

ENG KAH CORPORATION BERHAD
Company No. 435649-H

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

	Unaudited as at 30/09/2018 RM'000	Audited as at 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	21,214	23,086
Investment in joint ventures	1,088	5,099
	<u>22,302</u>	<u>28,185</u>
Current assets		
Inventories	21,775	22,101
Trade receivables	13,599	14,998
Other receivables, deposits and prepayments	878	487
Current tax assets	8,158	7,912
Cash and cash equivalents	17,884	9,619
	<u>62,294</u>	<u>55,117</u>
TOTAL ASSETS	<u>84,596</u>	<u>83,302</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	72,430	72,430
Other reserves	1,318	1,179
Accumulated losses	(1,602)	(4,454)
Total equity	<u>72,146</u>	<u>69,155</u>
Non-current liabilities		
Borrowings	163	244
Deferred tax liabilities	1,873	1,822
	<u>2,036</u>	<u>2,066</u>
Current liabilities		
Trade payables	5,943	9,107
Other payables and accruals	2,243	2,388
Borrowings	105	586
Dividend payables	2,123	-
	<u>10,414</u>	<u>12,081</u>
Total liabilities	<u>12,450</u>	<u>14,147</u>
TOTAL EQUITY AND LIABILITIES	<u>84,596</u>	<u>83,302</u>
Net assets per share (RM)	1.02	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 9 months period ended 30 September 2018 - Unaudited

	NOTE	Individual Quarter		Cumulative Quarter	
		30/09/2018	30/09/2017	30/09/2018	30/09/2017
		RM'000	RM'000	RM'000	RM'000
Revenue		12,964	13,282	41,028	40,609
Operating expenses		(13,880)	(12,987)	(41,069)	(40,492)
Other income		8,373	359	8,721	1,484
Profit from operations		7,457	654	8,680	1,601
Finance costs		(5)	(9)	(19)	(18)
Share of results of joint ventures		(77)	(131)	(447)	(390)
Profit before tax		7,375	514	8,214	1,193
Tax expense	B5	(856)	(177)	(1,163)	(536)
Profit for the financial period	B6	6,519	337	7,051	657
Other comprehensive income/(loss), net of tax					
Item that will be reclassified subsequently to profit or loss					
Foreign exchange differences for foreign operations		(151)	13	(133)	56
Total comprehensive income for the financial period attributable to owners of the Company		6,368	350	6,918	713
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	9.21	0.48	9.97	0.93
Diluted EPS (sen)	B11	9.21	0.48	9.97	0.93

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 9 months period ended 30 September 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	-	-	(133)	-	(133)
Profit for the financial period	-	-	-	7,051	7,051
Total comprehensive income for the financial period	-	-	(133)	7,051	6,918
Transactions with owners:					
Share-based payment transactions					
- current year	-	-	318	-	318
- lapse due to resignation	-	-	(46)	46	-
Dividend	-	-	-	(4,245)	(4,245)
Total transactions with owners	-	-	272	(4,199)	(3,927)
As at 30-9-2018	72,430	-	1,318	(1,602)	72,146
As at 1-1-2017	70,757	1,672	666	(3,750)	69,345
Foreign exchange differences for foreign operations	-	-	56	-	56
Profit for the financial period	-	-	-	657	657
Total comprehensive income for the financial period	-	-	56	657	713
Transactions with owners:					
Share-based payment transactions:					
- current year	-	-	333	-	333
- lapse due to resignation	-	-	(22)	22	-
Dividend	-	-	-	(2,123)	(2,123)
Total transactions with owners	-	-	311	(2,101)	(1,790)
Transition to no-par value regime on 31 January 2017	1,672	(1,672)	-	-	-
As at 30-9-2017	72,429	-	1,033	(5,194)	68,268

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 9 months period ended 30 September 2018 - Unaudited

	30/09/2018	30/09/2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	8,214	1,193
Adjustments for:		
- Depreciation	991	1,118
- Equity settled share-based payment transactions	318	333
- Gain on disposal of property, plant and equipment	(8,012)	(1)
- Interest expense	19	18
- Interest income	(197)	(187)
- Inventories written off	1,374	-
- Share of results of joint ventures	447	390
- Unrealised loss on foreign exchange	2	3
Operating profit before working capital changes	3,156	2,867
Increase in inventories	(1,048)	(2,350)
Decrease in receivables	1,006	3,766
(Decrease)/Increase in payables	(3,309)	529
Cash (used in)/from operation	(195)	4,812
Income tax paid	(1,359)	(1,441)
Income tax refunded	1	500
Interest paid	(19)	(18)
Net cash (used in)/from operating activities	(1,572)	3,853
Cash flows from investing activities		
Additional subscription of shares in a joint venture	-	(350)
Dividend received from a joint venture	3,564	-
Interest received	197	187
Proceeds from disposal of property, plant and equipment	9,254	1
Purchase of property, plant and equipment	(361)	(627)
Net cash from/(used in) investing activities	12,654	(789)
Cash flows from financing activities		
Dividend paid	(2,122)	(2,831)
Net change in borrowings	(562)	(951)
Net cash used in financing activities	(2,684)	(3,782)
Net increase/(decrease) in cash and cash equivalents	8,398	(718)
Effect of changes in exchange rate	(133)	56
Cash and cash equivalents at beginning	9,619	11,469
Cash and cash equivalents at end	17,884	10,807

