



KaWan
KAWAN FOOD BERHAD

KAWAN FOOD BERHAD

200401001942 / 640445-V (Incorporated in Malaysia)

Annual Report
2 0 1 9

**INNOVATING A
CONVENIENT
LIFESTYLE**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

GAN THIAM CHAI
Executive Chairman

TIMOTHY TAN HENG HAN
Group Managing Director

GAN THIAM HOCK
Non-Independent
Executive Director

KWAN SOK KAY
Non-Independent
Executive Director

DR. NIK ISMAIL BIN NIK DAUD
Senior Independent
Non-Executive Director

**NARESHCHANDRA
GORDHANDAS NAGRECHA**
Non-Independent
Non-Executive Director

ABDUL RAZAK BIN SHAKOR
Non-Independent
Non-Executive Director

LIM HUN SOON @ DAVID LIM
Independent
Non-Executive Director

EUGENE HON KAH WENG
Independent
Non-Executive Director

AUDIT COMMITTEE

LIM HUN SOON @ DAVID LIM
Chairman

DR. NIK ISMAIL BIN NIK DAUD
Member

EUGENE HON KAH WENG
Member

REMUNERATION COMMITTEE

DR. NIK ISMAIL BIN NIK DAUD
Chairman

LIM HUN SOON @ DAVID LIM
Member

EUGENE HON KAH WENG
Member

NOMINATING COMMITTEE

EUGENE HON KAH WENG
Chairman

DR. NIK ISMAIL BIN NIK DAUD
Member

ABDUL RAZAK BIN SHAKOR
Member

REGISTERED OFFICE

BOARDROOM CORPORATE
SERVICES SDN. BHD.
(Registration No. 196001000110
(3775-X))
12th Floor, Menara Symphony
No.5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +603 7890 4800
F +603 7890 4650

SHARE REGISTRAR

BOARDROOM SHARE
REGISTRARS SDN. BHD.
(Registration No. 199601006647
(378993-D))
11th Floor, Menara Symphony
No.5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +603 7890 4700
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MANAGEMENT OFFICE

Lot 129351, Jalan Sungai Pinang 4/19
Taman Perindustrian Pulau Indah
Selangor Halal Hub, Fasa 2C
42920 Pulau Indah
Selangor Darul Ehsan, Malaysia
T +603 3099 1188
F +603 3099 1028
E info@kawanfood.com

SECRETARIES

TAI YIT CHAN (MAICSA 7009143 /
SSM Practicing Certificate No.
202008001023)
TAI YUEN LING (LS 0008513 /
SSM Practicing Certificate No.
202008001075)

AUDITORS

RSM Malaysia (AF: 0768)
5th Floor, Penthouse, Wisma RKT
Block A, No 2, Jalan Raja Abdullah
Off Jalan Sultan Ismail
50300 Kuala Lumpur, Malaysia
T +603 2610 2888
F +603 2691 6886

PRINCIPAL BANKERS

HSBC BANK MALAYSIA BERHAD
(Registration No. 198401015221
(127776-V))

MALAYAN BANKING BERHAD
(Registration No. 196001000142
(3813-K))

RHB BANK BERHAD
(Registration No. 196501000373
(6171-M))

UNITED OVERSEAS BANK
(MALAYSIA) BHD
(Registration No. 199301017069
(271809-K))

STOCK EXCHANGE LISTING

MAIN MARKET OF BURSA
MALAYSIA SECURITIES
BERHAD
Stock Short Name: KAWAN
Stock Code: 7216

WEBSITE

www.kawanfood.com

GROUP CORPORATE STRUCTURE



AT A GLANCE

EMPLOYEES

635

2018: 580

MANUFACTURING
FACILITIES**2**

2018: 4

COUNTRIES

36

2018: 35

REVENUE

**RM214.1
MILLION**2018: RM200.0
MILLIONPROFIT BEFORE
TAXATION**RM15.4
MILLION**2018: RM29.2
MILLIONPROFIT AFTER
TAXATION**RM12.0
MILLION**2018: RM22.8
MILLIONNET ASSETS
PER SHARE**RM0.90**

2018: RM0.89

EARNINGS
PER SHARE**3.39SEN**

2018: 6.34SEN

DIVIDEND
PER SHARE**2.50SEN**

2018: 2.50SEN

SHARE PRICE

RM1.39

2018: RM1.91

MARKET
CAPITALISATION**RM499.7
MILLION**2018: RM686.7
MILLION

OUR FOOTPRINT



MANAGEMENT DISCUSSION AND ANALYSIS



A few steps into our journey. We are now in the phase of our transformation, restoring the basics and learning new things so that we can deliver sustainable, profitable growth to our investors, employees, customers, suppliers and other business associates.

TIMOTHY TAN
GROUP MANAGING DIRECTOR

FY2019 was a challenging year for us with generally weaker growth amid uncertainties in the global economic environment. Our operating conditions in Malaysia were also challenging with the move to consolidate both the operations in Shah Alam under a new larger state of the art manufacturing facility in Pulau Indah. The consolidation seeks to increase the size and scale of our businesses with an aim to become a leading international food company.

During the transformation period, we had undertaken a range of measures including optimising human resources and investing in automated production lines and technologies to enhance the Company's capacity. These had led to significant impact to our profit for the year and also in the short term. However, we are determined to embark on the transformation journey to reinforce our position in the food manufacturing industry, enriching consumers' lives and delivering long term sustainability for all our stakeholders.

Performance

The Group's revenue grew by 7.1% to RM214.1m driven by export sales growth at 6.6%. The export revenue grew by 6.6% due to higher volume achieved. Paratha remained the core product of our business which accounted for 42.7% of the Group's sales.

Despite higher revenue, the Group's profit after tax ("PAT") decreased to RM12.0m in FY2019 from RM22.8m in FY2018. This was attributed to additional depreciation of RM9.6m and higher wages. Hence, profit margin was lower at 5.6% in FY2019 compared to 11.4% in FY2018. While profits were significantly lower, our financial position remained solid and robust.

Management Discussion and Analysis (cont'd)

Our Strategies

FY2019 was a year of transition with the new plant facility. It was a year where our management team and our people drove positive change through the period of transition.

Our strategies of improving operational efficiency and developing new capabilities continues to strengthen our platform for growth in the future. This year, we had invested in new production lines and upgraded the existing machines to facilitate our expansion of new products. These capital investments will increase efficiency and production capacity in response to the changing consumer market.

Our products are recognised for their quality, convenience and innovation. We aspire to become a leading force through continuous efforts in offering innovative, high quality and convenient products to meet changing consumer demands and trends.

Notwithstanding the ongoing challenges, we remain focused to becoming a leading international food company. We will leverage our strengths in:

- Strong brand name – the Kawan products range which is convenient and flexible to meet various consumers' needs;
- Innovation – Kawan being a pioneer within the frozen ethnic food manufacturing industry, has invested in capabilities to innovate and consistently deliver value to our consumers; and
- Technology - as a key differentiator, accompanied with technical skills to further strengthen efficiency, quality and value in our products.

Operational Overview

Over the years, we have worked to strengthen our markets, develop our capacities, expand our footprint and offer a wider range of products which allows Kawan to be an international player in the food arena. Our range of frozen products has grown over the years and now extends to healthy convenient products.

We export our products around the world and are growing our online business. 60.6% of our sales are from outside Malaysia, mainly in the US, while the Malaysian market accounted for 39.4% of our Group's total revenue.

Food Safety & Health

Food safety is our priority. Hence, the Company is committed to meet the internationally recognised standards and industry best practices such as Hazard Analysis and Critical Control Points ("HACCP"), Global Standard for Food Safety (Issue 8) (formerly known as British Retailer Consortium Standard ("BRC"), HALAL and Good Manufacturing Practices ("GMP") which specify the food safety, quality and operational requirements for food manufacturers to meet current industry expectations, compliance obligations and consumers protection. We believe that all these certifications will increase customer confidence and trust in our products. These certifications will provide us with a competitive edge in the market. The Company has been working towards ensuring the operations are in accordance with industry best practices. In FY2019, we had successfully obtained a Grade B BRC certification upon satisfaction of the requirements with respect to a more stringent BRC Global Standard Issue 8.

Promoting Health

We will constantly push our boundaries of innovation in our projects in order to promote healthier lifestyle amongst the people. Health remains a priority in realising our food project deliverables. This year, we further expanded our range with healthier products choices in order to meet consumers' demand of this segment.

New Enterprise Resource Planning system ("ERP")

In FY2019, the Company embarked on the new enterprise resource planning system, a fully integrated system with Oracle Netsuite which allows Kawan to maximise value of integrated production across the value chain. The system enables Kawan to optimise its operations to improve productivity, efficiency and cost through data analytics. The cloud-based system will also enable us to fully understand the current conditions and make better decisions that will increase efficiency and productivity.

Management Discussion and Analysis

(cont'd)

Our Unique Innovations

The Company produces and sells food products under five (5) brands: Kawan, KG Pastry, Veat, PassionBake and Aman.



We strive to meet the needs of our consumers by delivering innovative value added products in terms of quality, taste and unique experience.

This year, we won two awards organised by Malaysian Institute of Food Technology ("MIFT").

MIFT Product Innovation Platinum Award 2019 for Cheesy Italian Rice Bites



MIFT Product Innovation Gold Award for Multigrain Mantou



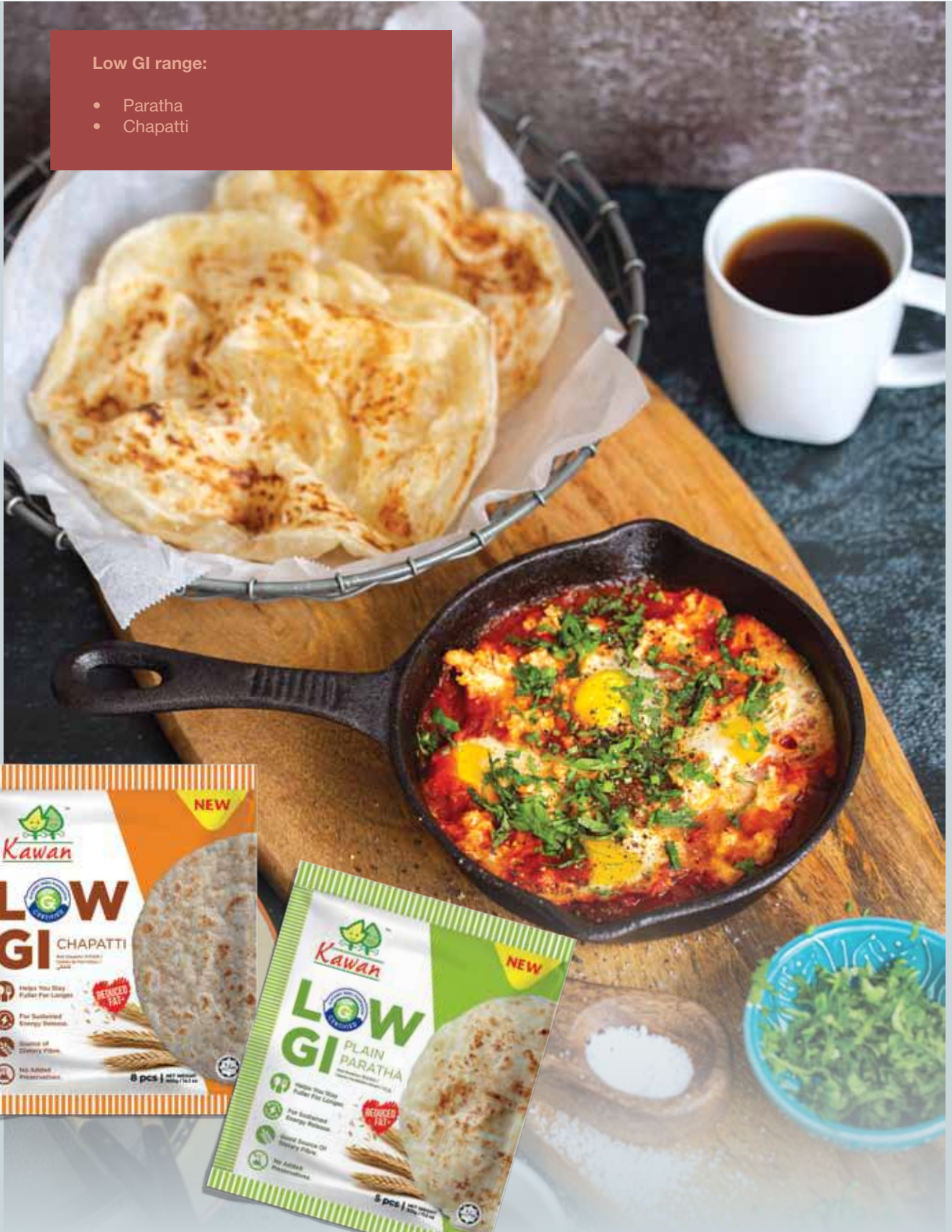
These awards recognise Kawan's outstanding efforts to enhance the lifestyle of our consumers with new innovative products.

To remain relevant to today's consumer, Kawan will continue to innovate to achieve growth. This year, we entered into a collaboration agreement with Holista CollTech Limited ("Holista") to develop a range of low-glycemic index (Low GI) Indian flatbreads. This collaboration offers us the opportunity to tap its strengths in producing healthy Asian flatbreads for local and international markets. These efforts have led us in launching our first Low GI range to promote healthier living.

Management Discussion and Analysis
(cont'd)

Low GI range:

- Paratha
- Chapatti



Management Discussion and Analysis (cont'd)

Our Jia You Liang Yuan range was launched for the Chinese communities in the world this year. The launch demonstrated our commitment to meet the consumers' needs.

Jia You Liang Yuan (Chinese range)

- Mantou pandan
- Mantou plain
- Spring roll pastry
- Flakey pancake
- Lotus leaf bun
- Pumpkin pancake
- Seaweed pancake
- Scallion pancake
- Sweet potato pancake

Pizza

- Sorrentina tomato & mozzarella
- Sorrentina pesto & vegetables
- Sorrento rocket & cherry tomato
- Sorrento buffalo mozzarella & cherry tomato
- Sorrento pesto & vegetables
- Malabar
- Sweet potato balls



Management Discussion and Analysis (cont'd)

Export Market

The Company distributed its products through distributors in foreign countries. Most of our international customers are primarily traditional retailers whereas in the Middle East and Asia, our customers are primarily a mixture of hypermarkets, supermarkets and traditional retailers.

At present, the Company exports its products to all major continents particularly to countries such as US, Canada, UAE, UK and Australia.

Top five (5) countries in terms of sales

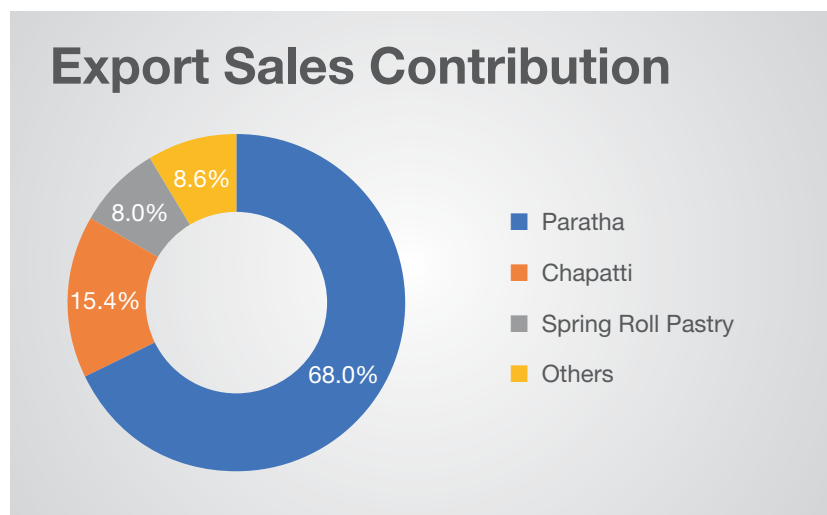
Countries	Sales (%)
United States	42.5
UK	12.8
UAE	10.6
Australia	6.3
Canada	5.9

Our top five (5) markets represented 78.1% of our total export revenue. The US remained our largest export market which contributed 42.5% of our total export revenue.

In FY2019, we participated in the Gulfood Exhibition in Dubai, United Arab Emirates (“UAE”), Alimentec, Colombia and Anuga in Germany. The Gulfood Exhibition is one of the world’s largest annual food event while the Alimentec and Anuga are the leading international food fairs. The participation provides us with opportunities to meet existing and new potential customers as well as to keep abreast with market demands and trends.

We remain focused on maintaining our strong working relationship with our key distributors. We worked closely with our customers to improve the availability of our products to make shopping convenient for consumers.

Our sales representative in the US continued to interact with us and engaged with the customers in finding new ways to inspire tasty convenient choices.



Management Discussion and Analysis

(cont'd)

In FY2019, sales revenue from export increased by 6.6% to RM113.4 million in FY2019 from RM106.4 million in FY2018 mainly due to increase in sales volume of 880 tonnes.

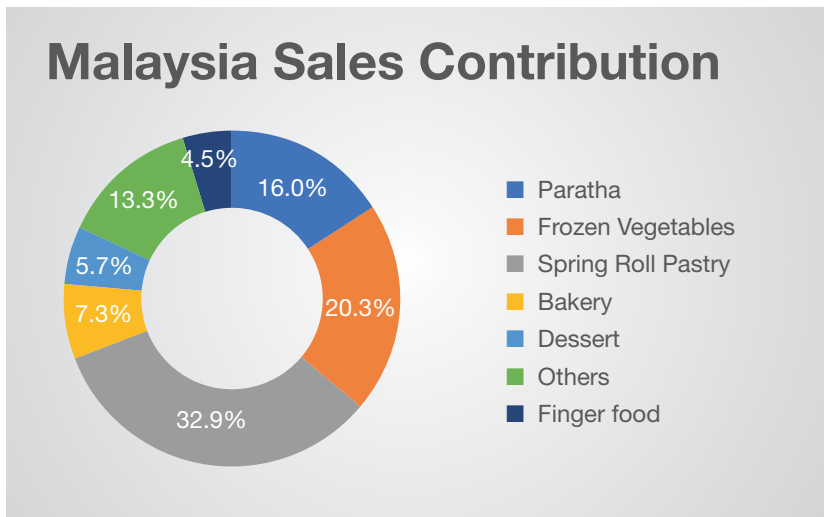
Paratha remained our core product, contributing 68.0% of our export revenue, followed by chapatti contributing 15.4% of our export revenue for FY2019.

Malaysian Operations

The Company distributed its products mainly through traditional retailers, hypermarkets, supermarkets and HORECA (hotels, restaurants and caterers).

The Management ensured that we have a comprehensive coverage of all our markets and constantly reviewed the presence and monitored the impact of the channels in each of our geographic markets. We were pursuing opportunities to increase our sales through HORECA channel which constituted 13.0% of our sales for the FY2019.

The majority of our sales are through retailers. Our key retail clients in the Malaysia are Giant, Econsave, Mydin, Aeon Co, NSK Trade City etc. Our top five (5) customers accounted for 27.6% of our local revenues for the FY2019.



The Malaysian economy continued to grow at a moderate pace, albeit with weak consumer sentiment. Nevertheless, our local sales increased by 4.0% to RM84.5m in FY2019 from RM81.2m in FY2018. The increase in revenue was mainly contributed by the increase in revenue from finger food, frozen vegetable and paratha categories.

Spring roll pastry was our largest product category, contributing 32.9% of our local revenue for FY2019. This was followed by frozen vegetable and paratha, contributing 20.3% and 16.0% of our local revenue respectively in FY2019.

To reinforce our leadership position in Malaysia, the Group continued to innovate and focus on growing its presence in the market. Our sales team continued to expand our distribution networks and undertake road shows and product samplings at various hypermarkets and supermarkets to keep the consumers apprised of the Group's products.

