



ENG KAH CORPORATION BERHAD

199701020152 (435649-H)

Incorporated in Malaysia

**INTERIM FINANCIAL REPORT
FOR THE FOURTH (4TH) QUARTER ENDED**

31 DECEMBER 2022

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

Unaudited Condensed Consolidated Statement of Financial Position
As at 31 DECEMBER 2022

	Unaudited as at 31.12.2022 RM'000	Audited as at 31.12.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,303	19,794
Investment in joint ventures	238	225
	<u>20,541</u>	<u>20,019</u>
Current assets		
Inventories	28,523	22,583
Trade receivables	11,623	14,521
Other receivables, deposits and prepayments	1,851	2,771
Current tax assets	1,321	1,015
Cash and cash equivalents	13,041	17,086
	<u>56,359</u>	<u>57,976</u>
TOTAL ASSETS	<u>76,900</u>	<u>77,995</u>
EQUITY AND LIABILITIES		
Share capital	68,741	68,741
Other reserves	1,968	2,315
Accumulated losses	(8,335)	(4,709)
Total equity	<u>62,374</u>	<u>66,347</u>
Non-current liabilities		
Borrowings	161	223
Deferred tax liabilities	1,137	982
	<u>1,298</u>	<u>1,205</u>
Current liabilities		
Trade payables	8,273	6,643
Other payables and accruals	4,335	3,712
Borrowings	595	62
Current tax liabilities	25	26
	<u>13,228</u>	<u>10,443</u>
Total liabilities	<u>14,526</u>	<u>11,648</u>
TOTAL EQUITY AND LIABILITIES	<u>76,900</u>	<u>77,995</u>
Net assets per share (RM)	0.53	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 12 months period ended 31 December 2022

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
		31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Revenue		12,362	16,106	50,153	48,476
Operating expenses		(14,324)	(17,303)	(54,560)	(53,460)
Other income		<u>806</u>	<u>1,113</u>	<u>1,169</u>	<u>5,004</u>
(Loss)/Profit from operations		(1,156)	(84)	(3,238)	20
Finance costs		(11)	-	(17)	(8)
Share of results of joint ventures		<u>54</u>	<u>(221)</u>	<u>13</u>	<u>(297)</u>
Loss before tax		(1,113)	(305)	(3,242)	(285)
Tax expense	B5	<u>(273)</u>	<u>(5,125)</u>	<u>(486)</u>	<u>(5,420)</u>
Loss for the financial period	B6	(1,386)	(5,430)	(3,728)	(5,705)
Other comprehensive income, net of tax					
Item that will be reclassified subsequently to profit or loss					
Foreign exchange differences for foreign operations		<u>(289)</u>	<u>95</u>	<u>(337)</u>	<u>513</u>
Total comprehensive loss for the financial period attributable to owners of the Company		<u>(1,675)</u>	<u>(5,335)</u>	<u>(4,065)</u>	<u>(5,192)</u>
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	(1.17)	(4.60)	(3.16)	(5.43)
Diluted EPS (sen)	B11	<u>(1.17)</u>	<u>(4.59)</u>	<u>(3.15)</u>	<u>(5.42)</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 12 months period ended 31 December 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	-	(337)	-	(337)
Loss for the financial period	-	-	(3,728)	(3,728)
Total comprehensive loss for the financial period	-	(337)	(3,728)	(4,065)
Transactions with owners:				
Grant of ESOS to employees	-	92	-	92
ESOS forfeited due to resignation	-	(102)	102	-
Total transactions with owners	-	(10)	102	92
As at 31.12.2022	<u>68,741</u>	<u>1,968</u>	<u>(8,335)</u>	<u>62,374</u>
As at 01.01.2021	68,638	1,914	3,312	73,864
Foreign exchange differences for foreign operations	-	513	-	513
Loss for the financial period	-	-	(5,705)	(5,705)
Total comprehensive loss for the financial period	-	513	(5,705)	(5,192)
Transactions with owners:				
Grant of ESOS to employees	-	77	-	77
ESOS forfeited due to resignation	-	(160)	160	-
Issuance of ordinary shares pursuant to ESOS	103	(29)	-	74
Dividend	-	-	(2,476)	(2,476)
Total transactions with owners	103	(112)	(2,316)	(2,325)
As at 31.12.2021	<u>68,741</u>	<u>2,315</u>	<u>(4,709)</u>	<u>66,347</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 12 months period ended 31 December 2022

