

## 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 2014. 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 2014.

### 2. Significant Accounting Policies

#### 2.1 Adoption of new MFRS, Amendments/Improvements to MFRS 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 2014, except for the adoption of the following:

##### **Effective for annual periods beginning on or after 1 July 2014**

Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*

Amendments to MFRS *Annual improvements to MFRS 2010-2012 Cycle*

Amendments to MFRS *Annual improvements to MFRS 2011-2013 Cycle*

Initial application of the above standards did not have any material impact to the financial statements of the Group.

#### 2.2 Standards issued but not yet effective

The Group has not applied the following standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group:

##### **Effective for annual periods beginning on or after 1 January 2016**

MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to MFRS 101 *Disclosure Initiative*

Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*

Amendments to MFRS 127 *Equity Method in Separate Financial Statements*

Amendments to MFRS *Annual Improvements to MFRS 2012–2014 Cycle*

**Effective for annual periods beginning on or after 1 January 2017**  
*MFRS 15 Revenue from Contracts with Customers*

**Effective for annual periods beginning on or after 1 January 2018**  
*MFRS 9 Financial Instruments* (IFRS 9 issued by IASB in July 2014)  
*Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures*

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group upon adoption except as mentioned below:

***MFRS 15 Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Int 13 *Customer Loyalty Programmes*, IC Int 15 *Agreements for Construction of Real Estate*, IC Int 18 *Transfers of Assets from Customers* and IC Int 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 15.

**3. Auditors' Report of Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2014 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 period under review.

**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:

	<b>30.6.2015</b>	<b>30.6.2014</b>
Third interim dividend for the financial year	31 December 2014	31 December 2013
Declared and approved on	26 November 2014	26 November 2013
Date paid	30 January 2015	22 January 2014
Dividend per share (single-tier)	1 sen	5 sen
Net dividend paid	RM707,574	RM3,537,869

## 9. Segmental Information

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

	<b>6 months ended 30.6.15 (RM'000)</b>	<b>6 months ended 30.6.14 (RM'000)</b>
<b>Segment Revenue</b>		
Personal care	22,634	25,207
Household	7,119	5,438
Investment holding	700	3,338
Total revenue including inter segment sales	30,453	33,983
Elimination of inter-segment sales	(832)	(3,338)
Total revenue excluding inter segment sales	29,621	30,645
Interest income	-	16
	<u>29,621</u>	<u>30,661</u>
<b>Segment Results</b>		
Personal care	1,910	2,978
Household	295	306
Investment holding	1,102	3,300
Total results	3,307	6,584
Elimination	(700)	(3,200)
Results excluding inter segment sales	2,607	3,384
Interest income	194	190
Profit before tax	2,801	3,574
Tax expense	(780)	(657)
Profit for the period	<u>2,021</u>	<u>2,917</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 2014.

**11. Subsequent Event**

Save as disclosed below, there were no material events subsequent to the end of the current period:

On 14 July 2015, the Company announced to Bursa Malaysia Securities Berhad that the Company via its wholly-owned subsidiary, Guangzhou Eng Kah Business Consulting Co Ltd, had on 13 July 2015 received confirmation from the relevant authority of the People's Republic of China dated 7 July 2015 that the acquisition of 30% of the registered capital of Cosway (Guangzhou) Cosmetic Manufacture Co has been approved.

The total cash consideration for the above investment is RMB2.818 million or equivalent to RM1.719 million.

**12. Changes in Composition of the Group**

There were no changes in the composition of the Group for the financial period under review other than the incorporation of a wholly-owned subsidiary under the name, EK Universal Marketing Sdn Bhd on 22 June 2015.

**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 period is as follows:

	<b>RM'000</b>
Contracted but not provided for:	
- Property, plant and equipment	56
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Authorised but not contracted for:	
- Investment in an associate	1,719
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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 6 Months Ended	
	(Unaudited) 30.6.15 RM'000	(Unaudited) 30.6.14 RM'000	(Unaudited) 30.6.15 RM'000	(Unaudited) 30.6.14 RM'000
	<b>Revenue</b>			
- Personal care	10,863	12,347	22,502	25,207
- Household	4,036	3,211	7,119	5,438
- Investment holding	-	8	-	16
	<u>14,899</u>	<u>15,566</u>	<u>29,621</u>	<u>30,661</u>
<b>Profit before tax</b>				
- Personal care	703	1,318	1,848	2,978
- Household	190	151	357	306
- Investment holding	459	183	596	290
	<u>1,352</u>	<u>1,652</u>	<u>2,801</u>	<u>3,574</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 RM14.899 million as compared to RM15.566 million of the preceding year corresponding quarter. The lower turnover was mainly due to lesser orders placed during the reporting quarter

During the quarter under review, the Profit Before Tax ("PBT") margin was approximately 9.07% as compared to 10.61% in the previous year corresponding quarter. The lower PBT margin was mainly due to the change of product mix as well as lower turnover.

During the three months period under review, the demands for personal care and household products were 72.91% and 27.09% respectively as compared to 79.32% and 20.63% respectively of the preceding 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 6 months period under review, the demands for personal care and household products were 75.97% and 24.03% respectively as compared to 82.21% and 17.74% 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 6 months period ended 30 June 2015 was approximately 9.46% as compared to 11.66% of the previous year corresponding period. The lower PBT margin was mainly due to the change in product mix.