We were investing in social media campaigns and sponsorships to tap into our consumers' lifestyles to drive our brands. In FY2019, we sponsored several events such as TV3 Cooking Challenge show, Raja Sawit, Maria's Auspicious Menu on Astro's 2019 and Ramadhan recipe video by Saracak where celebrity chefs and artists created delicious food using our products.

The sales team collaborated closely with our distributors to provide training and products knowledge. This demonstrated our continued commitment into expanding our distribution reach.

Management Discussion and Analysis (cont'd)

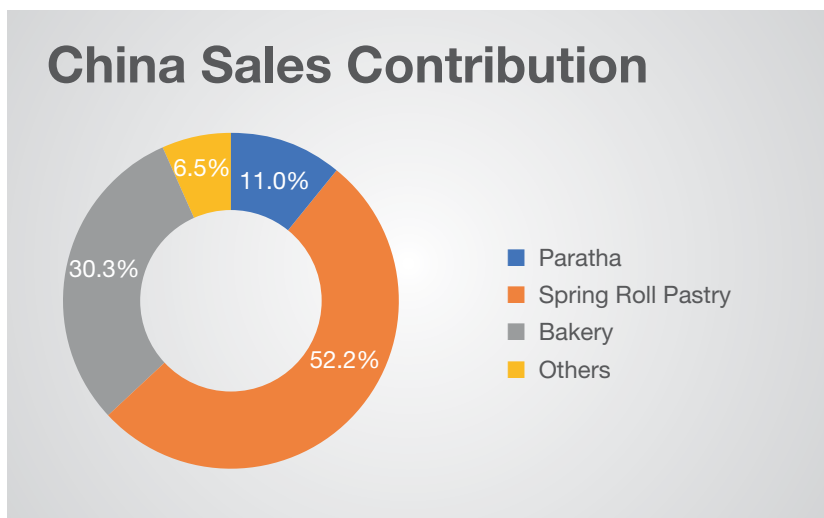
Expanding in new channel – E-commerce

Customers' behaviour is changing too and there is a growing trend of consumers buying online for home delivery. The change in consumers demand drive the pace of change in our technology. In FY2019, we further enhanced our search engine to drive traffic and sales to our online channels. We actively collaborated with major e-commerce platforms such as Lazada, Shopee, Potboy and Jocom to increase our product availability on their platforms. In addition, we collaborated with STP Chilled & Frozen Products and Ta Q Bin to enhance delivery of our products to our consumers. Our sales have increased to RM130k this year. Kawan will continue its efforts to grow our sales using digital and social platforms.

China Operations

Our customers are primarily from Shanghai, Beijing, Jiangsu, Fujian, Hebei, Shandong, Zhejiang, Guangdong and Anhui.

Our customers are mainly industrial users, wholesalers and customers from foodservice channel. The Company distributed the food products in China mainly through our distribution network. The China manufacturing facility also export products into the world market. In FY2019, domestic sales accounted for 48.5% of our revenue in China and 51.5% of our revenue from sales to customers for export markets.



The China operation's revenue decreased by 5.4% from RM35.4 million in FY2018 to RM33.5 million in the FY2019 mainly due to lower export sales. Nevertheless, our China's revenue continued to increase significantly by 30.9% to RM16.3m in FY2019 due to increase in demand for tortilla product. Our tortilla sales continued to perform well in the China market mainly due to growing demand for western style convenience food from the China consumers. The trend has continued to gain momentum and drive the demand for our products.

Management Discussion and Analysis

(cont'd)

Our People

Our people are our strength. We believe that each and every staff in Kawan is part of us and plays an important role in our success.

We create long term value through our people with our values:



RESPONSIBILITY

We take ownership and responsibility of our results.



TEAMWORK

We work together as a team to achieve our mission by having open communication, mutual respect and sharing of knowledge.



INTEGRITY

We are committed to be fair & honest in all our dealings and adhere to the highest ethical standards.



DISCIPLINE

We are dedicated and committed to achieve higher efficiency and effectiveness.



INNOVATIVE

Innovative We embrace new ideas and constantly changing to meet customers' needs.

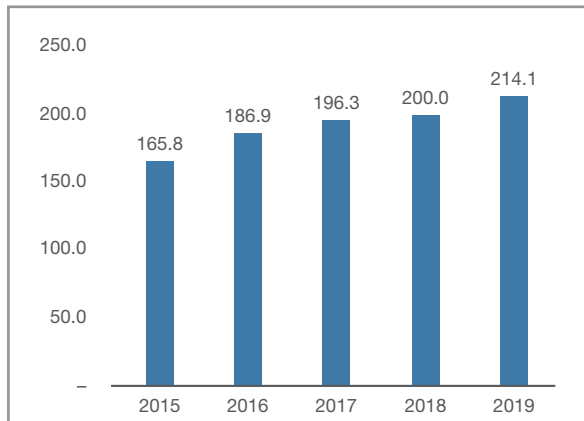
These values guide us on how we should manage our business and to provide Kawan an edge over its business worldwide. Our people have dedicated their professionalism in a year of significant change.

Management Discussion and Analysis
(cont'd)

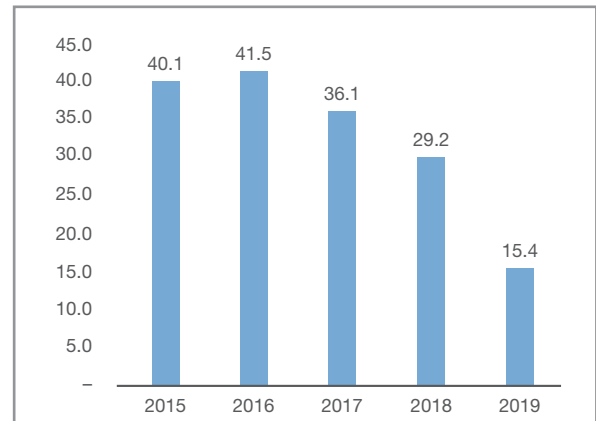
FINANCIAL PERFORMANCE REVIEW

OUR KEY INDICATORS

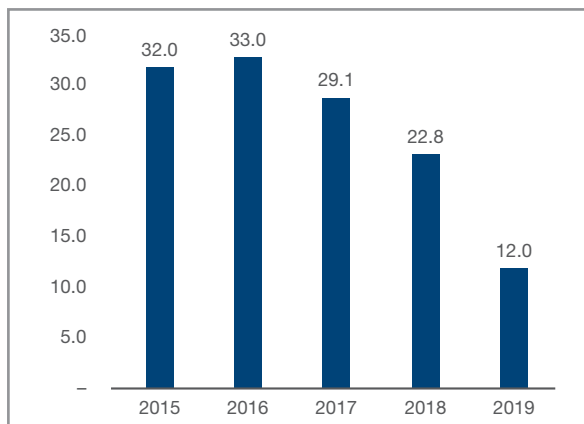
REVENUE (RM'mil)



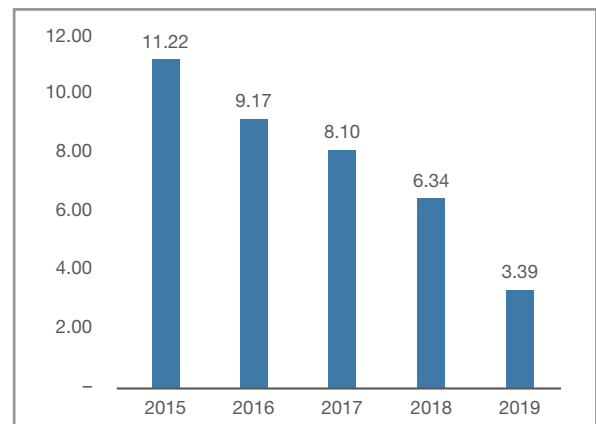
PROFIT BEFORE TAXATION ("PBT") (RM'mil)



PROFIT AFTER TAXATION ("PAT") (RM'mil)

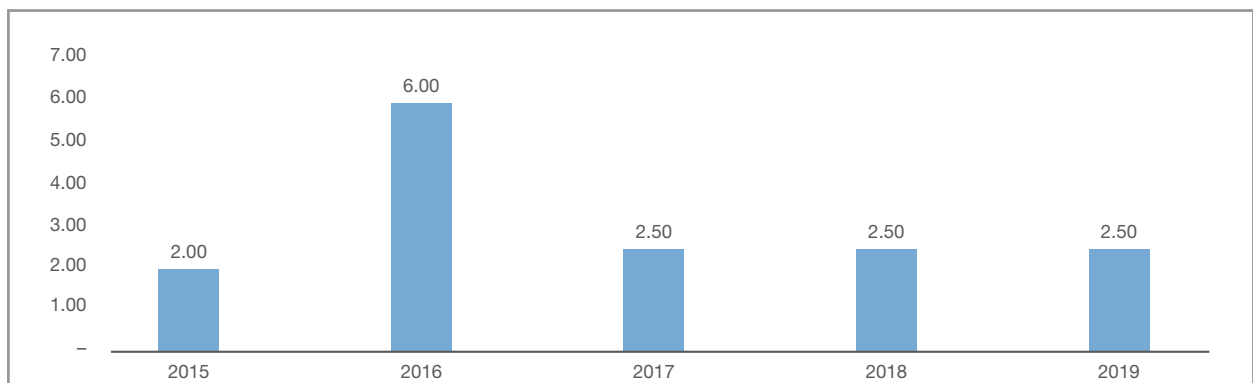


EARNINGS PER SHARE ("EPS") (sen)



*restated due to adjustments made for bonus issue

DIVIDEND PER SHARE ("DPS") (sen)



Management Discussion and Analysis

(cont'd)

STATEMENT OF PROFIT AND LOSS (RM'000)

	2015	2016	2017	2018	2019
Revenue	165,773	186,948	196,282	199,985	214,087
Profit Before Tax	40,135	41,540	36,052	29,244	15,354
Taxation	8,100	8,558	6,946	6,437	3,340
Profit After Tax	32,035	32,982	29,106	22,807	12,014
Non-Controlling Interests	-	-	-	-	(176)
Dividends	3,657	15,197	6,741	8,988	8,988
Bonus Issues	-	-	7,405	-	-
Retained Earnings (opening)	57,932	86,310	104,095	119,055	132,874
Retained Earnings (closing)	86,310	104,095	119,055	132,874	136,076

STATEMENT OF FINANCIAL POSITION (RM'000)

	2015	2016	2017	2018	2019
Issued and Paid-up Share Capital	104,839	134,820	179,760	179,760	179,760
Share Premium	11,751	37,535	-	-	-
Non-Distributable Reserve	13,906	14,984	9,985	8,831	8,080
Retained Earnings	86,310	104,094	119,055	132,874	136,076
Shareholders' Fund	216,806	291,434	308,800	321,465	323,916
Non-Controlling Interests	-	-	-	-	1,024
Deferred Taxation	59	291	1,199	5,660	7,384
Long Term Borrowings	25,358	20,226	16,603	12,980	9,358
	242,223	311,951	326,602	340,105	341,682
Property, Plant and Equipment, Investment Properties, Right-of-use assets and Prepaid Lease Payments	158,684	207,565	236,463	249,827	252,185
Deferred Taxation	188	278	407	476	465
Net Current Assets	83,351	104,108	89,732	89,802	89,032
	242,223	311,951	326,602	340,105	341,682

Management Discussion and Analysis

(cont'd)

FINANCIAL RATIOS

	2015	2016	2017	2018	2019
Revenue growth (%)	10.87	12.77	4.99	1.89	7.05
Current ratio (times)	3.66	3.60	3.17	3.44	3.15
Cash ratio (times)	2.01	2.01	1.52	1.07	1.18
P/E ratio (times)	32.28	41.44	36.30	30.13	41.00
Total borrowings/Equity (%)	12.19	8.18	7.89	5.16	4.85
Long-term borrowings/ Equity (%)	11.70	6.94	5.38	4.04	2.88
Basic earnings per share (sen)	*11.12	*9.17	8.10	6.34	3.39
Dividend per share (sen)	2.00	6.00	2.50	2.50	2.50
Net assets per share attributable to shareholders of the Company (RM)	1.03	1.08	0.86	0.89	0.90
Share Price - High (RM)	4.00	4.00	5.07	3.08	1.96
Share Price - Low (RM)	1.40	3.00	2.90	1.81	1.18
Share price at 31 December	3.59	3.80	2.94	1.91	1.39
Company market capitalisation (RM'000)	752,742	1,024,631	1,056,988	686,683	499,732

* restated due to adjustments for bonus issue

FIVE YEAR DIVIDEND PAYMENT AS % OF PROFIT AFTER TAX

	2015	2016	2017	2018	2019
Profit After Tax (RM'000)	32,035	32,982	29,106	22,807	12,014
Dividend Paid (RM'000)	3,657	15,197	6,741	8,988	8,988
Dividend Payment as % of Profit after Tax	11%	46%	23%	39%	75%

The Group revenue increased by 7.1% to RM214.1 million in FY2019. The increase in revenue was largely attributed to higher sales orders from our customers in export markets.

In term of revenue contribution by geographical segments, Malaysia remained the largest market for Kawan, generating 39.4% of the Group turnover, followed by North America (25.6%) and Asia (20.9%).

The Group PBT in FY2019 dropped by 47.5% to RM15.4 million. The decrease in PBT was mainly attributed to higher operating costs such as depreciation and labour costs.

Management Discussion and Analysis

(cont'd)

Capital Expenditure

During the year under review, the Group incurred capital expenditure amounting to RM21.2 million on acquisition of equipment such as new production lines for the Pulau Indah expansion project. This was funded through internally generated funds.

Dividend

In FY2019, the Company declared and paid an interim single tier dividend of 2.5 sen per ordinary share amounting to RM8.99 million.

On 3 March 2020, the Company declared an interim single tier dividend of 2.5 sen per ordinary share amounting to RM8.99 million in respect of the FY2020. The dividend was paid on 30 March 2020.

Outlook

Today, the COVID-19 pandemic has adversely affected the world and resulted in global economic uncertainties. These economic uncertainties will continue for the foreseeable future with social distancing being a key feature. Malaysian and export markets are expected to remain challenging given that the consumers will reduce their discretionary spending in the months ahead due to such uncertainties. Nevertheless, the consumers can avail themselves to Kawan products which are affordable and good value for money, especially in times when there is a need to tighten the belts.

We will continue to introduce new innovative products. This includes quality value for money low GI products for consumers who opt for healthy lifestyle. As we continue to increase our product offerings, we are finding new and exciting ways to engage our consumers to create better customer experiences. This will in turn drive higher sales and customer loyalty to create long term sustainable value across the business.

In the meantime, we have set out to develop business continuity planning for our Company so that we could minimise disruption to our operations and ensure that our business continues to remain viable.

Our six hundred thirty-five (635) employees are the heart & DNA of Kawan and we have put in place a succession plan for our people so that Kawan will be better prepared for the further changes ahead. Our employees at Kawan are very dedicated and I am impressed by their commitments to the business particularly during the COVID-19 outbreak and the Malaysia Movement Control Order periods.

Appreciation

We responded promptly to unexpected changes in our operating environment over the year and now we are progressing so that we can deliver sustainable growth to our investors and our people.

I am thankful to my Board for their invaluable contribution, commitment and guidance throughout the year. On behalf of the Board, I would like to thank all our employees for your hard work and dedication to the Group. We have great people working with their loyalty to help to drive the transformation. I would also like to thank our other stakeholders – customers, suppliers, business partners and shareholders for your trust and confidence in Kawan. I recognise that we face challenges and I am optimistic that we can and will make Kawan better.

Timothy Tan Heng Han
Group Managing Director



BOARD OF DIRECTORS

Seated from left to right

GAN THIAM CHAI

Executive Chairman

**NARESHCHANDRA
GORDHANDAS NAGRECHA**

Non-Independent Non-Executive
Director

GAN THIAM HOCK

Non-Independent Executive Director

Standing from left to right

KWAN SOK KAY

Non-Independent Executive Director

TIMOTHY TAN HENG HAN

Group Managing Director

LIM HUN SOON @ DAVID LIM

Independent Non-Executive Director

ABDUL RAZAK BIN SHAKOR

Non-Independent Non-Executive
Director

**DR. NIK ISMAIL BIN NIK
DAUD**

Senior Independent Non-Executive
Director

EUGENE HON KAH WENG

Independent Non-Executive Director



Board Of Directors
(cont'd)



BOARD OF DIRECTORS' PROFILES



Gan Thiam Chai

MALAYSIAN, MALE, AGED 66
EXECUTIVE CHAIRMAN

Gan Thiam Chai ("Mr. T.C. Gan") was appointed to the Board on 1 June 2005 and has been the Executive Chairman since 1 March 2010.

Mr. T.C. Gan has accumulated more than 30 years of experience in the food processing industry. After leaving school in 1971, he joined Behn Meyer Industries Sdn. Bhd. as a Technical Assistant. He left the company in 1976 and set up Kian Guan Trading Co. in 1977. In 1984, he founded Kawan Food Manufacturing Sdn. Bhd. ("KFM"). The growth of KFM from small business to an award-winning enterprise is attributable to his efforts.

His business acumen and sound technical knowledge in the food industry is an invaluable asset to the Group. He is responsible for the overall business planning and development, product research and development, transformation and modernisation of food production process through automation, formulation of companies' strategic plans and policies.

Mr. T.C. Gan is the husband of Mdm. Kwan Sok Kay, brother of Mr. Gan Thiam Hock and father-in-law to Mr. Timothy Tan Heng Han. He has no conflict of interest with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2019.

Board of Directors' Profiles
(cont'd)

Timothy Tan Heng Han

MALAYSIAN, MALE, AGED 38
GROUP MANAGING DIRECTOR

Timothy Tan Heng Han (“Mr. Timothy Tan”) was appointed to the Board on 25 November 2013 and redesignated as Managing Director of Kawan Food Berhad on 21 April 2015. Mr. Timothy Tan was also redesignated as Group Managing Director of Kawan Food Berhad and its subsidiaries on 31 January 2020.

Mr. Timothy Tan graduated with Bachelor of Business in Marketing (Sub majors in Business Information Systems and Advanced Advertising) from the University of Technology Sydney, Australia. He also obtained Diploma in Marketing Communications from International Advertising Association and Diploma in Marketing Research from Marketing Research Society of Australia.

He began his career in year 2003 as a Worksite Marketing Executive in Allianz Life Insurance (M) Berhad. In year 2004, he joined KFM as Marketing Executive and was promoted to the Deputy General Manager (Exports) for the Group. In addition, he also oversees the launch of new products in existing and new markets for brands owned by the Group in overseas markets.

Mr. Timothy Tan is the son-in-law of Mr. T.C. Gan and Mdm. Kwan Sok Kay. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2019.

Board of Directors' Profiles (cont'd)



Gan Thiam Hock

MALAYSIAN, MALE, AGED 57
NON-INDEPENDENT EXECUTIVE DIRECTOR

Gan Thiam Hock ("Mr. T.H. Gan") was appointed to the Board on 1 June 2005.

Mr. T.H. Gan has over 30 years of experience in the marketing of pastry and frozen food products. After leaving school in 1981, he joined Mr. T. C. Gan at Kian Guan Trading Co. He is also the co-founder of KFM and holding the position of the Sales Director, a position he continues to hold until today.

Mr. T.H. Gan is responsible for the overall expansion and development of the marketing networks of the Group, as well as implementation of sales, distributions and promotional activities for the domestic market.

Mr. T.H. Gan is the brother of Mr. T.C. Gan and brother-in-law to Mdm. Kwan Sok Kay. He has no conflict of interests with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2019.

Board of Directors' Profiles
(cont'd)



Kwan Sok Kay

MALAYSIAN, FEMALE, AGED 65
NON-INDEPENDENT EXECUTIVE DIRECTOR

Kwan Sok Kay ("Mdm. Kwan") was appointed to the Board on 1 June 2005.

After leaving school in 1973, she was involved in book-keeping work in several companies until she joined Unic Plastics Industries Sdn. Bhd., a plastic products manufacturing company, as an Account cum Administrative Assistant in 1975. Subsequently, she joined KFM in 1984 as a Director, before holding the post of Finance Director in 1986.

