

**ENG KAH CORPORATION BERHAD**  
**Company No. 435649-H**

**Condensed Consolidated Statement of Financial Position**  
**As at 30 June 2018 - Unaudited**

	<b>Unaudited as at 30/6/2018 RM'000</b>	<b>Audited as at 31/12/2017 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	22,664	23,086
Investment in joint ventures	1,141	5,099
	<u>23,805</u>	<u>28,185</u>
<b>Current assets</b>		
Inventories	21,587	22,101
Trade receivables	13,851	14,998
Other receivables, deposits and prepayments	844	487
Current tax assets	8,321	7,912
Cash and cash equivalents	13,031	9,619
	<u>57,634</u>	<u>55,117</u>
<b>TOTAL ASSETS</b>	<u>81,439</u>	<u>83,302</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	72,430	72,430
Other reserves	1,365	1,179
Accumulated losses	(3,878)	(4,454)
<b>Total equity</b>	<u>69,917</u>	<u>69,155</u>
<b>Non-current liabilities</b>		
Borrowings	189	244
Deferred tax liabilities	1,923	1,822
	<u>2,112</u>	<u>2,066</u>
<b>Current liabilities</b>		
Trade payables	6,471	9,107
Other payables and accruals	2,443	2,388
Borrowings	496	586
	<u>9,410</u>	<u>12,081</u>
<b>Total liabilities</b>	<u>11,522</u>	<u>14,147</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>81,439</u>	<u>83,302</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 2018 - Unaudited**

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
		30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
Revenue		13,871	12,517	28,064	27,327
Operating expenses		(13,566)	(12,769)	(27,189)	(27,505)
Other income		204	402	348	1,125
Profit from operations		509	150	1,223	947
Finance costs		(11)	(3)	(14)	(9)
Share of results of joint ventures		(77)	(158)	(370)	(259)
Profit/(Loss) before tax		421	(11)	839	679
Tax expense	<b>B5</b>	(118)	(147)	(307)	(359)
<b>Profit/(Loss) for the financial period</b>	<b>B6</b>	303	(158)	532	320
<b>Other comprehensive income/(loss), net of tax</b>					
<b>Item that will be reclassified subsequently</b>					
<b>to profit or loss</b>					
Foreign exchange differences for foreign operations		76	(28)	18	43
<b>Total comprehensive income/(loss) for the financial period attributable to owners of the Company</b>		379	(186)	550	363
<b>Earnings/(Loss) per share (EPS) attributable to owners of the Company</b>					
Basic EPS (sen)	<b>B11</b>	0.43	(0.22)	0.75	0.45
Diluted EPS (sen)	<b>B11</b>	0.43	(0.22)	0.75	0.45

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 2018 - Unaudited**

	--- Non-distributable ---				
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated losses RM'000	Total Equity RM'000
<b>As at 1-1-2018</b>	72,430	-	1,179	(4,454)	69,155
Foreign exchange differences for foreign operations	-	-	18	-	18
Profit for the financial period	-	-	-	532	532
Total comprehensive income for the financial period	-	-	18	532	550
<b>Transactions with owners:</b>					
Share-based payment transactions					
- current year	-	-	212	-	212
- lapse due to resignation	-	-	(44)	44	-
Total transactions with owners	-	-	168	44	212
<b>As at 30-6-2018</b>	<b>72,430</b>	<b>-</b>	<b>1,365</b>	<b>(3,878)</b>	<b>69,917</b>
<b>As at 1-1-2017</b>	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 financial period	-	-	43	320	363
<b>Transactions with owners:</b>					
Share-based payment transactions:					
- current year	-	-	224	-	224
- lapse due to resignation	-	-	(11)	11	-
Total transactions with owners	-	-	213	11	224
Transition to no-par value regime on 31 January 2017	1,672	(1,672)	-	-	-
<b>As at 30-6-2017</b>	<b>72,429</b>	<b>-</b>	<b>922</b>	<b>(3,419)</b>	<b>69,932</b>

