

ENG KAH CORPORATION BERHAD
Company No. 435649-H

Condensed Consolidated Statement of Financial Position
As at 31 December 2015 - Unaudited

	Unaudited	Audited
	as at	as at
	31.12.15	31.12.14
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	24,261	25,439
Investment in joint ventures	2,838	-
	<u>27,099</u>	<u>25,439</u>
Current assets		
Inventories	21,330	19,174
Trade receivables	14,019	15,051
Other receivables, deposits and prepayments	482	733
Current tax assets	7,822	6,553
Cash and cash equivalents	15,392	16,791
	<u>59,045</u>	<u>58,302</u>
TOTAL ASSETS	<u>86,144</u>	<u>83,741</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	70,757	70,757
Share premium	1,672	1,672
Other reserves	240	(37)
Accumulated losses	(1,811)	(818)
Total equity	<u>70,858</u>	<u>71,574</u>
Non-current liabilities		
Borrowings	199	-
Deferred tax liabilities	1,881	2,078
	<u>2,080</u>	<u>2,078</u>
Current liabilities		
Trade payables	7,958	6,663
Other payables and accruals	4,496	2,718
Borrowings	44	-
Dividend payable	708	708
	<u>13,206</u>	<u>10,089</u>
Total liabilities	<u>15,286</u>	<u>12,167</u>
TOTAL EQUITY AND LIABILITIES	<u>86,144</u>	<u>83,741</u>
Net assets per share (RM)	1.00	1.01

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. 435649-H

Condensed Consolidated Statement of Comprehensive Income
For the 12 months period ended 31 December 2015 - Unaudited

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
		31.12.15 RM'000	31.12.14 RM'000	31.12.15 RM'000	31.12.14 RM'000
Revenue		15,292	17,781	58,592	64,258
Operating expenses		(15,909)	(17,469)	(56,705)	(59,285)
Other income		698	774	1,707	1,364
Profit from operations		81	1,086	3,594	6,337
Finance cost		-	-	(1)	(1)
Share of profit of joint ventures		627	-	1,482	-
Profit before tax		708	1,086	5,075	6,336
Tax expense	B5	(222)	386	(1,469)	(698)
Profit for the period/year	B6	486	1,472	3,606	5,638
Other comprehensive loss, net of tax					
Item that will be reclassified subsequently to profit or loss					
Foreign exchange differences for foreign operations		(106)	(59)	(186)	(43)
Total comprehensive income for the period/year attributable to owners of the Company		380	1,413	3,420	5,595
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	0.69	2.08	5.10	7.97
Diluted EPS (sen)	B11	0.67	2.08	5.01	7.97

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes attached to these interim financial statements.

ENG KAH CORPORATION BERHAD
Company No. 435649-H

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 12 months period ended 31 December 2015 - Unaudited

	----- Attributable to Owners of the Company -----				
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Distributable Retained Profit/ (Accumulated loss) RM'000	Total Equity RM'000
As at 1.1.2015	70,757	1,672	(37)	(818)	71,574
Foreign exchange differences for foreign operations	-	-	(186)	-	(186)
Profit for the year	-	-	-	3,606	3,606
Total comprehensive income for the year	-	-	(186)	3,606	3,420
Transactions with owners:					
Dividends	-	-	-	(4,599)	(4,599)
Share-based payment transactions	-	-	463	-	463
Total transactions with owners	-	-	463	(4,599)	(4,136)
As at 31.12.2015	70,757	1,672	240	(1,811)	70,858
As at 1.1.2014	70,757	1,672	6	974	73,409
Foreign exchange differences for foreign operations	-	-	(43)	-	(43)
Profit for the year	-	-	-	5,638	5,638
Total comprehensive income for the year	-	-	(43)	5,638	5,595
Transaction with owners:					
Dividends	-	-	-	(7,429)	(7,429)
As at 31.12.2014	70,757	1,672	(37)	(817)	71,575

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes attached to these interim financial statements.

ENG KAH CORPORATION BERHAD
Company No. 435649-H

Condensed Consolidated Statement of Cash Flows
For the 12 months period ended 31 December 2015 - Unaudited