Mdm. Kwan is responsible for the financial management and administrative functions of the Group, as well as the implementation of accounting and operational procedures and human resource policies.

Mdm. Kwan is the wife of Mr. T.C. Gan, sister-in-law of Mr. T.H. Gan and mother-in-law of Mr. Timothy Tan. She has no conflict of interests with the Company. She has never been convicted for any offence within the past five (5) years. She attended all the five (5) Board Meetings held during the financial year ended 31 December 2019.

Board of Directors' Profiles (cont'd)



Dr. Nik Ismail Bin Nik Daud

MALAYSIAN, MALE, AGED 69
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Nik Ismail Bin Nik Daud ("Dr. Nik") was appointed to the Board on 2 January 2017. He was appointed by the Board as Senior Independent Non-Executive Director on 8 April 2019. He is also the Chairman of the Remuneration Committee, a member of Audit Committee and Nominating Committee of the Company.

Dr. Nik Ismail graduated with a Bachelor of Agricultural Science (Hons) from University of Malaya in 1975. Subsequently, he obtained a Postgraduate Diploma in Food Science from the Catholic University of Leuven, Belgium in 1976, a Master of Science in Food Science & Microbiology from University of Strathclyde, Scotland in 1978, a PhD in Food Science from University of London, United Kingdom in 1983 and a Master of Business Administration from Universiti Kebangsaan Malaysia ("UKM") in 1987.

He began his career as a lecturer on various subjects such as food quality and safety systems, food microbiology, food analysis, new product development, food legislation and operations management, management of biotechnology and entrepreneurship in science and technology for undergraduate and graduate levels in UKM in 1978. He has also conducted workshops for many food companies and government agencies on food technology and industry related topics since 1983. His industry experience includes holding positions in food companies. He was appointed as Managing Director of UKM Holdings Sdn. Bhd. in 2006 till 2014.

Dr. Nik had been a member of various committees including National HACCP and Audit Committees, Technical Advisory Committee on Malaysian Food Regulations, 1985, Member of National Food Safety and Nutrition Council, National Codex Alimentarius Committee and Malaysia Standards (MS) on Food products and Food Safety. Currently he chairs the drafting of MS on Coffee and coffee products.

Dr. Nik was the President of the Malaysian Institute of Food Technology for 18 years until 2014 and was also past President of Federation of Institute Food Science and Technology, ASEAN (FIFSTA). He is a Fellow of International Academy of Food Science and Technology. He was appointed as the Independent Non-Executive Director of Bioalpha Holdings Berhad on 30 June 2011 and had recently retire from the Board of Bioalpha Holdings Berhad on 30 April 2020.

Dr. Nik was a member of various national committees including the National HACCP Committee, National HACCP Audit Committee, Technical Advisory Committee on Malaysian Food Regulations, 1985, Technical Committee of the National Food Safety Council, Malaysia, Member of National Food Safety and Nutrition Council, Malaysia, National Codex Alimentarius Committee, Malaysian Standards on Coffee, Beverages, Flour, Starches and Food Safety and a Member of the Industrial Standard of Food and Food Products. In addition, he was the president of the Malaysian Institute of Food Technology for eighteen years (18) years until 2014 and was also past President of Federation of Institute Food Science and Technology, Association of South East Asian Nations (FIFSTA).

Dr. Nik does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2019.

Board of Directors' Profiles
(cont'd)

Nareshchandra Gordhandas Nagrecha

BRITISH, MALE, AGED 69
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Nareshchandra Gordhandas Nagrecha (“Mr. Nagrecha”) was appointed to the Board on 31 December 2009.

Mr. Nagrecha graduated with a degree in Chemistry-Microbiology from Bombay University and completed Master of Science (M.Sc) degree in Food Science at the Reading University, United Kingdom (“UK”). He subsequently obtained Post-graduate Diploma in Management Studies.

Starting his career in Research and Development in Food and Drink Industry, in 1982, he jointly founded Rubicon Drinks Limited, a company incorporated in England and Wales, to produce and distribute Exotic Juice Drinks for the ethnic South Asian community. The company grew rapidly and is now considered to be part of the mainstream drinks chain in the UK. In August 2008, the company was sold to AG Barr plc, the third largest drinks manufacturer in the UK.

The Nagrecha Group own Rubicon Food Products Limited (“RFPL”), a company incorporated in Canada. RFPL, which manufactures and distributes the Rubicon range of drinks as well as imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in North America.

Mr. Nagrecha is also the beneficial owner of Shana Foods Limited, a company incorporated in England and Wales, which imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in Europe.

In 2010, Mr. Nagrecha ventured into hospitality industry and set up the “Sandalwood Hotel & Retreat” in Goa, India. Since its opening, it has been awarded the “Certificate of Excellence” for five (5) consecutive years by Tripadvisor and is now in the Hall of Fame.

Mr. Nagrecha is now settled in Malaysia and is presently strategically managing all Nagrecha Group businesses in the rest of the world.

Mr. Nagrecha is keenly involved in charitable work with Sanskaruti Foundation UK and Jamnaben Gordhandas Nagrecha foundation. His special interest is in educating the needy.

Mr. Nagrecha does not have any family relationship with any Director and/or major shareholder of the Company except that he is deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his substantial shareholding in Narvee Foundation. He has never been convicted for any offence within the past five (5) years. He attended three (3) out of the five (5) Board Meetings held during the financial year ended 31 December 2019.

Board of Directors' Profiles (cont'd)



Abdul Razak Bin Shakor

MALAYSIAN, MALE, AGED 62
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Abdul Razak Bin Shakor (“Encik Abdul Razak”) was appointed to the Board on 16 August 2016 and is also a member of the Nominating Committee of the Company.

Encik Abdul Razak attended Institute Technology MARA, Malaysia, majoring in Insurance. He has obtained Certificate from Lloyds of London, Chartered Insurance Institute (Cert. CII), United Kingdom (“UK”) and Institute of Risk Management (Cert IRM), UK and is a Fellow of the Malaysian Insurance Institute (FMII). He has more than thirty-eight (38) years extensive working experience in risk management, insurance and financial services sector in Malaysia and internationally. He has served in key regional management positions in South-East Asia and the Middle-East and North Africa for multinational/international organisations. Currently, Encik Abdul Razak is the Founder and Managing Director of Esperanza

Management Advisors Sdn. Bhd., a Specialist Risk Management consulting services firm and Chairman of Alloy Insurance Brokers Sdn. Bhd., a Bank Negara licensed insurance, reinsurance and takaful insurance broking company. He is also a member of the Board Risk Committee of PERKESO.

Encik Abdul Razak does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended four (4) out of (5) Board Meetings held during the financial year ended 31 December 2019.

Board of Directors' Profiles
(cont'd)**Lim Hun Soon @ David Lim**

MALAYSIAN, MALE, AGED 64
INDEPENDENT NON-EXECUTIVE DIRECTOR

Lim Hun Soon @ David Lim ("Mr. Lim") was appointed to the Board on 21 October 2015. He is also the Chairman of the Audit Committee and a member of Remuneration Committee of the Company.

Mr. Lim graduated with a Bachelor of Arts in Economics from the University of Leeds in 1978 and subsequently joined Peat Marwick Mitchell (now known as KPMG) in the United Kingdom ("UK") in 1978. He qualified as a member of the Institute of Taxation, UK in 1981 and as a Chartered Accountant in England and Wales in 1982. He returned to Malaysia in 1982 to continue his service with KPMG, and was admitted as a member of the Malaysian Institute of Accountants ("MIA") and the Malaysian Association of Certified Public Accountants (now known as the Malaysian Institute of Certified Public Accountants ("MICPA")) in 1982 and 1984 respectively.

Mr. Lim had an extensive career serving as an Auditor at KPMG, spanning 33 years. During his career with KPMG, he was admitted as Partner of the firm in 1990 and served in the Management Committee of the firm from 1997 to 2001 and in KPMG's Partnership Supervisory Council from 2002 to 2010. He was also the Asian Anchor Practice representative for Marketing from 2000 to 2001, in which role he gained extensive and insightful knowledge from KPMG Global counterparts worldwide.

In 2006, he was tasked to start up the Audit Committee Institute, Malaysia ("ACI Malaysia"), which is a virtual worldwide initiative sponsored by KPMG to assist independent directors in enhancing their awareness and ability to implement effective board processes.

Mr. Lim actively served as an examiner for Company Law examinations conducted by the MICPA for over a period of ten (10) years. He was the Chairman of the MICPA Code of Ethics Committee and a member of the MIA Code of Ethics Committee, both from 2002 to 2004. He retired from KPMG in 2011. In 2013, he was appointed as Council member of The Institute of Chartered Accountants in England & Wales ("ICAEW"). This was the first time that ICAEW, in its illustrious history had appointed a Malaysian on Council. The position was for a term of two (2) years till 2015; this was subsequently renewed for a second term of two (2) years to 2017. Mr. Lim's term as Council member was renewed in 2017 for a third and final term of two (2) years till mid 2019.

Mr. Lim holds directorship in public listed companies, he is an Independent Non-Executive Director of Manulife Holdings Berhad, Sasbadi Holdings Berhad, Ranhill Utilities Berhad (formerly known as Ranhill Holdings Berhad) and Press Metal Aluminium Holdings Berhad. He also holds directorship in Manulife Insurance Berhad, Fairview Schools Berhad, Affin Investment Berhad, Affin Hwang Investment Bank Berhad and Rockwills Trustee Bhd.

Mr. Lim does not have any family relationship with any Director and/or major shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2019.

Board of Directors' Profiles (cont'd)



Eugene Hon Kah Weng

MALAYSIAN, MALE, AGED 61
INDEPENDENT NON-EXECUTIVE DIRECTOR

Eugene Hon Kah Weng (“Mr. Eugene”) was appointed to the Board on 22 November 2018. He was also appointed as Chairman of the Nominating Committee on 27 August 2019 of the Company. He is a member of the Audit Committee and Remuneration Committee of the Company.

Mr. Eugene started his training in accountancy in 1979 with a reputable accounting firm and qualified as a Certified Public Accountant in 1985 with the Malaysian Association of Certified Public Accountants (now renamed as the Malaysian Institute of Certified Public Accountants). He was also admitted into the Malaysian Institute of Accountants as a Chartered Accountant.

Mr. Eugene left the accountancy profession in 1991 and assumed a senior position with a large financial services group covering businesses of merchant banking, finance, insurance, leasing, money broking and consumer financing. In 2011, he joined the Central Bank as Finance Director. While with these organisations, he gained extensive experience in management, finance,

risk management and corporate governance. At the Central Bank, Mr. Eugene acquired invaluable leadership skills and gained extensive experience in corporate governance and risk management relating to central banking operations.

Over the years, Mr. Eugene held key management positions, was a key member of various group committees and also served as a nominee director on the boards of various group companies of the financial services group. At the Central Bank, Mr. Eugene was a key member of the financial risk management committee, crisis management committee and served on the board of trustees for the trust funds of the Bank.

Mr. Eugene does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2019.

KEY MANAGEMENT'S PROFILES

The Management of the Group is headed by the Group Managing Director, Mr. Timothy Tan Heng Han and is assisted by the Executive Directors, Mr. Gan Thiam Hock and Mdm. Kwan Sok Kay and the following key Senior Management:

Yan Wei Dong

GENERAL MANAGER OF KAWAN FOOD (NANTONG) CO., LTD

Nationality: Chinese
Age: 52
Gender: Male

Date of Appointment to current position: March 2012

Qualifications:

- Bachelor of Machinery, Shanghai University
- Executive Master of Business Administration, Dumex Management Institute

Working experience:

- More than 20 years of experience in the areas of marketing, sales and business development in the Fast-Moving Consumer Goods (FMGC) multinational companies prior to joining the Group.
- He joined Kawan in March 2012 as General Manager of Kawan Food Nantong.

Zhao Jian Jian

OPERATIONAL GENERAL MANAGER OF KAWAN FOOD (NANTONG) CO., LTD

Nationality: Chinese
Age: 55
Gender: Male

Date of Appointment to current position: April 2019

Qualifications:

- Food Engineering specialty, Nanjing Agricultural University

Working experience:

- More than 30 years experiences in the areas of production, quality control and operation in large food manufacturing and foreign food companies prior to joining the Group.
- He joined in August 2009 as Plant Manager and was promoted to Operational General Manager in March 2018.

Key Management's Profiles (cont'd)

Low Chiew Lan

HUMAN RESOURCE & OPERATIONS MANAGER

Nationality: Malaysian
Age: 60
Gender: Female

Appointment to current position: March 2013

Qualifications:

- MCE Certificate
- LCCI Intermediate (Accounts)

Working experience:

- More than 35 years experiences in the areas of accounting, human resource management and administration in public listed FMCG companies prior to joining the Group.
- She joined in February 2003 as HR Officer and was promoted to Human Resource & Operations Manager in March 2010.

Khoo Boo Seng, Raymond

HEAD OF EXPORT

Nationality: Malaysian
Age: 50
Gender: Male

Appointment to current position: March 2017

Qualifications:

- SPM

Working experience:

- More than 20 years experiences in the areas of domestic and export sales of FMCG products in various companies that specialise in distributorship.
- He joined in May 2010 as Business Manager and was promoted to Head of Export in 2017.

Lim Heng Hee, Albert

NATIONAL SALES MANAGER

Nationality: Malaysian
Age: 59
Gender: Male

Appointment to current position: January 2012

Qualifications:

- Diploma in Diesel Engineering
- Diploma in Marketing
- LCCI Higher (Commercial Law)

Working experience:

- More than 30 years of experiences in the areas of sales and marketing of FMCG products in trading and manufacturing companies.
- He was appointed as Sales Manager in April 2006 and subsequently promoted to National Sales Manager in 2012.

Additional notes on the above key Senior Management

None of the above key Senior Management has any:

- directorship in public companies and listed issuers;
- family relationship with any director and/or major shareholder of the Company;
- conflict of interests with the Company; and
- conviction for offences within the past five (5) years, and public sanction or penalty imposed by the relevant regulatory bodies on him or her during the financial year ended 31 December 2019, which require disclosure pursuant to paragraph 4A(g) of Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

SUSTAINABILITY STATEMENT

Sustainability Statement

Scope of the Statement

This Sustainability Statement is prepared in accordance with Sustainability Reporting Guide issued by Bursa Malaysia Main Market Securities Berhad. Unless otherwise stated, this Sustainability Statement covers its sustainability performance of the operations in Malaysia for the financial year ended 31 December 2019 ("FY2019"). Kawan continues to monitor, evaluate and make improvements to its sustainability approach.

Sustainability

Listed on the Malaysian Stock Exchange in 2005, Kawan Food Berhad ("Kawan" or "Company") is an established company that enjoys strong market presence in thirty-six (36) countries spanning USA, Europe, Middle East and Asia.

As an established food manufacturer, the Company understands that to be sustainable in the long term, Kawan needs to create value and make positive contributions for the people, society and environment.

In responding to this rapidly changing world, Kawan has incorporated sustainability into its vision, mission, values and business operations. The Company's mission sets an important direction for its employees to put efforts towards achieving the Company's vision while conducting business in a responsible way that brings positive impacts on the economic, society and environment.

The Company will continue to embrace changes and enhance infrastructures to ensure sustainability of its business.

Kawan has a mission to focus on the following:

- To enrich people's lives through consistent delivery of high quality, safe and convenient food;
- To be the leader in developing our new innovation with advance technology;
- To create value in a sustainable way to our stakeholders and contribute to economic, social and environmental developments.

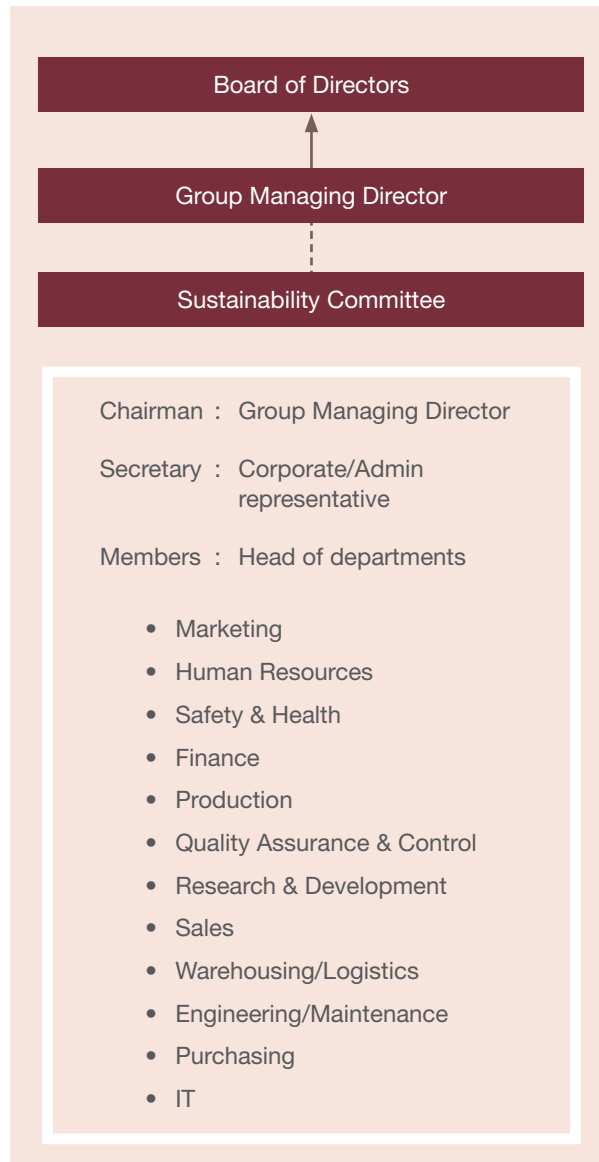
Kawan recognises importance of sustainability in the Company. The Board of Directors ("Board") plays an important role in overseeing sustainability. The Sustainability Committee ("SC") chaired by the Group Managing Director ("GMD") leads and implements sustainability strategies across the business. He reports key sustainability matters to the Board.

The SC comprises Head of Departments who are responsible to manage sustainability strategies and monitor progress of the Company's performance. In FY2019, the SC focused on:

- A) Stakeholders' engagement;
- B) Material matters; and
- C) Sustainable Development Goals (SDGs) & business strategies.

Sustainability Statement (cont'd)

Sustainability Governance Structure



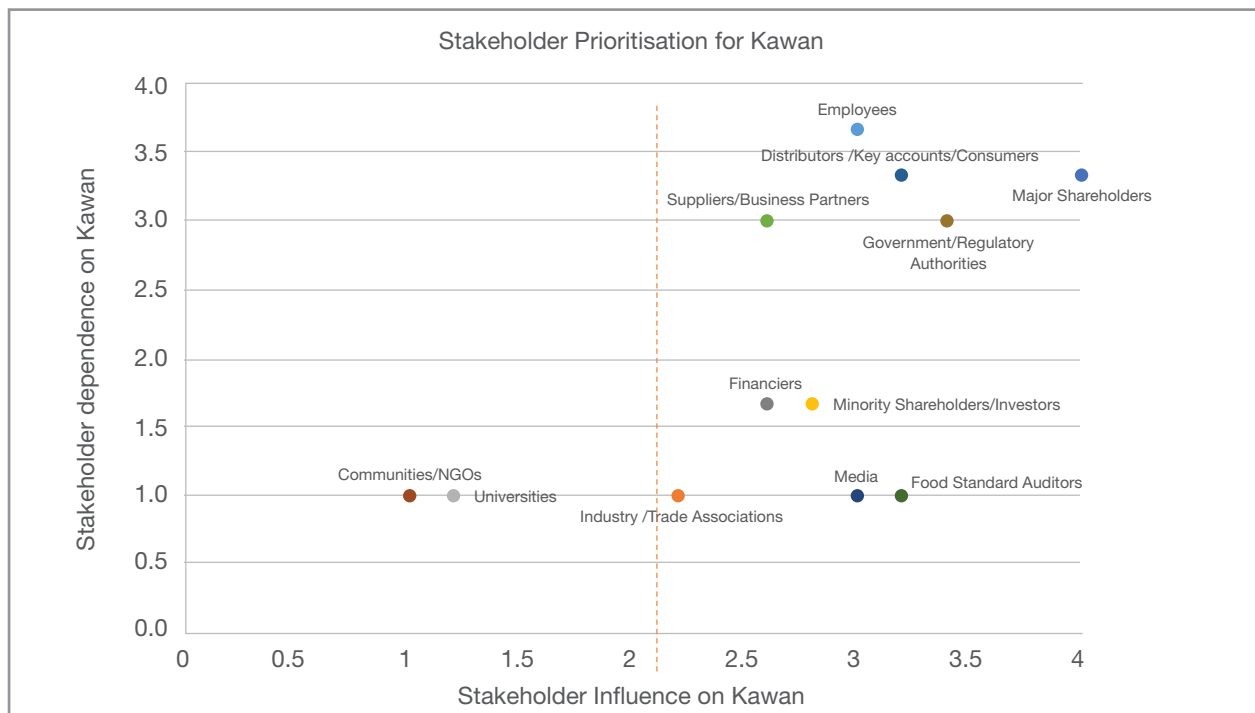
Sustainability Statement
(cont'd)

A) STAKEHOLDER ENGAGEMENT

Stakeholder engagement and feedback are critical to Kawan. Interactions with various stakeholders are carried out extensively through different channels regarding their interests and concerns. Engaging stakeholders enables Kawan to understand its stakeholders' needs and provides valuable inputs/insights for improvements. It also identifies material matters that are important to the stakeholders in its business.

