

ENG KAH CORPORATION BERHAD
Company No. 435649-H

Condensed Consolidated Statement of Financial Position
As at 31 March 2018 - Unaudited

	Unaudited as at 31/3/2018 RM'000	Audited as at 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	22,948	23,086
Investment in joint ventures	4,806	5,099
	<u>27,754</u>	<u>28,185</u>
Current assets		
Inventories	22,140	22,101
Trade receivables	12,768	14,998
Other receivables, deposits and prepayments	675	487
Current tax assets	8,153	7,912
Cash and cash equivalents	10,297	9,619
	<u>54,033</u>	<u>55,117</u>
TOTAL ASSETS	<u>81,787</u>	<u>83,302</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	72,430	72,430
Other reserves	1,216	1,179
Accumulated losses	(4,211)	(4,454)
Total equity	<u>69,435</u>	<u>69,155</u>
Non-current liabilities		
Borrowings	217	244
Deferred tax liabilities	1,979	1,822
	<u>2,196</u>	<u>2,066</u>
Current liabilities		
Trade payables	7,646	9,107
Other payables and accruals	2,407	2,388
Borrowings	103	586
	<u>10,156</u>	<u>12,081</u>
Total liabilities	<u>12,352</u>	<u>14,147</u>
TOTAL EQUITY AND LIABILITIES	<u>81,787</u>	<u>83,302</u>
Net assets per share (RM)	0.98	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 3 months period ended 31 March 2018 - Unaudited

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 3 Months Ended	
		31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
Revenue		14,193	14,810	14,193	14,810
Operating expenses		(13,623)	(14,736)	(13,623)	(14,736)
Other income		144	723	144	723
Profit from operations		714	797	714	797
Finance costs		(3)	(6)	(3)	(6)
Share of results of joint ventures		(293)	(101)	(293)	(101)
Profit before tax		418	690	418	690
Tax expense	B5	(189)	(212)	(189)	(212)
Profit for the financial period	B6	229	478	229	478
Other comprehensive (loss)/income, net of tax					
Item that will be reclassified subsequently					
to profit or loss					
Foreign exchange differences for foreign operations		(58)	71	(58)	71
Total comprehensive income for the financial financial period attributable to owners of the Company		171	549	171	549
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	0.32	0.68	0.32	0.68
Diluted EPS (sen)	B11	0.32	0.68	0.32	0.68

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 3 months period ended 31 March 2018 - Unaudited

	-- Non-distributable --				
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated losses RM'000	Total Equity RM'000
As at 1-1-2018	72,430	-	1,179	(4,454)	69,155
Foreign exchange differences for foreign operations	-	-	(58)	-	(58)
Profit for the financial period	-	-	-	229	229
Total comprehensive income for the financial period	-	-	(58)	229	171
Transactions with owners:					
Share-based payment transactions					
- current year	-	-	109	-	109
- lapse due to resignation	-	-	(14)	14	-
Total transactions with owners	-	-	95	14	109
As at 31-3-2018	72,430	-	1,216	(4,211)	69,435
As at 1-1-2017	70,757	1,672	666	(3,750)	69,345
Foreign exchange differences for foreign operations	-	-	71	-	71
Profit for the financial year	-	-	-	478	478
Total comprehensive income for the financial year	-	-	71	478	549
Transactions with owners:					
Share-based payment transactions:					
- current year	-	-	113	-	113
- lapse due to resignation	-	-	(6)	6	-
Total transactions with owners	-	-	107	6	113
As at 31-3-2017	70,757	1,672	844	(3,266)	70,007

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 3 months period ended 31 March 2018 - Unaudited**

	31/3/2018	31/3/2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	418	690
Adjustments for:		
- Depreciation	340	388
- Equity settled share-based payment transactions	109	113
- Loss on disposal of property, plant and equipment	1	-
- Interest expense	3	6
- Interest income	(42)	(45)
- Share of results of joint ventures	293	101
	<u>1,122</u>	<u>1,253</u>
Operating profit before working capital changes	1,122	1,253
Increase in inventories	(39)	(1,492)
Decrease in receivables	2,042	2,646
(Decrease)/Increase in payables	(1,442)	2,172
	<u>1,683</u>	<u>4,579</u>
Cash from operation	1,683	4,579
Income tax paid	(273)	(337)
Income tax refunded	-	500
Interest paid	(3)	(6)
	<u>1,407</u>	<u>4,736</u>
Net cash from operating activities	1,407	4,736
Cash flows from investing activities		
Interest received	42	45
Proceeds from disposal of property, plant and equipment	1	-
Purchase of property, plant and equipment	(204)	(216)
Net cash used in investing activities	(161)	(171)
Cash flows from financing activities		
Dividend paid	-	(708)
Net change in borrowings	(510)	(1,471)
Net cash used in financing activities	(510)	(2,179)
Net increase in cash and cash equivalents	736	2,386
Effect of changes in exchange rate	(58)	71
Cash and cash equivalents at beginning	9,619	11,469
Cash and cash equivalents at end	<u>10,297</u>	<u>13,926</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 2017. 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 2017.

