



ENG KAH CORPORATION BERHAD

199701020152 (435649-H)

Incorporated in Malaysia

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

30 SEPTEMBER 2023

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

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 September 2023

	Unaudited as at 30.09.2023 RM'000	Audited as at 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,100	20,303
Investment in joint ventures	581	238
	<u>20,681</u>	<u>20,541</u>
Current assets		
Inventories	27,779	28,522
Trade receivables	6,785	11,623
Other receivables, deposits and prepayments	1,449	1,851
Current tax assets	516	1,296
Cash and cash equivalents	14,741	13,042
	<u>51,270</u>	<u>56,334</u>
TOTAL ASSETS	<u>71,951</u>	<u>76,875</u>
EQUITY AND LIABILITIES		
Share capital	68,741	68,741
Other reserves	2,200	1,969
Accumulated losses	(10,085)	(8,336)
Total equity	<u>60,856</u>	<u>62,374</u>
Non-current liabilities		
Lease liability	105	161
Deferred tax liabilities	1,176	1,137
	<u>1,281</u>	<u>1,298</u>
Current liabilities		
Trade payables	6,343	8,273
Other payables and accruals	3,069	4,335
Borrowings	329	530
Lease liability	73	65
	<u>9,814</u>	<u>13,203</u>
Total liabilities	<u>11,095</u>	<u>14,501</u>
TOTAL EQUITY AND LIABILITIES	<u>71,951</u>	<u>76,875</u>
Net assets per share (RM)	0.52	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 9 months period ended 30 September 2023

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
		30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
Revenue		10,991	12,432	36,337	37,791
Operating expenses		(12,664)	(13,262)	(38,754)	(40,236)
Other income		176	235	428	363
Loss from operations		(1,497)	(595)	(1,989)	(2,082)
Finance costs		(6)	(2)	(28)	(6)
Share of results of joint ventures		100	(2)	343	(41)
Loss before tax		(1,403)	(599)	(1,674)	(2,129)
Tax expense	B5	(63)	(66)	(175)	(213)
Loss for the financial period	B6	(1,466)	(665)	(1,849)	(2,342)
Other comprehensive income, net of tax					
Item that will be reclassified subsequently to profit or loss					
Foreign exchange differences for foreign operations		146	(91)	272	(48)
Total comprehensive loss for the financial period attributable to owners of the Company		(1,320)	(756)	(1,577)	(2,390)
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B12	(1.24)	(0.56)	(1.57)	(1.98)
Diluted EPS (sen)	B12	(1.24)	(0.56)	(1.57)	(1.98)

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 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	-	272	-	272
Loss for the financial period	-	-	(1,849)	(1,849)
Total comprehensive loss for the financial period	-	272	(1,849)	(1,577)
Transactions with owners:				
Grant of ESOS to employees	-	59	-	59
ESOS forfeited due to resignation	-	(100)	100	-
Total transactions with owners	-	(41)	100	59
As at 30.09.2023	<u>68,741</u>	<u>2,200</u>	<u>(10,085)</u>	<u>60,856</u>
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>

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 2023

	30.09.2023	30.09.2022
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(1,674)	(2,129)
Adjustments for:		
- Depreciation	892	870
- Grant of ESOS to employees	59	69
- Gain on disposal of property, plant and equipment	(14)	(12)
- Interest expense	28	6
- Interest income	(60)	(100)
- Inventories written down	345	179
- Share of results of joint ventures	(343)	41
Operating loss before working capital changes	(767)	(1,076)
Decrease/(Increase) in inventories	399	(5,493)
Decrease in receivables	5,239	5,549
(Decrease)/Increase in payables	(3,196)	581
Cash from/(used in) operations	1,675	(439)
Income tax paid	(284)	(578)
Income tax refunded	928	-
Interest paid	(28)	(6)
Net cash from/(used in) operating activities	2,291	(1,023)
Cash flows from investing activities		
Interest received	60	100
Purchase of property, plant and equipment	(689)	(1,338)
Proceeds from disposal of property, plant and equipment	15	14
Net cash used in investing activities	(614)	(1,224)
Cash flows from financing activities		
Repayment of banker's acceptances	(201)	-
Repayment of lease liability	(49)	(50)
Net cash used in financing activities	(250)	(50)
Net increase/(decrease) in cash and cash equivalents	1,427	(2,297)
Effect of changes in exchange rate	272	(48)
Cash and cash equivalents at beginning	13,042	17,086
Cash and cash equivalents at end	14,741	14,741

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

Amendments to MFRS 107 and MFRS 7 - Supplier Finance Arrangements

Effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 121 – Lack of Exchangeability

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 applications 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.

