

Part A - Explanatory Notes Pursuant To MFRS 134

1. Basis of Preparation

The 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 2013. 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 2013.

2. Significant Accounting Policies

2.1 Adoption of new MFRSs, Amendments/Improvements to MFRSs and IC Interpretation (“IC Int”)

The accounting policies adopted for this Report are consistent with those of the last audited financial statements for the financial year ended 31 December 2013, except for the adoption of the following:

Amendments to MFRSs and IC Int

Amendments to MFRS 10,12 and 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Int 21	Levies

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

2.2 Standards issued but not yet effective

The Group has not applied the following new MFRSs, amendments to MFRSs and IC Int that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group:

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Annual improvements to MFRSs 2010-2012 Cycle	
Annual improvements to MFRSs 2011-2013 Cycle	

Effective for financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants

Effective for financial periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
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Effective date yet to be confirmed

Amendments to MFRS 7	Financial Instrument: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures
MFRS 9	Financial Instruments (2009,2010)
MFRS 9	Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139

3. Auditors' Report of Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2013 was not qualified.

4. Seasonality or Cyclicity of Operations

Generally, sales of the Group's products are higher in the second half of the financial year due to majority of the festive seasons fall within this period.

5. Items of Unusual Nature

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

6. 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 quarter and financial period to date.

7. Changes in Debt and Equity Securities

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

8. Dividends Paid

The following dividends were paid during the current and previous corresponding period:

	30.9.2014	30.9.2013
Third interim dividend for the financial year	31 December 2013	31 December 2012
Declared and approved on	26 November 2013	13 December 2012
Date paid	22 January 2014	18 January 2013
Dividend per share (single-tier)	5 sen	5 sen
Net dividend paid	RM3,537,869	RM3,475,930
Final dividend for the financial year	31 December 2013	31 December 2012
Declared and approved on	25 June 2014	24 June 2013
Date paid	12 August 2014	12 August 2013
Dividend per share (single-tier)	7.5 sen	7.5 sen
Net dividend paid	RM5,306,804	RM5,213,909
First interim dividend for the financial year	31 December 2014	31 December 2013
Declared and approved on	27 May 2014	23 May 2013
Date paid	18 August 2014	22 July 2013
Dividend per share (single-tier)	1 sen	5 sen
Net dividend paid	RM707,574	RM3,475,930

9. Segmental Information

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

	9 months ended 30.9.14 (RM'000)	9 months ended 30.9.13 (RM'000)
Segment Revenue		
Personal care	37,302	40,722
Household	9,429	7,710
Investment holding	10,220	11,950
Total revenue including inter segment sales	56,951	60,382
Elimination of inter-segment sales	(10,499)	(12,063)
Total revenue excluding inter segment sales	46,452	48,319
Interest income	25	24
	<u>46,477</u>	<u>48,343</u>
Segment Results		
Personal care	4,299	6,298
Household	513	499
Investment holding	10,435	12,016
Total results	15,247	18,813
Elimination	(10,220)	(11,950)
Results excluding inter segment sales	5,027	6,863
Interest expense	(1)	(2)
Interest income	224	258
Profit before taxation	5,250	7,119
Taxation	(1,084)	(1,411)
Profit for the period	<u>4,166</u>	<u>5,708</u>

10. 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 2013.

11. Subsequent Event

In the opinion of Directors, there were no material events subsequent to the end of the current period, except the following:

On 20 October 2014, RHB Investment Bank Berhad ("RHBIB") had on behalf of the Company, announced to Bursa Malaysia Securities Berhad ("Bursa Securities") that the Company proposes to undertake the establishment of an Employees Share Option Scheme ("ESOS") of up to 15% of the issued and paid-up share capital of the Company ("Proposed ESOS").

On 24 November 2014, RHBIB announced that Bursa Securities had, vide its letter dated 21 November 2014 (which was received on 24 November 2014), resolved to approve the listing of such number of new ordinary shares of RM1.00 each in the Company, representing up to 15% of the issued and paid-up share capital of the Company, to be issued pursuant to the exercise of options under the Proposed ESOS.

The Proposed ESOS is now subject to shareholders' approval at a shareholders' meeting to be convened at a later date.

