

ENG KAH CORPORATION BERHAD
Company No. 435649-H

Condensed Consolidated Statement of Financial Position
As at 30 June 2017 - Unaudited

	Unaudited as at 30/6/2017 RM'000	Audited as at 31/12/2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	23,305	23,763
Investment in joint ventures	4,807	5,066
	<u>28,112</u>	<u>28,829</u>
Current assets		
Inventories	20,298	19,507
Trade receivables	11,723	15,698
Other receivables, deposits and prepayments	1,178	404
Current tax assets	8,256	8,046
Cash and cash equivalents	12,889	11,469
	<u>54,344</u>	<u>55,124</u>
TOTAL ASSETS	<u>82,456</u>	<u>83,953</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	72,429	70,757
Share premium	-	1,672
Other reserves	922	666
Accumulated losses	(3,419)	(3,750)
Total equity	<u>69,932</u>	<u>69,345</u>
Non-current liabilities		
Borrowings	301	353
Deferred tax liabilities	1,935	1,842
	<u>2,236</u>	<u>2,195</u>
Current liabilities		
Trade payables	6,884	6,832
Other payables and accruals	3,116	3,277
Borrowings	98	1,543
Current tax liabilities	190	53
Dividend payable	-	708
	<u>10,288</u>	<u>12,413</u>
Total liabilities	<u>12,524</u>	<u>14,608</u>
TOTAL EQUITY AND LIABILITIES	<u>82,456</u>	<u>83,953</u>
Net assets per share (RM)	0.99	0.98

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 June 2017 - Unaudited

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
		30/6/2017 RM'000	30/6/2016 RM'000	30/6/2017 RM'000	30/6/2016 RM'000
Revenue		12,517	14,150	27,327	30,002
Operating expenses		(12,769)	(13,910)	(27,505)	(29,418)
Other income		402	257	1,125	631
Profit from operations		150	497	947	1,215
Finance costs		(3)	(3)	(9)	(8)
Share of results of joint ventures		(158)	353	(259)	849
(Loss)/Profit before tax		(11)	847	679	2,056
Tax expense	B5	(147)	(157)	(359)	(395)
(Loss)/Profit for the financial period	B6	(158)	690	320	1,661
Other comprehensive (loss)/income, net of tax					
Item that will be reclassified subsequently					
to profit or loss					
Foreign exchange differences for foreign operations		(28)	136	43	152
Total comprehensive (loss)/income for the financial period attributable to owners of the Company		(186)	826	363	1,813
(Loss)/Earnings per share (EPS) attributable					
to					
owners of the Company					
Basic EPS (sen)	B11	(0.22)	0.98	0.45	2.35
Diluted EPS (sen)	B11	(0.22)	0.94	0.45	2.27

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 June 2017 - 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 1-1-2017	70,757	1,672	666	(3,750)	69,345
Foreign exchange differences for foreign operations	-	-	43	-	43
Profit for the financial period	-	-	-	320	320
Total comprehensive income for the period	-	-	43	320	363
Transactions with owners:					
Share-based payment transactions:					
- current year	-	-	224	-	224
- lapse due to resignation	-	-	(11)	11	-
Total transactions with owners	-	-	213	11	224
Transfer in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime	1,672	(1,672)	-	-	-
As at 30-6-2017	72,429	-	922	(3,419)	69,932
As at 1-1-2016	70,757	1,672	426	(2,086)	70,769
Foreign exchange differences for foreign operations	-	-	152	-	152
Profit for the financial period	-	-	-	1,661	1,661
Total comprehensive income for the period	-	-	152	1,661	1,813
Transactions with owners:					
Dividend	-	-	-	(708)	(708)
Share-based payment transactions:					
- current year	-	-	230	-	230
- lapse due to resignation	-	-	(15)	15	-
Total transactions with owners	-	-	215	(693)	(478)
As at 30-6-2016	70,757	1,672	793	(1,118)	72,104

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 June 2017 - Unaudited

	30/6/2017	30/6/2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	679	2,056
Adjustments for:		
- Bad debts	-	-
- Depreciation	762	928
- Equity settled share-based payment transactions	224	230
- Gain on disposal of property, plant and equipment	(1)	-
- Interest expense	9	8
- Interest income	(141)	(158)
- Share of results of joint ventures	259	(849)
- Unrealised loss on foreign exchange	3	-
	<u>1,794</u>	<u>2,215</u>
Operating profit before working capital changes	1,794	2,215
Increase in inventories	(791)	(1,756)
Decrease/(Increase) in receivables	3,198	(2,023)
Decrease in payables	(109)	(280)
	<u>4,092</u>	<u>(1,844)</u>
Cash from/(used in) operation	4,092	(1,844)
Income tax paid	(839)	(1,206)
Income tax refunded	500	579
Interest paid	(9)	(8)
	<u>3,744</u>	<u>(2,479)</u>
Net cash from/(used in) operating activities	3,744	(2,479)
Cash flows from investing activities		
Additional subscription of shares in a joint venture	-	(1,400)
Dividend received from joint venture	-	370
Interest received	141	158
Proceed of disposal of property, plant and equipment	1	-
Purchase of property, plant and equipment	(304)	(421)
Net cash used in investing activities	(162)	(1,293)
Cash flows from financing activities		
Dividend paid	(708)	(708)
Net change in borrowings	(1,497)	(24)
Net cash used in financing activities	(2,205)	(732)
Net increase/(decrease) in cash and cash equivalents	1,377	(4,504)
Effect of changes in exchange rate	43	152
Cash and cash equivalents at beginning	<u>11,469</u>	<u>15,392</u>
Cash and cash equivalents at end	<u>12,889</u>	<u>11,040</u>

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 2016. 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 2016.

