



ENG KAH CORPORATION BERHAD

199701020152 (435649-H)

Incorporated in Malaysia

**INTERIM FINANCIAL REPORT
FOR THE FIRST (1ST) QUARTER ENDED**

31 MARCH 2023

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

Unaudited Condensed Consolidated Statement of Financial Position
As at 31 March 2023

	Unaudited as at 31.03.2023 RM'000	Audited as at 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,303	20,303
Investment in joint ventures	304	238
	<u>20,607</u>	<u>20,541</u>
Current assets		
Inventories	28,954	28,522
Trade receivables	10,352	11,623
Other receivables, deposits and prepayments	1,742	1,851
Current tax assets	1,001	1,296
Cash and cash equivalents	14,099	13,042
	<u>56,148</u>	<u>56,334</u>
TOTAL ASSETS	<u>76,755</u>	<u>76,875</u>
EQUITY AND LIABILITIES		
Share capital	68,741	68,741
Other reserves	2,139	1,969
Accumulated losses	(8,487)	(8,336)
Total equity	<u>62,393</u>	<u>62,374</u>
Non-current liabilities		
Borrowings	137	161
Deferred tax liabilities	1,137	1,137
	<u>1,274</u>	<u>1,298</u>
Current liabilities		
Trade payables	8,185	8,273
Other payables and accruals	3,705	4,335
Borrowings	1,198	595
	<u>13,088</u>	<u>13,203</u>
Total liabilities	<u>14,362</u>	<u>14,501</u>
TOTAL EQUITY AND LIABILITIES	<u>76,755</u>	<u>76,875</u>
Net assets per share (RM)	0.53	0.53

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 3 months period ended 31 March 2023

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 3 Months Ended	
		31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Revenue		12,693	12,621	12,693	12,621
Operating expenses		(12,973)	(13,570)	(12,973)	(13,570)
Other income		133	86	133	86
Loss from operations		(147)	(863)	(147)	(863)
Finance costs		(14)	(3)	(14)	(3)
Share of results of joint ventures		66	64	66	64
Loss before tax		(95)	(802)	(95)	(802)
Tax expense	B5	(61)	(80)	(61)	(80)
Loss for the financial period	B6	(156)	(882)	(156)	(882)
Other comprehensive income, net of tax					
Item that will be reclassified subsequently to profit or loss					
Foreign exchange differences for foreign operations		151	119	151	119
Total comprehensive loss for the financial period attributable to owners of the Company		(5)	(763)	(5)	(763)
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	(0.13)	(0.75)	(0.13)	(0.75)
Diluted EPS (sen)	B11	(0.13)	(0.74)	(0.13)	(0.74)

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 3 months period ended 31 March 2023

	Share Capital RM'000	Other Reserves RM'000	Accumulated Loss RM'000	Total Equity RM'000
As at 01.01.2023	68,741	1,969	(8,336)	62,374
Foreign exchange differences for foreign operations	-	151	-	151
Loss for the financial period	-	-	(156)	(156)
Total comprehensive loss for the financial period	-	151	(156)	(5)
Transactions with owners:				
Grant of ESOS to employees	-	24	-	24
ESOS forfeited due to resignation	-	(5)	5	-
Total transactions with owners	-	19	5	24
As at 31.03.2023	<u>68,741</u>	<u>2,139</u>	<u>(8,487)</u>	<u>62,393</u>
As at 01.01.2022	68,741	2,315	(4,709)	66,347
Foreign exchange differences for foreign operations	-	119	-	119
Loss for the financial period	-	-	(882)	(882)
Total comprehensive loss for the financial period	-	119	(882)	(763)
Transactions with owners:				
Grant of ESOS to employees	-	26	-	26
ESOS forfeited due to resignation	-	(11)	11	-
Total transactions with owners	-	15	11	26
As at 31.03.2022	<u>68,741</u>	<u>2,449</u>	<u>(5,580)</u>	<u>65,610</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 3 months period ended 31 March 2023