12. Changes in Composition of the Group

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

13. Changes in Contingent Liabilities and Contingent Assets

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

14. Capital Commitments

The outstanding capital commitment as at the end of the current quarter is as follows:

	RM'000
Contracted but not provided for:	
- Property, plant and equipment	81
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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) 30.9.14 RM'000	(Unaudited) 30.9.13 RM'000	(Unaudited) 30.9.14 RM'000	(Unaudited) 30.9.13 RM'000
	<i>Revenue</i>			
- Personal care	11,817	12,353	37,023	40,609
- Household	3,990	3,014	9,429	7,710
- Investment holding	9	8	25	24
	<u>15,816</u>	<u>15,375</u>	<u>46,477</u>	<u>48,343</u>
<i>Profit before tax</i>				
- Personal care	1,321	1,880	4,299	6,298
- Household	207	291	513	499
- Investment holding	148	(7)	438	322
	<u>1,676</u>	<u>2,164</u>	<u>5,250</u>	<u>7,119</u>

Comparison with Corresponding Quarter in Previous Year

Generally, impact of seasonality on the demand for the Group's products is not that significant. The turnover for the reporting quarter was RM15.816 million as compared to RM15.375 million of the preceding year corresponding quarter. The slight increase in turnover was mainly due to the increase in orders placed during the reporting quarter.

During the quarter under review, the Profit Before Tax ("PBT") margin was approximately 10.60% as compared to 14.07% in the previous year corresponding quarter. The lower PBT margin was mainly due to the change in product mix.

During the 3 months period under review, the demand for personal care and household products were 74.72% and 25.23% respectively as compared to 80.35% and 19.60% respectively of the previous year corresponding period. The change was fairly usual in terms of manufacturing activities of the Group.

Comparison with Corresponding Financial Period To Date in Previous Year

During the 9 months period under review, the demand for personal care products was 79.66% and household products was 20.29% as compared to 84.00% and 15.95% respectively of the previous year corresponding period. The change was fairly usual in terms of manufacturing activities of the Group.

The Profit Before Tax ("PBT") margin for the 9 months period ended 30 September 2014 was approximately 11.30% as compared to 14.73% in the previous year corresponding period. The lower PBT margin was mainly due to the change in product mix.

2. Comparison with Immediate Preceding Quarter's Results

The turnover for the reporting quarter was RM15.816 million as compared to RM15.566 million of the immediate preceding quarter, a slight increase of approximately 1.61%.

The Group recorded a PBT of RM1.676 million for the reporting quarter ended 30 September 2014 as compared to RM1.652 million of the immediate preceding quarter ended 30 June 2014, a slight increase of approximately 1.45%. The increase was mainly due to change in product mix during the reporting quarter.

During the quarter under review, the PBT margin was approximately 10.60% which was approximately the same with that of the immediate preceding quarter of 10.61%. The slightly lower PBT margin was mainly due to the change in product mix.

3. Commentary on Prospects

Generally, the market conditions of the industry are relatively stable. As the Group manufactures a wide range of products, the change in product mix may impact on profit margin of the Group.

Going forward, the Group will further strengthen its presence in overseas markets, particularly the China markets. As part of its market diversification strategy, the Group had, in the previous financial years, incorporated two wholly-owned subsidiaries located in Indonesia and China respectively to achieve this business objective.

The Group's strategy will continue to focus on Multi-National Corporations ("MNC") to expand and diversify its customer base. It is also part of the Group's marketing strategy to continue in exploring other potential customers.

Barring unforeseen circumstances, the Group's performance is expected to be satisfactory for the financial year ending 31 December 2014.

4. Profit Forecast Variance

There was no profit forecast made in any public documents.

5. Taxation

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	(Unaudited) 30.9.14 RM'000	(Unaudited) 30.9.13 RM'000	(Unaudited) 30.9.14 RM'000	(Unaudited) 30.9.13 RM'000
Malaysian income tax:				
Based on results for the period				
- Current tax	(541)	(609)	(1,216)	(1,638)
- Deferred tax				
Relating to origination and reversal of temporary differences	118	111	148	184
Changes in tax rate	(4)	-	(6)	-
	114	111	142	184
	(427)	(498)	(1,074)	(1,454)
(Under)/Over provision in prior year				
- Current tax	-	-	(10)	-
- Deferred tax	-	-	-	43
	-	-	(10)	43
	(427)	(498)	(1,084)	(1,411)

The Group's effective tax rate for the current quarter and period to date were lower than the statutory tax rate of 25% due to double deduction of certain research and development expenditure during the period.

6. Profit for the Period

	Current quarter RM'000	Current year to date RM'000
Depreciation	599	1,844
Interest expense	1	1
Interest income	(58)	(248)
Inventories written off	-	-
Property, plant and equipment written off	-	3
Realised loss on foreign exchange	53	135

Other than the above items, there were no gain or loss on disposal of property, plant and equipment, quoted or unquoted investments or properties, provision for and write off of inventories or receivables, gain or loss on derivatives as well as other exceptional items.