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 2018 - Unaudited**

	<b>30/6/2018</b>	<b>30/6/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	839	679
Adjustments for:		
- Depreciation	672	762
- Equity settled share-based payment transactions	212	224
- Loss/(Gain) on disposal of property, plant and equipment	1	(1)
- Interest expense	14	9
- Interest income	(134)	(141)
- Share of results of joint ventures	370	259
- Unrealised loss on foreign exchange	-	3
Operating profit before working capital changes	1,974	1,794
Decrease/(Increase) in inventories	514	(791)
Decrease in receivables	790	3,198
Decrease in payables	(2,581)	(109)
Cash from operation	697	4,092
Income tax paid	(615)	(839)
Income tax refunded	-	500
Interest paid	(14)	(9)
Net cash from operating activities	68	3,744
<b>Cash flows from investing activities</b>		
Dividend received from a joint venture	3,589	-
Interest received	134	141
Proceeds from disposal of property, plant and equipment	1	1
Purchase of property, plant and equipment	(253)	(304)
Net cash from/(used in) investing activities	3,471	(162)
<b>Cash flows from financing activities</b>		
Dividend paid	-	(708)
Net change in borrowings	(145)	(1,497)
Net cash used in financing activities	(145)	(2,205)
Net increase in cash and cash equivalents	3,394	1,377
Effect of changes in exchange rate	18	43
Cash and cash equivalents at beginning	9,619	11,469
Cash and cash equivalents at end	13,031	12,889

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 16 Leases*

*Amendments to MFRS 9 Prepayment Features with Negative Compensation*

*Amendments to MFRS 119 Employee Benefits*

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

*IC Int 23 Uncertainty over Income Tax Treatments*

*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*

### **Effective for annual periods beginning on or after 1 January 2020**

*Amendments to References to Conceptual Framework on MFRS Standards*

### **MFRS effective 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 existing *MFRS 4* and *Amendments to MFRS 4* will be withdrawn upon the adoption of the new *MFRS 17* which will take effect on or after 1 January 2021.

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 Cyclicalality 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:

	30.6.2018	30.6.2017
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.

	6 months ended 30.6.18 (RM'000)	6 months ended 30.6.17 (RM'000)
<b>Segment Revenue</b>		
Personal care	22,420	20,690
Household	5,987	7,129
Investment holding	3,605	720
Total revenue including inter segment sales	32,012	28,539
Elimination of inter-segment sales	(3,948)	(1,212)
	<u>28,064</u>	<u>27,327</u>

	<b>6 months ended 30.6.18 (RM'000)</b>	<b>6 months ended 30.6.17 (RM'000)</b>
<b>Segment Results</b>		
Personal care	887	116
Household	111	48
Investment holding	3,340	1,362
Total results	<u>4,338</u>	<u>1,526</u>
Elimination	<u>(3,249)</u>	<u>(720)</u>
Results excluding inter segment sales	1,089	806
Interest expense	(14)	(9)
Interest income	134	141
Share of results of joint ventures	<u>(370)</u>	<u>(259)</u>
Profit before tax	839	679
Tax expense	<u>(307)</u>	<u>(359)</u>
Profit for the financial period	<u><u>532</u></u>	<u><u>320</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 was completed in July 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:

	<b>RM'000</b>
Contracted but not provided for:	
- Property, plant and equipment	63
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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 6 Months Ended		Changes (Amount/%)
	(Unaudited) 30.6.18 RM'000	(Unaudited) 30.6.17 RM'000	Changes (Amount/ %)	(Unaudited) 30.6.18 RM'000	(Unaudited) 30.6.17 RM'000	
<b>Revenue</b>						
- Personal care	10,866	9,670	1,196/ 12.37%	22,077	20,198	1,879/ 9.30%
- Household	3,005	2,847	158/5.55%	5,987	7,129	-1,142/ -16.02%
	<u>13,871</u>	<u>12,517</u>	<u>1,354/ 10.82%</u>	<u>28,064</u>	<u>27,327</u>	<u>737 /2.70%</u>
<b>Profit/(Loss) before tax</b>						
- Personal care	16	(33)	49/ 148.48%	281	116	165/ 142.24%
- Household	(6)	(7)	1/ 14.29%	36	48	-12/ -25.00%
- Investment holding	411	29	382/ 1,317.24%	522	515	7/ 1.36%
	<u>421</u>	<u>(11)</u>	<u>432/ 3,927.27%</u>	<u>839</u>	<u>679</u>	<u>160/ 23.56%</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 RM13.87 million as compared to RM12.52 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 3.04% as compared to -0.09% in the previous year corresponding quarter. The higher PBT margin was mainly due to higher turnover as well as change in product mix.