Key stakeholders are:

- Major shareholders
- Employees
- Distributors/Key Accounts/Consumers
- Food Standard Auditors
- Government/Regulatory Authorities
- Suppliers/Business Partners
- Media
- Communities/NGOs
- Industry/Trade Associations
- Minority Shareholders/Investors
- Financiers
- Universities



Sustainability Statement (cont'd)

Stakeholders Engagement Channels

Stakeholders	Engagement Methods	Frequency	Key concerns/Focus Areas	Material matters
Major Shareholders	<ul style="list-style-type: none"> Annual General Meeting/Extra-ordinary General Meeting Quarterly and Annual Reports, Announcements 	<ul style="list-style-type: none"> Annually Quarterly/Annually 	<ul style="list-style-type: none"> Company performance Profitability/Growth Company direction and strategy Dividend Corporate governance Sustainability 	<ul style="list-style-type: none"> Corporate governance and ethics Economic sustainability
Employees	<ul style="list-style-type: none"> Sports & Social Club Events – annual dinner, festive celebrations etc. Departmental Meetings Teambuilding Townhall Kawan Connect (e-Newsletter) Policies and procedures 	<ul style="list-style-type: none"> Ad-hoc Ad-hoc Ongoing Ad-hoc Quarterly Yearly 	<ul style="list-style-type: none"> Employee remuneration and benefits Occupational health & safety Career development and training Corporate strategy 	<ul style="list-style-type: none"> Economic sustainability Occupational health and safety Diversity and inclusion Training and development
Distributors/ Key accounts/ Consumers	<ul style="list-style-type: none"> Customer feedback survey Customer visits/ meeting Exhibitions/Road-shows End-user feedback via email and social media 	<ul style="list-style-type: none"> Quarterly Ongoing Ongoing Ongoing 	<ul style="list-style-type: none"> Product quality On time delivery Stock availability Product innovation Marketing and branding Product knowledge Affordability Customer relations management 	<ul style="list-style-type: none"> Economic sustainability Product safety and quality Product Innovation
Food Standards Auditors	<ul style="list-style-type: none"> Compliance audits 	<ul style="list-style-type: none"> Yearly Ad-hoc check and planned audit 	<ul style="list-style-type: none"> Product quality and safety 	<ul style="list-style-type: none"> Product safety and quality Occupational health and safety
Government/ Regulatory Authorities	<ul style="list-style-type: none"> Statutory submissions Meetings/Workshops Site visits/ conferences 	<ul style="list-style-type: none"> Monthly/ Yearly/ Quarterly Ad-hoc Ad-hoc 	<ul style="list-style-type: none"> Socioeconomic/ Legal compliance Product quality and food safety 	<ul style="list-style-type: none"> Product safety and quality Corporate governance and ethics Environmental management Climate change Economic sustainability

Sustainability Statement
(cont'd)

Stakeholders	Engagement Methods	Frequency	Key concerns/Focus Areas	Material matters
Suppliers/ Business Partners	<ul style="list-style-type: none"> Contractual/annual review Regular meetings Supplier evaluation audits 	<ul style="list-style-type: none"> Quarterly Yearly Ad-hoc 	<ul style="list-style-type: none"> Payment Procurement practices Compliance with rules and regulations Ethics business practices 	<ul style="list-style-type: none"> Economic sustainability Corporate governance and ethics Responsible sourcing Product safety and quality
Media	<ul style="list-style-type: none"> Interviews/Press release Advertisements New product launches 	<ul style="list-style-type: none"> Ad-hoc Ad-hoc Ad-hoc 	<ul style="list-style-type: none"> Product awareness/ new product launch Product information Branding Financial performance 	<ul style="list-style-type: none"> Product safety and quality Corporate governance and ethics Economic sustainability
Communities/ NGOs	<ul style="list-style-type: none"> Corporate Social Responsibility activities 	<ul style="list-style-type: none"> Ad-hoc 	<ul style="list-style-type: none"> Community engagement Social and environmental concerns 	<ul style="list-style-type: none"> Community engagement Climate change Environmental management
Industry and Trade Associations	<ul style="list-style-type: none"> Association meetings Trainings Exhibitions 	<ul style="list-style-type: none"> Ad-hoc Ad-hoc Ad-hoc 	<ul style="list-style-type: none"> Current and future industry outlook and challenges Market trend 	<ul style="list-style-type: none"> Community engagement Climate change Environmental management
Minority Shareholders/ Investors	<ul style="list-style-type: none"> Annual General Meeting/ Extraordinary General Meeting Quarterly and Annual Reports, Announcements Corporate Website Analyst briefings/ meetings 	<ul style="list-style-type: none"> Annually Quarterly/ Annually Ad-hoc Ad-hoc 	<ul style="list-style-type: none"> Company performance Profitability/Growth Company direction and strategy Dividend Corporate governance Sustainability 	<ul style="list-style-type: none"> Corporate governance and ethics Economic sustainability
Financiers	<ul style="list-style-type: none"> Meetings 	<ul style="list-style-type: none"> Ad-hoc 	<ul style="list-style-type: none"> Financial performance 	<ul style="list-style-type: none"> Economic sustainability
Universities	<ul style="list-style-type: none"> Training Internships 	<ul style="list-style-type: none"> Ad-hoc Ad-hoc 	<ul style="list-style-type: none"> Training 	<ul style="list-style-type: none"> Training and development

Sustainability Statement (cont'd)

B) MATERIAL MATTERS

In previous year, the Company conducted a materiality assessment to identify, assess and prioritise sustainability matters that are relevant to Kawan and its stakeholders. In FY2019, Kawan reviewed and updated its materiality matrix taking into account internal and external stakeholders' perspective during the engagement. The material issues were prioritised based on the significance of impact of each issue on Kawan and the importance of each issue to its stakeholders.

The materiality review showed that eleven (11) key material issues were identified in FY2019, eight (8) of which are of high importance and high influences to Kawan

FY2019 Materiality Matrix

Importance		<ul style="list-style-type: none"> • Economic Sustainability • Occupational Health and Safety • Product Safety and Quality • Environmental Management • Climate change • Product innovation • Responsible Sourcing • Corporate Governance and Ethics
		<ul style="list-style-type: none"> • Diversity and Inclusion • Training and Development
		<ul style="list-style-type: none"> • Community Investment
	Influence	

Sustainability Statement
(cont'd)

C) SUSTAINABLE DEVELOPMENT GOALS (SDGS) & BUSINESS STRATEGIES



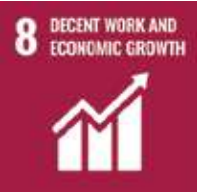
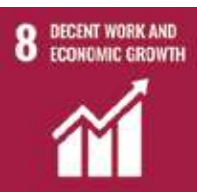




In 2015, United Nations has developed 17 Sustainable Development Goals (SDGs) in efforts to build economic growth and address a range of social needs including education, health, social protection and job opportunities while tackling climate change and environmental protection. This SDGs are intended to be achieved by the year 2030.

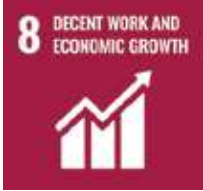
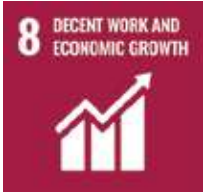



In FY2019, Kawan has identified seven (7) SDGs that are relevant for Kawan to embrace.

Material Matters	Relevant SDGs	SDG Goals	Kawan Strategies
Economic sustainability		PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL	<ul style="list-style-type: none"> Ensuring sustainable business performance and generating employment opportunities. Developing and expanding E-Commerce. Please refer to pages 42 to 43 on Economic Sustainability.

Sustainability Statement
(cont'd)

Material Matters	Relevant SDGs	SDG Goals	Kawan Strategies
Product Safety and Quality	 	<p>ENSURE HEALTHY LIVES AND PROMOTE WELL BEING</p> <p>ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS</p>	<ul style="list-style-type: none"> • Adherence to relevant policies, best practices, regulations and food safety standards • Focus on driving continuous improvements through customers engagements • Please refer to pages 43 to 45 on product safety and quality.
Corporate Governance and Ethics		<p>PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL</p>	<ul style="list-style-type: none"> • Promoting high standards of business conduct • Please refer to page 45 on corporate governance and ethics
Responsible sourcing	 	<p>PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL</p> <p>ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS</p>	<ul style="list-style-type: none"> • Managing supply chain by traceability and engagement with suppliers. • Focus on local sourcing. • Supports Roundtable on Sustainable Palm Oil. • Please refer to page 45 on responsible sourcing.
Product innovation		<p>ENSURE HEALTHY LIVES AND PROMOTE WELL BEING</p>	<ul style="list-style-type: none"> • Focus on innovation to enhance quality of products and inspire people to eat healthier. • Please refer to product innovation on page 46 on our new products launched in FY2019.

Sustainability Statement
(cont'd)

Material Matters	Relevant SDGs	SDG Goals	Kawan Strategies
Diversity and Inclusion		PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL	<ul style="list-style-type: none"> • Provide equal employment and no discrimination. • Sourcing of local workers. • Please refer to pages 47 to 48 on diversity and inclusion.
Training and development		PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL	<ul style="list-style-type: none"> • Continuous training and development of employees. • Please refer to page 49 on training and development.
Occupational health and Safety	 	<p>ENSURE HEALTHY LIVES AND PROMOTE WELL BEING</p> <p>ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS</p>	<ul style="list-style-type: none"> • Increasing awareness of safety and health by implementing campaigns. • Continuous improvement of its occupational safety and health system. • Please refer to pages 49 to 50 on occupational health and safety.
Community Investment		END HUNGER, ACHIEVED FOOD SECURITY AND IMPROVED NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE	<ul style="list-style-type: none"> • Providing food to local communities to support community development in Malaysia. • Please refer to page 51 on how Kawan play its roles in their local communities.

Sustainability Statement
(cont'd)

Material Matters	Relevant SDGs	SDG Goals	Kawan Strategies
Climate change and Environmental Management		ENSURE ACCESS TO WATER AND SANITATION FOR ALL	<ul style="list-style-type: none"> Managing climate change risk by minimising emissions and water that are hazardous to land, air or water environment. Monitoring water leakage, collection of rainwater and waste water treatment to minimize its environmental impact. Adopt energy efficiency practices. Obtained approval in FY2019 for proposal to implement a roof top solar project in FY2020. 3Rs principles– reduce, reuse and recycle for waste management. Please refer to pages 52 to 54 on climate change and environmental management.
		ENSURE ACCESS TO AFFORADABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY	
		TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACT	

ECONOMIC SUSTAINABILITY

A consistent and sustainable business performance enables Kawan to create value for its stakeholders - enhance shareholder value, create opportunities for employees and contribute to the communities in which Kawan operates.

Economic Performance	FY2019	FY2018	FY2017
* Group Revenue	RM214.1m	RM200.0m	RM196.3m
* Group Net Profit	RM12.0m	RM22.8m	RM29.1m
* Group Taxation	RM3.3m	RM6.4m	RM6.9m
Kawan Workforce	480	426	379

* Group refers to Kawan and its subsidiaries

Sustainability Statement (cont'd)

Kawan workforce creates long term value for its customers in thirty-six countries. Kawan maintains leadership in its key markets by offering innovative products such as Low GI products which meet consumers' demands and investing in automation technologies to meet current and future capacity. Automation will allow Kawan to serve its local and international customers more effectively.

Moving forward, Kawan aspires to be one of the leading international food companies which provides quality products that are affordable and good value for money.

Enhancing Kawan Brand

Kawan holds memberships/participation in trade and industry associations which enhance its competitiveness in international market.

The memberships include:

- Malaysia External Trade Development Corporation ("MATRADE"); and
- Federation of Malaysian Manufacturers ("FMM").

These associations also provide Kawan support, training and latest developments in the food industry.

In FY2019, Kawan participated in the following trade exhibitions to promote its latest product range, Low GI range:

- Alimentec, Colombia;
- Gulfood, Dubai; and
- Anuga, Germany.

Expansion of E-commerce

As part of the Company's efforts to increase revenue, the local E-commerce has been expanded progressively. Through e-Commerce, the Company provides better services to meet the expectations of consumers and providing flexibilities to HORECA customers. The expansion of e-Commerce has increased sales to RM133k in FY2019. The Company will continue to invest in the future to enhance capability in e-Commerce.

PRODUCT SAFETY AND QUALITY

Kawan is committed to enriching people's life through consistent delivery of high quality, safe and convenient food to create value for the people. Kawan consistently maintains the highest standard so that consumers are confident when consuming Kawan products. High quality reinforces Kawan brands in the market, encourages customer loyalty and viability of its business.

Food Safety Policy

Kawan adheres strictly to its food safety policy. The policy outlines steps required to identify, control and monitor key points of potential risks in its operation. All Kawan products are manufactured under stringent quality procedures across the supply chain, ranging from sourcing of ingredients, research and development, production, packaging to distribution.

Sustainability Statement (cont'd)

Product safety initiatives to ensure high quality and safe products:

- Regular internal audits on Kawan operations to ensure that specific standards on food safety are met;
- Adopt Hazard Analysis Critical Control Point (HACCP) system at Kawan plants to identify and safeguard against potential food safety risks of operations. whether chemical, physical or microbial in nature. Kawan strives to take adequate steps to assure that potentially unsafe products do not reach consumers;
- Continuous review and improvement on its food safety systems and procedures along the supply chain;
- Continuous investment on new equipment and technology to deliver high food safety and quality standards;
- Ongoing training programmes on employees basic hygiene, Good Manufacturing Practices (GMPs), safety and quality standards; and
- Reinforce a culture of good practices throughout its workforce to ensure that its products adhere to stringent criteria of the new BRC food standard Issue 8.

Compliance with Laws and Standards

In FY2019, Kawan complied with all the relevant national and international food regulations. Kawan facility is certified with internationally and locally recognised standard such as follows:

Product Quality and Safety	<ul style="list-style-type: none"> • BRC (Issue 8) Global Standard for Standard for Food Safety BRC Site Code:4490523 • HACCP Certification (MS1480:2007) • Good Manufacturing Practice Certification • MS1500:2019 - Halal Food General requirements (3rd revision).
Labour	<ul style="list-style-type: none"> • Employment Act 1955
Safety, Health and Environment	<ul style="list-style-type: none"> • Occupational Safety & Health Act, 1994 • Fire Services Act, 1988 • Environmental Quality Act, 1974

This year, its manufacturing facility successfully obtained the new and more stringent BRC Issue 8 certification. The factory is audited annually. Kawan engaged independent professional consultants to assess and conduct compliance tests of its food quality safety system.

Customer Relationship Management

One of Kawan's top priorities is customer satisfaction. Kawan is committed to improve customer experience in providing quality products that meet customer demand and satisfaction. Customer feedback is important to help identify issues in products and/or understand expectations.

In FY2019, Kawan carried out a customer satisfaction survey and 604 customers responded. The survey included questions regarding overall satisfaction, product quality, availability of product, timeliness of products, customer care and complaints etc. The average customer satisfaction score is 4 out of a maximum 5 – indicating a “very good” rating by its customers.

In FY2019, Kawan increased interactions on social media via Facebook such as interactive videos and recipes to capture the interest of consumers. Kawan reached out to one hundred and thirteen thousand (113,000) fans on the Kawan Facebook page. At the same time, Kawan regularly updated on current events and latest products. These initiatives helped to build brand loyalty and recognition.

Sustainability Statement (cont'd)

Kawan had established consumer feedback procedures on consumers enquiries and concerns. Customers and consumers can contact Kawan through sales personnel, website, social media, email or normal post to Kawan. In FY2019, there were various enquires and one hundred (100) complaints on product quality. All complaints were investigated and necessary actions have been taken to prevent re-occurrence of the issues.

CORPORATE GOVERNANCE AND ETHICS

Good corporate governance and ethical business practices are essential to long term success of the Company. Strong corporate governance and ethics set the tone for the culture of Kawan and provide guidance for employees in making decisions. At Kawan, we understand that having sound corporate governance practices not only increase the confidence level of the shareholders but drive business development whilst conducting business in compliance with the law and highest standard of business ethics.

The Kawan Code of Conduct and Ethics (“COCE”) is applicable to all employees. Third parties such as suppliers, vendors and contractors are required to act consistently with the COCE. New employees are required to review the COCE as part of their induction programme and provide attestation to the statement that they have read, understand and will comply with the COCE.

The COCE includes provisions relating to prohibited activities or misconduct such as anti-corruption, money laundering and insider trading. Kawan has a zero-tolerance approach towards fraud and corruption. Any form of bribes among the employees and third parties with whom Kawan conducts business with is strictly prohibited.

Kawan has a whistleblowing policy which provides employees and public members with an avenue to raise concerns and/or report activities that may be unethical, improper or in violation of rules and regulations with confidentiality and anonymously. The implementation of the whistleblowing process is overseen by the Audit Committee. The whistleblowing procedures are available on the corporate website.

RESPONSIBLE SOURCING

Ensuring a sustainable supply chain is vital to the business as Kawan is sourcing a variety of raw materials for production- ingredients for food; paper and plastics for packaging, machines for the manufacturing plants and warehouses.

As one of the leading food manufacturers, Kawan is committed to responsible sourcing in order to provide high quality products for its customers. Kawan purchasing policy sets out clear requirements, of which all Kawan suppliers must adhere to. The policy is in line with the standards set forth by BRC food standards. All Kawan suppliers are assessed and approved either by an independent third-party audit or independent traceability reports.

In FY2019, all suppliers were assessed on compliance with Kawan standards on quality and food safety, delivery, service, safety, health and environment. The results of these assessments indicated that more than 90% of the suppliers were able to comply with criterias set out in Kawan purchasing policy. There was a 10% improvement in suppliers which met Kawan delivery schedules on a timely basis. For non-compliant suppliers, audits at the suppliers’ sites to identify the issues were conducted. Kawan works closely with the suppliers to resolve identified issues within a predetermined period.

Kawan focuses on local sourcing to contribute to local economic development. As such, 90% of the ingredients are sourced locally. Kawan also engages with local suppliers which are closer to its operations to minimise costs and environmental impacts from transportation.

Kawan supports Roundtable on Sustainable Palm Oil (“RSPO”) – an organisation that promotes growth and use of sustainable palm oil. Kawan purchases palm oil from RSPO members for Kawan’s products.