	31.12.15	31.12.14
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	5,075	6,336
Adjustments for:		
- Bad debts	10	-
- Deposit forfeited income	-	(146)
- Depreciation	2,185	2,424
- Equity settled share-based payment transactions	463	-
- Interest expense	1	1
- Interest income	(377)	(384)
- Inventories written off	338	951
- Loss on disposal of property, plant and equipment	3	-
- Property, plant and equipment written off	-	3
- Reversal of impairment loss	-	(31)
- Share of profit of joint ventures	(1,482)	-
- Unrealised gain on foreign exchange	(322)	36
	<hr/>	<hr/>
Operating profit before working capital changes	5,894	9,190
Increase in inventories	(2,494)	(979)
Decrease in receivables	1,558	4,245
Increase in payables	3,128	2,285
	<hr/>	<hr/>
Cash from operations	8,086	14,741
Income tax paid	(2,564)	(2,709)
Income tax refunded	-	35
Interest paid	(1)	(1)
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Net cash from operating activities	5,521	12,066
Cash flows from investing activities		
Interest received	377	384
Proceeds from disposal of property, plant and equipment	3	-
Purchase of investment in a joint venture	(1,727)	-
Purchase of property, plant and equipment	(770)	(413)
Net cash used in investing activities	(2,117)	(29)
Cash flows from financing activities		
Dividend paid	(4,599)	(10,260)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(1,195)	1,777
Effect of changes in exchange rate	(204)	(8)
Cash and cash equivalents at beginning	16,791	15,022
	<hr/>	<hr/>
Cash and cash equivalents at end	15,392	16,791
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The 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 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 Amendments/Improvements to MFRS

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 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 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

MFRS 15 Revenue from Contracts with Customers

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 year 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 financial year 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 financial year under review.

8. Dividends Paid

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

	31.12.2015	31.12.2014
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
Final dividend for the financial year	31 December 2014	31 December 2013
Declared and approved on	25 June 2015	25 June 2014
Date paid	18 August 2015	12 August 2014
Dividend per share (single-tier)	3.5 sen	7.5 sen
Net dividend paid	RM2,476,509	RM5,306,804
First interim dividend for the financial year	31 December 2015	31 December 2014
Declared and approved on	28 May 2015	27 May 2014
Date paid	28 August 2015	18 August 2014
Dividend per share (single-tier)	1 sen	1 sen
Net dividend paid	RM707,574	RM707,574
Second interim dividend for the financial year	31 December 2015	31 December 2014
Declared and approved on	21 August 2015	26 August 2014
Date paid	20 November 2015	31 October 2014
Dividend per share (single-tier)	1 sen	1 sen
Net dividend paid	RM707,574	RM707,574

9. Segmental Information

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

	12 months ended 31.12.15 (RM'000)	12 months ended 31.12.14 (RM'000)
Segment Revenue		
Personal care	44,718	51,447
Household	13,874	13,407
Investment holding	6,961	10,940
Total revenue including inter segment sales	65,553	75,794
Elimination of inter-segment sales	(6,961)	(11,536)
	<u>58,592</u>	<u>64,258</u>

	12 months ended 31.12.15 (RM'000)	12 months ended 31.12.14 (RM'000)
Segment Results		
Personal care	2,510	4,988
Household	238	434
Investment holding	7,068	11,472
Total results	9,816	16,894
Elimination	(6,600)	(10,940)
Results excluding inter segment sales	3,216	5,954
Share of profit of equity-accounted joint ventures	1,482	-
Interest expense	(1)	(1)
Interest income	378	383
Profit before tax	5,075	6,336
Tax expense	(1,469)	(698)
Profit for the year	<u>3,606</u>	<u>5,638</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

There were no material events subsequent to the end of the reporting period which require disclosure.

12. Changes in Composition of the Group

Save as disclosed below, there were no changes in the composition of the Group for the financial year under review:

- (i) On 22 June 2015, the Company has incorporated a wholly-owned subsidiary under the name, EK Universal Marketing Sdn Bhd;
- (ii) On 13 July 2015, the Company has 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. via its wholly-owned subsidiary, Guangzhou Eng Kah Business Consulting Co. Ltd, has been approved, making it a joint venture to the Group; and
- (iii) On 15 October 2015, the Company has acquired 350 ordinary shares of RM1 each in Atika Beauty Manufacturing Sdn Bhd ("Atika Beauty"), representing 35% of the total issued and paid-up share capital of Atika Beauty with the balance of 35% to be held by S&J International Enterprises Public Company Limited, a Public Listed Company in Thailand and 30% to be held by T H Alliance Holdings Sdn Bhd, a private limited company incorporated in Malaysia.

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:

	RM'000
Contracted but not provided for:	
- Property, plant and equipment	20
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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 12 Months Ended	
	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000
	Revenue			
- Personal care	11,747	13,803	44,718	50,851
- Household	3,545	3,978	13,874	13,407
	<u>15,292</u>	<u>17,781</u>	<u>58,592</u>	<u>64,258</u>
Profit before tax				
- Personal care	5	494	2,510	4,986
- Household	(212)	173	238	434
- Investment holding	915	419	2,327	916
	<u>708</u>	<u>1,086</u>	<u>5,075</u>	<u>6,336</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 RM15.292 million as compared to RM17.781 million of the preceding year corresponding quarter. The lower turnover was mainly due to the lesser orders placed during the reporting quarter.