	9 months ended 30.09.2023 (RM'000)	9 months ended 30.09.2022 (RM'000)
Segment Revenue		
Personal care	25,882	24,101
Household	10,769	13,885
Total revenue including inter segment sales	<u>36,651</u>	<u>37,986</u>
Elimination of inter-segment sales	<u>(314)</u>	<u>(195)</u>
	<u>36,337</u>	<u>37,791</u>
Segment Results		
Personal care	(1,060)	(1,792)
Household	(195)	(117)
Investment holding	(794)	(273)
Total results	<u>(2,049)</u>	<u>(2,182)</u>
Results excluding inter segment sales	(2,049)	(2,182)
Interest expense	(28)	(6)
Interest income	60	100
Share of results of joint ventures	343	(41)
Loss before tax	<u>(1,674)</u>	<u>(2,129)</u>
Tax expense	<u>(175)</u>	<u>(213)</u>
Loss for the financial period	<u>(1,849)</u>	<u>(2,342)</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:	
- Renovation	17
- Others	26
	<u>43</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) 30.09.2023 RM'000	(Unaudited) 30.09.2022 RM'000	Changes (Amount/ %)	(Unaudited) 30.09.2023 RM'000	(Unaudited) 30.09.2022 RM'000	Changes (Amount/ %)
Revenue						
- Personal care	7,434	8,010	-576/ -7.19%	25,568	23,906	1,662/ 6.95%
- Household	3,557	4,422	-865/ -19.56%	10,769	13,885	-3,116/ -22.44%
	<u>10,991</u>	<u>12,432</u>	<u>-1,441/ -11.59%</u>	<u>36,337</u>	<u>37,791</u>	<u>-1,454/ -3.85%</u>
Loss before tax						
- Personal care	(926)	(643)	-283/ -44.01%	(1,075)	(1,795)	720/ 40.11%
- Household	(110)	53	-163/ -307.55%	(208)	(120)	-88/ -73.33%
- Investment holding	(367)	(9)	-358/ -3,977.78%	(391)	(214)	-177/ -82.71%
	<u>(1,403)</u>	<u>(599)</u>	<u>-804/ -134.22%</u>	<u>(1,674)</u>	<u>(2,129)</u>	<u>455/ 21.37%</u>

Comparison with Corresponding Quarter in Previous Period

In the current reporting quarter, the Group experienced a decrease in revenue of 11.59%, amounting to RM10.99 million, as compared to the corresponding quarter in the preceding year, which had total revenue of RM12.43 million. This decline in revenue was a result of decreased demand for both personal care and household products during the reporting quarter.

The Group reported a Loss Before Tax (LBT) of RM1.40 million in the current quarter, marking an expanded from the LBT of RM0.60 million in the corresponding quarter of the preceding year. This widened loss was attributed to higher losses incurred in Personal care segment, Household segment and withholding tax in the Investment holding segment during the reviewed quarter.

Overall, the Group's financial performance for the current reporting quarter, has been a mix of positive and negative outcomes. The substantial decrease in cumulative losses for the Personal care segment, amounting to RM1.07 million, indicated a positive trend and improved performance in reducing losses for this segment.

2. Comparison with Preceding Quarter's Results

	Current Quarter 30.09.2023 RM'000	Immediate Preceding Quarter 30.06.2023 RM'000	Changes (Amount/%)
<i>Revenue</i>			
- Personal care	7,434	9,606	-2,172/ -22.61%
- Household	3,557	3,047	510/ 16.74%
	10,991	12,653	-1,662/ -13.14%
<i>Loss before tax</i>			
- Personal care	(926)	(97)	-829/ -854.64%
- Household	(110)	(44)	-66/ -150.00%
- Investment holding	(367)	(35)	-332/ -948.57%
	(1,403)	(176)	-1,227/ -697.16%

In the current reporting quarter ended September 30, 2023, the Group's revenue amounted to RM10.99 million, marking a decrease of approximately 13.14% or RM1.66 million compared to the immediate preceding quarter's revenue of RM12.65 million. This decline in revenue was primarily attributed to a decrease in orders for personal care products during the reviewed quarter.