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 2016, except for the adoption of the following standards:

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 12 Disclosure of Interest in Other Entities (under Annual Improvements to MFRS 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

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 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

Amendments to MFRS 140 Investment Property: Transfer of Investment Property

Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interest in Other Entities)

IC Int 22 Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 6 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 2016 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:

	30.6.2017	30.6.2016
Third interim dividend for the financial year	31 December 2016	31 December 2015
Declared and approved on	24 November 2016	27 November 2015
Date paid	22 Feb 2017	18 Feb 2016
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.

	6 months ended 30.6.17 (RM'000)	6 months ended 30.6.16 (RM'000)
Segment Revenue		
Personal care	20,690	22,327
Household	7,129	7,675
Investment holding	720	700
Total revenue including inter segment sales	28,539	30,702
Elimination of inter-segment sales	(1,212)	(700)
	<u>27,327</u>	<u>30,002</u>
Segment Results		
Personal care	116	896
Household	48	115
Investment holding	1,362	746
Total results	1,526	1,757
Elimination	(720)	(700)
Results excluding inter segment sales	806	1,057
Share of profit of equity-accounted joint ventures	(259)	849
Interest expense	(9)	(8)
Interest income	141	158
Profit before tax	679	2,056
Tax expense	(359)	(395)
Profit for the financial period	<u>320</u>	<u>1,661</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 2016.

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	131
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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

Comparison with the corresponding quarter and financial period in the previous financial year

	Individual Quarter 3 Months Ended		Changes (Amount/ %)	Cumulative Quarter 6 Months Ended		Changes (Amount / %)
	(Unaudited) 30.6.17 RM'000	(Unaudited) 30.6.16 RM'000		(Unaudited) 30.6.17 RM'000	(Unaudited) 30.6.16 RM'000	
Revenue						
- Personal care	9,670	10,330	-660 / -6.39%	20,198	22,327	-2,129 / -9.54%
- Household	2,847	3,820	-973 / -25.47%	7,129	7,675	-546 / -7.11%
	<u>12,517</u>	<u>14,150</u>	<u>-1,633 / -11.54%</u>	<u>27,327</u>	<u>30,002</u>	<u>-2,675 / -8.92%</u>
(Loss)/Profit before tax						
- Personal care	(33)	443	-476 / -107.45%	116	896	-780 / -87.05%
- Household	(7)	33	-40 / -121.21%	48	115	-67 / -58.26%
- Investment holding	29	371	-342 / -92.18%	515	1,045	-530 / -50.72%
	<u>(11)</u>	<u>847</u>	<u>-858 / -101.30%</u>	<u>679</u>	<u>2,056</u>	<u>-1,377 / -66.97%</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 RM12.52 million as compared to RM14.15 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 Loss/Profit Before Tax ("LBT / PBT") margin was approximately -0.09% as compared to 5.99% in the previous year corresponding quarter. The LBT margin during the current quarter was mainly due to lower turnover and higher operating expenses as well as share of loss of joint ventures.

During the three months period under review, the demands for personal care and household products were 77.25% and 22.75% respectively as compared to 73.00% and 27.00% 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 6 months period under review, the demands for personal care and household products were 73.91% and 26.09% respectively as compared to 74.42% and 25.58% respectively of the previous year corresponding period. The change was fairly usual in terms of manufacturing activities of the Group.

The PBT margin for the 6 months period ended 30 June 2017 was approximately 2.48% as compared to 6.85% of the previous year corresponding period. The lower PBT margin was mainly due to the lower turnover and higher operating expenses as well as share of loss of joint ventures.

2. Comparison with Preceding Quarter's Results

	Current quarter 30.6.17 RM'000	Immediate Preceding Quarter 31.3.17 RM'000	Changes (Amount / %)
Revenue			
- Personal care	9,670	10,528	-858 / -8.15%
- Household	2,847	4,282	-1,435 / -33.51%
	<u>12,517</u>	<u>14,810</u>	<u>-2,293 / -15.48%</u>
(Loss)/Profit before tax			
- Personal care	(33)	149	-182 / -122.15%
- Household	(7)	55	-62 / -112.73%
- Investment holding	29	486	-457 / -94.03%
	<u>(11)</u>	<u>690</u>	<u>-701 / -101.59%</u>

The turnover for the reporting quarter was RM12.52 million as compared to RM14.81 million of the immediate preceding quarter, a decrease of approximately 15.48%. The decrease in turnover was mainly due to lesser orders placed during the reporting quarter.