	31.12.2022	31.12.2021
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(3,242)	(285)
Adjustments for:		
- Allowance for expected credit losses	254	50
- Depreciation	1,170	1,130
- Grant of ESOS to employees	92	77
- Gain on disposal of property, plant and equipment	(12)	(1)
- Gain on disposal of investment in a joint venture	-	(621)
- Interest expense	17	8
- Interest income	(133)	(148)
- Inventories written down	215	824
- Properties, plant and equipment written off	-	14
- Share of results of joint ventures	(13)	297
- Unrealised loss on foreign exchange	627	122
Operating (loss)/profit before working capital changes	(1,025)	1,467
Increase in inventories	(6,156)	(3,686)
Decrease/(Increase) in receivables	2,835	(305)
Increase/(Decrease) in payables	2,355	(1,445)
Cash used in operations	(1,991)	(3,969)
Income tax paid	(637)	(1,202)
Income tax refunded	-	384
Interest paid	(17)	(8)
Net cash used in operating activities	(2,645)	(4,795)
Cash flows from investing activities		
Interest received	133	148
Purchase of property, plant and equipment	(1,681)	(844)
Proceeds from disposal of property, plant and equipment	14	5
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	(1,534)	83
Cash flows from financing activities		
Dividend paid	-	(2,476)
Net change in borrowings	471	(78)
Net cash from/(used in) financing activities	471	(2,554)
Net decrease in cash and cash equivalents	(3,708)	(7,266)
Effect of changes in exchange rate	(337)	417
Cash and cash equivalents at beginning	17,086	23,935
Cash and cash equivalents at end	13,041	17,086

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.

At the beginning of the current financial year, the Group adopted new standards/amendments/improvements to MFRS which are mandatory for the financial periods beginning on or after 1 January 2022.

Initial application for the above amendments to standards did not 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 2024

Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9

MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 17 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 and 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 beginning on or after 1 January 2024

Amendments to MFRS 16 Lease liability in a Sale and Leaseback

Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants

2. Significant Accounting Policies (continued)

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

Deferred to a date to be determined by the MASB

Amendments to MFRS 10 and MFRS 128 Consolidated Financial Statements and 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 applicable standards are 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.

	12 months ended 31.12.2022 (RM'000)	12 months ended 31.12.2021 (RM'000)
Segment Revenue		
Personal care	32,915	31,901
Household	17,459	18,239
Total revenue including inter segment sales	<u>50,374</u>	<u>50,140</u>
Elimination of inter-segment sales	<u>(221)</u>	<u>(1,664)</u>
	<u>50,153</u>	<u>48,476</u>
Segment Results		
Personal care	(2,875)	(3,728)
Household	(164)	(246)
Investment holding	(332)	3,846
Total results	<u>(3,371)</u>	<u>(128)</u>
Results excluding inter segment sales	(3,371)	(128)
Interest expense	(17)	(8)
Interest income	133	148
Share of results of joint ventures	13	(297)
Loss before tax	<u>(3,242)</u>	<u>(285)</u>
Tax expense	<u>(486)</u>	<u>(5,420)</u>
Loss for the financial period	<u>(3,728)</u>	<u>(5,705)</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	96
- Renovation	17
- Others	26
	<u>139</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 12 Months Ended		
	(Unaudited) 31.12.2022 RM'000	(Audited) 31.12.2021 RM'000	Changes (Amount/ %)	(Unaudited) 31.12.2022 RM'000	(Audited) 31.12.2021 RM'000	Changes (Amount/ %)
Revenue						
- Personal care	8,788	9,810	-1,022/ -10.42%	32,694	30,237	2,457/ 8.13%
- Household	3,574	6,296	-2,722/ -43.23%	17,459	18,239	-780/ -4.28%
	<u>12,362</u>	<u>16,106</u>	<u>-3,744/ -23.25%</u>	<u>50,153</u>	<u>48,476</u>	<u>1,677/ 3.46%</u>
Loss before tax						
- Personal care	(1,083)	(746)	-337/ -45.17%	(2,878)	(3,728)	850/ 22.80%
- Household	(48)	50	-98/ -196.00%	(168)	(246)	78/ 31.71%
- Investment holding	18	391	-373/ -95.40%	(196)	3,689	-3,885/ -105.31%
	<u>(1,113)</u>	<u>(305)</u>	<u>-808/ -264.92%</u>	<u>(3,242)</u>	<u>(285)</u>	<u>-2,957/ -1,037.54%</u>

Comparison with Corresponding Quarter in Previous Period

The effect of seasonality on the Group's product demand is typically minimal. In the reporting quarter, the Group's turnover decreased by 23.25% to RM12.36 million, compared to the corresponding quarter of the preceding year, which was RM16.11 million. This decline was a result of lower orders for both personal care and household products during the reporting quarter.

The Group recorded a Loss Before Tax ("LBT") of RM1.11 million, which was an increase from the LBT of RM0.31 million in the corresponding quarter of the preceding year. This was due to higher losses in the personal care segment during the quarter under review. However, the investment holding segment recorded profit during the quarter under review.

The cumulative quarter ended 31 December 2022 ("12MFY22") indicated a positive improvement in turnover, with a total of RM50.2 million compared to RM48.5 million in the corresponding cumulative quarter of the preceding year ("12MFY21"). The growth in turnover is predominantly driven by the personal care segment, with a rise from RM30.2 million in 12MFY21 to RM32.7 million in 12MFY22. Despite this increase in turnover, the Group's recorded a LBT of RM3.2 million in 12MFY22. However, the Group has shown improvement in reduced losses compared to the preceding year's cumulative quarter for both the personal care and household segments.

