

ENG KAH CORPORATION BERHAD
Company No. 435649-H

Condensed Consolidated Statement of Financial Position
As at 30 September 2016 - Unaudited

	Unaudited as at 30/9/2016 RM'000	Audited as at 31/12/2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	24,124	24,261
Investment in joint ventures	5,102	2,982
	<u>29,226</u>	<u>27,243</u>
Current assets		
Inventories	21,709	21,019
Trade receivables	15,342	14,019
Other receivables, deposits and prepayments	333	339
Current tax assets	8,436	7,897
Cash and cash equivalents	9,746	15,392
	<u>55,566</u>	<u>58,666</u>
TOTAL ASSETS	<u>84,792</u>	<u>85,909</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	775	426
Accumulated losses	(3,575)	(2,086)
Total equity	<u>69,629</u>	<u>70,769</u>
Non-current liabilities		
Borrowings	418	199
Deferred tax liabilities	1,945	1,881
	<u>2,363</u>	<u>2,080</u>
Current liabilities		
Trade payables	8,750	7,958
Other payables and accruals	2,494	4,350
Borrowings	848	44
Dividend payable	708	708
	<u>12,800</u>	<u>13,060</u>
Total liabilities	<u>15,163</u>	<u>15,140</u>
TOTAL EQUITY AND LIABILITIES	<u>84,792</u>	<u>85,909</u>
Net assets per share (RM)	0.98	1.00

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 6 months period ended 30 September 2016 - Unaudited

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
		30/9/2016 RM'000	30/9/2015 RM'000	30/9/2016 RM'000	30/9/2015 RM'000
Revenue		15,428	13,679	45,430	43,300
Operating expenses		(14,709)	(13,158)	(44,127)	(40,796)
Other income		119	191	750	1,009
Profit from operations		838	712	2,053	3,513
Finance cost		(6)	(1)	(14)	(1)
Share of results of joint ventures		239	641	1,088	641
Profit before tax		1,071	1,352	3,127	4,153
Tax expense	B5	(348)	(253)	(743)	(1,033)
Profit for the financial period	B6	723	1,099	2,384	3,120
Other comprehensive (loss)/income, net of tax					
Item that will be reclassified subsequently					
to profit or loss					
Foreign exchange differences for foreign operations		(127)	61	25	80
Total comprehensive income for the financial period attributable to owners of the Company		596	1,160	2,409	3,200
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	1.02	1.55	3.37	4.41
Diluted EPS (sen)	B11	0.99	1.53	3.26	4.33

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 6 months period ended 30 September 2016 - Unaudited

	----- Attributable to Owners of the Company -----				
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated losses RM'000	Total Equity RM'000
As at 1-1-2016	70,757	1,672	426	(2,086)	70,769
Foreign exchange differences for foreign operations	-	-	25	-	25
Profit for the financial period	-	-	-	2,384	2,384
Total comprehensive income for the financial period	-	-	25	2,384	2,409
Transactions with owners:					
Dividends	-	-	-	(3,892)	(3,892)
Share-based payment transactions	-	-	343	-	343
Lapse due to resignation	-	-	(19)	19	-
Total transactions with owners	-	-	324	(3,873)	(3,549)
As at 30-9-2016	70,757	1,672	775	(3,575)	69,629
As at 1-1-2015	70,757	1,672	(37)	(818)	71,574
Foreign exchange differences for foreign operations	-	-	80	-	80
Profit for the financial period	-	-	-	3,120	3,120
Total comprehensive income for the financial period	-	-	80	3,120	3,200
Transactions with owners:					
Dividends	-	-	-	(3,892)	(3,892)
Share-based payment transactions	-	-	198	-	198
Total transactions with owners	-	-	198	(3,892)	(3,694)
As at 30-9-2015	70,757	1,672	241	(1,590)	71,080

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 6 months period ended 30 September 2016 - Unaudited

	30/9/2016 RM'000	30/9/2015 RM'000
Cash flows from operating activities		
Profit before tax	3,127	4,153
Adjustments for:		
- Bad debts	98	10
- Depreciation	1,363	1,670
- Equity settled share-based payment transactions	343	198
- (Gain)/Loss on disposal of property, plant and equipment	(6)	3
- Interest expense	14	1
- Interest income	(213)	(269)
- Property, plant and equipment written off	-	-
- Share of results of joint ventures	(1,088)	(641)
- Unrealised gain on foreign exchange	-	(20)
Operating profit before working capital changes	3,638	5,105
Increase in inventories	(690)	(1,705)
(Increase)/Decrease in receivables	(1,415)	4,211
(Decrease)/Increase in payables	(1,064)	816
Cash from operation	469	8,427
Income tax paid	(1,275)	(1,966)
Income tax refunded	57	54
Interest paid	(14)	(1)
Net cash (used in)/from operating activities	(763)	6,514
Cash flows from investing activities		
Additional subscription of shares in a joint venture	(1,400)	-
Dividend received from a joint venture	368	-
Interest received	213	269
Proceed from disposal of property, plant and equipment	6	3
Purchase of investment in a joint venture	-	(1,973)
Purchase of property, plant and equipment	(1,226)	(394)
Net cash used in investing activities	(2,039)	(2,095)
Cash flows from financing activities		
Dividends paid	(3,892)	(3,892)
Net change in borrowings	1,023	303
Net cash used in financing activities	(2,869)	(3,589)
Net (decrease)/increase in cash and cash equivalents	(5,671)	830
Effect of changes in exchange rate	25	79
Cash and cash equivalents at beginning	15,392	16,791
Cash and cash equivalents at end	9,746	17,700