7. Corporate Proposal

Save as disclosed in Note 11 of Part A, there was no corporate proposal announced or not completed as at the date of this Report.

8. Borrowings and Debt Securities

There were no borrowings as at the end of the reporting period and the Group has not issued any debt securities during the financial period under review.

9. Material Litigations

A pending civil proceeding instituted by the subsidiary company, Eng Kah Enterprise Sdn. Bhd. ("EKE") (as plaintiff) against Tohtonku Sdn. Bhd. ("TSB") (as defendant) initially in Georgetown Sessions Court (2) vide Summons No.: 52-1140-1997 but has now been transferred to High Court of Malaya in Penang vide civil suit No. 22-843-2010 claiming for the following:

- (i) RM188,256.30 as at 21 August 1990 being the unpaid purchase price for goods sold and delivered;
- (ii) interest of RM14,137.04 as at 15 July 1990;
- (iii) further interests to accrue at the rate of 2% per month from 16 July 1990 until full settlement;
- (iv) RM296,288.52 as at 17 September 1990 being special damages for stock purchased and kept by EKE for TSB's use; and
- (v) interest on the said RM296,288.52 at the rate of 8.0% per annum from the date of filing of the Summons until full settlement.

The solicitors acting for EKE for the above proceeding, Messrs Ghazi & Lim, is of the opinion that EKE has a "good chance of winning" of the abovementioned suit.

TSB had on 28 January 1991 filed a counter-claim against EKE under Georgetown Sessions Court Summons No.: 52-1140-1997 for the following:

- (i) RM146,035.34;
- (ii) general damages for breach of contract;
- (iii) incentives amount of RM30,000.00;
- (iv) interest at the rate of 8% per annum from 9 February 1990 until full settlement; and
- (v) costs.

The solicitors acting for EKE in the above-mentioned proceeding, Messrs Ghazi & Lim, is of the opinion that EKE has a good chance in defending the said counter-claim.

The matter is now fixed for continued hearing on 15 December 2014 and 16 December 2014.

10. Proposed Dividends

Details of the proposed dividends are as below:

	30.9.2014	30.9.2013
Second interim dividend for the financial year	31 December 2014	31 December 2013
Declared and approved on	26 August 2014	27 August 2013
Dividend per share (single-tier)	1 sen	5 sen
Entitlement to dividends based on Record of Depositors as at	17 October 2014	8 October 2013
Date payable	31 October 2014	31 October 2013

During the current quarter under review, the Board of Directors has declared a third interim single-tier dividend of 1 sen per share amounting to RM707,574 in respect of the financial year ending 31 December 2014, payable at a date to be determined later.

11. Earnings Per Share

Basis of calculation of 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		9 Months Ended	
	30.9.14	30.9.13	30.9.14	30.9.13
Profit after tax				
Attributable to owners of the Company (RM'000)	1,249	1,666	4,166	5,708
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	70,757	69,519	70,757	69,519
Basic earnings per share (sen)	1.77	2.40	5.89	8.21

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
	30.9.14	30.9.13	30.9.14	30.9.13
Profit after tax				
Attributable to owners of the parent (RM'000)	1,249	1,666	4,166	5,708
Weighted average number of shares ('000):				
Weighted average number of ordinary shares in issue ('000)	70,757	69,519	70,757	69,519
Adjustment for dilutive effect on exercise of ESOS options ('000)	#	409	#	447
Adjustment for dilutive effect on exercise of warrants ('000)	*	-	*	-
	<u>70,757</u>	<u>69,928</u>	<u>70,757</u>	<u>69,966</u>
Diluted earnings per share (sen)	<u>1.77</u>	<u>2.38</u>	<u>5.89</u>	<u>8.15</u>

The Company's ESOS has lapsed on 17 November 2013.

* The effect of warrants is anti-dilutive in nature.

12. Realised and Unrealised Profits/(Loss)

	(Unaudited)	(Audited)
	30.9.14	31.12.13
	(RM'000)	(RM'000)
Total retained profits/(accumulated loss) of the Company and its subsidiaries		
- Realised	27,845	30,236
- Unrealised	(1,635)	(1,470)
	<u>26,210</u>	<u>28,766</u>
Less: Consolidation adjustments	(27,792)	(27,792)
	<u>(1,582)</u>	<u>974</u>