Sustainability Statement (cont'd)

PRODUCT INNOVATION

Kawan continues to focus on making products to create long term value for consumers based on the following principles:

- Functionality – products that are convenient to the end users.
- Quality – high quality products for daily life.
- Sustainability– products that are good for people, society and environment.
- Affordability– products that are affordable to most people.

New products launched in FY2019:

- Jia You Liang Yuan product range such as pumpkin pancake, seaweed pancake, scallion pancake and sweet potato pancake targeting at Chinese consumers worldwide;
- Healthier products: Low GlS – paratha and chapatti to promote good eating habits;
- Malabar roti; and
- Sweet potato balls.

Kawan Workforce

Kawan Values

In Kawan, its workforce lives by a set of shared values. These values provide guidance for the workforce to act and behave.

Although Kawan has been experiencing a lot of changes, its values remain steadfast.

Kawan Values

- **Responsibility**
We take ownership and responsibility for our actions
- **Teamwork**
We work together as a team to achieve our mission by having open communication, mutual respect and sharing of knowledge.
- **Integrity**
We are committed to be fair & honest in all our dealings and adhere to the highest ethical standards
- **Discipline**
We are dedicated and committed to achieve higher efficiency and effectiveness.
- **Innovation**
We embrace new ideas and constantly changing to meet customers' needs.

Kawan expects all employees to fully embrace its values. Through its corporate values, the employees drive performance and generate sustainable future for all stakeholders.

Sustainability Statement
(cont'd)

Diversity and inclusion

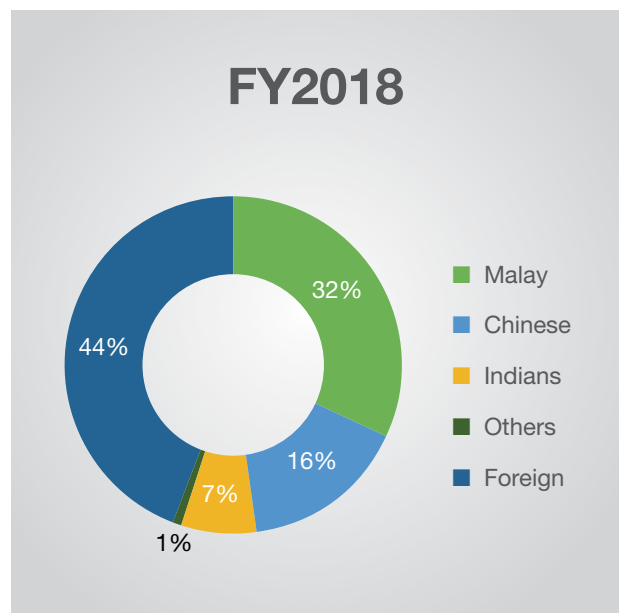
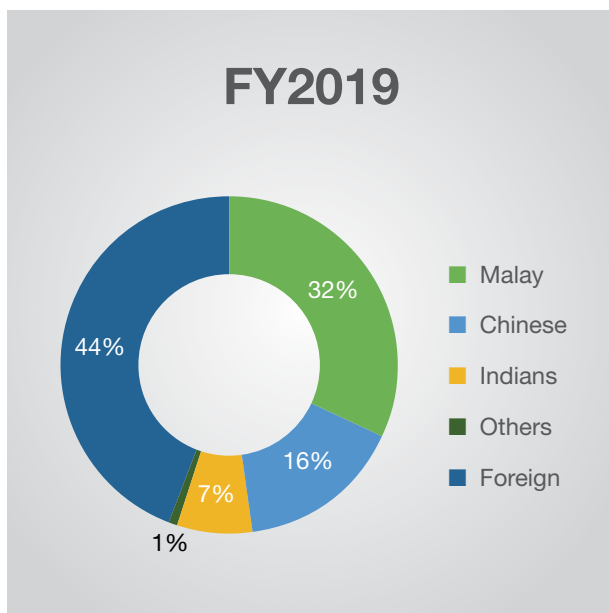
Kawan Diversity Policy aims at creating an inclusive and diverse working environment where each person feels appreciated and has the opportunities to learn, develop and contribute.

Kawan focuses on recruiting and promoting ethnically diverse workforce based on merit, capability and experience. Kawan does not discriminate and employees are treated fairly by providing equal opportunities regardless of their age, gender, identity, ethnicity, race or religion.

Kawan adopts fair labour practice and does not hire child labour or forced labour. The hiring of foreign workers is in compliance with the applicable laws and procedures. The foreign workers are provided with safe accommodation, transportation and medical benefits.

Its Malaysian operations comprised four hundred eighty (480) employees. Priority were given to hiring Malaysian who made up 56% of its workforce.

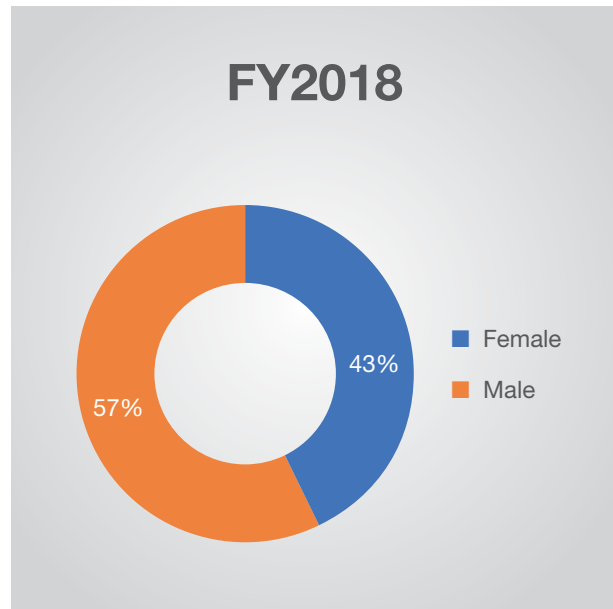
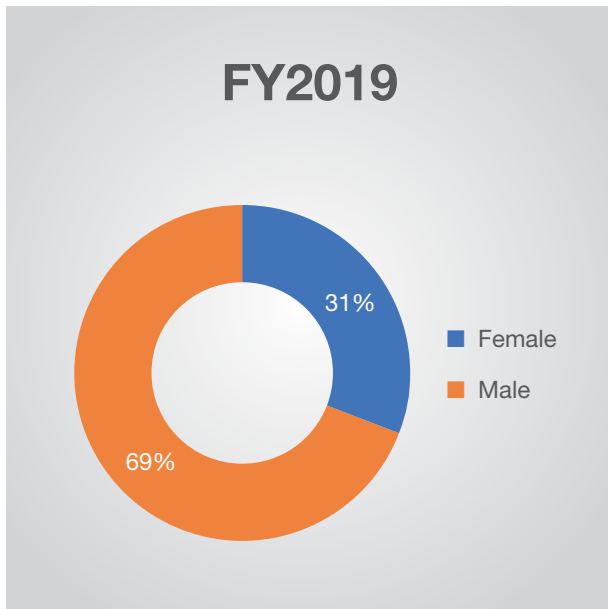
Employment breakdown by Ethnic Groups



All the foreign workers hired are for factory or general work.

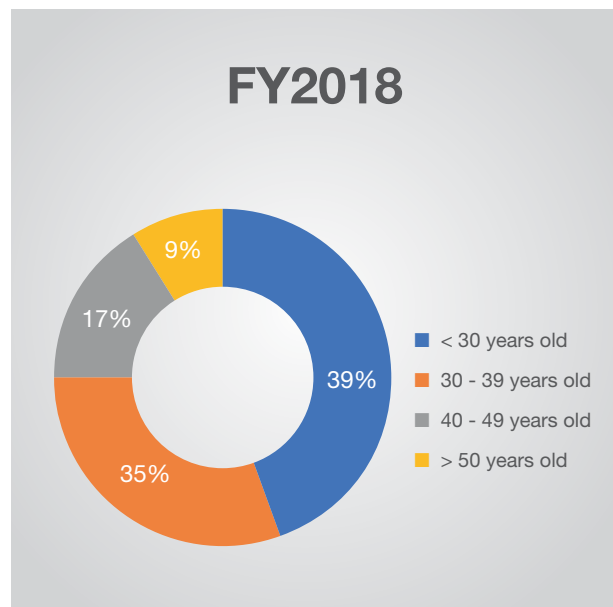
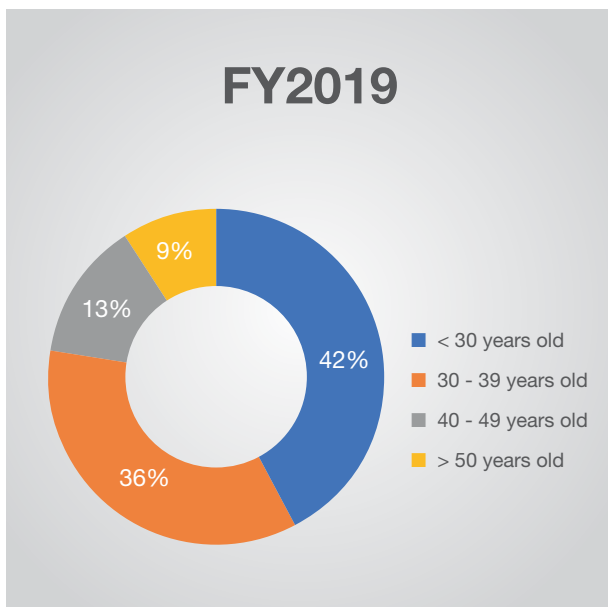
Sustainability Statement
(cont'd)

Employment breakdown by Gender



The higher percentage of male employees is due to the nature of its operation.

Employment breakdown by Age Group



42% of the workforce falls below 30 years old and 36% falls between 30-39 years old.

Sustainability Statement (cont'd)

Workforce Development

People are key to its success. Kawan continues to develop the workforce to manage the business efficiently and effectively towards attaining its long-term business goals. Kawan is committed to attracting, developing and retaining a talented diverse workforce to foster a culture where all the employees have a shared vision, show respect for each other and are determined to make Kawan vision a reality.

Training and development

In this regard, Kawan provides its workforce with ample learning and development opportunities to enhance their capabilities:

- On-the-job training.
- Workshops, classroom training on product knowledge, operations, quality and job specific skills.

Developing leaders is mission critical to its future success. Kawan is committed to develop employees who contribute to the sustainability of its business. Kawan expects employees to learn on the job and through experiential learning to continuously strengthen their leadership abilities.

Simultaneously, Kawan seeks to attract and retain talent to ensure a sustainable growth by utilising various channels including jobs portals for recruitment. In an effort to attract new talent, Kawan engages with universities to provide internship programs where students can further understand their employment opportunities and to develop valuable technical skills.

Occupational Health & Safety

The health and safety of employees are Kawan priorities. Currently, Kawan has four hundred eighty (480) employees and the goal is to reduce unforeseen incidents in the operations through engagement and training. Kawan seeks to create a strong safety culture.

The Company has in place an occupational health and safety policy which covers employees, visitors and contractors. The Health & Safety & Environmental Committee ("HSE Committee") is chaired by the head of Engineering and supported by the respective head of departments. The HSE Committee oversees all health and safety matters as required by applicable laws and regulations for safety working practices. The HSE Committee meets regularly to review safety performance and discuss material matters to keep all employees safe. A safety and health team is tasked to manage the working practices on a regular basis and reduce injury rate.



Sustainability Statement (cont'd)

Kawan has implemented robust safety procedures for all employees to minimise risk. These included providing safety training, inspections, monitoring and reporting of all safety incidents. All new factory workers are required to undertake a safety induction course including proper manual handling, machinery training and fire safety. As such, lost time injuries decreased to three (3) incidents in FY2019 compared to five (5) in FY2018.

The Company further heightened safety measures within its facilities and conducted several awareness programmes to help increase their awareness on health and safety.

Health & Safety initiatives in FY2019

- **Health safety week for employees**

To create awareness for employees safety and to monitor their health, a health safety week was organised in November 2019. The issues discussed included talks on general fire safety, fire safety at work, zero accident prevention, PERKESO scheme & benefit, Ergonomic, insurance and a free basic health screening on blood pressure, glucose, cholesterol, BMI and body composition analysis.

In conjunction with the Workplace Accident Free Week Campaign organised by DOSH in July 2019, Kawan had organised talks on health and safety including chemical register workshop for chemical handler, personal protective equipment training and fire extinguisher drill for ERT team in order to reduce incidents.

- **Fire drill exercise**

Kawan hired a consultant to conduct an Emergency Response training for Emergency Response team. The training is cascaded down to educate and train all the employees on emergency preparedness and proper use of a fire extinguisher.

- **Sport facility**

To encourage its employees to embrace a healthy and active lifestyle, the factory provides a gym for the employees.

Connecting People

Engaging with employees is important and Kawan organises a range of activities to promote engagement through annual dinner, festival celebrations, townhalls etc. "Kawan Connect" is an e-newsletter dedicated to provide employees with latest news and developments of the Company on a quarterly basis.

Kawan celebrates and recognises the achievements and contribution of the staff annually through "Best Employees Awards" and "Long Service Awards". In FY2019, fifty-five (55) employees received their long service awards of 10-25 years for their loyalty.

Kawan encourages open communications between employees and managers including face to face meetings. Kawan has in place a corporate grievance policy and employees can express or report concerns to management via email, telephone etc. There is also an escalation process to engage the Group Managing Director should employees be unable to engage issues with managers or human resources.

Sustainability Statement
(cont'd)

Communities Engagement

Kawan is cognisant of the responsibility to the local communities. In FY2019, Kawan undertook various charitable and volunteering activities in effort to create positive impact to the wider society.

Awareness Program: Importance of Breakfast

On 2 August 2019, Kawan staff went to the SMK Telok Gadong, Klang to spend some time with special children in the school. The children learned about the importance of having breakfast every morning. The head of Marketing conducted a demonstration to the children and teachers on how to prepare simple meals with Kawan parathas. The children were also invited to prepare the meals.

Environmental awareness

In August 2019, Westport Holdings Berhad organised an environmental awareness program – “mangrove planting at Pulau Indah” as an initiative to preserve and restore ecosystem in the Klang area. Kawan supported the initiative by providing lunch and snacks for all the participants. A few of its employees also joined with one hundred seventy participants in the mangrove planting.



Royal Commonwealth Society Iftar night with the orphanage



Giving food to under-privileged families



Winter Solstice celebration with the old folks home

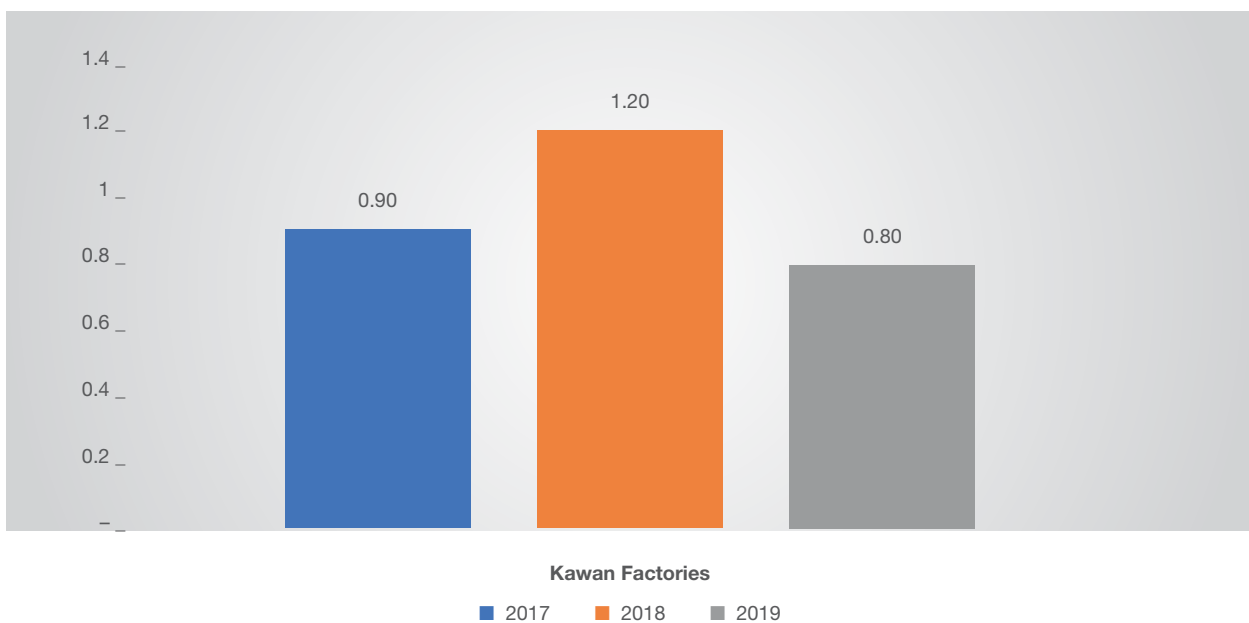
Sustainability Statement (cont'd)

CLIMATE CHANGE AND ENVIRONMENTAL MANAGEMENT

Accelerating climate change has posed emerging uncertainties such as water scarcity and disruption to energy supply. The uncertainties have prompted an increase of rules and regulation with a view to reduce the carbon footprint. Kawan supports global action for climate change. Kawan is committed to find effective ways to reduce its environmental impact, increase operational efficiencies and promote its corporate reputation.

Energy

Energy Use (kWh /kg)



Kawan's main energy sources - electricity, gas and diesel are mainly used for food production and coldroom. Electricity remains the key energy source.

In FY2018, Kawan had embarked on the energy reduction projects to improve operational efficiency and reduce energy use. The projects involved installation of thermal insulation system and ice bank cooling system throughout the building.

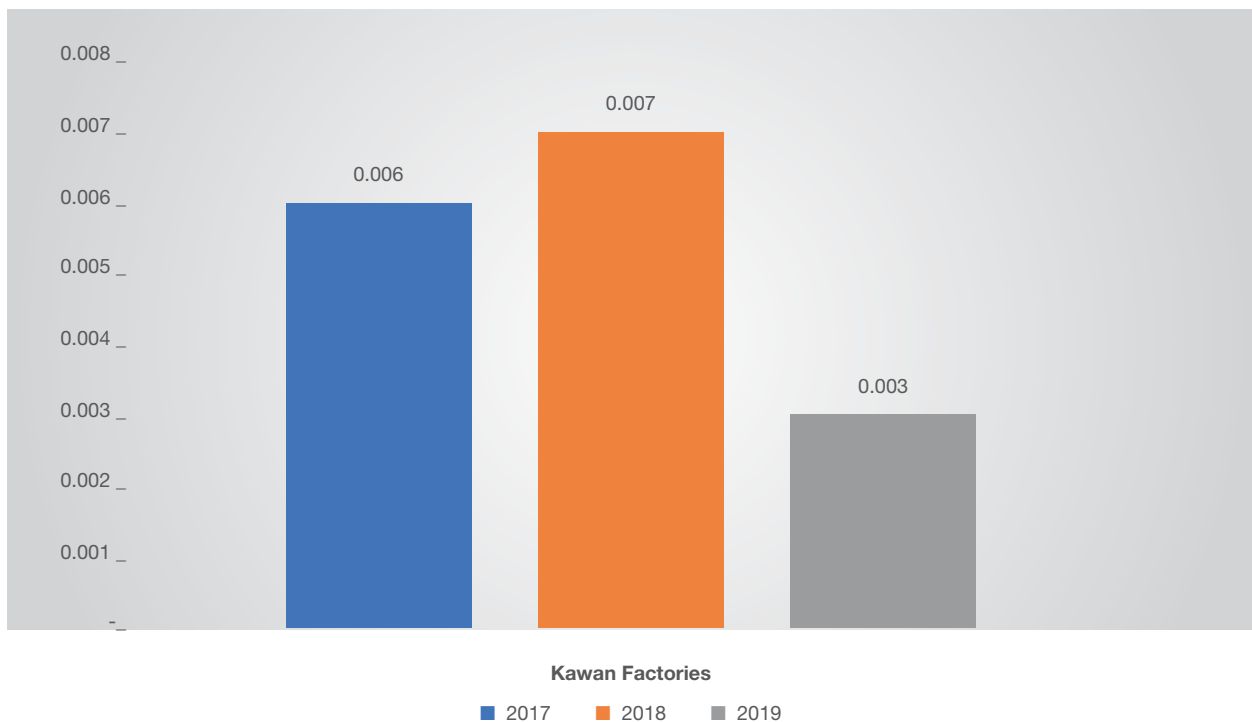
The implementation of these initiatives had resulted in reduced electricity consumption by 33.3% to 0.80kWh/kg in FY2019. The Board approved the proposal to implement a roof top solar project as part of its efforts to reduce carbon footprint in FY2019. Kawan will implement the solar installation in FY2020.

