

ENG KAH CORPORATION BERHAD
Company No. 435649-H

Condensed Consolidated Statement of Financial Position
As at 31 December 2019 - Unaudited

	Unaudited as at 31.12.2019 RM'000	Audited as at 31.12.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,450	21,265
Investment in joint ventures	834	998
	<u>21,284</u>	<u>22,263</u>
Current assets		
Inventories	15,326	18,885
Trade receivables	10,811	19,143
Other receivables, deposits and prepayments	2,112	4,592
Current tax assets	5,226	8,000
Cash and cash equivalents	25,531	17,313
	<u>59,006</u>	<u>67,933</u>
TOTAL ASSETS	<u>80,290</u>	<u>90,196</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	72,430	72,430
Other reserves	1,590	1,384
Accumulated losses	(3,152)	(1,825)
Total equity	<u>70,868</u>	<u>71,989</u>
Non-current liabilities		
Borrowings	23	133
Deferred tax liabilities	982	848
	<u>1,005</u>	<u>981</u>
Current liabilities		
Trade payables	4,996	10,897
Other payables and accruals	3,308	5,907
Borrowings	113	422
	<u>8,417</u>	<u>17,226</u>
Total liabilities	<u>9,422</u>	<u>18,207</u>
TOTAL EQUITY AND LIABILITIES	<u>80,290</u>	<u>90,196</u>
Net assets per share (RM)	1.00	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 12 months period ended 31 December 2019 - Unaudited

	NOTE	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
		31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Revenue		12,454	16,793	49,079	57,821
Operating expenses		(13,101)	(18,324)	(50,431)	(59,393)
Other income		<u>237</u>	<u>223</u>	<u>2,679</u>	<u>8,944</u>
Profit from operations		(410)	(1,308)	1,327	7,372
Finance costs		(5)	(6)	(15)	(25)
Share of results of joint ventures		<u>(252)</u>	<u>(90)</u>	<u>(513)</u>	<u>(537)</u>
(Loss)/Profit before tax		(667)	(1,404)	799	6,810
Tax expense	B5	<u>203</u>	<u>1,240</u>	<u>(21)</u>	<u>77</u>
(Loss)/Profit for the financial period	B6	(464)	(164)	778	6,887
Other comprehensive (loss)/income, net of tax					
Item that will be reclassified subsequently to profit or loss					
Foreign exchange differences for foreign operations		<u>(86)</u>	<u>(13)</u>	<u>(189)</u>	<u>(146)</u>
Total comprehensive (loss)/income for the financial period attributable to owners of the Company		<u>(550)</u>	<u>(177)</u>	<u>589</u>	<u>6,741</u>
(Loss)/Earnings per share (EPS) attributable to owners of the Company					
Basic EPS (sen)	B11	(0.66)	(0.23)	1.10	9.73
Diluted EPS (sen)	B11	<u>(0.66)</u>	<u>(0.23)</u>	<u>1.10</u>	<u>9.73</u>

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 12 months period ended 31 December 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	-	(189)	-	(189)
Profit for the financial period	-	-	778	778
Total comprehensive income for the financial period	-	(189)	778	589
Transactions with owners:				
Share-based payment transactions				
- current year	-	413	-	413
- lapse due to resignation	-	(18)	18	-
Dividend	-	-	(2,123)	(2,123)
Total transactions with owners	-	395	(2,105)	(1,710)
As at 31.12.2019	72,430	1,590	(3,152)	70,868
As at 1.1.2018	72,430	1,178	(4,532)	69,076
Foreign exchange differences for foreign operations	-	(146)	-	(146)
Profit for the financial period	-	-	6,887	6,887
Total comprehensive income for the financial year	-	(146)	6,887	6,741
Transactions with owners:				
Share-based payment transactions:				
- current year	-	417	-	417
- lapse due to resignation	-	(65)	65	-
Dividend	-	-	(4,245)	(4,245)
Total transactions with owners	-	352	(4,180)	(3,828)
As at 31.12.2018	72,430	1,384	(1,825)	71,989

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 12 months period ended 31 December 2019 - Unaudited