	31.03.2023	31.03.2022
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(95)	(802)
Adjustments for:		
- Depreciation	295	282
- Grant of ESOS to employees	24	26
- Gain on disposal of property, plant and equipment	(12)	(11)
- Interest expense	14	3
- Interest income	(8)	(9)
- Share of results of joint ventures	(66)	(64)
Operating profit/(loss) before working capital changes	152	(575)
Increase in inventories	(432)	(2,453)
Decrease in receivables	1,381	4,077
(Decrease)/Increase in payables	(718)	731
Cash from operations	383	1,780
Income tax paid	(105)	(229)
Income tax refunded	337	-
Interest paid	(14)	(3)
Net cash from operating activities	601	1,548
Cash flows from investing activities		
Interest received	8	9
Purchase of property, plant and equipment	(296)	(159)
Proceeds from disposal of property, plant and equipment	14	12
Net cash used in investing activities	(274)	(138)
Cash flows from financing activities		
Drawdown of banker's acceptances	595	-
Repayment of lease liability	(16)	(16)
Net cash from/(used in) financing activities	579	(16)
Net increase in cash and cash equivalents	906	1,394
Effect of changes in exchange rate	151	119
Cash and cash equivalents at beginning	13,042	17,086
Cash and cash equivalents at end	14,099	18,599

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 2022. 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 2022.

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 2022.

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 2023.

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 16 Lease liability in a Sale and Leaseback

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

Deferred to a date to be determined by the MASB

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 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 2022 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.

	3 months ended 31.03.2023 (RM'000)	3 months ended 31.03.2022 (RM'000)
Segment Revenue		
Personal care	9,167	8,197
Household	3,574	4,559
Total revenue including inter segment sales	<u>12,741</u>	<u>12,756</u>
Elimination of inter-segment sales	<u>(48)</u>	<u>(135)</u>
	<u>12,693</u>	<u>12,621</u>
Segment Results		
Personal care	(45)	(764)
Household	(48)	(40)
Investment holding	(62)	(68)
Total results	<u>(155)</u>	<u>(872)</u>
Results excluding inter segment sales	(155)	(872)
Interest expense	(14)	(3)
Interest income	8	9
Share of results of joint ventures	66	64
Loss before tax	<u>(95)</u>	<u>(802)</u>
Tax expense	(61)	(80)
Loss for the financial period	<u>(156)</u>	<u>(882)</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 2022.

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	35
- Renovation	17
- Others	26
	<u>78</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 3 Months Ended		
	(Unaudited) 31.03.2023 RM'000	(Unaudited) 31.03.2022 RM'000	Changes (Amount/ %)	(Unaudited) 31.03.2023 RM'000	(Unaudited) 31.03.2022 RM'000	Changes (Amount/ %)
Revenue						
- Personal care	8,528	8,062	466/ 5.78%	8,528	8,062	466/ 5.78%
- Household	4,165	4,559	-394/ -8.64%	4,165	4,559	-394/ -8.64%
	<u>12,693</u>	<u>12,621</u>	<u>72/ 0.57%</u>	<u>12,693</u>	<u>12,621</u>	<u>72/ 0.57%</u>
Loss before tax						
- Personal care	(52)	(766)	714/ 93.21%	(52)	(766)	714/ 93.21%
- Household	(54)	(41)	-13/ -31.71%	(54)	(41)	-13/ -31.71%
- Investment holding	11	5	6/ 120.00%	11	5	6/ 120.00%
	<u>(95)</u>	<u>(802)</u>	<u>707/ 88.15%</u>	<u>(95)</u>	<u>(802)</u>	<u>707/ 88.15%</u>

Comparison with Corresponding Quarter in Previous Period

In the reporting quarter, the Group's revenue increased by 0.57% to RM12.693 million, compared to the corresponding quarter of the preceding year, which was RM12.621 million. Although the increase is modest, it is a positive sign that the Group's revenue has grown in the challenging economic environment. Furthermore, the Personal Care segment has demonstrated strong performance, with revenue increased by 5.78% compared to the corresponding quarter of the preceding year. This was a commendable achievement, and it suggested that the Company's Personal Care products are well-received by consumers. However, the Household segment experienced a decline in revenue by 8.64% compared to the corresponding quarter of the preceding year.

The Group's Loss Before Tax ("LBT") decreased significantly from RM802 thousand in the corresponding quarter of the preceding year to RM95 thousand for the current quarter. The Personal Care segment reported lower LBT compared to the same quarter of the preceding year, which demonstrated the Group's efforts to reduce costs and increasing revenue. On a positive note, the Investment Holding segment reported a profit of RM11 thousand for the current quarter.

Overall, the Group's financial performance for the quarter ended 31 March 2023 has been mixed. While there are some positive signs of growth and improvement, the decline in the Household segment revenue and the LBT for Personal Care and Household segments are concerning and require further attention.