Sustainability Statement
(cont'd)

Water

In food production, clean water is imperative. Inconsistent water supply and water pollution will adversely affect its production operation. Hence, it is vital to maintain sustainable supplies of water and to use water as efficiently as possible in the operations.

Water Use (m3/kg)



Water is sourced from municipal supply with most being used for food production. In the new plant, rain water from the catchments is utilised for non-production purposes such as toilets and vehicle /lorries wash.

In FY2018, its water consumption was 0.007m3/kg. This is a marginal increase from the previous year due to higher water consumption in operating three factories amid consolidation during the financial year. However, there was a significant progress for water consumption in FY2019. Water consumption was reduced significantly by 57.1% to 0.003 m3/kg upon consolidation of both the operations under a new facility in Pulau Indah coupled with water efficiency initiatives undertaken.

Kawan has implemented various measures to manage water consumption such as monitoring its water bills for leakage control, collection of rainwater from conservation tanks to be used for general purposes and toilet flushing. In addition, Kawan operates a waste water treatment plant to treat waste water to minimise its environmental impact.

Sustainability Statement (cont'd)

Waste

Kawan is committed to reducing waste and managing its resources responsibly with the following 3R principles:

Reduce – Kawan focuses on reducing materials and paper consumption. Kawan constantly improves production processes more efficiently and seeks new technology that reduce waste.

Reuse – Kawan sets to reuse and recycle materials whenever possible. Kawan also supports redistribution of unsold edible surplus food to food bank.

Recycle – Kawan invests in containers segregating types of waste which encourage its people to separate out papers, plastics, glass and cartons. A waste management contractor is engaged on waste collections and recycling services of all of our operations. Waste such as food waste, packaging, paper, cartridges are sent to recycle instead of landfill. The funds collected from the recycling are used for employees' welfare.

Kawan generates two types of wastes - scheduled and non-scheduled wastes. Scheduled wastes consist of compressor oil and glycol are collected by third party contractors for disposals or treatments while our non-scheduled waste comprises paper, finished goods, semi-finished goods, packaging, raw materials and ink cartridges etc are sent to recycling facilities.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Statement provides an overview of the Company's application of the Principles set out in the Malaysian Code on Corporate Governance ("MCCG") during the financial year under review. Details on how the Company has applied the Practices as set out in the MCCG during the financial year under review are disclosed in the Corporate Governance Report, which is available for viewing on the Company's website at www.kawanfood.com.

The Board will continue to undertake review of its corporate governance practices and developments in order to ensure that the Group's corporate governance remain relevant and appropriate for a Group of our size.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is collectively responsible to the Company's shareholders for the long-term success of the Group and its overall strategic direction, its values and its governance. The Board is led by experienced and knowledgeable Directors who provide the Company with the core competencies and the leadership necessary for the Group to meet its business objectives and goals.

All members of the Board are aware of their responsibility to take decisions objectively which promote the success of the Group for the benefits of shareholders and other stakeholders. The role and responsibilities of the Board are clearly set out in the Board Charter, which is available on the Company's website at www.kawanfood.com. The Board Charter is periodically reviewed by the Board to be in line with regulatory changes and to reflect changes made to the Terms of Reference ("TOR") of the Board Committees.

The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, corporate strategic plans and budgets, merger and acquisitions, monitoring of operating performance and review of financial authority approving limits.

To assist in the discharge of its stewardship role, the Board has delegated and conferred some of its authority and powers to its Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") ("Board Committees). The Board Committees are entrusted with the responsibility to oversee specific aspects of the Company's affairs in accordance with their respective TOR as approved by the Board and to report to the Board with their findings and recommendations. The ultimate responsibility for decision making, however, lies with the Board.

The position of Chairman and Managing Director ("MD") are distinct and separate and there is a clear division of responsibilities between the Chairman and MD to ensure a balance of power and authority. The management of the Group's business has been delegated to the MD who is accountable to the Board. The Chairman is responsible for instilling leaderships, effectiveness, conduct and governance of the Board while promoting an open culture for debates and encourages active participation among the Directors, while the MD is responsible for managing and supervising the day-to-day business operations in accordance with the Group's strategies, policies and business plans approved by the Board.

The Independent Non-Executive Directors are responsible for providing insights, unbiased and independent views, advice and judgement to the Board and also to ensure effective checks and balances on the Board are accorded. Independent Non-Executive Directors are essential for protecting the interests of shareholders, in particular minority shareholders, and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

The Board encourages employees across the Company to adhere to and maintain the highest standard of ethical behaviour. Hence, the Company has put in place a Code of Conduct and Ethics ("CoCE") to promote the corporate culture which engenders ethical conduct that permeates throughout the Company and its subsidiaries. The CoCE sets out the Company's expectations with regard to certain values, principles and standards of good conduct such as conflict of interests, confidentiality, fair practices, acceptance of gifts and appropriate use of the Company's property which reflects the Company's commitment to integrity, transparency, accountability and self-regulation.

Corporate Governance Overview Statement

(cont'd)

Board Responsibilities (cont'd)

The Company also established a Whistle-Blowing Policy which provides avenues for employees and external party to raise legitimate concerns relating to potential breaches of business conduct, non-compliance with legal and regulatory requirements as well as other malpractices. All cases are reported and assessed by the AC.

Details of the Board Charter, CoCE and Whistleblowing Policy are available in the Company's website at www.kawanfood.com.

The Board members have unrestricted access to the information pertaining to the Company to discharge their duties and responsibilities. The Board also has access to the advice and services of the Company Secretaries and may obtain independent professional advice at the Company's expense as and when necessary.

Board Meetings

In discharging their responsibilities effectively, the Directors attended Board and Board Committee meetings to deliberate on matters under their review. During the financial year, key activities undertaken by the Board include:

- Received reports and updates from the MD on operational and financial performance of the Group and other key matters;
- Deliberated and approved the Group's financial budget for FY2020;
- Considered corporate proposals;
- Approved the Company's full year and interim results;
- Approved proposed interim dividend;
- Discussed updates on corporate governance and regulatory matters;
- Received updates from the Chair of the Board Committees on the work undertaken by each committee;
- Reviewed and approved the new constitution of the Company to ensure compliance with the Companies Act, 2016, Listing Requirements and corporate governance best practices which was approved at the 15th Annual General Meeting ("AGM") of the Company held in May 2019;
- Considered and approved the appointment of the Company's new external auditors, Messrs. RSM Malaysia; and
- Considered and recommended the proposed authority for the Company to purchase its own ordinary shares for shareholders' approval.

Board Composition

As at 31 December 2019, the Board comprises nine (9) members, comprising an Executive Chairman, a Senior Independent Non-Executive Director, three (3) Executive Directors, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. The profile of the Directors is set out on pages 22 to 30 of this Annual Report.

The present composition of the Board has complied with the Listing Requirements of Bursa Securities which also requires that at least two Directors or one-third (1/3) of the Board of Directors of the Company, whichever is higher, are independent.

The current Board comprises directors with diverse knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively, objectively and independently. The Directors bring external perspectives to the Board's deliberation through their diverse backgrounds and experiences, enabling them to ensure necessary checks and balances, contributing to Board decision making. The independent directors consist of individuals from accounting and finance, auditing and food industry are able to express divergent points of views and concerns, provide insights on trends and forecast as well as challenge management in a more objective manner to create more values and sustainability of the business.

Corporate Governance Overview Statement
(cont'd)**Board Composition (cont'd)**

Mr Lim Peng @ Lim Pang Tun (“Mr Lim”) retired from the Board on 31 May 2019. He ceased to be a member of AC, NC and RC. The Board appreciates the contribution that Mr Lim has made to the development and performance of Kawan over the past twelve (12) years and wishes him well for the future.

The Board through NC conducts an annual review of its size and composition, gives due regard to skills, experience, gender and background. Based on the review of the Board composition, the Board agreed to maintain the Board size at nine (9) as the Board and the individual directors have the appropriate balance of skills, experience in their respective fields of expertise, independence, competence and diversity to enable them to discharge their duties and responsibilities effectively.

As part of the financial year ended 31 December 2019 (“FY2019”) Board evaluation, the Board also reviewed the independence of each of the non-executive Directors. Each independent Director has also confirmed that they have no material or other relationship with the major shareholders or any directors of the Group. The Board is satisfied that they are independent to act in the best interest of the Company.

Time Commitment

The Board meets at least once quarterly to consider corporate proposals and review the quarterly results of the Group for announcement. The Board will also attend additional meetings to be convened on an ad-hoc basis as and when necessary to consider business issues that require urgent decision of the Board.

Board meetings for each year are scheduled in advance to ensure sufficient time for the Directors to plan their meeting schedule.

The attendance of the directors at Board and Committee meetings are shown in the table below:

Name of Directors	Board	AC	NC	RC
Gan Thiam Chai Executive Chairman	5/5			
Timothy Tan Heng Han Managing Director	5/5			
Gan Thiam Hock Non-Independent Executive Director	5/5			
Kwan Sok Kay Non-Independent Executive Director	5/5			
Dr. Nik Ismail Bin Nik Daud Senior Independent Non-Executive Director	5/5	7/7	2/2	2/2
Nareshchandra Gordhandas Nagrecha Non-Independent Non-Executive Director	3/5			
Abdul Razak Bin Shakor Non-Independent Non-Executive Director	4/5		2/2	
Lim Hun Soon @ David Lim Independent Non-Executive Director	5/5	7/7		2/2
Eugene Hon Kah Weng Independent Non-Executive Director	5/5	6/7	2/2	2/2
Lim Peng @ Lim Pang Tun * Independent Non-Executive Director	3/3	3/3	1/1	1/1

* retired on 31 May 2019.

Corporate Governance Overview Statement

(cont'd)

Board Training and Development

The Board acknowledges the importance of continuous education and training programmes for its members to enable effective discharge of its responsibilities and to be apprised of the changes to regulatory requirements and the impact such regulatory requirements will have on the Group. The Company Secretaries circulate and brief the relevant guidelines on statutory and regulatory requirements from time to time and for the Board's reference.

All Directors have completed the Mandatory Accreditation Programme as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. During the financial year under review, the Directors attended trainings, workshops, briefing and seminars conducted by relevant regulatory authorities and professional bodies. Details of the training programmes attended/ participated by the Directors are as follows:

Directors	Courses/Seminar/Conference
Gan Thiam Chai	<ul style="list-style-type: none"> ▪ Cyber Security in the Boardroom ▪ Corruption & Corporate Liability Offences by Commercial Organisations
Timothy Tan Heng Han	<ul style="list-style-type: none"> ▪ BRC Global Standard Food Safety (Issue 8) Understanding & Interpretation Business Ethics Conference & Exhibition 2019 - Business Ethics Institute of Malaysia ▪ Global Leadership Summit
Gan Thiam Hock	<ul style="list-style-type: none"> ▪ Corruption & Corporate Liability Offences by Commercial Organisations
Kwan Sok Kay	<ul style="list-style-type: none"> ▪ Cyber Security in the Boardroom ▪ Corruption & Corporate Liability Offences by Commercial Organisations
Dr. Nik Ismail Bin Nik Daud	<ul style="list-style-type: none"> ▪ The convergence of Digitalisation and Sustainability Conference ▪ Taiwan-Malaysia Business Collaboration Summit, Taipei Taiwan ▪ 16th Asean Food Conference, Bali Indonesia ▪ Corporate Governance and Anti-Corruption Conference SC KL
Nareshchandra Gordhandas Nagrecha	<ul style="list-style-type: none"> ▪ International Directors Summit
Abdul Razak Bin Shakor	<ul style="list-style-type: none"> ▪ MII International Claims Convention – Claims Supply Chain KL ▪ Gallagher International Energy Conference London ▪ Farosol Group Trade Finance Conference, London ▪ Project Risk Management Workshop Rockstone Underwriting Syndicate UK - KL ▪ Ankura Consulting UK - Global Data Privacy / Security – KL ▪ DRUK Holdings Bhutan Corporate Business Strategy – ICDM – KL ▪ ICDM International Directors Summit, KL ▪ Political Risks & Trade Credit Forum ▪ IUMW KL – Insurance as a Career Talk ▪ Kudrat Group Risk Management Seminar, PJ

Corporate Governance Overview Statement
(cont'd)

Board Training and Development (cont'd)

Directors	Courses/Seminar/Conference
Lim Hun Soon @ David Lim	<ul style="list-style-type: none"> ▪ IIC-SIDC Governance Convention 2019: Rising Beyond Principles and Policies ▪ The ICLIF Leadership and Governance Centre – Understanding the Evolving Cybersecurity Landscape ▪ BNM-Financial Institutions Directors’ Education (“FIDE”) Forum: Dialogue with the Deputy Governor on the draft Risk Management in Technology (“RMIT”) Policy ▪ FIDE Dinner Talk:- Digital Access: Global Trends, Legal Requirements and Opportunities for Financial Institutions ▪ Affin Bank Berhad – Half day talk on Cryptocurrency & Blockchain ▪ FIDE Forum – Reading the Signs: The Next Financial Crisis and Its Potential Impact on Asia ▪ FIDE Forum Workshop – Building an Effective Board – Board Selection ▪ Affin Bank Group Board of Directors and Management Training: Risk, Challenges & Vulnerabilities Towards Regulatory Compliance ▪ Affin Hwang Capital Conference Series 2018: Rebuilding a New Malaysia ▪ Affin Hwang Investment Bank Bhd: Anti-Money Laundering (AML) Training
Eugene Hon Kah Weng	<ul style="list-style-type: none"> ▪ MAP in Sasana Kijang ▪ Discover Better Value Together by Boardroom Malaysia & Symphony business lunch seminar ▪ Case study workshop for independent directors ▪ Audit Engagement with AC members on integrated reporting by MIA ▪ Directorship Journey – an exclusive fireside chat ▪ Cyber security in the boardroom – accelerating from acceptance to action ▪ Demystifying the diversity conundrum – the road to business excellence ▪ The convergence of digitisation and sustainability ▪ Glusimex Index ▪ Corporate governance and anti-corruption ▪ Corporate liability provision (Sec 17A) of the MACC Act 2009 ▪ AOB conservation session with ACs

Nominating Committee (“NC”)**Board Appointments**

The NC plays a role in the Board appointment process. The process of nomination and selection of directors involves identification of potential candidate(s), evaluation of suitability of candidates based on the agreed upon criteria, followed by deliberation by NC and recommendation to the Board for its final approval. The NC will continuously take measures to strengthen the nomination process and, may consider utilising independent sources such as directors’ registry, advertisement or recruitment agency to identify qualified candidates when necessary. The NC may also engage external independent consultancy services to conduct searches for potential candidates where appropriate.

The NC comprises three (3) members, comprising one (1) Senior Independent Non-Executive Director, one (1) Independent Executive Director and one (1) Non-Independent Non-Executive Director.

Corporate Governance Overview Statement

(cont'd)

Board Evaluation

The Board through its NC undertakes an annual review of performance and effectiveness of the Board and Board Committees as well as the contribution of each Director to the Board and Board Committees. The review was led by the NC in January 2020.

The results of the Board evaluation indicated that the performance of the Board, Board Committees and individual Directors had been satisfactory and they have been effective in discharging their roles and duties.

Diversity

The Board is committed to provide fair and equal opportunities and to nurture diversity (including gender, age and ethnicity) within the Group. The candidates to the Board appointment are made based on the merits, taking into account, a range of diversity perspectives, including gender, cultural, competency, skills, character, time commitment, integrity and experience to ensure effectiveness of the Board. The Board has formalised a Diversity Policy.

During the year under review, the Board has one (1) female Non-Independent Executive Director which accounts for 10% of the Board members.

Remuneration Committee ("RC")

The RC is responsible to develop and review remuneration packages for the Board and Board Committees as well as the Senior Management of the Company to ensure that the Group attracts and retains Directors and Senior Management of calibre to provide the necessary skills and experience as required and commensurate with the responsibilities for the effective management and operations of the Group. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of the Directors and Senior Management.

The RC comprises one (1) Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors.

The remuneration packages for the Executive Directors and key Senior Management personnel comprises basic salary, benefits in kind and bonuses. The basic salaries are reviewed annually taking into account a number of factors, including individual responsibilities, performance and experience, and practice at other companies of similar size. Bonuses are determined based on performance against financial performance of the Company. To ensure that the overall remuneration package is competitive, Executive Directors receive other benefits in kind in the form of company car and car allowances.

Each of the Director receives a director's fee and meeting allowance for each Board and general meetings that they attend. The level of Directors fee reflects their experience and level of responsibilities. Chairman of the AC, RC and NC receives higher fees in respect of their services as a chairman of the respective committee. The Directors will receive an additional fee if they are members of the Board Committee. The fees for Directors are determined by the Board with approval from shareholders at AGM.

The interested Directors abstained from deliberation and voting on their own remuneration at the Board meetings.

The RC has in November 2019 carried out an annual review of the Executive Directors' remuneration, whereupon recommendations were made to the Board for approval.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee ("AC")

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, which comprises three (3) members, all of whom are Independent Non-Executive Directors. Collectively, the AC members are financially literate, have commercial expertise skills, knowledge and understanding of the matters under the purview of the AC including the principles and developments of financial reporting. They constantly keep abreast of relevant changes to financial reporting standards and issues which have a significant impact on the financial statements through regular updates from the external auditors and the MD.

All the AC members undertake training and continuous professional developments as set out in this Statement on pages 58 to 59.

The composition, roles and responsibilities of the AC are set out on pages 63 to 65 under the AC Report in this Annual Report. The duties and responsibilities of the AC are also available in the AC's TOR.

Under its TOR, the AC assists the Board in fulfilling its statutory and fiduciary responsibilities relating to the Company's internal and external audit functions, risk management and compliance systems and practice, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business.

The AC is responsible in ensuring that the financial statements of the Company are in accordance with the applicable accounting standards in Malaysia and in compliance with relevant rules and regulation. In this regard, the AC reviewed the scope of the audit set out in the audit planning memorandum, work plan, areas of audit emphasis, fee proposal, issues arising from the audit and remedial actions to rectify the issues, audit judgements, level of errors identified during the audit and recommendations made by the external auditors. The AC also meets with the external auditors without the presence of the executive directors and management twice a year to discuss key matters within their responsibilities.

The TOR of the AC requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.

The AC has on 25 February 2020 reviewed the independence and suitability of the external auditor based on the relevant criteria set out in the Bursa Listing Requirements and External Auditor Assessment Policy which was approved by the Board on 27 February 2018. The AC has also reviewed the nature and extent of non-audit services provided by the external auditors for FY2019 and recommends to the Board on the reappointment of the external auditor.

The external auditors have confirmed in writing that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants ("MIA"). In compliance with the MIA requirements, the lead partner is rotated every five (5) years to ensure independence and effectiveness.

Sound Risk Management and Internal Control

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

The AC assists the Board in overseeing the risk management framework and reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group. The internal Risk Management Working Committee is responsible to manage business risks, including developing, implementing and monitoring mitigating measures to manage such risks to acceptable levels.

The AC processes are designed to establish a proactive framework and dialogue in which the AC, the management and the external and internal auditors review and assess the risk management framework. The Company Internal Risk Management Working Committee reports to the AC quarterly.

Corporate Governance Overview Statement

(cont'd)

Sound Risk Management and Internal Control (cont'd)

The Group has outsourced the internal audit function to a professional service firm which is independent of the activities and operations of the Group. The outsourced internal auditors report directly to the AC.