2. Comparison with Preceding Quarter's Results

	Current Quarter 31.12.2022 RM'000	Preceding Quarter 30.09.2022 RM'000	Changes (Amount/%)
<i>Revenue</i>			
- Personal care	8,788	8,010	778/ 9.71%
- Household	3,574	4,422	-848/ -19.18%
	12,362	12,432	-70/ -0.56%
<i>Loss before tax</i>			
- Personal care	(1,083)	(643)	-440/ -68.43%
- Household	(48)	53	-101/ -190.57%
- Investment holding	18	(9)	27/ 300.00%
	(1,113)	(599)	-514/ -85.81%

The current quarter showed a modest decline in turnover, with total RM12.36 million compared to RM12.43 million in the immediate preceding quarter. The decrease in turnover was attributed to a drop in demand for household products.

The personal care segment continues to report a loss, with RM1.08 million in current quarter, compared to RM0.64 million in the immediate preceding quarter. The household segment has reported a loss of RM48 thousand in the current quarter, compared to profit of RM53 thousand in the immediate preceding quarter. The investment holding segment has reported a profit of RM18 thousand in the current quarter, compared to a loss of RM9 thousand in the immediate preceding quarter.

3. Commentary on Prospects

In the face of the current economic challenges, including disruptions in the supply chain, intensifying geopolitical tensions, high commodity prices, rising operational costs, and fluctuating foreign currency exchange rates, the Group's margins are under pressure. Despite this, the Group remains dedicated to improving efficiency in its manufacturing operations and boosting product research and development to better meet the needs of its customers. The Group's focus on expanding and diversifying its customer base is a critical component of its strategy to remain resilient and improve its financial performance.

To further enhance its customer base, the Group will participate in the leading international beauty trade fair in Asia, where it will showcase its products and stay up-to-date with the latest trends in the beauty market. The Group is committed to develop formulas that meet the diverse needs of its customers.

3. Commentary on Prospects (continued)

The Group will also continue to promote its unique souvenir products, featuring an impressive 3D printing effect on the glass bottle, to capture the attention of customers and drive sales. Furthermore, the Group will explore opportunities within the Regional Comprehensive Economic Partnership (RCEP) to optimize its sourcing and processing arrangements, taking advantage of any available benefits for business expansion.

In addition, the Group will invest in sustainability initiatives and green technology to reduce its carbon footprint and improve its environmental impact while fostering partnerships with local and international organizations to expand its product reach and tap into new markets.

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 12 Months Ended	
	(Unaudited) 31.12.2022 RM'000	(Audited) 31.12.2021 RM'000	(Unaudited) 31.12.2022 RM'000	(Audited) 31.12.2021 RM'000
Malaysian income tax: Based on results for the financial period				
- Current tax	(123)	(108)	(382)	(406)
- Deferred tax	(155)	(24)	(155)	(21)
- Over/(Under) provision in prior year	5	(4,993)	51	(4,993)
	<u>(273)</u>	<u>(5,125)</u>	<u>(486)</u>	<u>(5,420)</u>

6. Loss for the Financial Period

	Individual Quarter 3 Months Ended 31.12.2022 (Unaudited) RM'000	Cumulative Quarter 12 Months Ended 31.12.2022 (Unaudited) RM'000
	Depreciation	300
Interest income	(33)	(133)
Loss on foreign exchange		
- Realised	322	45
- Unrealised	635	627
Gain on disposal of property, plant and equipment	-	(12)
Inventory written down	36	215

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) 31.12.2022 Denominated in RM RM'000	(Audited) 31.12.2021 Denominated in RM RM'000
Secured:		
Long term		
Hire purchase loans	161	223
Short term		
Banker acceptances	530	-
Hire purchase loans	65	62
Total borrowings	756	285
Average effective interest rate:		
Banker acceptances	0.65%	-
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 12 Months Ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Loss for the financial period Attributable to owners of the Company (RM'000)	(1,386)	(5,430)	(3,728)	(5,705)
Weighted average number of ordinary shares in issue ('000)	118,122	118,122	118,122	105,011
Basic earnings per share (sen)	(1.17)	(4.60)	(3.16)	(5.43)

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	12 Months Ended	12 Months Ended
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Loss for the financial period Attributable to owners of the Company (RM'000)	(1,386)	(5,430)	(3,728)	(5,705)
Weighted average number of ordinary shares in issue ('000)	118,122	118,122	118,122	105,011
Effect of share-based payment transaction	78	177	78	177
Effect of warrants	<u>-#</u>	<u>-#</u>	<u>-#</u>	<u>-#</u>
Weighted average number of ordinary shares in issue - diluted ('000)	<u>118,200</u>	<u>118,299</u>	<u>118,200</u>	<u>105,188</u>
Diluted earnings per share (sen)	<u>(1.17)</u>	<u>(4.59)</u>	<u>(3.15)</u>	<u>(5.42)</u>

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