

	Year-to-date ended	
	30.06.2019 <sup>(1)</sup> RM'000	30.06.2018 <sup>(2)</sup> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,457	N/A
<u>Adjustments for:</u>		
Depreciation	118	N/A
Interest expenses	60	N/A
Dividend income from financial assets at fair value through profit or loss	(43)	N/A
	<hr/>	
Operating profit before working capital changes	2,592	N/A
Decrease in inventories	232	N/A
Increase in trade and other receivables	(7,953)	N/A
Increase in trade and other payables	4,848	N/A
	<hr/>	
Cash used in operations	(281)	N/A
Tax paid	(270)	N/A
	<hr/>	
<b>Net cash used in operating activities</b>	<b>(551)</b>	<b>N/A</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(478)	N/A
Net investment in financial assets at fair value through profit or loss	3,229	N/A
Dividend received from financial assets at fair value through profit or loss	43	N/A
	<hr/>	
<b>Net cash generated from investing activities</b>	<b>2,794</b>	<b>N/A</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment to Directors	(429)	N/A
Interest paid	(60)	N/A
Net drawdown of hire purchase	384	N/A
Repayment of term loans	(143)	N/A
	<hr/>	
<b>Net cash used in financing activities</b>	<b>(248)</b>	<b>N/A</b>
<b>Cash and cash equivalents</b>		
Net changes	1,995	N/A
Brought forward	(611)	N/A
	<hr/>	
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,384</b>	<b>N/A</b>



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

	Year-to-date ended	
	30.06.2019 <sup>(1)</sup>	30.06.2018 <sup>(2)</sup>
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,887	N/A
Bank overdraft	(503)	N/A
	<b>1,384</b>	<b>N/A</b>

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 first interim financial report on the consolidated results for the financial period ended 30 June 2019 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

### 1. 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.

### 2. 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 2018

- Amendments to MFRS 1 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarifications to MFRS 15
- Amendments to MFRS 128 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* \*\*\* [See MFRS 4 Paragraphs 46 and 48 for the effective date] \*\*\*

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 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*



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Effective for annual periods commencing on or after 1 January 2020

- Amendments to MFRS 2 *Share-based Payment*
- Amendments to MFRS 3 *Business Combinations*
- Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*
- Amendments to MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134 *Interim Financial Reporting*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138 *Intangible Assets*
- IC Interpretation 12 *Amendments to IC Interpretation 12 Service Concession Arrangements*
- IC Interpretation 19 *Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments*
- IC Interpretation 20 *Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*
- IC Interpretation 22 *Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration*
- IC Interpretation 132 *Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs*

### Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

### 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.

## 3. 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.

## 4. SEASONALITY OR CYCLICALITY OF OPERATION

Generally, our Group's business is not subjected to any cyclical or seasonal trend.

## 5. UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the 6-month FPE 2019.

## 6. 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 6-month FPE 2019.



**7. DEBTS AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the 6-month FPE 2019.

**8. DIVIDEND PAID/ DECLARED**

The Board of Directors did not recommend any payment of dividend during the 6-month FPE 2019.

**9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**

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.

**10. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the 6-month FPE 2019.

**11. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

There were no contingent assets and contingent liabilities as at the date of this report.

**12. CAPITAL COMMITMENTS**

Our Group's capital commitments in respect of property, plant and equipment which were not provided in the financial statements as at 30 June 2019 are as follows:

	<b>RM'000</b>
In respect of property, plant and equipment	
- Approved but not contracted for	387

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## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### 1. Revenue

For the financial period under review, all of our revenue was derived from processing and selling edible bird's nests.

The following table sets out the breakdown of our Group's revenue by geographical location for the FPE 2019:

	Unaudited	
	FPE 2019	
	RM'000	%
<b>Local</b>		
Malaysia	532	2.54
<b>Overseas</b>		
China	19,969	95.38
Australia	436	2.08
	20,405	97.46
<b>Total</b>	<b>20,937</b>	<b>100.00</b>

Our Group recorded total revenue of approximately RM20.94 million and sales volume of approximately 2.56 tonnes for the FPE 2019.

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.