The Group recorded a LBT of RM0.01 million for the reporting quarter ended 30 June 2017 as compared to PBT of RM0.69 million of the immediate preceding quarter, a decrease of approximately -101.59%. The decrease was mainly due to lower turnover and higher operating expenses as well as share of loss of joint ventures.

During the quarter under review, the PBT margin was approximately -0.09% as compared to 4.66% of the immediate preceding quarter. The LBT margin for this quarter was mainly due to lower turnover and higher operating expenses as well as share of loss of joint ventures.

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, and joint venture business. Atika Beauty Manufacturing Sdn. Bhd. ("Atika") has completed its factory renovation and relevant machinery has been installed. Barring unforeseen circumstances, the manufacturing operations of Atika shall be commenced in the third quarter of 2017.

The Group's research and development team has also developed a new range of unique and impressive souvenir products that are able to capture the beautiful scenery and memorable moments of customers' choice with 3D printing effect on glass bottle. There are wide variety of souvenir products for customers' selection which include hand wash, perfumery, room freshener, reed diffuser, roll on, lotion and many more. The Group hopes that these new range of unique and impressive products will further enhance the turnover and profitability of the Group in future.

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 3 Months Ended		Cumulative Quarter 6 Months Ended	
	(Unaudited) 30.6.17 RM'000	(Unaudited) 30.6.16 RM'000	(Unaudited) 30.6.17 RM'000	(Unaudited) 30.6.16 RM'000
Malaysian income tax:				
Based on results for the period				
- Current tax	(179)	(219)	(266)	(387)
- Deferred tax	32	62	(93)	(8)
	<u>(147)</u>	<u>(157)</u>	<u>(359)</u>	<u>(395)</u>

The Group's effective tax rate for the current quarter and current period to date, after excluding share of results of joint ventures, was higher than the Malaysian statutory tax rate of 24% 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	374	762
Interest income	(96)	(141)
Equity settled share-based payment transactions	111	224
Gain on disposal of property, plant and equipment	(1)	(1)
(Gain)/Loss on foreign exchange		
- Realised	(43)	(529)
- Unrealised	3	3

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

	(Unaudited) 30.6.17 Denominated in RM RM'000	(Unaudited) 30.6.16 Denominated in RM RM'000
Secured:		
Long term		
Finance lease liabilities	98	175
Short term		
Finance lease liabilities	301	44
Total borrowings	399	219
Average effective interest rate:		
Finance lease liabilities	2.39% to 2.70%	2.39% to 2.70%

9. Material Litigations

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

10. Proposed Dividends

- (a) The Board do not recommend the payment of interim dividend for the reporting quarter.
- (b) The total dividend declared for the current financial year ending 31 December 2017 and financial year ended 31 December 2016 are summarised as follows:

	Financial year ending 31.12.2017	Financial year ended 31.12.2016
First interim single-tier dividend	-	1 sen
Second interim single-tier dividend	-	1 sen
Third interim single-tier dividend	-	1 sen
Final single-tier dividend	-	3.5 sen

11. (Loss)/Earnings Per Share

(i) Basic (loss) / earnings per share

The basic (loss)/earnings per share for the current quarter and cumulative period to date are computed as below:

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30.6.17	30.6.16	30.6.17	30.6.16
(Loss)/Profit after tax Attributable to owners of the Company (RM'000)	(158)	690	320	1,661
Weighted average number of ordinary shares in issue ('000)	70,757	70,757	70,757	70,757
Basic (loss)/earnings per share (sen)	(0.22)	0.98	0.45	2.35

(ii) Diluted (loss)/earnings per share

The diluted earnings per share for the current quarter and cumulative period to date are computed as below:

	Individual Quarter 6 Months Ended		Cumulative Quarter 6 Months Ended	
	30.6.17	30.6.16	30.6.17	30.6.16
(Loss)/Profit after tax Attributable to owners of the Company (RM'000)	(158)	690	320	1,661
Weighted average number of ordinary shares in issue – basic ('000)	70,757	70,757	70,757	70,757
Effect of share-based payment transaction	-*	2,352	-*	2,352
Effect on warrants	-*	-*	-*	-*
Weighted average number of ordinary shares in issue -diluted ('000)	70,757	73,109	70,757	73,109
Diluted earnings per share (sen)	(0.22)	0.94	0.45	2.27

* The effects of the ESOS and warrants have not been computed as they are anti-dilutive in nature.

12. Realised and Unrealised Profits/(Losses)

	(Unaudited) 30.6.17 (RM'000)	(Audited) 31.12.16 (RM'000)
Total retained profits/(accumulated loss) of the Group		
- Realised	24,166	23,095
- Unrealised	(1,360)	(879)
	<u>22,806</u>	<u>22,216</u>
Total share of retained profits of joint ventures		
- Realised	1,681	1,940
	<u>24,487</u>	<u>24,156</u>
Less: Consolidation adjustments	(27,906)	(27,906)
Total accumulated losses	<u>(3,419)</u>	<u>(3,750)</u>