

ENG KAH CORPORATION BERHAD
Company No. 435649-H

Condensed Consolidated Statement of Financial Position
As at 30 June 2019 - Unaudited

	Unaudited as at 30/6/2019 RM'000	Audited as at 31/12/2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,902	21,265
Investment in joint ventures	1,225	998
	<u>22,127</u>	<u>22,263</u>
Current assets		
Inventories	18,157	18,885
Trade receivables	14,344	19,143
Other receivables, deposits and prepayments	2,805	4,592
Current tax assets	6,654	8,000
Cash and cash equivalents	22,550	17,313
	<u>64,510</u>	<u>67,933</u>
TOTAL ASSETS	<u>86,637</u>	<u>90,196</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	72,430	72,430
Other reserves	1,630	1,384
Accumulated losses	(428)	(1,825)
Total equity	<u>73,632</u>	<u>71,989</u>
Non-current liabilities		
Borrowings	89	133
Deferred tax liabilities	1,020	848
	<u>1,109</u>	<u>981</u>
Current liabilities		
Trade payables	7,361	10,897
Other payables and accruals	4,430	5,907
Borrowings	105	422
	<u>11,896</u>	<u>17,226</u>
Total liabilities	<u>13,005</u>	<u>18,207</u>
TOTAL EQUITY AND LIABILITIES	<u>86,637</u>	<u>90,196</u>
Net assets per share (RM)	1.04	1.02

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 2019 - Unaudited

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
		30/6/2019 RM'000	30/6/2018 RM'000	30/6/2019 RM'000	30/6/2018 RM'000
Revenue		12,125	13,871	25,294	28,064
Operating expenses		(12,298)	(13,566)	(25,573)	(27,189)
Other income		1,610	204	1,990	348
Profit from operations		1,437	509	1,711	1,223
Finance costs		(4)	(11)	(7)	(14)
Share of results of joint ventures		(93)	(77)	(123)	(370)
Profit before tax		1,340	421	1,581	839
Tax expense	B5	(50)	(118)	(190)	(307)
Profit for the financial period	B6	1,290	303	1,391	532
Other comprehensive (loss)/income, net of tax					
Item that will be reclassified subsequently					
to profit or loss					
Foreign exchange differences for foreign operations		(31)	76	33	18
Total comprehensive income for the financial financial period attributable to owners of the Company		1,259	379	1,424	550
Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	1.82	0.43	1.97	0.75
Diluted EPS (sen)	B11	1.82	0.43	1.97	0.75

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 2019 - Unaudited

	Share Capital RM'000	Other Reserves RM'000	Accumulated losses RM'000	Total Equity RM'000
As at 1-1-2019	72,430	1,384	(1,825)	71,989
Foreign exchange differences for foreign operations	-	33	-	33
Profit for the financial period	-	-	1,391	1,391
Total comprehensive income for the financial period	-	33	1,391	1,424
Transactions with owners:				
Share-based payment transactions				
- current year	-	219	-	219
- lapse due to resignation	-	(6)	6	-
Total transactions with owners	-	213	6	219
As at 30-6-2019	72,430	1,630	(428)	73,632
As at 1-1-2018	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 year	-	18	532	550
Transactions with owners:				
Share-based payment transactions:				
- current year	-	212	-	212
- lapse due to resignation	-	(44)	44	-
Total transactions with owners	-	168	44	212
As at 30-6-2018	72,430	1,365	(3,878)	69,917

