



ENG KAH CORPORATION BERHAD

199701020152 (435649-H)

Incorporated in Malaysia

**INTERIM FINANCIAL REPORT
FOR THE THIRD (3RD) QUARTER ENDED**

30 SEPTEMBER 2022

ENG KAH CORPORATION BERHAD
Company No. 199701020152 (435649-H)

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 SEPTEMBER 2022

	Unaudited as at 30.09.2022 RM'000	Audited as at 31.12.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,260	19,794
Investment in joint ventures	184	225
	<u>20,444</u>	<u>20,019</u>
Current assets		
Inventories	27,897	22,583
Trade receivables	10,051	14,521
Other receivables, deposits and prepayments	1,692	2,771
Current tax assets	1,354	1,015
Cash and cash equivalents	14,741	17,086
	<u>55,735</u>	<u>57,976</u>
TOTAL ASSETS	<u>76,179</u>	<u>77,995</u>
EQUITY AND LIABILITIES		
Share capital	68,741	68,741
Other reserves	2,240	2,315
Accumulated losses	(6,955)	(4,709)
Total equity	<u>64,026</u>	<u>66,347</u>
Non-current liabilities		
Lease liabilities	214	223
Deferred tax liabilities	982	982
	<u>1,196</u>	<u>1,205</u>
Current liabilities		
Trade payables	7,459	6,643
Other payables and accruals	3,477	3,712
Lease liabilities	21	62
Current tax liabilities	-	26
	<u>10,957</u>	<u>10,443</u>
Total liabilities	<u>12,153</u>	<u>11,648</u>
TOTAL EQUITY AND LIABILITIES	<u>76,179</u>	<u>77,995</u>
Net assets per share (RM)	0.54	0.56

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

ENG KAH CORPORATION BERHAD
Company No. 199701020152 (435649-H)

Unaudited Condensed Consolidated Statement of Comprehensive Income
For the 9 months period ended 30 September 2022

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
		30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Revenue		12,432	11,755	37,791	32,370
Operating expenses		(13,262)	(12,644)	(40,236)	(36,155)
Other income		<u>235</u>	<u>972</u>	<u>363</u>	<u>3,891</u>
(Loss)/Profit from operations		(595)	83	(2,082)	106
Finance costs		(2)	(5)	(6)	(10)
Share of results of joint ventures		<u>(2)</u>	<u>(25)</u>	<u>(41)</u>	<u>(76)</u>
(Loss)/Profit before tax		(599)	53	(2,129)	20
Tax expense	B5	<u>(66)</u>	<u>(98)</u>	<u>(213)</u>	<u>(295)</u>
Loss for the financial period	B6	(665)	(45)	(2,342)	(275)
Other comprehensive income, net of tax					
Item that will be reclassified subsequently to profit or loss					
Foreign exchange differences for foreign operations		<u>(91)</u>	<u>128</u>	<u>(48)</u>	<u>418</u>
Total comprehensive (loss)/income for the financial period attributable to owners of the Company		<u>(756)</u>	<u>83</u>	<u>(2,390)</u>	<u>143</u>
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	(0.56)	(0.04)	(1.98)	(0.27)
Diluted EPS (sen)	B11	<u>(0.56)</u>	<u>(0.04)</u>	<u>(1.98)</u>	<u>(0.27)</u>

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

ENG KAH CORPORATION BERHAD
Company No. 199701020152 (435649-H)

Unaudited Condensed Consolidated Statement Of Changes In Equity
For the 9 months period ended 30 September 2022

	Share Capital RM'000	Other Reserves RM'000	(Accumulated loss)/ Retained Profits RM'000	Total Equity RM'000
As at 01.01.2022	68,741	2,315	(4,709)	66,347
Foreign exchange differences for foreign operations	-	(48)	-	(48)
Loss for the financial period	-	-	(2,342)	(2,342)
Total comprehensive loss for the financial period	-	(48)	(2,342)	(2,390)
Transactions with owners:				
Grant of ESOS to employees	-	69	-	69
ESOS forfeited due to resignation	-	(96)	96	-
Total transactions with owners	-	(27)	96	69
As at 30.09.2022	<u>68,741</u>	<u>2,240</u>	<u>(6,955)</u>	<u>64,026</u>
As at 01.01.2021	68,638	1,914	3,312	73,864
Foreign exchange differences for foreign operations	-	418	-	418
Loss for the financial period	-	-	(275)	(275)
Total comprehensive income for the financial period	-	418	(275)	143
Transactions with owners:				
Grant of ESOS to employees	-	51	-	51
ESOS forfeited due to resignation	-	(58)	58	-
Issuance of ordinary shares pursuant to ESOS	103	(29)	-	74
Dividend	-	-	(2,476)	(2,476)
Total transactions with owners	103	(36)	(2,418)	(2,351)
As at 30.09.2021	<u>68,741</u>	<u>2,296</u>	<u>619</u>	<u>71,656</u>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