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 impacts on the Group’s financial assets upon initial application of the new classification and measurement requirements.

MFRS 9 also replace 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 impacts 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 Cyclicity of Operations

Generally, sales of the Group's products are higher in the second half of the financial year as majority of the festive seasons fall within this period.

5. Items of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

6. Changes in Accounting Estimates

There were no changes in estimates of amounts reported in the prior financial year that have a material effect in the results for the current financial period under review.

7. Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial period under review.

8. Dividends Paid

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

	30.9.2018	30.9.2017
First interim dividend for the financial year	31 December 2018	-
Declared and approved on	27 August 2018	-
Date paid	31 Oct 2018	-
Dividend per share (single-tier)	3 sen	-
Net dividend paid	RM2,122,723	-
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
Final dividend for the financial year	31 December 2017	31 December 2016
Declared and approved on	6 June 2018	30 May 2017
Date paid	17 August 2018	18 August 2017
Dividend per share (single-tier)	3 sen	3 sen
Net dividend paid	RM2,122,723	RM2,122,722

9. Segmental Information

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

	9 months ended 30.9.2018 (RM'000)	9 months ended 30.9.2017 (RM'000)
Segment Revenue		
Personal care	33,080	30,626
Household	8,547	10,846
Investment holding	5,710	2,840
Total revenue including inter segment sales	<u>47,337</u>	<u>44,312</u>
Elimination of inter-segment sales	<u>(6,309)</u>	<u>(3,703)</u>
	<u>41,028</u>	<u>40,609</u>
Segment Results		
Personal care	95	506
Household	47	96
Investment holding	14,025	3,652
Total results	<u>14,167</u>	<u>4,254</u>
Elimination	<u>(5,684)</u>	<u>(2,840)</u>
Results excluding inter segment sales	8,483	1,414
Interest expense	(19)	(18)
Interest income	197	187
Share of results of joint ventures	<u>(447)</u>	<u>(390)</u>
Profit before tax	8,214	1,193
Tax expense	<u>(1,163)</u>	<u>(536)</u>
Profit for the financial period	<u>7,051</u>	<u>657</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

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 reporting period is as follows:

	RM'000
Contracted but not provided for:	
- Property, plant and equipment	44
	=====

Part B: Explanatory Notes Pursuant To Appendix 9B Of The Listing Requirements Of Bursa Malaysia Securities Berhad

1. Review of Performance

	Individual Quarter 3 Months Ended			Cumulative Quarter 9 Months Ended		Changes (Amount/%)
	(Unaudited) 30.9.2018 RM'000	(Unaudited) 30.9.2017 RM'000	Changes (Amount/ %)	(Unaudited) 30.9.2018 RM'000	(Unaudited) 30.9.2017 RM'000	
Revenue						
- Personal care	10,404	9,565	839/ 8.77%	32,481	29,763	2,718/ 9.13%
- Household	2,560	3,717	-1,157/ -31.13%	8,547	10,846	-2,299/ -21.20%
	<u>12,964</u>	<u>13,282</u>	<u>-318/ -2.39%</u>	<u>41,028</u>	<u>40,609</u>	<u>419/ 1.03%</u>
Profit before tax						
- Personal care	-632	390	-1,022/ -262.05%	-351	506	-857/ -169.37%
- Household	11	48	-37/ -77.08%	47	96	-49/ -51.04%
- Investment holding	7,996	76	7,920/ 10,421.05%	8,518	591	7,927/ 1,341.29%
	<u>7,375</u>	<u>514</u>	<u>6,861/ 1,334.82%</u>	<u>8,214</u>	<u>1,193</u>	<u>7,021/ 588.52%</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 RM12.96 million as compared to RM13.28 million of the preceding year corresponding quarter. The lower turnover was mainly due to the lesser orders placed by customers during the reporting quarter.

During the quarter under review, the Profit Before Tax ("PBT") margin was approximately 56.89% as compared to 3.87% in the previous year corresponding quarter. The higher PBT margin was mainly due to the gain of RM8.01million from the disposal of a piece of vacant land situated at Nilai as announced on 30 April 2018. The disposal was completed in July 2018.