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 2019 - Unaudited**

	30/6/2019	30/6/2018
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	1,581	839
Adjustments for:		
- Depreciation	614	672
- Equity settled share-based payment transactions	219	212
- (Gain)/Loss on disposal of property, plant and equipment	(6)	1
- Interest expense	7	14
- Interest income	(221)	(134)
- Share of results of joint ventures	123	370
Operating profit before working capital changes	2,317	1,974
Decrease in inventories	728	514
Decrease in receivables	6,586	790
Decrease in payables	(5,013)	(2,581)
Cash from operation	4,618	697
Income tax paid	(379)	(615)
Income tax refunded	1,707	-
Interest paid	(7)	(14)
Net cash from operating activities	5,939	68
Cash flows from investing activities		
Dividend received from joint venture	-	3,589
Interest received	221	134
Proceeds from disposal of property, plant and equipment	6	1
Purchase of property, plant and equipment	(251)	(253)
Subscription of additional shares in a joint venture	(350)	-
Net cash (used in)/from investing activities	(374)	3,471
Cash flows from financing activities		
Dividend paid	-	-
Net change in borrowings	(361)	(145)
Net cash used in financing activities	(361)	(145)
Net increase in cash and cash equivalents	5,204	3,394
Effect of changes in exchange rate	33	18
Cash and cash equivalents at beginning	17,313	9,619
Cash and cash equivalents at end	22,550	13,031

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 2018. 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 2018.

2. Significant Accounting Policies

2.1 Adoption of New and Amendments/Improvements to MFRS

The Group has adopted the following standards with a date of initial application of 1 January 2019:

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 Interpretation 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015 – 2017 Cycle

The initial application of the above standards did not have any material impact to the consolidated financial statements of the Group.

The Group has not applied the following standards that have been issued by the Malaysian Accounting Standard Board (“MASB”) but are not yet effective for the Group :

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to References to the Conceptual Framework in MFRS Standards

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and 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 2018 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

No dividends were paid during the current and previous corresponding period.

9. Segmental Information

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

	6 months ended 30.6.19 (RM'000)	6 months ended 30.6.18 (RM'000)
Segment Revenue		
Personal care	20,505	22,420
Household	5,075	5,987
Investment holding	1,321	3,605
Total revenue including inter segment sales	<u>26,901</u>	<u>32,012</u>
Elimination of inter-segment sales	<u>(1,607)</u>	<u>(3,948)</u>
	<u>25,294</u>	<u>28,064</u>
Segment Results		
Personal care	(146)	887
Household	(47)	111
Investment holding	1,683	3,340
Total results	1,490	4,338
Elimination	-	(3,249)
Results excluding inter segment sales	1,490	1,089
Interest expense	(7)	(14)
Interest income	221	134
Share of results of joint ventures	(123)	(370)
Profit before tax	1,581	839
Tax expense	(190)	(307)
Profit for the financial period	<u>1,391</u>	<u>532</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 2018

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	74
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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) 30.6.19 RM'000	(Unaudited) 30.6.18 RM'000	Changes (Amount/ %)	(Unaudited) 30.6.19 RM'000	(Unaudited) 30.6.18 RM'000	
Revenue						
- Personal care	9,620	10,866	-1,246/ -11.47%	20,219	22,077	-1,858/ -8.42%
- Household	2,505	3,005	-500/ -16.64%	5,075	5,987	-912/ -15.23%
	<u>12,125</u>	<u>13,871</u>	<u>-1,746 / -12.59%</u>	<u>25,294</u>	<u>28,064</u>	<u>-2,770/ -9.87%</u>
(Loss)/Profit before tax						
- Personal care	(75)	16	-91/ -568.75%	(146)	281	-427/ -151.96%
- Household	(29)	(6)	-23/ -383.33%	(47)	36	-83/ -230.56%
- Investment holding	1,444	411	1,033/ 251.34%	1,774	522	1,252/ 239.85%
	<u>1,340</u>	<u>421</u>	<u>919 / 218.29%</u>	<u>1,581</u>	<u>839</u>	<u>742 / 88.44%</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 RM12.13 million as compared to RM13.87 million of the preceding year corresponding quarter. The lower turnover was mainly due to the lesser orders placed during the reporting quarter.

During the quarter under review, the Profit Before Tax ("PBT") margin was approximately 11.05% as compared to 3.04% in the previous year corresponding quarter. The higher PBT margin was due to the dividend received from a joint venture amounting to RM1.3 million.