2. Significant Accounting Policies

2.1 Adoption of Amendments/Improvements to MFRS

The Group has adopted the following standards with a date of initial application of 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 Share-based Payment: 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 2014-2017 Cycle (except for Amendments to MFRS 12 Disclosure of Interest in Other Entities)
IC Interpretation (“IC Int”) 22 Foreign Currency Transactions and Advance Consideration

The initial application of the above standards did not have any material impact to the consolidated financial statements of the Group except as mentioned below:

MFRS 9 Financial Instruments

MFRS 9 replaces *MFRS 139 Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Three principal classifications categories for financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing *MFRS 139* categories of held to maturity, loans and receivables and available for sale.

There were no material impact on the Group’s financial assets upon initial application of the new classification and measurement requirements.

MFRS 9 also replaces the incurred loss model in respect of impairment assessment of *MFRS 139* with a forward-looking expected credit loss (ECL) model. Under *MFRS 9*, loss allowances are measured on either a 12-month ECL or a Lifetime ECL.

There were no material impact on the Group's consolidated financial statements upon application of the forward-looking ECL model.

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.

There was no material impact on the Group's consolidated financial statements upon application of *MFRS 15*.

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 2019

MFRS 116 Leases

Amendments to MFRS 9 Financial Instrument: Prepayment Features with Negative Compensation

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

IC Int 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for annual period beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Effective for annual period beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

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.

3. Auditors' Report of Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not qualified.

4. Seasonality or Cyclical Nature 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:

	31.3.2018	31.3.2017
Third interim dividend for the financial year	-	31 December 2016
Declared and approved on	-	24 November 2016
Date paid	-	22 Feb 2017
Dividend per share (single-tier)	-	1 sen
Net dividend paid	-	RM707,574

9. Segmental Information

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

	3 months ended 31.3.18 (RM'000)	3 months ended 31.3.17 (RM'000)
Segment Revenue		
Personal care	11,496	10,782
Household	2,982	4,282
Investment holding	-	720
Total revenue including inter segment sales	14,478	15,784
Elimination of inter-segment sales	(285)	(974)
	<u>14,193</u>	<u>14,810</u>

	3 months ended 31.3.18 (RM'000)	3 months ended 31.3.17 (RM'000)
Segment Results		
Personal care	558	149
Household	45	55
Investment holding	69	1,268
Total results	<u>672</u>	<u>1,472</u>
Elimination	-	(720)
Results excluding inter segment sales	<u>672</u>	<u>752</u>
Interest expense	(3)	(6)
Interest income	42	45
Share of results of joint ventures	(293)	(101)
Profit before tax	<u>418</u>	<u>690</u>
Tax expense	(189)	(212)
Profit for the financial period	<u><u>229</u></u>	<u><u>478</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 2017.

11. Subsequent Event

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

On 30 April 2018, the Company announced to Bursa Malaysia Securities Berhad that the Company via its wholly-owned subsidiary, Eng Kah Enterprise Sdn. Bhd. had on 30 April 2018 entered into a Sale and Purchase Agreement to dispose all that freehold vacant land held under Geran No. 128888, Lot No. 10697, Mukim Setul, Daerah Seremban, Negeri Sembilan for a total cash consideration of RM9,368,548. The disposal is expected to be completed by the third quarter of 2018.

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 reporting period is as follows:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	72
	=====

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 3 Months Ended		
	(Unaudited) 31.3.18 RM'000	(Unaudited) 31.3.17 RM'000	Changes (Amount/%)	(Unaudited) 31.3.18 RM'000	(Unaudited) 31.3.17 RM'000	Changes (Amount/%)
Revenue						
- Personal care	11,211	10,528	683 /6.49%	11,211	10,528	683/ 6.49%
- Household	2,982	4,282	-1,300/- 30.36%	2,982	4,282	-1,300/- 30.36%
	<u>14,193</u>	<u>14,810</u>	<u>-617 / - 4.17%</u>	<u>14,193</u>	<u>14,810</u>	<u>-617 / - 4.17%</u>
Profit before tax						
- Personal care	265	149	116/ 77.85%	265	149	116/ 77.85%
- Household	42	55	-13/- 23.64%	42	55	-13/ -23.64%
- Investment holding	111	486	-375/- 77.16%	111	486	-375/- 77.16%
	<u>418</u>	<u>690</u>	<u>-272 / - 39.42%</u>	<u>418</u>	<u>690</u>	<u>-272 / - 39.42%</u>

Comparison with Corresponding Quarter in Previous Year

Generally, impact of seasonality on the demand for the Group's products is not that significant. The turnover for the reporting quarter was RM14.19 million as compared to RM14.81 million of the preceding year corresponding quarter. The lower turnover for the reporting quarter was mainly due to worldwide shortages of certain raw materials.