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 2015. 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 2015.

2. Significant Accounting Policies

2.1 Adoption of New and 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 2015, except for the adoption of the following standards:

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

Annual Improvements to MFRS 2012–2014 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 2017

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives

Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

Effective date yet to be confirmed

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

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*.

MFRS 16 Leases

MFRS 16 replaces the guidance in *MFRS 117 Leases*, *IC Int 4 Determining whether an Arrangement contains a Lease*, *IC Int 115 Operating Leases – Incentives* and *IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of *MFRS 16*.

3. Auditors' Report of Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 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 financial 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 financial period under review.

8. Dividends Paid

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

	30.9.2016	30.9.2015
Third interim dividend for the financial year	31 December 2015	31 December 2014
Declared and approved on	27 November 2015	26 November 2014
Date paid	18 Feb 2016	30 January 2015
Dividend per share (single-tier)	1 sen	1 sen
Net dividend paid	RM707,574	RM707,574
Final dividend for the financial year	31 December 2016	31 December 2014
Declared and approved on	15 June 2016	25 June 2015
Date paid	18 August 2016	18 August 2015
Dividend per share (single-tier)	3.5 sen	3.5 sen
Net dividend paid	RM2,476,508	RM2,476,509
First interim dividend for the financial year	31 December 2016	31 December 2015
Declared and approved on	26 May 2016	28 May 2015
Date paid	22 August 2016	28 August 2015
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.

	9 months ended 30.9.16 (RM'000)	9 months ended 30.9.15 (RM'000)
Segment Revenue		
Personal care	34,613	32,971
Household	10,817	10,329
Investment holding	4,310	4,049
Total revenue including inter segment sales	49,740	47,349
Elimination of inter-segment sales	(4,310)	(4,049)
	<u>45,430</u>	<u>43,300</u>

	9 months ended 30.9.16 (RM'000)	9 months ended 30.9.15 (RM'000)
Segment Results		
Personal care	1,726	2,505
Household	262	450
Investment holding	3,752	4,169
Total results	<u>5,740</u>	<u>7,124</u>
Elimination	<u>(3,900)</u>	<u>(3,880)</u>
Results excluding inter segment sales	1,840	3,244
Interest expense	(14)	(1)
Interest income	213	269
Share of results of joint ventures	1,088	641
Profit before tax	<u>3,127</u>	<u>4,153</u>
Tax expense	<u>(743)</u>	<u>(1,033)</u>
Profit for the financial period	<u><u>2,384</u></u>	<u><u>3,120</u></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 2015.

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

There were no changes in the composition of the Group during 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 period is as follows:

	RM'000
Contracted but not provided for:	
- Property, plant and equipment	-
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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) 30.9.16 RM'000	(Unaudited) 30.9.15 RM'000	(Unaudited) 30.9.16 RM'000	(Unaudited) 30.9.15 RM'000
	Revenue			
- Personal care	12,286	10,469	34,613	32,971
- Household	3,142	3,210	10,817	10,329
	<u>15,428</u>	<u>13,679</u>	<u>45,430</u>	<u>43,300</u>
Profit before tax				
- Personal care	920	657	1,726	2,505
- Household	57	93	262	450
- Investment holding	94	602	1,139	1,198
	<u>1,071</u>	<u>1,352</u>	<u>3,127</u>	<u>4,153</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 RM15.43 million as compared to RM13.68 million of the preceding year corresponding quarter. The higher turnover was mainly due to the more orders placed during the reporting quarter.

During the quarter under review, the Profit Before Tax ("PBT") margin was approximately 6.94% as compared to 9.88% in the previous year corresponding quarter. The lower PBT margin was mainly due to change in product mix.

During the quarter under review, the demands for personal care and household products were 79.63% and 20.37% respectively as compared to 76.53% and 23.47% respectively of the preceding year corresponding quarter. 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 demands for personal care and household products were 76.19% and 23.81% respectively as compared to 76.15% and 23.85% 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 2016 was approximately 6.88% as compared to 9.59% of the previous year corresponding period. The lower PBT margin was mainly due to the change in product mix as well as foreign exchange loss due to the weakening of Ringgit against USD.