During the quarter under review, the demands for personal care and household products were 79.34% and 20.66% respectively as compared to 78.34% and 21.66% 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 30.6.19 RM'000	Immediate Preceding Quarter 31.3.18 RM'000	Changes (Amount/ %) RM'000
Revenue			
- Personal care	9,620	10,599	-979/ -9.24%
- Household	2,505	2,570	-65/ -2.53%
	12,125	13,169	-1,044/-7.93%
(Loss)/Profit before tax			
- Personal care	(75)	(71)	-4/ -5.63%
- Household	(29)	(18)	-11/ -61.11%
- Investment holding	1,444	330	1,114/ 337.58%
	1,340	241	1,099/456.02%

The turnover for the reporting quarter was RM12.13 million as compared to RM13.17 million of the immediate preceding quarter, a decrease of approximately 7.93%. The decrease in turnover was mainly due to lesser orders placed during the reporting quarter.

The Group recorded a PBT of RM1.34 million for the current quarter as compared to PBT of RM0.24 million of the immediate preceding quarter. The higher PBT was mainly due to the dividend received from a joint venture amounting to RM1.3 million.

During the quarter under review, the PBT margin was approximately 11.05% as compared to 1.83% of the immediate preceding quarter. The higher PBT was mainly due to the dividend received from a joint venture amounting to RM1.3 million.

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.

4. Profit Forecast Variance

There was no profit forecast made in any public documents.

5. Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30.6.19	30.6.18	30.6.19	30.6.18
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax: Based on results for the financial period/year				
- Current tax	(72)	(174)	(18)	(206)
- Deferred tax	22	56	(172)	(101)
	<u>(50)</u>	<u>(118)</u>	<u>(190)</u>	<u>(307)</u>

The Group's effective tax rate for the current quarter, after excluding share of results of joint ventures and the dividend received from a joint venture was higher than the statutory tax rate of 24% due to non-deductible of certain expenditure.

6. Profit for the Financial Period/Year

	Current quarter (Unaudited) RM'000	Current year to date (Unaudited) RM'000
Depreciation	307	614
Interest income	(159)	(221)
Equity-settled share-based payment	110	213
Gain on foreign exchange		
- Realised	11	174

Other than the above items, there were no gain or loss on disposal quoted or unquoted investments or properties, provision for receivables, gain or loss on derivatives as well as other exceptional items.

7. Corporate Proposal

There was no corporate proposal announced or not completed as at the date of this Report.

8. Borrowings and Debt Securities

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

	(Unaudited) 30.6.19 Denominated in RM RM'000	(Unaudited) 30.6.18 Denominated in RM RM'000
Secured:		
Long term		
Finance lease liabilities	89	189
Short term		
Finance lease liabilities	105	105
Bankers' acceptance	-	391
		496
Total borrowings	194	685
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 2019 and financial year ended 31 December 2018 are summarised as follows:

	Financial year ending 31.12.2019	Financial year ended 31.12.2018
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		Cumulative Quarter	
	3 Months Ended	3 Months Ended	6 Months Ended	6 Months Ended
	30.6.19	30.6.18	30.6.19	30.6.18
Profit after tax Attributable to owners of the Company (RM'000)	1,290	303	1,391	532
Weighted average number of ordinary shares in issue ('000)	70,757	70,757	70,757	70,757
Basic earnings per share (sen)	1.82	0.43	1.97	0.75

(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	6 Months Ended	6 Months Ended
	30.6.19	30.6.18	30.6.19	30.6.18
Profit after tax Attributable to owners of the Company (RM'000)	1,290	303	1,391	532
Weighted average number of ordinary shares in issue ('000)	70,757	70,757	70,757	70,757
Effect of share-based payment transaction	_*	_*	_*	_*
Weighted average number of ordinary shares in issue -diluted ('000)	70,757	70,757	70,757	70,757
Diluted earnings per share (sen)	1.82	0.43	1.97	0.75

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