ENG KAH CORPORATION BERHAD
Company No. 199701020152 (435649-H)

Unaudited Condensed Consolidated Statement of Cash Flows
For the 9 months period ended 30 September 2022

	30.09.2022	30.09.2021
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(2,129)	20
Adjustments for:		
- Depreciation	870	852
- Grant of ESOS to employees	69	51
- Gain on disposal of property, plant and equipment	(12)	(2)
- Allowance for expected credit losses	-	50
- Interest expense	6	10
- Interest income	(100)	(119)
- Properties, plant and equipment written off	-	15
- Inventories written down	179	667
- Share of results of joint ventures	41	76
- Gain on disposal of investment in a joint venture	-	(621)
Operating (loss)/profit before working capital changes	(1,076)	999
Increase in inventories	(5,493)	(5,376)
Decrease/(Increase) in receivables	5,549	(1,531)
Increase in payables	581	390
Cash used in operations	(439)	(5,518)
Income tax paid	(578)	(827)
Income tax refunded	-	384
Interest paid	(6)	(10)
Net cash used in operating activities	(1,023)	(5,971)
Cash flows from investing activities		
Interest received	100	119
Purchase of property, plant and equipment	(1,338)	(574)
Proceeds from disposal of property, plant and equipment	14	3
Proceeds from issuance of ordinary shares in pursuant to ESOS	-	74
Proceeds from disposal of investment on a joint venture	-	700
Net cash (used in)/from investing activities	(1,224)	322
Cash flows from financing activities		
Dividend paid	-	(2,476)
Repayment of lease liabilities	(50)	(61)
Net cash used in financing activities	(50)	(2,537)
Net decrease in cash and cash equivalents	(2,297)	(8,186)
Effect of changes in exchange rate	(48)	339
Cash and cash equivalents at beginning	17,086	23,935
Cash and cash equivalents at end	14,741	16,088

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes attached to these interim financial statements.

Part A - Explanatory Notes Pursuant To MFRS 134

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements (“Report”) have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Report also complies with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”).

This condensed report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021. The explanatory notes attached to this Report 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 2021.

2. Significant Accounting Policies

2.1 Adoption of New and Amendments/Improvements to MFRS

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group for the preparation of the interim financial report are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2021.

The Group also applied the following standards, IC Interpretations and amendment to standard that have been issued by the Malaysian Accounting Standards Board (“MASB”) effective from 1 January 2022:

Effective for annual periods beginning on or after 1 January 2022

Annual Improvements to MFRS Standards 2018 - 2020

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework

Amendments to MFRS 116 Property, Plant and Equipment: Proceeds before Intended Use

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group upon adoption.

The Group have not applied the following standards that have been issued by the MASB but are not yet effective for the Group:

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts: Initial Application MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16 Leases : Lease Liability in a Sale and Leaseback

2. Significant Accounting Policies (continued)

2.1 Adoption of New and Amendments/Improvements to MFRS (continued)

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group upon adoption.

3. Auditors' Report of Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2021 was not qualified.

4. Items of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

5. Changes in Accounting Estimates

There were no changes in estimates of amounts reported in the prior financial year that have a material effect in the results for the current financial period under review.

6. Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial period under review.

7. Dividends Paid

No dividends were paid in the current quarter under review.

8. Segmental Information

Segmental information is presented in respect of the Group's business segments.

	9 months ended 30.09.2022 (RM'000)	9 months ended 30.09.2021 (RM'000)
Segment Revenue		
Personal care	24,101	21,937
Household	13,885	11,943
Total revenue including inter segment sales	<u>37,986</u>	<u>33,880</u>
Elimination of inter-segment sales	(195)	(1,510)
	<u>37,791</u>	<u>32,370</u>
Segment Results		
Personal care	(1,792)	(2,982)
Household	(117)	(296)
Investment holding	(273)	3,265
Total results	<u>(2,182)</u>	<u>(13)</u>
Results excluding inter segment sales	(2,182)	(13)
Interest expense	(6)	(10)
Interest income	100	119
Share of results of joint ventures	(41)	(76)
(Loss)/Profit before tax	<u>(2,129)</u>	<u>20</u>
Tax expense	(213)	(295)
Loss for the financial period	<u>(2,342)</u>	<u>(275)</u>

9. Valuation of Property, Plant and Equipment

There were no changes in the valuation of property, plant and equipment since the last audited financial statements for the financial year ended 31 December 2021.