The Group reported a LBT of RM1.4 million for the current quarter, in contrast to a LBT of RM0.17 million in the immediately preceding quarter. The increase in LBT was primarily due to a reduction in sales orders and inventories written down incurred during the quarter.

3. Commentary on Prospects

The Group holds a positive outlook for its future prospects, recognizing the evolving nature of the beauty and cosmetics market and the importance of staying competitive. In recent years, social media has become one of the leading ways for beauty and personal care brands to reach customers. With the accessibility and ease of purchase through different online platforms, Malaysia is expected to continue to be one of the largest markets for the beauty and personal care industry for both local and international brands. Despite the domination of international brand in the beauty and personal care industry in Malaysia, local brands have started to gain more popularity due to highly-recognised halal certification issued by the Department of Islamic Development Malaysia (JAKIM).

The Group is well-prepared to leverage on this current market landscape. The company continues to invest in research and development to create products tailored to the specific needs of its customers. Additionally, the Group has plans to participate in prominent international beauty trade fairs in Asia, which offers an excellent platform for us to showcase our distinctive products and expand our customer base. Furthermore, the promotion of unique souvenir products, featuring impressive 3D printing on glass containers, will be a focal point to captivate customer interest and boost sales.

In line with a commitment to sustainability, the Group is actively investing in green technology and other initiatives to reduce its carbon footprint and improve its environmental impact. Partnerships with local and international organizations are being fostered to extend product reach and access new markets. These endeavors not only align with the Group's sustainability goals but also hold the potential to create fresh business opportunities and enhance value for stakeholders.

4. Profit Forecast Variance

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

5. Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		9 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Based on results for the financial period				
- Current tax	(35)	(110)	(136)	(259)
- Deferred tax	(28)	-	(39)	-
- Over provision in prior year	-	44	-	46
	<u>(63)</u>	<u>(66)</u>	<u>(175)</u>	<u>(213)</u>

6. Loss for the Financial Period

	Individual Quarter 3 Months Ended 30.09.2023 (Unaudited) RM'000	Cumulative Quarter 9 Months Ended 30.09.2023 (Unaudited) RM'000
Depreciation	302	892
Interest income	(31)	(60)
Inventory written down	(345)	(345)
Loss on foreign exchange		
- Realised	37	134
Gain on disposal of property, plant and equipment	-	(14)

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. Lease Liability

The Group's lease liability as at the end of the current period is as follows:

	(Unaudited) 30.09.2023 Denominated in RM RM'000	(Unaudited) 30.09.2022 Denominated in RM RM'000
Secured:		
Long term		
Hire purchase loans	105	214
Short term		
Hire purchase loans	73	21
Total lease liability	178	235
Average effective interest rate:		
Hire purchase loans	2.09%	2.09%

9. Borrowings

The banker's acceptances are secured by way of corporate guarantee by the company. The interest rates for borrowings are charged at a range between 4.00% and 4.52% during the quarter.

10. Material Litigations

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

11. Proposed Dividends

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

12. 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		Cumulative Quarter	
	3 Months Ended	3 Months Ended	9 Months Ended	9 Months Ended
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Loss for the financial period Attributable to owners of the Company (RM'000)	(1,466)	(665)	(1,849)	(2,342)
Weighted average number of ordinary shares in issue ('000)	118,122	118,122	118,122	118,122
Basic earnings per share (sen)	(1.24)	(0.56)	(1.57)	(1.98)

(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
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Loss for the financial period Attributable to owners of the Company (RM'000)	(1,466)	(665)	(1,849)	(2,342)
Weighted average number of ordinary shares in issue ('000)	118,122	118,122	118,122	118,122
Effect of share-based payment transaction	_*	_*	_*	_*
Effect of warrants	_#	_#	_#	_#
Weighted average number of ordinary shares in issue - diluted ('000)	118,122	118,122	118,122	118,122
Diluted earnings per share (sen)	(1.24)	(0.56)	(1.57)	(1.98)

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