

KAWAN FOOD BERHAD (“KAWAN” or “the Company”)

JOINT VENTURE AGREEMENT ENTERED BETWEEN GOOD2NATURE SDN BHD AND KAWAN FOOD MANUFACTURING SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

The Board of Directors of Kawan wishes to announce that Kawan Food Manufacturing Sdn Bhd [Registration No. 198401013456 (126016-A)] (“KFM”), a wholly-owned subsidiary of the Company and Good2Nature Sdn Bhd [Registration No. 202201011453 (1457150-W)] (“G2N”), had on 20 January 2023 entered into a Joint Venture Agreement (“JVA”) to undertake the business of producing biocompost.

2. DETAILS OF THE PARTIES TO THE JVA

2.1 KFM

KFM is a private limited company incorporated in Malaysia on 28 August 1984 and having its registered address at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.

KFM has an issued and paid-up share capital of RM1,000,000.00 and redeemable cumulative preferences share of RM128,000,000.00 and is principally engaged in manufacturing, trading, distribution and exporting of frozen food products.

2.2 G2N

G2N is a private limited company incorporated in Malaysia on 29 March 2022 and having its registered address at Suite 11.01, Level 11, Menara OBYU, 4, Jalan PJU 8/8A, Damansara Perdana, 47820 Damansara, Selangor Darul Ehsan.

G2N has an issued and paid-up share capital of RM10,000.00 and is currently engaged in organic agricultural activities for crops production, organic compost and wholesale and trading of organic fertilizer and agrochemical products.

3. SALIENT TERMS OF THE JVA

3.1 Business Scope

KFM and G2N (“the Parties”) agreed on a joint venture basis to set up or incorporate a Joint Venture Company (“JVCO”) namely Kawan2Nature Sdn Bhd, a private limited company incorporated in Malaysia on 16 December 2022 and having its registered address at 35-10 The Boulevard Mid Valley City, 59200 Kuala Lumpur, Wilayah Persekutuan [(Registration No. 202201045994 (1491691-V)] (“**K2N**”) to venture into biocompost business.

3.2 Obligations of the Parties

KFM

- a) to identify a well situated and suitable oil palm mill to carry out biocompost production.
- b) shall liaise with local authority for approval of license to operate biocompost facilities.
- c) shall responsible for subscription of Redeemable Preference Share (RPS) at a dividend rate of 8% for the following:
 - RM2,500,000 for Kawan Biotech Sdn Bhd
 - funding of ad hoc project which occur in the future are to be determined in future
- d) Representatives from KFM – Gan Thiam Chai & Yeap Chee Keong as Directors in K2N.

G2N

- a) to provide the know-how, technology and management in the area of Biotech and Biocompost production.
- b) achieve certification by regulatory bodies in certifying the biocompost produced as organically certified farm input
- c) ensuring that the biocompost production facilities are operated and run on a sound commercial basis to ensure that the business grows and ensures profitability as has been represented to KFM by G2N
- d) Representatives from G2N – Chan Lup Qewang and Lai Chiew Yang as Directors in K2N.

3.3 Structure of JVCO

The Parties shall subscribe Two Hundred Fifty Thousand (250,000) ordinary shares of RM1.00 each in K2N which held by KFM and G2N on the following proportion of shares: -

| Shareholder | No. of Shares | Subscription Price | Shareholdings (%) |
|--------------|----------------|--------------------|-------------------|
| KFM | 100,000 | RM1.00 each | 40% |
| G2N | 150,000 | RM1.00 each | 60% |
| Total | 250,000 | | 100% |

3.4 Dividend and Distribution of Profit

- a) distribution of preference shares dividend of 8% per annum from second year onwards of K2N as fixed return;
- b) for KFM to redeem the preference shares in excess of cash flow of K2N;
- c) insofar as K2N has profits available for distribution, K2N shall, on every financial year, declare a minimum of forty per cent (40%) of its profits as dividends to the Shareholders; and

- d) the method and timing of distribution of profits shall take into account the interests and decisions of the Shareholders.

3.5 Board of Directors of JVCO

The Board of Directors of the JVCO shall comprise of four (4) directors, consisting of two (2) directors nominated by KFM and two (2) directors nominated by G2N.

4. SOURCE OF FUNDING

The Parties will fund its investment in the JVCO through its internally generated funds and invest by way of cash.

5. RATIONALE

The joint venture will enable Kawan Group to venture into new business.

6. ESTIMATED TIMELINE FOR COMPLETION

Barring any unforeseen circumstances, the joint venture is expected to be completed in the first quarter of 2023.

7. FINANCIAL EFFECTS

7.1 Share Capital

The joint venture will not have any effect on the issued and paid-up share capital of Kawan.

7.2 Substantial Shareholders' Shareholdings

The joint venture will not have any effect on the substantial shareholders' shareholdings of Kawan.

7.3 Net Assets Per Shares and Gearing

The joint venture will not have any material effect on the net assets per share and gearing of Kawan for the financial year ended 31 December 2021.

7.4 Earnings Per Share

The joint venture is not expected to have any material effect on the earnings per share of Kawan for the financial year ended 31 December 2021.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/ or major shareholders of the Company and/ or persons connected to them have any interest, direct or indirect, in the JVA.

9. RISK FACTORS

Kawan does not foresee any exceptional risk other than the normal operational risks associated with the JVCO. Kawan will take the necessary steps to mitigate the risks as and when it occurs.

10. STATEMENT BY BOARD OF DIRECTORS

After having taken into consideration all aspects of the proposed joint venture, the Board of Directors of Kawan is of the opinion that the proposed joint venture is in the best interest of Kawan Group.

11. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the transaction above pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 0.71% in relation to the net assets based on the Audited Financial Statements of the Company for the financial year ended 31 December 2021.

12. APPROVALS REQUIRED

The proposed joint venture is not subject to the approval of shareholders and any other relevant authorities and is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The JVA is available for inspection at the registered office located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Malaysia during normal business hours from Monday to Friday (except public holiday) for a period of three (3) months from the date of this announcement.

This announcement is dated 20 January 2023.