

ENG KAH CORPORATION BERHAD
Company No. 435649-H

Condensed Consolidated Statement of Financial Position
As at 31 December 2016 - Unaudited

	Unaudited as at 31/12/2016 RM'000	Audited as at 31/12/2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	23,763	24,261
Investment in joint ventures	5,006	2,982
	<u>28,769</u>	<u>27,243</u>
Current assets		
Inventories	19,534	21,019
Trade receivables	15,860	14,019
Other receivables, deposits and prepayments	431	340
Current tax assets	8,046	7,897
Cash and cash equivalents	11,469	15,392
	<u>55,340</u>	<u>58,667</u>
TOTAL ASSETS	<u>84,109</u>	<u>85,910</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	935	426
Accumulated losses	(3,839)	(2,086)
Total equity	<u>69,525</u>	<u>70,769</u>
Non-current liabilities		
Borrowings	391	199
Deferred tax liabilities	1,869	1,881
	<u>2,260</u>	<u>2,080</u>
Current liabilities		
Trade payables	6,783	7,959
Other payables and accruals	3,328	4,350
Borrowings	1,505	44
Dividend payable	708	708
	<u>12,324</u>	<u>13,061</u>
Total liabilities	<u>14,584</u>	<u>15,141</u>
TOTAL EQUITY AND LIABILITIES	<u>84,109</u>	<u>85,910</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 12 months period ended 31 December 2016 - Unaudited

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
		31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Revenue		16,915	15,292	62,345	58,592
Operating expenses		(16,251)	(16,245)	(60,378)	(57,041)
Other income		430	540	1,180	1,549
Profit from operations		1,094	(413)	3,147	3,100
Finance costs		(21)	-	(35)	(1)
Share of results of joint ventures		(90)	614	998	1,255
Profit before tax		983	201	4,110	4,354
Tax expense	B5	(541)	10	(1,284)	(1,023)
Profit for the financial period/year	B6	442	211	2,826	3,331
Other comprehensive (loss)/income, net of tax					
Item that will be reclassified subsequently					
to profit or loss					
Foreign exchange differences for foreign operations		50	(93)	75	(13)
Total comprehensive income for the financial financial period/year attributable to owners of the Company		492	118	2,901	3,318
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	0.62	0.30	3.99	4.71
Diluted EPS (sen)	B11	0.61	0.29	3.88	4.62

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 2016 - Unaudited

	----- Attributable to Owners of the Company -----				
	-- Non-distributable --				
	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	-	-	75	-	75
Profit for the financial year	-	-	-	2,826	2,826
Total comprehensive income for the financial year	-	-	75	2,826	2,901
Transactions with owners:					
Dividends	-	-	-	(4,599)	(4,599)
Share-based payment transactions	-	-	434	-	434
Lapse due to resignation	-	-	-	20	20
Total transactions with owners	-	-	434	(4,579)	(4,145)
As at 31-12-2016	70,757	1,672	935	(3,839)	69,525
As at 1-1-2015	70,757	1,672	(37)	(818)	71,574
Foreign exchange differences for foreign operations	-	-	(13)	-	(13)
Profit for the financial year	-	-	-	3,331	3,331
Total comprehensive income for the financial year	-	-	(13)	3,331	3,318
Transactions with owners:					
Dividends	-	-	-	(4,599)	(4,599)
Share-based payment transactions	-	-	476	-	476
Total transactions with owners	-	-	476	(4,599)	(4,123)
As at 31-12-2015	70,757	1,672	426	(2,086)	70,769

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 2016 - Unaudited**

	31/12/2016 RM'000	31/12/2015 RM'000
Cash flows from operating activities		
Profit before tax	4,110	4,354
Adjustments for:		
- Bad debts	98	10
- Depreciation	1,766	2,185
- Equity settled share-based payment transactions	454	477
- (Gain)/Loss on disposal of property, plant and equipment	(5)	2
- Impairment loss on receivables	26	-
- Interest expense	35	1
- Interest income	(296)	(763)
- Inventories written off	212	338
- Property, plant and equipment written off	1	-
- Share of results of joint ventures	(998)	(1,255)
- Unrealised gain on foreign exchange	(280)	(149)
Operating profit before working capital changes	5,123	5,200
Decrease/(Increase) in inventories	1,273	(2,184)
(Increase)/Decrease in receivables	(1,776)	1,561
(Decrease)/Increase in payables	(2,198)	2,865
Cash from operation	2,422	7,442
Income tax paid	(2,026)	(2,621)
Income tax refunded	581	57
Interest paid	(35)	(1)
Net cash from operating activities	942	4,877
Cash flows from investing activities		
Additional subscription of shares in a joint venture	(1,400)	-
Dividend received from a joint venture	374	-
Interest received	296	763
Proceed from disposal of property, plant and equipment	7	2
Purchase of investment in a joint venture	-	(1,727)
Purchase of property, plant and equipment	(1,271)	(768)
Net cash used in investing activities	(1,994)	(1,730)
Cash flows from financing activities		
Dividends paid	(4,599)	(4,599)
Net change in borrowings	1,653	-
Net cash used in financing activities	(2,946)	(4,599)
Net decrease in cash and cash equivalents	(3,998)	(1,452)
Effect of changes in exchange rate	75	53
Cash and cash equivalents at beginning	15,392	16,791
Cash and cash equivalents at end	11,469	15,392

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 12 Disclosure of Interests in Other Entities (under Annual Improvements to MFRS Standards 2014-2016 Cycle)

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 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

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

Annual Improvements to MFRS Standards 2014-2016 Cycle (except for

Amendments to MFRS 12 Disclosure of Interests in Other Entities)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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 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 period:

	31.12.2016	31.12.2015
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
Second interim dividend for the financial year	31 December 2016	31 December 2015
Declared and approved on	25 August 2016	21 August 2015
Date paid	18 November 2016	20 November 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.