During the quarter under review, the demands for personal care and household products were 78.34% and 21.66% respectively as compared to 77.25% and 22.75% 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

	<b>Current quarter 30.6.18 RM'000</b>	<b>Immediate Preceding Quarter 31.3.18 RM'000</b>	<b>Changes (Amount/ %)</b>
<b>Revenue</b>			
- Personal care	10,866	11,211	-345/-3.08%
- Household	3,005	2,982	23/0.77%
	<u>13,871</u>	<u>14,193</u>	-322 / -2.27%
<b>Profit before tax</b>			
- Personal care	16	265	-249/-93.96%
- Household	(6)	42	-48/-114.29%
- Investment holding	411	111	300/270.27%
	<u>421</u>	<u>418</u>	3/0.72%

The turnover for the reporting quarter was RM13.87 million as compared to RM14.19 million of the immediate preceding quarter, a decrease of approximately 2.27%. The decrease in turnover was mainly due to lesser order placed during the reporting quarter.

The Group recorded a PBT of RM0.42 million for the current quarter as compared to RM0.42 million of the immediate preceding quarter, a slight increase of approximately 0.72%. Although revenue has decreased, the Group is able to maintain its profitability due to change in product mix during the reporting quarter.

During the quarter under review, the PBT margin was approximately 3.04% as compared to 2.95% of the immediate preceding quarter. The higher 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

	<b>Individual Quarter 3 Months Ended</b>		<b>Cumulative Quarter 6 Months Ended</b>	
	<b>(Unaudited) 30.6.18 RM'000</b>	<b>(Unaudited) 30.6.17 RM'000</b>	<b>(Unaudited) 30.6.18 RM'000</b>	<b>(Unaudited) 30.6.17 RM'000</b>
Malaysian income tax: Based on results for the financial period				
- Current tax	(174)	(179)	(206)	(266)
- Deferred tax	56	32	(101)	(93)
	<u>(118)</u>	<u>(147)</u>	<u>(307)</u>	<u>(359)</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

	<b>Current quarter (Unaudited) RM'000</b>	<b>Current year to date (Unaudited) RM'000</b>
Depreciation	332	672
Interest income	(92)	(134)
Equity settled share-based payment transactions	103	212
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 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 period are as follows:

	<b>(Unaudited) 30.6.18 Denominated in RM RM'000</b>	<b>(Unaudited) 30.6.17 Denominated in RM RM'000</b>
<b>Secured:</b>		
<b>Long term</b>		
Finance lease liabilities	189	98
<b>Short term</b>		
Finance lease liabilities	105	301
Bankers' acceptance	391	-
	496	301
Total borrowings	685	399
Average effective interest rate:		
Finance lease liabilities	2.39% to 2.70%	2.39% to 2.70%
Bankers' acceptance	4.98%	-

## 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 2018 and financial year ended 31 December 2017 are summarised as follows:

	<b>Financial year ending 31.12.2018</b>	<b>Financial year ended 31.12.2017</b>
Final single-tier dividend	-	3 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 6 Months Ended	
	30.6.18	30.6.17	30.6.18	30.6.17
Profit/(Loss) after tax Attributable to owners of the Company (RM'000)	303	(158)	532	320
Weighted average number of ordinary shares in issue ('000)	70,757	70,757	70,757	70,757
Basic earnings per share (sen)	0.43	(0.22)	0.75	0.45

### (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 6 Months Ended	
	30.6.18	30.6.17	30.6.18	30.6.17
Profit/(Loss) after tax Attributable to owners of the Company (RM'000)	303	(158)	532	320
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	N/A^	_*	N/A^	_*
Weighted average number of ordinary shares in issue -diluted ('000)	70,757	70,757	70,757	70,757
Diluted earnings per share (sen)	0.43	(0.22)	0.75	0.45

\* 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.