## **2. Comparison with Preceding Quarter's Results**

The turnover for the reporting quarter was RM14.899 million as compared to RM14.722 million of the preceding quarter, a slight increase of approximately 1.2%. The increase in turnover was mainly due to the increase in orders placed during the reporting quarter.

The Group recorded a PBT of RM1.352 million for the reporting quarter ended 30 June 2015 as compared to RM1.449 million of the preceding quarter ended 31 March 2015, a decrease of approximately 6.69%. The decrease was mainly due to change in product mix during the reporting quarter.

During the quarter under review, the PBT margin was approximately 9.07% as compared to 9.84% of the immediate preceding quarter. The lower PBT margin was mainly due to 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, in the year 2013, the Group 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 2015.

## **4. Profit Forecast Variance**

There was no profit forecast made in any public documents.

## 5. Tax Expense

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	(Unaudited) 30.6.15 RM'000	(Unaudited) 30.6.14 RM'000	(Unaudited) 30.6.15 RM'000	(Unaudited) 30.6.14 RM'000
	Malaysian income tax: Based on results for the period			
- Current tax	(333)	(291)	(783)	(675)
- Deferred tax				
Relating to origination and reversal of temporary difference	(28)	184	4	30
Changes in tax rate	(1)	(8)	(1)	(2)
	(29)	176	3	28
	(362)	(115)	(780)	(647)
Under provision of current tax in prior year	-	(10)	-	(10)
	(362)	(125)	(780)	(657)

The Group's effective tax rate for the current quarter under review was higher than the statutory tax rate of 25% due to non-deductible of certain expenditure.

## 6. Profit for the Period

	Current quarter (Unaudited) RM'000	Current year to date (Unaudited) RM'000
Depreciation	555	1,121
Interest income	(129)	(194)
Realised gain on foreign exchange	(2)	(39)
Unrealised gain on foreign exchange	(20)	(20)
Equity settled share-based payment transactions	98	98

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 receivables, gain or loss on derivatives as well as other exceptional items.

## 7. Corporate Proposal

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

There were no material litigation since the date of the last annual statement of financial position, other than the litigation between a subsidiary company, Eng Kah Enterprise Sdn. Bhd. (as plaintiff) against Tohtonku Sdn. Bhd. (as defendant), of which the case has been brought to a close on 15 February 2015 as reported in the last quarterly report ended 31 March 2015.

## 10. Proposed Dividends

(a) Dividend declared during the current reporting quarter and the corresponding quarter:

	<b>30.6.2015</b>	<b>30.6.2014</b>
Final dividend for the financial year	31 December 2014	31 December 2013
Declared and approved on	25 June 2015	25 June 2014
Dividend per share (single-tier)	3.5 sen	7.5 sen
Entitlement to dividends based on Record of Depositors as at	31 July 2015	18 July 2014
Date payable	18 Aug 2015	12 August 2014

	<b>30.6.2015</b>	<b>30.6.2014</b>
First interim dividend for the financial year	31 December 2015	31 December 2014
Declared and approved on	28 May 2015	27 May 2014
Dividend per share (single-tier)	1 sen	1 sen
Entitlement to dividends based on Record of Depositors as at	18 August 2015	5 August 2014
Date payable	28 August 2015	12 August 2014

(b) The total dividend declared for the current financial year ending 31 December 2015 and financial year ended 31 December 2014 are summarised as follows:

	<b>Financial year ending 31.12.2015</b>	<b>Financial year ended 31.12.2014</b>
First interim single-tier dividend	1 sen	1 sen
Second interim single-tier dividend	-	1 sen
Third interim single-tier dividend	-	1 sen
Final single-tier dividend	-	3.5 sen

On 21 August 2015, the Board of Directors has declared a second interim single-tier dividend of 1 sen per share amounting to RM707,574 in respect of the financial year ending 31 December 2015, payable at a date to be determined later.



## 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		Cumulative Quarter	
	3 Months Ended	3 Months Ended	6 Months Ended	6 Months Ended
	30.6.15	30.6.14	30.6.15	30.6.14
Profit after tax Attributable to owners of the Company (RM'000)	990	1,527	2,021	2,917
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	70,757	70,757	70,757	70,757
Basic earnings per share (sen)	1.40	2.16	2.86	4.12

### (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	6 Months Ended	6 Months Ended
	30.6.15	30.6.14	30.6.15	30.6.14
Profit after tax Attributable to owners of the Company (RM'000)	990	1,527	2,021	2,917
Weighted average number of ordinary shares of RM1.00 each in issue – basic (‘000)	70,757	70,757	70,757	70,757
Effect of share-based payment transaction	893	-	893	-
Effect on warrants	-*	-*	-*	-*
Weighted average number of ordinary shares of RM1.00 each in issue - diluted ('000)	71,650	70,757	71,650	70,757
Diluted earnings per share (sen)	1.38	2.16	2.82	4.12

\* The effect of the warrant has not been computed as it is anti-dilutive in nature.

12. Realised and Unrealised Profits/(Losses)

	(Unaudited) 30.6.15 (RM'000)	(Audited) 31.12.14 (RM'000)
Total retained profits/(accumulated loss) of the Company and its subsidiaries		
- Realised	27,304	28,527
- Unrealised	(1,476)	(1,536)
	<u>25,828</u>	<u>26,991</u>
Less: Consolidation adjustments	(27,809)	(27,809)
Total accumulated losses	<u>(1,981)</u>	<u>(818)</u>