The Group recorded a PBT of RM7.38 million for the current quarter as compared to RM0.51 million of the previous year corresponding quarter, an increase of approximately 1,334.82%. The increase was mainly due to the gain of RM8.01 million from the disposal of the land mentioned above.

Excluding the gain from the disposal of the Nilai vacant land, the Group recorded a LBT margin for the current quarter of approximately -4.91% as compared to a PBT margin of approximately 3.87% in the previous year corresponding quarter. The main factors for recording a LBT margin were due to lower turnover, change in product mix and inventories written off made by the Group during the reporting quarter.

During the quarter under review, the demand for personal care and household products were 80.25% and 19.75% respectively as compared to 72.01% and 27.99% 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 30.9.2018 RM'000	Immediate Preceding Quarter 30.6.2018 RM'000	Changes (Amount/ %)
Revenue			
- Personal care	10,404	10,866	-462/-4.25%
- Household	2,560	3,005	-445/14.81%
	<u>12,964</u>	<u>13,871</u>	-907 / -6.54%
Profit before tax			
- Personal care	-632	16	-648/4,050%
- Household	11	(6)	17/283.33%
- Investment holding	7,996	411	7,585/1,845.50%
	<u>7,375</u>	<u>421</u>	6,954/1,651.78%

The turnover for the reporting quarter was RM12.96 million as compared to RM13.87 million of the immediate preceding quarter, a decrease of approximately 6.54%. The decrease in turnover was mainly due to lesser order placed during the reporting quarter.

The Group recorded a PBT of RM7.38 million for the current quarter as compared to RM0.42 million of the immediate preceding quarter, an increase of approximately 1,651.78%. The increase was mainly due to the gain of RM8.01 million from the disposal of a piece of vacant land situated at Nilai as announced on 30 April 2018. The disposal was completed in July 2018.

During the quarter under review, the PBT margin was approximately 56.89% as compared to 3.04% of the immediate preceding quarter. The higher PBT margin was mainly due to the gain of RM8.01 from the disposal of Nilai vacant land.

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 its 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 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 9 Months Ended	
	(Unaudited) 30.9.2018	(Unaudited) 30.9.2017	(Unaudited) 30.9.2018	(Unaudited) 30.9.2017
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax: Based on results for the period				
- Current tax	(506)	(255)	(712)	(521)
- Deferred tax	50	78	(51)	(15)
- Real property gain tax	(400)	-	(400)	-
	<u>(856)</u>	<u>(177)</u>	<u>(1,163)</u>	<u>(536)</u>

Notwithstanding the loss before tax (excluding share of results of joint ventures, gain on disposal of Nilai vacant land) registered by the Group for the current quarter, the Group's effective tax rate remains higher than the statutory tax rate of 24% due to certain non-deductible expenses and under provision of current tax in prior years amounting to RM0.5 million recorded in the current quarter.

6. Profit for the Financial Period

	Current quarter (Unaudited) RM'000	Current year to date (Unaudited) RM'000
Depreciation	319	991
Interest income	(63)	(197)
Inventories written off	1,374	1,374
Equity settled share-based payment transactions	106	318
Gain on disposal of property, plant and equipment	(8,013)	(8,012)
Gain on foreign exchange - Realised	(250)	(246)

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 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:

	(Unaudited) 30.9.2018 Denominated in RM RM'000	(Unaudited) 30.9.2017 Denominated in RM RM'000
Secured:		
Long term		
Finance lease liabilities	163	275
Short term		
Finance lease liabilities	105	98
Bankers' acceptance	-	572
	105	670
Total borrowings	268	945
Average effective interest rate:		
Finance lease liabilities	2.39% to 2.70%	2.39% to 2.70%
Bankers' acceptance	-	4.32% to 4.65%

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:

	Financial year ending 31.12.2018	Financial year ended 31.12.2017
Final single-tier dividend	3 sen	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 9 Months Ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Profit after tax Attributable to owners of the Company (RM'000)	6,519	337	7,051	657
Weighted average number of ordinary shares in issue ('000)	70,757	70,757	70,757	70,757
Basic earnings per share (sen)	9.21	0.48	9.97	0.93

(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 9 Months Ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Profit after tax Attributable to owners of the Company (RM'000)	6,519	337	7,051	657
Weighted average number of ordinary shares in issue – basic (‘000)	70,757	70,757	70,757	70,757
Effect of share-based payment transaction	_*	_*	_*	_*
Effect on warrants	_*	_*	_*	_*
Weighted average number of ordinary shares in issue – diluted (‘000)	70,757	70,757	70,757	70,757
Diluted earnings per share (sen)	9.21	0.48	9.97	0.93

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