10. Subsequent Event

There were no material events subsequent to the end of the reporting period which require disclosure.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the financial period under review.

12. Changes in Contingent Liabilities and Contingent Assets

There were no contingent assets or contingent liabilities since the end of the last annual reporting period.

13. Capital Commitments

The Outstanding capital commitment as at the end of the reporting period is as follows:

	RM'000
Contracted but not provided for:	
- Property, plant and equipment	136
- Renovation	17
- Others	26
	<u>179</u>

Part B: Explanatory Notes Pursuant To Appendix 9B Of The Listing Requirements Of Bursa Malaysia Securities Berhad

1. Review of Performance

	Individual Quarter 3 Months Ended			Cumulative Quarter 9 Months Ended		
	(Unaudited) 30.09.2022 RM'000	(Unaudited) 30.09.2021 RM'000	Changes (Amount/ %)	(Unaudited) 30.09.2022 RM'000	(Unaudited) 30.09.2021 RM'000	Changes (Amount/ %)
Revenue						
- Personal care	8,010	7,167	843/ 11.76%	23,906	20,427	3,479/ 17.03%
- Household	4,422	4,588	-166/ -3.62%	13,885	11,943	1,942/ 16.26%
	<u>12,432</u>	<u>11,755</u>	<u>677/ 5.76%</u>	<u>37,791</u>	<u>32,370</u>	<u>5,421/ 16.75%</u>
Loss before tax						
- Personal care	(643)	(720)	77/ 10.69%	(1,795)	(2,982)	1,187/ 39.82%
- Household	53	(51)	104/ 203.92%	(120)	(296)	176/ 59.46%
- Investment holding	(9)	824	-833/ -101.09%	(214)	3,298	-3,512/ -106.49%
	<u>(599)</u>	<u>53</u>	<u>-652/ -1,230.19%</u>	<u>(2,129)</u>	<u>20</u>	<u>-2,149/ -10,745.00%</u>

Comparison with Corresponding Quarter in Previous Period

Generally, the impact of seasonality on the demand for the Group's products is not that significant. The turnover for the reporting quarter was RM12.43 million, an increase of RM0.67 million or 5.76% compared to the preceding year's corresponding quarter of RM11.76 million. The increase in turnover was due to the higher orders of personal care products in the reporting quarter.

The Group recorded a Loss Before Tax ("LBT") of RM0.60 million compared to a Profit Before Tax ("PBT") of RM0.05 million in the preceding year's corresponding quarter. This is mainly due to personal care segment loss in the individual quarter under review. The Group reported a profit before tax of RM53 thousand in household segment, a turnaround from the loss before tax of RM51 thousand reported in the preceding year's corresponding quarter.

During the individual quarter under review, the demands for personal care and household products were 64.43% and 35.57% respectively as compared to 60.97% and 39.03% respectively in the preceding year's corresponding quarter. The change was fairly usual in terms of manufacturing activities of the Group.

2. Comparison with Preceding Quarter's Results

	Current quarter 30.09.2022 RM'000	Preceding Quarter 30.06.2022 RM'000	Changes (Amount/%)
<i>Revenue</i>			
- Personal care	8,010	7,834	176/ 2.25%
- Household	4,422	4,904	-482/ -9.83%
	12,432	12,738	-306/ -2.40%
<i>Loss before tax</i>			
- Personal care	(643)	(386)	-257/ -66.58%
- Household	53	(132)	185/ 140.15%
- Investment holding	(9)	(210)	201/ 95.71%
	(599)	(728)	129/ 17.72%

The turnover for the reporting quarter was RM12.43 million as compared to RM12.74 million in the immediately preceding quarter, a decrease of approximately 2.40% or RM0.31 million. The decrease in turnover was mainly due to a decrease in orders placed on household products during the quarter under review.

The Group recorded a Loss Before Tax ("LBT") of RM0.60 million for the current quarter as compared to a LBT of RM0.73 million in the immediately preceding quarter. The Group reduced the losses by 17.72% from the immediately preceding quarter.