The results of the joint ventures shared by the Group is higher as compared to the preceding year corresponding period as the joint venture agreement was only completed in July 2015. However, the Group's PBT for the period is still lower than that of the preceding year corresponding period which was mainly due to the lower profit margin generated from both the personal care and household segments.

2. Comparison with Preceding Quarter's Results

The turnover for the reporting quarter was RM15.43 million as compared to RM14.15 million of the immediate preceding quarter, an increase of approximately 9.03%. The increase in turnover was mainly due to more orders placed during the reporting quarter.

The Group recorded a PBT of RM1.07 million for the current quarter as compared to RM0.85 million of the immediate preceding quarter, an increase of approximately 26.45%. The increase was mainly due to change in product mix.

During the quarter under review, the PBT margin was approximately 6.94% as compared to 5.99% of the immediate preceding quarter. The higher PBT margin was mainly due to change in product mix.

3. Commentary on Prospects

As the Group manufactures a wide range of products, the change in product mix may impact on profit margin of the Group. In addition, the weakening of Ringgit against USD may also cause the Group's business operations to be challenging.

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 9 Months Ended	
	(Unaudited) 30.9.16 RM'000	(Unaudited) 30.9.15 RM'000	(Unaudited) 30.9.16 RM'000	(Unaudited) 30.9.15 RM'000
Malaysian income tax: Based on results for the financial period				
- Current tax	(291)	(366)	(679)	(1,149)
- Deferred tax	(57)	113	(64)	116
	<u>(348)</u>	<u>(253)</u>	<u>(743)</u>	<u>(1,033)</u>

The Group's effective tax rate for the current quarter, after excluding share of results of joint ventures, was higher than the statutory tax rate of **24%** (30.9.15: 25%) due to non-deductible of certain expenditure.

6. Profit for the Financial Period

	Current quarter (Unaudited) RM'000	Current year to date (Unaudited) RM'000
Bad debts	-	98
Depreciation	435	1,363
Gain on disposal of property, plant and equipment	(6)	(6)
Interest income	(55)	(213)
Realised loss/(gain) on foreign exchange	56	(154)
Equity settled share-based payment transactions	(2)	343

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	418
Short term	
Finance lease liabilities	59
Bankers' acceptance	789
	848
Total borrowings	1,266

9. Material Litigations

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

10. Proposed Dividends

(a) Dividend declared during the current reporting quarter:

	30.9.2016	30.9.2015
Second interim dividend for the financial year	31 December 2016	31 December 2015
Declared and approved on	25 August 2016	21 August 2015
Dividend per share (single-tier)	1 sen	1 sen
Entitlement to dividends based on Record of Depositors as at	3 Nov 2016	06 November 2015
Date payable	18 Nov 2016	20 November 2015

	30.9.2016	30.9.2015
Third interim dividend for the financial year	31 December 2016	31 December 2015
Declared and approved on	24 November 2016	27 November 2015
Dividend per share (single-tier)	1 sen	1 sen
Entitlement to dividends based on Record of Depositors as at	To be determined later	29 January 2016
Date payable	To be determined later	18 February 2015

(b) The total dividend declared for the current financial year ending 31 December 2016 and financial year ended 31 December 2015 are summarised as follows:

	Financial year ending 31.12.2016	Financial year ended 31.12.2015
First interim single-tier dividend	1 sen	1 sen
Second interim single-tier dividend	1 sen	1 sen
Third interim single-tier dividend	1 sen	1 sen
Final single-tier dividend	-	3.5 sen

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 9 Months Ended	
	30.9.16	30.9.15	30.9.16	30.9.15
Profit after tax Attributable to owners of the Company (RM'000)	723	1,099	2,384	3,120
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)	1.02	1.55	3.37	4.41

(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		9 Months Ended	
	30.9.16	30.9.15	30.9.16	30.9.15
Profit after tax Attributable to owners of the Company (RM'000)	723	1,099	2,384	3,120
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	70,757	70,757	70,757	70,757
Effect of share-based payment transaction	2,303	1,260	2,303	1,260
Effect on warrants	-*	-*	-*	-*
Weighted average number of ordinary shares of RM1.00 each in issue - diluted ('000)	73,060	72,017	73,060	72,017
Diluted earnings per share (sen)	0.99	1.53	3.26	4.33

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

12. Realised and Unrealised Profits/(Losses)

	(Unaudited)	(Audited)
	30.9.16	31.12.15
	(RM'000)	(RM'000)
Total retained profits/(accumulated loss) of the Group		
- Realised	23,880	25,811
- Unrealised	(1,431)	(1,154)
	<u>22,449</u>	<u>24,657</u>
Total share of retained profits of joint ventures		
- Realised	2,344	1,255
	<u>24,793</u>	<u>25,912</u>
Less: Consolidation adjustments	(28,368)	(27,998)
Total accumulated losses	<u>(3,575)</u>	<u>(2,086)</u>