2. Comparison with Preceding Quarter's Results

	Current Quarter 31.03.2023 RM'000	Immediate Preceding Quarter 31.12.2022 RM'000	Changes (Amount/%)
<i>Revenue</i>			
- Personal care	8,528	8,788	-260/ -2.96%
- Household	4,165	3,574	591/ 16.54%
	12,693	12,362	331/ 2.68%
<i>Loss before tax</i>			
- Personal care	(52)	(1,083)	1,031/ 95.20%
- Household	(54)	(48)	-6 -12.50%
- Investment holding	11	18	-7/ -38.89%
	(95)	(1,113)	1,018/ 91.46%

The current quarter shown an increase in revenue, with a total RM12.693 million compared to RM12.362 million in the immediate preceding quarter. The increase in revenue was mainly driven by the Household segment. The Household segment revenue increased from RM3.574 million in the immediate preceding quarter to RM4.165 million in the current quarter.

The Group recorded a positive improvement in LBT in Personal Care segment. The Personal Care segment continues to report improvement, compared to the immediate preceding quarter. The Household segment has reported a loss of RM54 thousand in the current quarter, compared to loss of RM48 thousand in the immediate preceding quarter. The Investment Holding segment has reported a profit of RM11 thousand in the current quarter, compared to a profit of RM18 thousand in the immediate preceding quarter.

3. Commentary on Prospects

The Group is optimistic about its future prospects. Refer to the Market Analysis Report by Grand View Research, the global cosmetics market is expected to grow at a compound annual growth rate (CAGR) of 4.2% from 2023 to 2030, driven by the widespread increase in the adoption of skincare and personal care products along with the rise in the global aging population. Our Group is well-positioned to benefit from this, as the Group continue to invest in products research and development to meet the needs of our customers.

The Group plans to participate in leading international beauty trade fairs in Asia, which will provide us with an excellent opportunity to showcase our unique products and expand our customer base. In addition, we will continue to promote our unique souvenir products, featuring an impressive 3D printing effect on the glass bottle, to capture the attention of customers and drive sales. Moreover, the Group plans to explore the possibility of introducing vending machines that to make our products accessible in another platform.

3. Commentary on Prospects (continued)

Furthermore, the Group is committed to invest in sustainability initiatives and green technology to reduce our carbon footprint and improve our environmental impact. The Group will also be fostering partnership with local and international organizations to expand our product reach and tap into new markets. These initiatives will not only help us to achieve our sustainability goals but also create new business opportunities and enhance shareholders' value.

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 3 Months Ended	
	(Unaudited) 31.03.2023	(Unaudited) 31.03.2022	(Unaudited) 31.03.2023	(Unaudited) 31.03.2022
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax: Based on results for the financial period				
- Current tax	(61)	(86)	(61)	(86)
- Deferred tax	-	4	-	4
- Over provision in prior year	-	2	-	2
	<u>(61)</u>	<u>(80)</u>	<u>(61)</u>	<u>(80)</u>

6. Loss for the Financial Period

	Individual Quarter 3 Months Ended 31.03.2023 (Unaudited) RM'000
Depreciation	295
Interest income	(8)
Loss on foreign exchange	
- Realised	62
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) 31.03.2023 Denominated in RM RM'000	(Unaudited) 31.03.2022 Denominated in RM RM'000
Secured:		
Long term		
Hire purchase loans	137	214
Short term		
Banker acceptances	1,125	-
Hire purchase loans	73	55
Total borrowings	1,335	269
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 3 Months Ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Loss for the financial period Attributable to owners of the Company (RM'000)	(156)	(882)	(156)	(882)
Weighted average number of ordinary shares in issue ('000)	118,122	118,122	118,122	118,122
Basic earnings per share (sen)	(0.13)	(0.75)	(0.13)	(0.75)

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	3 Months Ended	3 Months Ended
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Loss for the financial period Attributable to owners of the Company (RM'000)	(156)	(882)	(156)	(882)
Weighted average number of ordinary shares in issue ('000)	118,122	118,122	118,122	118,122
Effect of share-based payment transaction	-*	278	-*	278
Effect of warrants	-#	-#	-#	-#
Weighted average number of ordinary shares in issue - diluted ('000)	118,122	118,400	118,122	118,400
Diluted earnings per share (sen)	(0.13)	(0.74)	(0.13)	(0.74)

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.