During the quarter under review, the LBT margin was approximately 4.82% as compared to the LBT margin of 5.72% in the immediate preceding quarter. The Group reported a profit before tax of RM53 thousand in household segment, a turnaround from LBT of RM132 thousand reported in preceding quarter.

3. Commentary on Prospects

In the current economic situation, the ongoing disruptions in the supply chain, intensifying geopolitical tensions, high commodity prices, operational costs and fluctuations in foreign currency exchange rates are putting pressure on the Group's margin. Nevertheless, the Group will continue to enhance its efficiency in its manufacturing activities, driving more research and development of products to suit the needs of our customers, expanding and diversifying our customer base.

The Group will participate in the leading international beauty trade fair in Asia to enhance customer base. The group are always keep up with the latest trends of the beauty market and have developed formulas able to satisfy the different requests of the customers.

While efforts are continuously made, the Group remains resilient and vigilant over the business outlook and financial performance of the Group.

The Group will continue to promote unique souvenir products with an impressive 3D printing effect technology on the glass bottle to the market. Moreover, the Group will continue to identify the opportunities in the Regional Comprehensive Economic Partnership (RCEP) such as optimising the Group's sourcing and processing arrangements and to take advantage of any benefits of business expansion therefrom.

4. Profit Forecast Variance

Not applicable as the Company did not publish any profit forecast or profit guarantee.

5. Tax Expense

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	(Unaudited) 30.09.2022	(Unaudited) 30.09.2021	(Unaudited) 30.09.2022	(Unaudited) 30.09.2021
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Based on results for the financial period				
- Current tax	(110)	(99)	(259)	(298)
- Deferred tax	-	1	-	3
- Over provision in prior year	44	-	46	-
	<u>(66)</u>	<u>(98)</u>	<u>(213)</u>	<u>(295)</u>

6. Loss for the Financial Period

	Individual Quarter 3 Months Ended 30.09.2022 (Unaudited) RM'000	Cumulative Quarter 9 Months Ended 30.09.2022 (Unaudited) RM'000
Depreciation	300	870
Interest income	(27)	(100)
Gain on foreign exchange		
- Realised	(48)	(277)
- Unrealised	3	(8)
Gain on disposal of property, plant and equipment	-	(12)

Other than the above items, there were no gain or loss on disposal of quoted or properties, provision for receivables, gain or loss on derivatives as well as other exceptional items.

7. Corporate Proposal

There were no corporate proposals announced or not completed as at the date of this report.

8. Borrowings and Debt Securities

The Group's borrowings as at the end of the current period are as follows:

	(Unaudited) 30.09.2022 Denominated in RM RM'000	(Unaudited) 30.09.2021 Denominated in RM RM'000
Secured:		
Long term		
Hire purchase loans	214	283
Short term		
Hire purchase loans	21	18
Total borrowings	235	301
Average effective interest rate:		
Hire purchase loans	2.09%	2.09% to 2.70%

9. Material Litigations

The Group is not involved in any material litigation as at the date of this report.

10. Proposed Dividends

The Board do not recommend the payment of interim dividend for the reporting quarter.

11. Earnings Per Share

(i) Basic earnings per share

The basic earnings per share for the current quarter and cumulative period to date are computed as below:

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Loss for the financial period Attributable to owners of the Company (RM'000)	(665)	(45)	(2,342)	(275)
Weighted average number of ordinary shares in issue ('000)	118,122	118,122	118,122	100,595
Basic earnings per share (sen)	(0.56)	(0.04)	(1.98)	(0.27)

11. Earnings Per Share (continued)

(ii) Diluted earnings per share

The diluted earnings per share for the current quarter and cumulative period to date are computed as below:

	Individual Quarter		Cumulative Quarter	
	3 Months Ended	3 Months Ended	9 Months Ended	9 Months Ended
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Loss for the financial period Attributable to owners of the Company (RM'000)	(665)	(45)	(2,342)	(275)
Weighted average number of ordinary shares in issue ('000)	118,122	118,122	118,122	100,595
Effect of share-based payment transaction	-*	262	-*	262
Effect of warrants	-#	-#	-#	-#
Weighted average number of ordinary shares in issue - diluted ('000)	118,122	118,384	118,122	100,857
Diluted earnings per share (sen)	(0.56)	(0.04)	(1.98)	(0.27)

* The effects of the ESOS have not been computed as they are anti-dilutive in nature.

The effects of the warrants are anti-dilutive in nature.