Details on the risk management and internal control system of the Group are set out in the AC report and Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communications with Stakeholders

The Board recognises the importance of maintaining transparency and accountability to its shareholders as a key element of good corporate governance and thus, maintains a high level of disclosure and communication with its shareholders through various means.

During the financial year, the Company engaged with both existing and potential shareholders in appropriate manner to improve constructive engagement with them. The Company met with analysts, institutional fund managers, shareholders and potential investors to enable shareholders and other stakeholders to better understand the Company's operations, performance and strategy direction and future prospects.

The Company also attended queries from shareholders via post, telephone, facsimile or email.

The Group is mindful of the importance of timely and equal dissemination of material information to the stakeholders, media and regulators. In this respect, the Group has in place a Corporate Disclosure Policy to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders.

Significant matters relating to development of the business, reporting requirements etc are disseminated by way of announcements via Bursa Securities and press releases. Interim and full results are announced in a mandatory period.

The Company has established a website at www.kawanfood.com from which shareholders and members of the public may access the latest information on the operations and activities of the Group as well as relevant information required by Bursa Securities.

General Meetings

The last AGM was held on 31 May 2019. The AGM is the principal forum for dialogue with shareholders. AGM provides an opportunity for shareholders to understand the financial and operational performance of the Company and to pose questions to the Chairman, other Directors and key management.

The Chairman allocated sufficient time to encourage the shareholders, proxies and the corporate representatives to ask questions pertaining to the matters tabled at general meetings or voice any concerns. The Board, Management team and the Company's external auditors were present at the meetings to answer questions raised and provide clarification as required by the shareholders, proxies and corporate representatives.

Notice of AGM sets out the resolutions together with the Company's Annual Report will be sent to shareholders at least twenty-eight (28) days prior to the meeting to provide shareholders with sufficient time for considerations and to make informed decisions. Shareholders who are unable to attend are allowed to appoint proxies to attend, speak and vote on their behalf.

The voting at the Fifteenth AGM was conducted through electronic poll voting of which the votes cast was validated by an independent scrutineer. The outcome of all resolutions proposed at the AGM is to be announced to Bursa Securities at the end of the meeting day while a summary of the key matters discussed at the AGM shall be published on the Company's website as soon as practicable after the conclusion of the AGM.

This Statement was approved by the Board on 27 April 2020.

AUDIT COMMITTEE REPORT

COMPOSITION

Chairman

Lim Hun Soon @ David Lim*
(Independent Non-Executive Director)

Members

Dr. Nik Ismail bin Nik Daud
(Senior Independent Non-Executive Director)

Eugene Hon Kah Weng*
(Independent Non-Executive Director)

Lim Peng @ Lim Pang Tun#*
(Independent Non-Executive Director)
(Ceased as a member on 31 May 2019)

* Member of the Malaysian Institute of Accountants (MIA).

The Audit Committee ("AC") comprises three (3) members, all of whom are independent non-executive directors. The AC meets the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires that at least one member of the AC must fulfil the financial expertise requisite of paragraph 15.09(1)(c) of Bursa Securities Listing Requirements. The AC Chairman and a member of AC are members of the MIA and the Malaysian Institute of Certified Public Accountants.

TERMS OF REFERENCE

The terms of reference of the AC are published on the website at www.kawanfood.com.

MEETINGS

The AC held seven (7) meetings during the financial year ended 31 December 2019 ("FY2019") and the attendance of the AC members were as follows:

Name	Attendance
Lim Hun Soon @ David Lim	7/7
Dr. Nik Ismail bin Nik Daud	7/7
Eugene Hon Kah Weng	6/7
Lim Peng @ Lim Pang Tun #	3/3

Mr. Lim Peng @ Lim Pang Tun ceased to be a member of the AC upon his retirement as Independent Non-Executive Director of the Company on 31 May 2019.

The quorum for each meeting shall be two (2) members.

The Managing Director, Company Secretaries, Financial Controller, external auditor and other Senior Management were invited to attend the AC meetings whenever required. The internal auditors and external auditors also attended the AC meetings to provide updates and developments on issues arising from the audit reports.

Discussions, deliberations made at the AC meetings are recorded in the minutes of the AC meetings. Minutes of the AC meetings would be submitted to the Board members for notification and further discussion during the Board meetings. The AC chairman will report and update the Board on significant matters discussed during the AC meetings.

Audit Committee Report (cont'd)

SUMMARY OF WORK

Following were the activities of the AC during the FY2019:-

Financial Reporting

- The AC reviewed the quarterly reports and the annual audited financial statements of Kawan for the FY2019 to ensure that the financial statements were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) before recommending to the Board for approval prior to their release to Bursa Securities.

External Audit

- The AC evaluated the performance, independence and objectivity of Messrs. ChengCo PLT in relation to its reappointment as external auditors for the FY2019 and therefore recommended to the Board for its reappointment.
- The AC reviewed the audit report and findings of the external auditors. The AC also had two (2) private meetings with the external auditors without the presence of the Executive Directors and Management to allow them to express concerns and issues arising from the audit.
- The AC assessed the objectivity and independence of the external auditors prior to making any recommendation for non-audit services.
- The AC reviewed and recommended the non-audit service and respective fee for Board's approval.

Upon resignation of Messrs. ChengCo PLT, the AC deliberated on the evaluation and recommendation of the Management to appoint Messrs. RSM Malaysia as the new external auditors for Kawan Group for FY2019.

- The AC reviewed the external auditor's 2019 Audit Planning Memorandum including the audit approach to the current audit, scope of work, audit strategy and timetable for the financial audit.

Internal Audit ("IA")

- The AC approved the IA 2020 audit plan and reviewed the adequacy of the internal audit and resources of the internal audit function as well as the competency of the internal auditors to ensure the IA carry out its function effectively.
- The AC reviewed the audit reports on the audits performed based on the approved internal audit plan.
- The AC reviewed the progress reports of the IA and discussed the progress reports on the reported issues on a quarterly basis to ensure that all key risks and control weaknesses were properly and timely addressed.
- The AC evaluated the independence, efficiency and effectiveness of the IA.

Risk Management and Internal Control

- The AC oversees the internal control and risk management of the Group. The AC continues to monitor and review the effectiveness of the system of control and risk management with the support from the IA and internal risk management working committee.

Related Party Transactions (RPTs)

- The AC conducted quarterly reviews of the RPTs entered into by the Group to ensure that the transactions undertaken were in the best interest of Kawan and were fair and reasonable.
- The AC reviewed the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions of revenue or trading nature and submitted its recommendation to the Board for approval.

Audit Committee Report (cont'd)

SUMMARY OF WORK (CONT'D)

Compliance

- The AC reviewed and recommended for the Board's approval on the Corporate Governance Overview Statement, AC Report, Management Discussion and Analysis, Sustainability Statement and Statement on Risk Management and Internal Control.

INTERNAL AUDIT FUNCTION

The internal audit function of Kawan is outsourced to Axcelasia Columbus Sdn. Bhd. The IA assists the AC on discharging its duties and responsibilities and reports directly to the AC.

The IA engagement was headed by Mr Mah Siew Hoong, the Engagement Partner. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. He is also a Certified Internal Auditor (USA) and holds a Certification in Risk Management Assurance (USA). He has vast professional experience in internal audit, risk management and corporate governance advisory.

The internal audit for the financial year were conducted by four (4) to five (5) staff. The staff who performed the internal audit reviews have professional qualifications and/or university degree. Most of them are members of the Institute of Internal Auditors Malaysia. They are free from any relationships or conflict of interest, which could impair their objectivity and independence.

During the FY2019, the IA carried out its duties based on the audit plan approved by the AC covering production, business continuity management, safety, health and environment, review of operational efficiencies and cost saving initiatives as well as human resource management and sales & marketing. The IA engagements were carried out using a risk-based approach and guidance from the International Professional Practice Framework. The internal audit findings in the IA reports were reviewed by the AC.

The total fees incurred for outsourcing the IA function of Kawan for the FY2019 was RM90,500.

An overview of the internal control within the Company is set out in the Statement on Risk Management and Internal Control on pages 67 to 74 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year ended or which were entered into since the end of the previous financial year (not being contracts entered into in the ordinary course of business) except as disclosed below and in Notes 35 to the financial statements under "Related Parties" on pages 142 to 143 of this Annual Report.

AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2019, the amount of audit and non-audit fees paid and payable by the Company and the Group to the external auditors are as follows:

	Company (RM)	Group (RM)
Audit services rendered	45,000	271,887
Non-audit services rendered	5,000	5,000
Total	50,000	276,887

UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2019.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

At the Fifteenth Annual General Meeting ("AGM") held on Friday, 31 May 2019, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature. The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2019 is set out on page 143 of the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and Malaysian Code of Corporate Governance (“MCCG”), the Board of Directors (“Board”) is pleased to present the Statement on Risk Management and Internal Control of Kawan Food Berhad (“the Company”) and its subsidiaries (“the Group”) which outlines the nature and scope of its risk management and internal controls of the Group for the financial year ended 31 December 2019.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibilities for establishing and maintaining a sound risk management and internal control systems. The Board has put in place an ongoing process for reviewing its adequacy and integrity in order to safeguard shareholders’ investment and the Group’s assets.

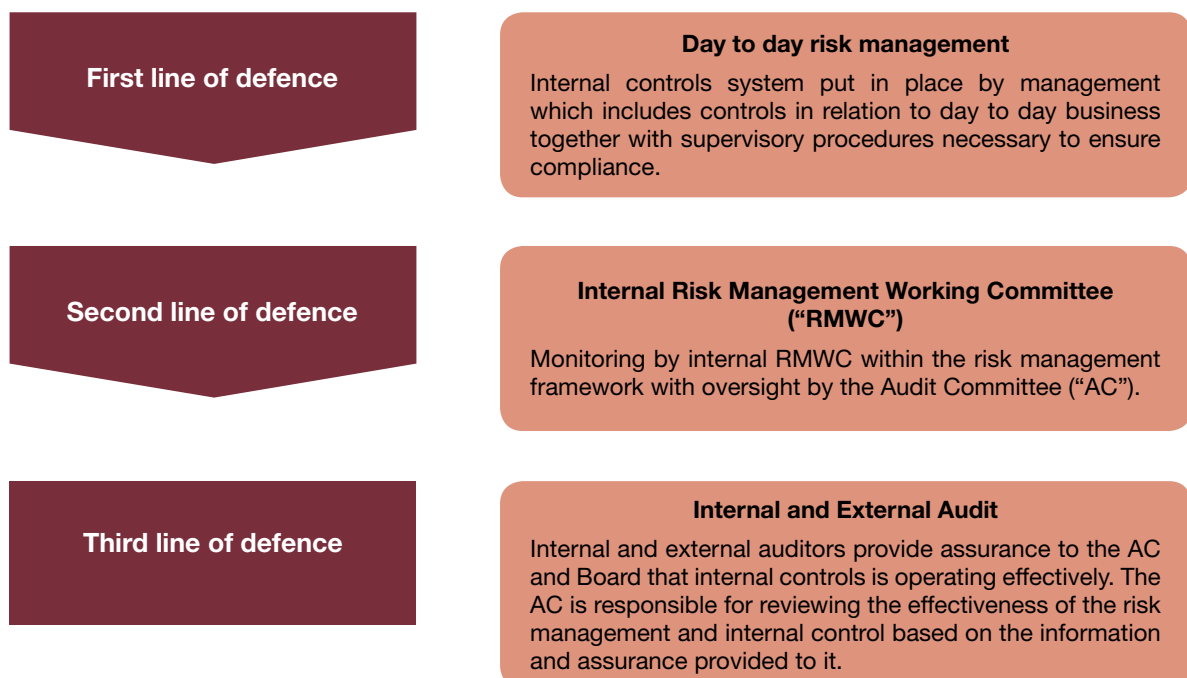
As there are inherent limitations in any risk management and internal control systems, the systems are designed to manage and minimise rather than eliminate risks of failure to achieve its objectives and strategies. Hence, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or losses.

The Group’s risk management and internal control systems do not include jointly controlled companies as the Group does not have management control over these entities. However, the Group’s interest in these entities are served through representation of the jointly controlled companies on the Board.

KEY FEATURES OF THE GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

1. RISK MANAGEMENT

The Board has established a structured risk management framework as an approach for continuous identification, assessment, treatment, monitoring and review of risks. The Group adopts the three lines of defence in managing its risk:



Statement on Risk Management and Internal Control (cont'd)

1. RISK MANAGEMENT (CONT'D)

First line of defence

First line of defence includes Senior Management and Head of Departments. They are required to identify, assess, control, mitigate and monitor risks associated with the functional units, business and entities.

Second line of defence

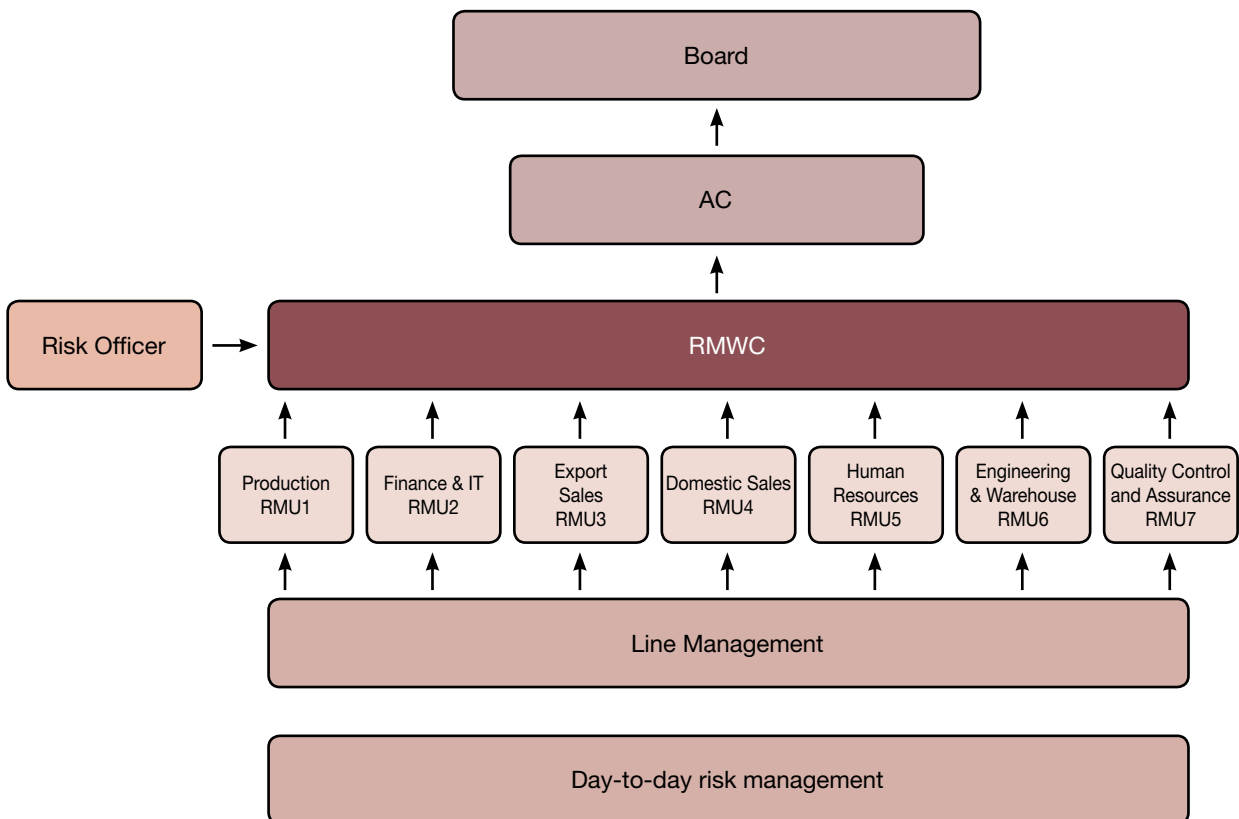
The RMWC forms the second line of defence. The RMWC monitors and facilitates the implementation of effective risk management practices of the Group.

Third line of defence

Internal and external audit are the third line of defence. An independent internal audit function reports directly to the AC and provides assurance to the AC and Board on the effectiveness of the risk management framework. This assurance will cover how effectively the organisation assesses and manages its risk and will include assurance on the effectiveness of the first and second lines of defence.

Risk Governance Structure

The parties involved in the risk management process comprise the following:



Statement on Risk Management and Internal Control (cont'd)

1. RISK MANAGEMENT (CONT'D)

The roles and responsibilities of the various parties are as follows:

The Board

The Board is responsible for reviewing the Group's risk management system. The Board sets the tone and culture towards effective risk management by identifying and monitoring material risks, setting risk appetite and determining risk tolerance of the Group.

The Board has delegated its role to the AC through the terms of reference of the AC.

The AC

Under delegation from the Board, the AC monitors the Group's risk management system and oversees the effectiveness of the processes. The AC performs oversight on overall risks undertaken by the Group.

The AC meets four times with the Risk Officer who provides the AC with the Group's risk management reports on the RMWC's key findings on key risks, mitigating controls together with updates on progress of the status of risk management in the Group.

The AC monitors the processes, reviews the risk register and reports summaries of key matters discussed at the AC meetings to the Board every quarter.

In discharging its responsibilities, the AC is assisted by the internal RMWC.

RMWC

The RMWC of the Company comprises Heads of Departments from production, finance, IT, export sales, domestic sales, engineering, quality control and assurance and is chaired by the Group Managing Director. The RMWC reports to the AC.

The responsibilities of RMWC in respect of risk management include:

- Implement the Board's approved framework, policies and procedures on risk management and internal controls;
- Identify, evaluate, monitor and report risk relevant to the business; and
- Identify changes to risks or emerging risks, take actions as appropriate, and bring these to attention of the Board.

The RMWC meets quarterly to review the effectiveness of the current risk management processes.

The RMWC also maintains a risk register which set out the description, risk level, treatment and action plan of the material risks faced by each department and the Group as a whole. The risks are prioritised in accordance with the risks level (in terms of likelihood and impact based on the risk management policy). The risk register is used to facilitate the identification and assessment of material risks in each department and the Group as well as to ensure that there are appropriate controls in place. Please refer to the summary of the Group's material risks in Table 2.0.

On a quarterly basis, the RMWC meet to review and update the risk profiles and the progress of action plans taken to mitigate them. The RMWC also raises issues of concerns, monitors the progress and status of risk management activities.

The appointed Risk Officer then presents the risk management report highlighting high and significant risks to the AC and alerted risk related matters which requires AC's attention.

Statement on Risk Management and Internal Control (cont'd)

1. RISK MANAGEMENT (CONT'D)

Risk Management Unit ("RMU")

The RMU is established at departmental level. Each of the RMU performs risk assessments to identify, evaluate and manage the identified risks. The respective heads are responsible to assess the changes to the level of risk or emerging risks and take appropriate action to manage the risks.

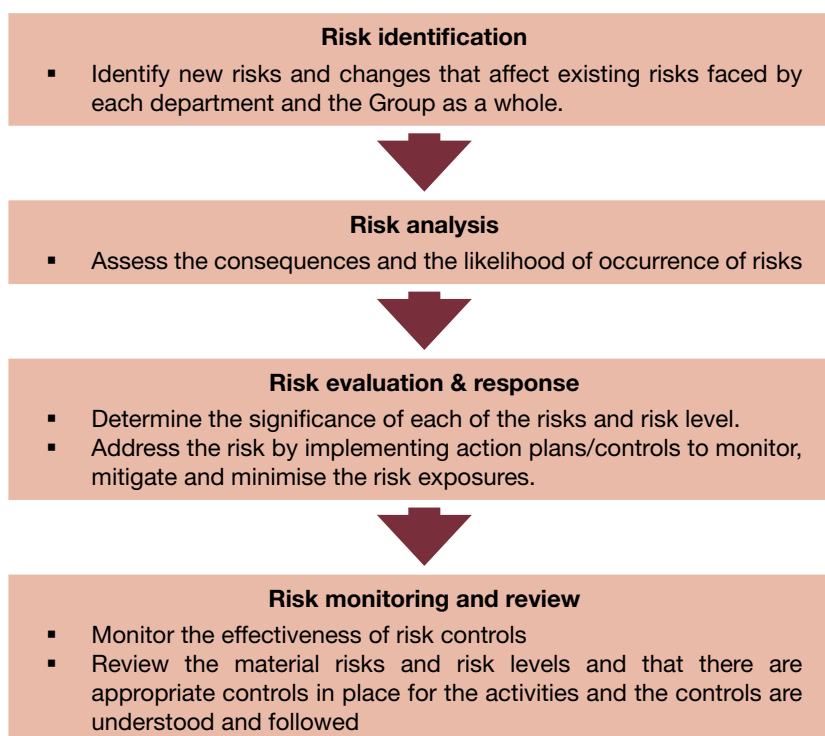
The collated risks from each RMU are deliberated with the respective heads who present their risks to the RMWC.