During the quarter under review, the Profit Before Tax ("PBT") margin was approximately 4.63% as compared to 6.11% in the previous year corresponding quarter. The lower PBT margin was mainly due to the change in product mix as well as lower turnover.

During the three months period under review, the demands for personal care and household products were 76.82% and 23.18% respectively as compared to 77.63% and 22.37% respectively of the preceding year corresponding quarter. The change was fairly usual in terms of manufacturing activities of the Group.

Comparison with Corresponding Financial Year To Date in Previous Year

During the 12 months period under review, the demands for personal care and household products were 76.32% and 23.68% respectively as compared to 79.14% and 20.86% respectively of the previous year. The change was fairly usual in terms of manufacturing activities of the Group.

The Profit Before Tax ("PBT") margin for the year ended 31 December 2015 was approximately 8.66% as compared to 9.86% of the previous year. 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 RM15.292 million as compared to RM13.679 million of the immediate preceding quarter, an increase of approximately 11.79%. The increase in turnover was mainly due to more orders placed during the reporting quarter.

The Group recorded a PBT of RM0.708 million for the reporting quarter ended 31 December 2015 as compared to RM1.566 million of the immediate preceding quarter, a decrease of approximately 54.79%. The decrease was mainly due to the change in product mix as well as higher operating expenses.

During the quarter under review, the PBT margin was approximately 4.63% as compared to 11.45% of the immediate preceding quarter. The lower PBT margin was mainly due to the change in product mix as well as higher operating expenses.

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. 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 2016.

4. Profit Forecast Variance

There was no profit forecast made in any public documents.

5. Tax Expense

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000
Malaysian income tax: Based on results for the period				
- Current tax	(146)	251	(1,295)	(975)
- Deferred tax	81	135	197	277
	<u>(65)</u>	<u>386</u>	<u>(1,098)</u>	<u>(698)</u>
Share of tax of equity- accounted joint venture	(157)	-	(371)	-
	<u>(222)</u>	<u>386</u>	<u>(1,469)</u>	<u>(698)</u>

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

6. Profit for the Period/Year

	Current quarter (Unaudited) RM'000	Current year to date (Unaudited) RM'000
Bad debts	-	10
Depreciation	515	2,185
Interest income	(109)	(378)
Loss on disposal of property, plant and equipment	-	3
Realised loss/(gain) on foreign exchange	(101)	(63)
Unrealised loss/(gain) on foreign exchange	(302)	(322)
Equity settled share-based payment transactions	265	463

Other than the above items, there were no gain or loss on disposal quoted or unquoted investments or properties, provision for 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

The Group's borrowings as at the end of the current year are as follows:

	Denominated in RM RM'000
Secured:	
Long term	
Finance lease liabilities	<u>199</u>
Short term	
Finance lease liabilities	<u>44</u>

9. Material Litigations

There were no material litigations 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 first quarterly report ended 31 March 2015.

10. Proposed Dividends

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

	31.12.2015	31.12.2014
Third interim dividend for the financial year	31 December 2015	31 December 2014
Declared and approved on	27 November 2015	26 November 2014
Dividend per share (single-tier)	1 sen	1 sen
Entitlement to dividends based on Record of Depositors as at	29 January 2016	19 January 2015
Date payable	18 February 2016	30 January 2015

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

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

At the forthcoming Annual General Meeting, a final single-tier dividend of 3.5 sen per share amounting to RM2,476,509 in respect of financial year ended 31 December 2015 will be proposed for shareholders' approval. This Report does not reflect the proposed final dividend. Such dividend, if approved by the shareholders will be accounted for in equity as appropriation of retained profits in the financial year ending 31 December 2016.

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	12 Months Ended	12 Months Ended
	31.12.15	31.12.14	31.12.15	31.12.14
Profit after tax Attributable to owners of the Company (RM'000)	486	1,472	3,606	5,638
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)	0.69	2.08	5.10	7.97

(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
	31.12.15	31.12.14	31.12.15	31.12.14
Profit after tax Attributable to owners of the Company (RM'000)	486	1,472	3,606	5,638
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	1,261	-	1,261	-
Effect on warrants	-*	-*	-*	-*
Weighted average number of ordinary shares of RM1.00 each in issue - diluted ('000)	72,018	70,757	72,018	70,757
Diluted earnings per share (sen)	0.67	2.08	5.01	7.97

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

12. Realised and Unrealised Profits/(Losses)

	(Unaudited) 31.12.15 (RM'000)	(Audited) 31.12.14 (RM'000)
Total retained profits/(accumulated loss) of the Company and its subsidiaries		
- Realised	26,347	28,527
- Unrealised	(981)	(1,536)
	<hr/> 25,366	<hr/> 26,991
Less: Consolidation adjustments	(27,177)	(27,809)
Total accumulated losses	<hr/> (1,811)	<hr/> (818)