Our Group is well-positioned to capture the growing demand and command better selling price as our processing facilities are HACCP-compliant and our edible bird's nests are certified by DVS Malaysia

### 2. Cost of sales

The following table sets out the breakdown of our Group's cost of sales by cost category for the FPE 2019:

	Unaudited	
	FPE 2019	
	RM'000	%
Material costs	15,351	95.42
Labour costs	595	3.70
Production overheads	141	0.88
<b>Total</b>	<b>16,087</b>	<b>100.00</b>

For the FPE 2019, our Group recorded cost of sales of approximately RM16.09 million. The main cost component was material cost, accounted for approximately 95.42% of our Group's cost of sales. Labour costs and production overheads accounted for 3.70% and 0.88% of our Group's cost of sales respectively in the FPE 2019.



### 3. GP and GP margin

The following table sets out the breakdown of our Group's GP and GP margin by business segment for the FPE 2019:

GP margin	Unaudited	
	FPE 2019	
GP (RM'000)	4,850	
<b>Overall GP margin (%)</b>	<b>23.16</b>	

Our Group recorded GP of approximately RM4.85 million for the FPE 2019 and the overall GP margin stood at 23.16%.

### 4. Other income

Other income recorded for the FPE 2019 mainly consist of dividend income from unit trust.

### 5. Selling and distribution expenses

Our Group's selling and distribution expenses recorded for the FPE 2019 mainly consist of marketing and promotional expenses.

### 6. Administrative expenses

	Unaudited	
	FPE 2019	
	RM'000	%
Staff costs	676	28.50
Travelling and transportation cost	205	8.64
Upkeep expenses	387	16.32
Professional fees	312	13.15
Depreciation of property, plant and equipment	118	4.97
Insurance	53	2.24
Rental expenses	151	6.37
Others <sup>(1)</sup>	470	19.81
<b>Total</b>	<b>2,372</b>	<b>100.00</b>

Note:

(1) Others consist of items which individually account for less than 5% of our total administrative expenses.



For the FPE 2019, our Group recorded administrative expenses of approximately RM2.37 million. The primary cost component was staff costs, accounted for approximately 28.50% of our Group's administrative expenses.

Other major cost components consist of professional fees and upkeep expenses, which accounted for 13.15% and 9.11% of our Group's administrative expenses respectively in the FPE 2019.

## 7. Taxation

	Unaudited
	FPE 2019
	RM'000
Taxation	604
<b>Effective tax rate (%)</b>	<b>24.58</b>

For the FPE 2019, our Group recorded overall tax expenses of approximately RM0.60 million, representing an effective tax rate of 24.58%.

## 8. PAT and PAT margin

	Unaudited
	FPE 2019
	RM'000
PAT	1,853
<b>PAT margin (%)</b>	<b>8.85</b>

Our Group recorded PAT of approximately RM1.85 million for the FPE 2019 and the overall PAT margin stood at 8.85%.

## 9. Key financial ratios

		Unaudited
		FPE 2019
Trade receivables turnover period <sup>(1)</sup>	(days)	33
Trade payables turnover period <sup>(2)</sup>	(days)	4
Inventories turnover period <sup>(3)</sup>	(days)	40
Current ratio <sup>(4)</sup>	(times)	1.27
Gearing ratio <sup>(5)</sup>	(times)	0.33

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Notes:

- (1) *Computed based on trade receivables balance over our Group's revenue for the respective financial period, multiplied by number of days in the financial period.*
- (2) *Computed based on trade payables balance over our Group's cost of sales for the respective financial period, multiplied by number of days in the financial period.*
- (3) *Computed based on inventories balance over our Group's cost of sales for the respective financial period, multiplied by number of days in the financial period.*
- (4) *Computed based on current assets over current liabilities as at the respective financial period-end.*
- (5) *Computed based on the total borrowings over total equity as at the respective financial period-end.*

**(i) Trade receivables turnover period**

Our trade receivables turnover period stood at 33 days for the FPE 2019, which fell within the normal credit period of up to 90 days granted by our Group to our customers.

**(ii) Trade payables turnover period**

Our Group's trade payables turnover period stood at 4 days for the FPE 2019, which fell within the normal credit term granted by our suppliers.

**(iii) Inventories turnover period**

Our Group's inventories turnover period stood at 40 days for the FPE 2019.

**(iv) Current ratio**

Our Group recorded current ratio of 1.27 times for the FPE 2019. The Board will endeavour to maintain the current ratio of our Group at a healthy level.

**(v) Gearing ratio**

Our Group recorded gearing ratio of 0.33 times for the FPE 2019. Our Board will, from time to time, review our Group's gearing ratio and make adjustment to our Group's capital structure, where appropriate.

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