	31.12.2019 RM'000	31.12.2018 RM'000
Cash flows from operating activities		
Profit before tax	799	6,810
Adjustments for:		
- Allowance for impairment of trade receivables	133	237
- Depreciation	1,214	1,307
- Equity settled share-based payment transactions	413	417
- Gain on disposal of property, plant and equipment	(18)	(7,611)
- Interest expense	15	25
- Interest income	(502)	(272)
- Inventories written off	24	89
- Inventories written down/(back)	220	1,986
- Share of results of joint ventures	513	537
- Unrealised (gain)/loss on foreign exchange	(83)	(104)
Operating profit before working capital changes	2,728	3,421
Decrease in inventories	1,993	1,141
Decrease/(Increase) in receivables	10,895	(3,168)
Reversal of impairment loss on receivables	(99)	-
(Decrease)/Increase in payables	(8,494)	6
Cash generated from/(used in) operations	7,023	1,400
Income tax paid	(698)	(960)
Income tax refunded	3,585	1
Interest paid	(15)	(25)
Net cash from operating activities	9,895	416
Cash flows from investing activities		
Dividend received from joint venture	1,287	3,564
Interest received	502	272
Proceeds from disposal of property, plant and equipment	13	8,853
Purchase of property, plant and equipment	(398)	(728)
Subscription of additional shares in a joint venture	(350)	-
Net cash from investing activities	1,054	11,961
Cash flows from financing activities		
Dividend paid	(2,123)	(4,245)
Net change in borrowings	(419)	(274)
Net cash used in financing activities	(2,542)	(4,519)
Net increase in cash and cash equivalents	8,407	7,858
Effect of changes in exchange rate	(189)	(164)
Cash and cash equivalents at beginning	17,313	9,619
Cash and cash equivalents at end	25,531	17,313

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 Financial Instruments: 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 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 upon adoption.

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: Definition of a Business

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 MFRS 128 Investments in Associates and Joint Ventures - 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. Items of Unusual Nature

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

5. 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.

6. 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.

7. Dividends Paid

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

	31.12.2019	31.12.2018
First interim dividend for the financial year	-	31 December 2018
Declared and approved on	-	27 August 2018
Date paid	-	31 October 2018
Dividend per share (single-tier)	-	3 sen
Net dividend paid	-	RM2,122,723
Final dividend for the financial year	31 December 2018	31 December 2017
Declared and approved on	29 May 2019	6 June 2018
Date paid	16 August 2019	17 August 2018
Dividend per share (single-tier)	3 sen	3 sen
Net dividend paid	RM2,122,723	RM2,122,723

8. Segmental Information

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

	12 months ended 31.12.2019 (RM'000)	12 months ended 31.12.2018 (RM'000)
Segment Revenue		
Personal care	38,642	47,460
Household	10,803	11,256
Investment holding	3,417	7,838
Total revenue including inter segment sales	<u>52,862</u>	<u>66,554</u>
Elimination of inter-segment sales	<u>(3,783)</u>	<u>(8,733)</u>
	<u>49,079</u>	<u>57,821</u>
Segment Results		
Personal care	(773)	(1,131)
Household	(175)	(16)
Investment holding	3,903	16,046
Total results	<u>2,955</u>	<u>14,899</u>
Elimination	<u>(2,130)</u>	<u>(7,799)</u>
Results excluding inter segment sales	825	7,100
Interest expense	(15)	(25)
Interest income	502	272
Share of results of joint ventures	(513)	(537)
Profit before tax	<u>799</u>	<u>6,810</u>
Tax expense	<u>(21)</u>	<u>77</u>
Profit for the financial period	<u>778</u>	<u>6,877</u>

9. 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.

10. Subsequent Event

There were no material events subsequent to the end of the reporting period which require disclosure.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the financial period under review.

12. Changes in Contingent Liabilities and Contingent Assets

There were no contingent assets or contingent liabilities since the end of the last annual reporting period.