During the quarter under review, the Profit Before Tax ("PBT") margin was approximately 2.95% as compared to 4.66% in the previous year corresponding quarter. The lower PBT margin was mainly due to the change of product mix as well as share of losses of joint ventures.

During the quarter under review, the demands for personal care and household products were 79.00% and 21.00% respectively as compared to 71.09% and 28.91% respectively of the preceding year corresponding quarter. The change was fairly usual in terms of manufacturing activities of the Group.

2. Comparison with Preceding Quarter's Results

	Current quarter 31.3.18 RM'000	Immediate Preceding Quarter 31.12.17 RM'000	Changes (Amount/ %)
Revenue			
- Personal care	11,211	12,074	-863/-7.15%
- Household	2,982	4,176	-1,194/-28.59
	<u>14,193</u>	<u>16,250</u>	<u>-2,057 / -12.66%</u>

Profit before tax

- Personal care	265	703	-438/-62.30%
- Household	42	91	-49/-53.85%
- Investment holding	111	270	-159/-58.89%
	<u>418</u>	<u>1,064</u>	-646 / -60.71%

The turnover for the reporting quarter was RM14.19 million as compared to RM16.25 million of the immediate preceding quarter, a decrease of approximately 12.66%. The decrease in turnover was mainly due worldwide shortages of certain raw materials.

The Group recorded a PBT of RM0.418 million for the current quarter as compared to RM1.064 million during the immediate preceding quarter, a decrease of approximately 60.71%. The decrease was mainly due to change in product mix.

During the quarter under review, the PBT margin was approximately 2.95% as compared to 6.55% of the immediate preceding quarter. The lower PBT margin was mainly due to change in product mix.

3. Commentary on Prospects

Generally, the market conditions of the industry are relatively stable. As the Group manufactures a wide range of products, the change in product mix may impact on profit margin of the Group.

Going forward, the Group will further strengthen its presence in overseas markets and joint venture business.

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 2018.

4. Profit Forecast Variance

There was no profit forecast made in any public documents.

5. Tax Expense

	Individual Quarter 3 Months Ended		Cumulative Quarter 3 Months Ended	
	(Unaudited) 31.3.18 RM'000	(Unaudited) 31.3.17 RM'000	(Unaudited) 31.3.18 RM'000	(Unaudited) 31.3.17 RM'000
Malaysian income tax: Based on results for the financial period				
- Current tax	(32)	(87)	(32)	(87)
- Deferred tax	(157)	(125)	(157)	(125)
	<u>(189)</u>	<u>(212)</u>	<u>(189)</u>	<u>(212)</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% due to non-deductible of certain expenditure.

6. Profit for the Financial Period

	Current quarter (Unaudited) RM'000
Depreciation	340
Interest income	(42)
Equity settled share-based payment transactions	109
Loss on disposal of property, plant and equipment	1
Loss on foreign exchange	
- Realised	4

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

Save as disclosed in Note A11, there was no corporate proposal announced or not completed as at the end of the current period.

8. Borrowings and Debt Securities

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

	(Unaudited) 31.3.18 Denominated in RM RM'000	(Unaudited) 31.3.17 Denominated in RM RM'000
Secured:		
Long term		
Finance lease liabilities	217	327
Short term		
Finance lease liabilities	103	98
Total borrowings	320	425
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) 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 2017 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 this financial year ending 31 December 2018.

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	3 Months Ended	3 Months Ended
	31.3.18	31.3.17	31.3.18	31.3.17
Profit after tax Attributable to owners of the Company (RM'000)	229	478	229	478
Weighted average number of ordinary shares in issue ('000)	70,757	70,757	70,757	70,757
Basic earnings per share (sen)	0.32	0.68	0.32	0.68

(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	3 Months Ended	3 Months Ended
	31.3.18	31.3.17	31.3.18	31.3.17
Profit after tax Attributable to owners of the Company (RM'000)	229	478	229	478
Weighted average number of ordinary shares in issue ('000)	70,757	70,757	70,757	70,757
Effect of share-based payment transaction	_*	_*	_*	_*
Effect on warrants	NA^	_*	NA^	_*
Weighted average number of ordinary shares in issue - diluted ('000)	70,757	70,757	70,757	70,757
Diluted earnings per share (sen)	0.32	0.68	0.32	0.68

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

^ Not applicable as the warrants had expired in the previous financial year on 25 September 2017.