	12 months ended 31.12.16 (RM'000)	12 months ended 31.12.15 (RM'000)
Segment Revenue		
Personal care	48,831	45,036
Household	14,439	13,874
Investment holding	4,600	6,600
Total revenue including inter segment sales	<u>67,870</u>	<u>65,510</u>
Elimination of inter-segment sales	<u>(5,525)</u>	<u>(6,918)</u>
	<u><u>62,345</u></u>	<u><u>58,592</u></u>
Segment Results		
Personal care	1,890	1,619
Household	330	326
Investment holding	5231	6,992
Total results	<u>7451</u>	<u>8,937</u>
Elimination	<u>(4,600)</u>	<u>(6,600)</u>
Results excluding inter segment sales	<u>2,851</u>	<u>2,337</u>
Interest expense	(35)	(1)
Interest income	296	763
Share of results of joint ventures	998	1,255
Profit before tax	<u>4,110</u>	<u>4,354</u>
Tax expense	<u>(1,284)</u>	<u>(1,023)</u>
Profit for the financial year	<u><u>2,826</u></u>	<u><u>3,331</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 year 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 reporting 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 12 Months Ended	
	(Unaudited) 31.12.16 RM'000	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.16 RM'000	(Audited) 31.12.15 RM'000
	Revenue			
- Personal care	13,293	11,747	47,906	44,718
- Household	3,622	3,545	14,439	13,874
	<u>16,915</u>	<u>15,292</u>	<u>62,345</u>	<u>58,592</u>
Profit before tax				
- Personal care	164	(887)	1,898	1,618
- Household	68	(124)	322	327
- Investment holding	751	1,212	1,890	2,409
	<u>983</u>	<u>201</u>	<u>4,110</u>	<u>4,354</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 RM16.92 million as compared to RM15.29 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 5.81% as compared to 1.31% in the previous year corresponding quarter. The higher PBT margin was mainly due to change in product mix.

During the quarter under review, the demands for personal care and household products were 78.59% and 21.41% respectively as compared to 76.82% and 23.18% 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 12 months period under review, the demands for personal care and household products were 76.84% and 23.16% respectively as compared to 76.32% and 23.68% 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 12 months period ended 31 December 2016 was approximately 6.59% as compared to 7.43% of the previous year. 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.

2. Comparison with Preceding Quarter's Results

The turnover for the reporting quarter was RM16.92 million as compared to RM15.43 million of the immediate preceding quarter, an increase of approximately 9.66%. The increase in turnover was mainly due to more orders placed during the reporting quarter.

The Group recorded a PBT of RM0.983 million for the current quarter as compared to RM1.071 million of the immediate preceding quarter, a decrease of approximately 8.22%. The lower PBT was mainly due to change in product mix.

During the quarter under review, the PBT margin was approximately 5.81% as compared to 6.94% of the immediate preceding quarter. The lower 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 2017.

4. Profit Forecast Variance

There was no profit forecast made in any public documents.

5. Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		12 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31.12.16	31.12.15	31.12.16	31.12.15
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Based on results for the financial period/year				
- Current tax	(617)	(71)	(1,296)	(1,220)
- Deferred tax	76	81	12	197
	<u>(541)</u>	<u>10</u>	<u>(1,284)</u>	<u>(1,023)</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%** (30.12.15: 25%) due to non-deductible of certain expenditure.

6. Profit for the Financial Period/Year

	Current quarter (Unaudited) RM'000	Current year to date (Unaudited) RM'000
Bad debts	-	98
Depreciation	403	1,766
Gain on disposal of property, plant and equipment	1	(5)
Impairment loss on receivables	26	26
Interest expense	21	35
Interest income	(83)	(296)
Inventories written off	212	212
Property, plant and equipment written off	1	1
Realised loss/(gain) on foreign exchange	109	(45)
Equity settled share-based payment transactions	111	454
Unrealised gain on foreign exchange	(280)	(280)

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	391
Short term	
Finance lease liabilities	60
Bankers' acceptance	1,445
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Total borrowings	1,896
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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:

	31.12.2016	31.12.2015
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	31 January 2017	29 January 2016
Date payable	22 February 2017	18 February 2016

(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 sen	3.5 sen

At the forthcoming Annual General Meeting, a final single-tier dividend of 3 sen per share amounting to RM2,122,722 in respect of financial year ended 31 December 2016 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 2017.

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 12 Months Ended	
	31.12.16	31.12.15	31.12.16	31.12.15
Profit after tax Attributable to owners of the Company (RM'000)	442	211	2,826	3,331
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)	0.62	0.30	3.99	4.71

(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 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31.12.16	31.12.15	31.12.16	31.12.15
Profit after tax Attributable to owners of the Company (RM'000)	442	211	2,826	3,331
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	2,153	1,260	2,153	1,260
Effect on warrants	-*	-*	-*	-*
Weighted average number of ordinary shares of RM1.00 each in issue - diluted ('000)	72,910	72,018	72,910	72,018
Diluted earnings per share (sen)	0.61	0.29	3.88	4.62

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

12. Realised and Unrealised Profits/(Losses)

	(Unaudited) 31.12.16 (RM'000)	(Audited) 31.12.15 (RM'000)
Total retained profits/(accumulated loss) of the Group		
- Realised	23,817	25,811
- Unrealised	(1,460)	(1,154)
	<u>22,357</u>	<u>24,657</u>
Total share of retained profits of joint ventures		
- Realised	1,180	1,255
	<u>23,537</u>	<u>25,912</u>
Less: Consolidation adjustments	(27,376)	(27,998)
Total accumulated losses	<u>(3,839)</u>	<u>(2,086)</u>