13. 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	-

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 12 Months Ended		
	(Unaudited) 31.12.2019 RM'000	(Unaudited) 31.12.2018 RM'000	Changes (Amount/ %)	(Unaudited) 31.12.2019 RM'000	(Audited) 31.12.2018 RM'000	Changes (Amount/ %)
<i>Revenue</i>						
- Personal care	9,412	14,084	-4,672/ -33.17%	38,276	46,565	-8,289/ -17.80%
- Household	3,042	2,709	333/ 12.29%	10,803	11,256	-453/ -4.02%
	<u>12,454</u>	<u>16,793</u>	<u>-4,339 / -25.84%</u>	<u>49,079</u>	<u>57,821</u>	<u>-8,742/ -15.12%</u>
<i>(Loss)/Profit before tax</i>						
- Personal care	(339)	(780)	441/ 56.54%	(773)	(1,131)	358/ 31.65%
- Household	(71)	(63)	-8/ -12.70%	(175)	(16)	-159/ -993.75%
- Investment holding	(257)	(561)	304/ 54.19%	1,741	7,957	-6,210/ -78.04%
	<u>(667)</u>	<u>(1,404)</u>	<u>737/ 52.49%</u>	<u>799</u>	<u>6,810</u>	<u>-6,011 / -88.27%</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 RM12.45 million as compared to RM16.79 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 Loss Before Tax ("LBT") margin was approximately -5.36% as compared to Loss Before Tax margin of -8.36% in the previous year corresponding quarter. The LBT margin was mainly due to lower revenue, change in product mix as well as share of loss of joint venture. The higher Loss Before Tax margin in the previous year corresponding quarter was mainly due to the change in product mix and impairment loss on inventories amounting to RM1.46 million.

During the quarter under review, the demands for personal care and household products were 75.57% and 24.43% respectively as compared to 83.87% and 16.13% 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 31.12.2019 RM'000	Immediate Preceding Quarter 30.9.2019 RM'000	Changes (Amount/%)
<i>Revenue</i>			
- Personal care	9,412	8,645	767/ 8.87%
- Household	3,042	2,686	356/ 13.25%
	<hr/> 12,454	<hr/> 11,331	<hr/> 1,123/ 9.91%
<i>(Loss)/Profit before tax</i>			
- Personal care	(339)	(288)	-51/ -17.71%
- Household	(71)	(57)	-14/ -24.56%
- Investment holding	(257)	230	-487/ -211.74%
	<hr/> (667)	<hr/> (115)	<hr/> -552/ -82.76%

The turnover for the reporting quarter was RM12.45 million as compared to RM11.33 million of the immediate preceding quarter, an increase of approximately 9.91%. The increase in turnover was mainly due to more orders placed during the reporting quarter.

The Group recorded a LBT of RM0.67 million for the current quarter as compared to LBT of RM0.12 million of the immediate preceding quarter. The LBT was mainly due to the change in product mix, higher operating cost as well as share of loss of joint venture. The lower LBT in the immediate preceding quarter was mainly due to the change in product mix .

During the quarter under review, the LBT margin was approximately -5.36% as compared to LBT margin of -1.01% of the immediate preceding quarter. The LBT was mainly due to the change in product mix, higher operating cost as well as share of loss of joint venture.

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

Not applicable as the Company did not publish any profit forecast or profit guarantee.

5. Tax Expense

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	(Unaudited) 31.12.2019 RM'000	(Unaudited) 31.12.2018 RM'000	(Unaudited) 31.12.2019 RM'000	(Audited) 31.12.2018 RM'000
Malaysian income tax: Based on results for the financial period/year				
- Current tax	269	342	113	(872)
- Deferred tax	(66)	898	(134)	949
	<u>203</u>	<u>1240</u>	<u>(21)</u>	<u>77</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 certain expenditure which are non-deductible for tax purposes.

6. (Loss)Profit for the Financial Period/Year

	Current quarter (Unaudited) RM'000	Current year to date (Unaudited) RM'000
Depreciation	298	1,214
Interest income	(176)	(502)
Equity-settled share-based payment	87	413
(Gain)/Loss on foreign exchange		
- Realised	91	(220)
- Unrealised	83	83

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) 31.12.2019 Denominated in RM RM'000	(Audited) 31.12.2018 Denominated in RM RM'000
Secured:		
Long term		
Finance lease liabilities	23	133
Short term		
Finance lease liabilities	113	108
Bankers' acceptances	-	314
	113	422
Total borrowings	136	555
Average effective interest rate:		
Finance lease liabilities	2.39% to 2.70%	2.39% to 2.70%
Bankers' acceptances	-	4.85% to 4.94%

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 ended 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. (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 12 Months Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
(Loss)/Profit for the financial period/year Attributable to owners of the Company (RM'000)	(464)	(164)	778	6,887
Weighted average number of ordinary shares in issue ('000)	70,757	70,757	70,757	70,757
Basic (loss)/earnings per share (sen)	(0.66)	(0.23)	1.10	9.73

(ii) Diluted (loss)/earnings per share

The diluted (loss)/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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
(Loss)/Profit for the financial period/year Attributable to owners of the Company (RM'000)	(464)	(164)	778	6,887
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 (loss)/earnings per share (sen)	(0.66)	(0.23)	1.10	9.73

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