Line management

The managers assist risk owners in identifying, continuously monitoring and reporting all relevant material risks associated within their respective department.

Risk Assessment Process

The Group's Risk Assessment Framework are set out as follows:



The on-going risk management activities of the Group are to identify, evaluate and manage risks. This process had been in place for the year under review and up to the date of approval of this statement.

Four RMWC meetings were held in FY2019 on a quarterly basis to deliberate on the risk assessments. The risk register is reviewed and updated every quarter. The appointed Risk Officer provided the AC the Group Risk Management Reports at its scheduled meetings.

The AC Chairman subsequently reports to the Board on the matters deliberated at every meeting.

Statement on Risk Management and Internal Control
(cont'd)

2. MATERIAL RISKS

The table below presents a summary of the Group's material risks and the mitigating measures for the FY2019.

Risk	Description	Mitigation
Regulatory and Standard	<ul style="list-style-type: none"> The Group is subject to a range of legislations and standards. Failure to meet statutory requirements, Halal, British Retail Consortium, MOH MS1480 HACCP certification and Occupational Safety and Health Administration could have an adverse impact on the Group's business and reputation. 	<ul style="list-style-type: none"> Conduct regular internal audit by Food Safety Committee. Constantly monitor and update committee members on the latest updates on respective regulations and standards. Provide training for committee members.
People	<ul style="list-style-type: none"> The Group is currently growing and undergoing significant changes. The success and future growth of the Group depends on attracting and retaining competent employees. Failure to attract and retain employees in meeting future business needs could have a material adverse effect on our business. 	<ul style="list-style-type: none"> Establishment of career development plan to identify competency requirements across the Group and equip employees with necessary skills via trainings. Revised terms and benefits of employment.
Information Technology and Cyber Risk	<ul style="list-style-type: none"> Extensive use of IT to support business operation may expose the Group to cyber threats such as viruses and data loss. Potential loss of confidential information, arising from cyber security threats. Moving the system to cloud service may result us in relying heavily on vendor to support us. 	<ul style="list-style-type: none"> Implementation of password protected logon procedures. Installation of firewall protection and anti-virus software. Back up data stored in secure off-site premises. Monitor software licenses in compliance with regulatory requirements. Working closely with its vendor to maintain its service level agreement.
Key Customer Relationship	<ul style="list-style-type: none"> Our key customer contributed more than 10% of our sales. Loss of this key customer could result in a material impact on the result. 	<ul style="list-style-type: none"> Continue to reach a wider range of customers and further expand into other international markets.
Product Quality	<ul style="list-style-type: none"> Failure to maintain consistency in product quality may affect our earnings, business operations, brand and reputation. 	<ul style="list-style-type: none"> Strict adherence to the Group's operation management system Conduct Group's training programs.

Statement on Risk Management and Internal Control (cont'd)

2. MATERIAL RISKS (CONT'D)

Risk	Description	Mitigation
Sabotage/Malicious Actions	<ul style="list-style-type: none"> ▪ The large volume and range of food that the Group produces may be at risk to adulteration through malicious actions due to integrity issues and/or breach of trust. ▪ This could have a material reputational and financial impact to our Group. 	<ul style="list-style-type: none"> ▪ Grievance policy in place. ▪ Whistleblowing policy which includes disciplinary action against committing improprieties and illegal acts and protection to whistleblower. ▪ Communicate with our staff on the consequences and impose penalties when necessary. ▪ Installation of additional CCTV at storage and critical production area.
Operational costs	<ul style="list-style-type: none"> ▪ Our Group's margin could be affected by higher operational costs such as raw material costs, labour costs etc. In addition, labour costs are significant and could have a material effect with changes in government policies. ▪ Our inability to pass the costs to our customers would affect our business. 	<ul style="list-style-type: none"> ▪ Continuously emphasising on efficient process flows and cost reduction.
Health and Safety	<ul style="list-style-type: none"> ▪ Co2, ammonia gas and chemical substances are used in our cooling and refrigeration system. Our employees are potentially exposed to leakage of the gas(es) and chemical substances from the systems which may have impact on employee's health and lead to reputational damage, loss of customer confidence, civil litigation and cost increase. 	<ul style="list-style-type: none"> ▪ Comprehensive safety and health policies and procedures have been developed and supplemented by planned preventive and routine maintenance. ▪ Installation of twenty-four (24) hours real time monitoring via Supervisory Control and Data Acquisition (SCADA) systems.
Machinery breakdown	<ul style="list-style-type: none"> ▪ The Group is at risk of disruption to its daily business operations from breakdown of machineries. ▪ Risk of machinery breakdown may have an adverse effect on productivity. 	<ul style="list-style-type: none"> ▪ Strict adherence to the scheduled preventive and routine maintenance. ▪ Maintaining safe stock level for critical parts.

3. INTERNAL AND EXTERNAL AUDITS

The Group's internal auditors ("GIA") is an independent internal audit function. The GIA provides independent assessment of the adequacy and effectiveness of the Group's internal control system to the Board and Audit Committee.

Further details of the GIA are set out in the Audit Committee Report on pages 63 to 65 of this Annual Report.

The AC met with GIA on 28 February, 30 May, 26 August and 26 November 2019 and the external auditors on 28 February, 8 April and 26 November 2019 without the presence of executive members of the Board and management to discuss audit related matters.

Statement on Risk Management and Internal Control (cont'd)

4. INTERNAL CONTROL SYSTEM

The key features of the Group's internal control system are as follows:

- The AC and Board

The AC and Board met five times during the financial year to monitor and review the adequacy and effectiveness of the internal control system. The system covers material controls including financial, operational and compliance controls. In addition, the AC and Board are kept updated on the Group's activities and its operations.

- Organisation Structure & Authorisation Procedures

The Group has a formal organisational structure with clearly defined accountabilities, reporting lines and authority in order to align to its business and operational needs. These include setting matters specifically requiring Board's approval and matters delegated to the management. The delegation of authorities is duly approved by the Board and subject to review and update to reflect business and operational changes and needs.

- Annual Budget and Financial Projections

The Company's annual budget is deliberated and approved by the Board on an annual basis. The Company's actual performances on a quarterly basis is then monitored against the approved budget with explanations of major variances and presented to the Board. The Group's actual performance versus budget for the year are reviewed by the Board on a half yearly basis.

- Group Policies, Procedures and Instructions

The Group has put in place documented policies, procedures and instructions which covers a wide range of areas including food safety, security, product quality assurance, human resource and purchasing to provide guidance for the employees. These policies approved by management are subject to review as and when required to ensure its relevance to the Group's operations and continue to support the Group's business activities as it continues to grow.

- Human Resource Policy

Comprehensive guidelines on employment are in place to ensure that the Group has a team of employees who are well trained and equipped with all necessary knowledge, skills and abilities to carry out their responsibilities effectively. In addition, the Group has set up a performance management system to assess employees' performance and to identify and assess talent for career development.

In FY2019, the Company has revised the Employee Handbook outlining the employment terms and conditions including leaves, entitlements and other benefits for different job levels and categories.

- Whistleblowing Policy

The Group has put in place a Whistleblowing Policy which provides employees with accessible channels to raise concerns or disclose information regarding suspected or known malpractices, misconducts or wrongdoings within the Group. The Whistleblowing Policy is available on the Group's website.

The Chairman of the AC oversees the process of the Whistleblowing Policy.

- Information and Communication

Effective communication of critical information to the achievement of the Group's business objectives through clear reporting lines are established across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

Statement on Risk Management and Internal Control (cont'd)

4. INTERNAL CONTROL SYSTEM (CONT'D)

- Monitoring and Review

Management has set up Operations Committee Meetings that meet regularly to discuss operational and other pertinent issues. Monthly management reports comprising key financial results and operational performance are reviewed and monitored by the management team. Quarterly financial statements are presented to the Board for their review, consideration and approval.

- External Certifications

The Group continues to adopt relevant safety, quality, HALAL and Occupational Health and Safety Assessment Series certification systems.

All of our manufacturing sites are subject to independent third-party audits under British Retail Consortium Global Standard for Food Safety undertaken by Lloyd's Register Quality Assurance.

The Company has been awarded MS1480: 2007 HACCP food safety certification that grants the Group with health certificate without the need for end product testing.

In addition, Malaysian Islamic Development Department (JAKIM) and Jabatan Agama Islam Selangor (JAIS) have added Kawan Food to the HALAL 'White List' in FY2017 and FY2018 respectively for HALAL fast track application which allows JAKIM and JAIS to expedite the issuance of HALAL certificate within three (3) working days. However, the Group will be subject to ad-hoc audits from time to time to ensure compliance with the systems.

REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITOR

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirement, the External Auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the FY2019 Annual Report. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respect, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Directors of Listed Issuers to be set out, or is factually inaccurate.

CONCLUSION

The Group Managing Director and Group Accountant have provided assurance to the Board that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the Group's annual report. Nevertheless, the Board shall continue to take the appropriate and necessary measures to improve the Group's risk management and internal controls systems to meet the Group's corporate objectives.

This statement was approved by the Board on 27 April 2020.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Board of Directors is required under Paragraph 15.26(a) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining the Board's responsibility in preparing the annual financial statements.

In preparing the annual financial statements of the Company and of the Group, the Directors are collectively responsible to ensure that these financial statements have been properly drawn up in accordance with the applicable approved Malaysian Financial Reporting Standard issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 2016 ("the Act") so as to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

In preparing the financial statements for the year ended 31 December 2019, the Directors have:

- i) adopted appropriate accounting policies and applied them consistently;
- ii) made judgements and estimates that are reasonable and prudent;
- iii) prepared financial statements on the going concern basis; and
- iv) ensured applicable accounting standards have been followed, subject to any material departure and explained in the financial statements.

The Directors have responsibility for ensuring that the proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and which enable them to ensure that the financial statements comply with the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 27 April 2020.



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DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 10 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	12,189,784	10,549,076
Non-controlling interests	(176,067)	–
	<hr/> 12,013,717	<hr/> 10,549,076

In the opinion of the directors, the financial results of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The amount of dividend paid by the Company since the end of previous financial year were as follows:

In respect of the financial year ended 31 December 2019, the Company declared and paid an interim single tier dividend of 2.5 sen per ordinary share totalling RM8,987,995 on 29 March 2019.

The directors do not recommend any final dividend in respect of the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. At the end of the financial year, there were no unissued shares of the Company under options.

Directors' Report

(cont'd)

DIRECTORS OF THE COMPANY

The directors of the Company who held office during the financial year until the date of this report are:

Gan Thiam Chai
 Gan Thiam Hock
 Timothy Tan Heng Han
 Kwan Sok Kay
 Nareshchandra Gordhandas Nagrecha
 Lim Hun Soon @ David Lim
 Abdul Razak Bin Shakor
 Dr. Nik Ismail bin Nik Daud
 Eugene Hon Kah Weng
 Lim Peng @ Lim Pang Tun (Retired on 31 May 2019)

DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act, 2016 in Malaysia, the list of directors of the subsidiaries during the financial year and up to the date of this report are:

Gan Thiam Chai
 Gan Thiam Hock
 Kwan Sok Kay
 Lau Wing Hon
 Jean- Marc, Michel Lhermite
 Toshiro Nakazawa

DIRECTORS' INTERESTS

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 were as follows:

	At 1.1.2019	Number of ordinary shares		At 31.12.2019
		Acquired	(Disposed)	
THE COMPANY				
Direct interest				
Gan Thiam Chai	87,724,248	–	–	87,724,248
Gan Thiam Hock	22,033,600	428,533	–	22,462,133
Timothy Tan Heng Han	135,000	–	–	135,000
Kwan Sok Kay	16,544,972	–	–	16,544,972
Lim Hun Soon @ David Lim	7,460,028	–	–	7,460,028
Lim Peng @ Lim Pang Tun	450,000	–	–	450,000
Deemed interests				
Gan Thiam Chai	5,439,149	4,025,000	–	9,464,149
Gan Thiam Hock	140,000	1,376,300	–	1,516,300
Timothy Tan Heng Han	3,988,849	25,000	–	4,013,849
Kwan Sok Kay	5,439,149	4,025,000	–	9,464,149
Nareshchandra Gordhandas Nagrecha	68,123,200	2,599,100	–	70,722,300

By virtue of their substantial interests in the shares of the Company, Gan Thiam Chai and Nareshchandra Gordhandas Nagrecha are also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

Directors' Report (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the benefits shown under directors' remuneration) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest, other than certain directors, and the spouse of a director and children of certain directors who have significant financial interests in companies which traded with certain companies within the Group in the ordinary course of business as disclosed in Note 35 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

The directors' remuneration is disclosed in Note 34 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company are RM20,000,000 and RM37,110 respectively.

No indemnity has been given to or insurance premium paid, during or since the end of financial year, for the auditors of the Group and of the Company.

SUBSIDIARY COMPANIES

The details of the Company's subsidiaries are disclosed in Note 10 to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 25 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company has implemented an ESOS of up to fifteen percent (15%) of the Company's total number of issued shares (excluding treasury shares, if any) for the eligible employees of the Group effective from 2 October 2018. As at the date of this report, the Company has yet to grant any options under the ESOS.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that the current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Directors' Report

(cont'd)

OTHER STATUTORY INFORMATION (CONTINUED)

- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts and the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the Group's and the Company's financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

AUDITORS

The auditors, Messrs RSM Malaysia, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

GAN THIAM CHAI
Director

GAN THIAM HOCK
Director

Selangor
27 April 2020

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the directors of **KAWAN FOOD BERHAD (Registration No. 200401001942 (640445-V))** do hereby state that, in the opinion of the directors, the financial statements set out on pages 86 to 146 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2019 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

GAN THIAM CHAI
Director

Selangor
27 April 2020

GAN THIAM HOCK
Director

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, TAN BEE YEN, being the officer primarily responsible for the financial management of **KAWAN FOOD BERHAD (Registration No. 200401001942 (640445-V))** do solemnly and sincerely declare that the financial statements set out on pages 86 to 146 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN BEE YEN

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 27 April 2020

Before me

SHI' ARATUL AKMAR BINTI SAHARI (W788)

INDEPENDENT AUDITORS' REPORT

To the members of Kawan Food Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kawan Food Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 86 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 were audited by another firm of chartered accountants whose report dated 8 April 2019 expressed an unmodified opinion.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report
To the members of Kawan Food Berhad
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><u>Revenue recognition</u></p> <p><i>Refer to Note 21 - Revenue</i></p> <p>Revenue recognition is a presumed fraud risk as the Group may be under pressure by external parties (i.e. expectations by shareholders and market analysts) and internal parties (i.e. performance of management). This may lead to potential overstatement of revenue.</p>	<p><i>The details of our work performed are as follows:</i></p> <ul style="list-style-type: none"> • We assessed and evaluated the appropriateness of the design and implementation of controls over the control in revenue cycle with no exception noted. • We performed test of operating effectiveness on the relevant controls identified within the revenue cycle with no exception noted. • We performed substantive testing to verify revenue transactions to respective sales invoices and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of the goods to customers based on selected samples. • We verified the credit notes and sales returns post the year-end date to ascertain if revenue was recognised in the correct financial period. • We assessed cut-off procedures implemented by management to verify revenue transactions pre and post year-end date and agreed the sales invoices and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of goods and confirm that these transactions were recognised in the correct financial periods.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' report and Statement on Risk and Management internal controls included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report
To the members of Kawan Food Berhad
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report
To the members of Kawan Food Berhad
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 10 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

RSM Malaysia
AF: 0768
Chartered Accountants

Kuala Lumpur
27 April 2020

Yong Kam Fei
02562/07/2020 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	225,921,490	244,422,740	–	–
Right-of-use assets	7	17,698,857	–	–	–
Investment properties	8	8,564,798	2,468,900	–	–
Prepaid lease payments	9	–	2,935,302	–	–
Investments in subsidiaries	10	–	–	61,715,360	60,175,510
Investment on a jointly controlled entity	11	–	–	–	–
Deferred tax assets	12	464,856	475,523	–	–
Total non-current assets		252,650,001	250,302,465	61,715,360	60,175,510
Current assets					
Trade and other receivables	13	46,286,837	52,787,905	122,286,335	114,477,768
Other investments	14	6,433,734	2,413,845	–	–
Inventories	15	23,699,572	23,465,591	–	–
Current tax assets		3,694,881	5,777,869	42,237	–
Prepayments		1,493,570	2,713,141	22,526	20,416
Cash and cash equivalents	16	48,823,145	39,459,385	4,562,928	12,491,175
Total current assets		130,431,739	126,617,736	126,914,026	126,989,359
TOTAL ASSETS		383,081,740	376,920,201	188,629,386	187,164,869
EQUITY AND LIABILITIES					
Equity					
Share capital	17	179,759,880	179,759,880	179,759,880	179,759,880
Reserves	18	144,155,842	141,704,863	8,721,005	7,159,924
		323,915,722	321,464,743	188,480,885	186,919,804
Non-controlling interests		1,023,933	–	–	–
TOTAL EQUITY		324,939,655	321,464,743	188,480,885	186,919,804
LIABILITIES					
Non-current liabilities					
Loans and borrowings	19	9,358,129	12,980,630	–	–
Deferred tax liabilities	12	7,384,531	5,659,660	–	–
Total non-current liabilities		16,742,660	18,640,290	–	–
Current liabilities					
Loans and borrowings	19	6,398,971	3,622,502	–	–
Trade and other payables	20	34,847,222	32,455,901	148,501	56,164
Current tax liabilities		153,232	736,765	–	188,901
Total current liabilities		41,399,425	36,815,168	148,501	245,065
TOTAL LIABILITIES		58,142,085	55,455,458	148,501	245,065
TOTAL EQUITY AND LIABILITIES		383,081,740	376,920,201	188,629,386	187,164,869

The annexed notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	21	214,086,870	199,984,904	8,134,000	7,876,000
Cost of sales		(142,333,310)	(120,563,123)	–	–
Gross profit		71,753,560	79,421,781	8,134,000	7,876,000
Other income	22	3,352,309	1,934,628	–	822,353
Selling and distribution expenses		(39,406,165)	(34,002,670)	–	–
Administrative expenses		(19,837,459)	(18,137,640)	(1,689,434)	(1,680,342)
Profit from operating activities		15,862,245	29,216,099	6,444,566	7,018,011
Finance income	23	489,705	655,352	5,230,016	7,191,766
Finance costs	24	(997,902)	(626,876)	(138)	(345)
Profit before taxation	25	15,354,048	29,244,575	11,674,444	14,209,432
Taxation	26	(3,340,331)	(6,437,298)	(1,125,368)	(1,745,175)
Profit for the financial year		12,013,717	22,807,277	10,549,076	12,464,257
Other comprehensive expense, net of tax:					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations	27	(750,810)	(1,154,413)	–	–
Total comprehensive income for the financial year		11,262,907	21,652,864	10,549,076	12,464,257
Profit attributable to:					
Owners of the Company		12,189,784	22,807,277	10,549,076	12,464,257
Non-controlling interests		(176,067)	–	–	–
		12,013,717	22,807,277	10,549,076	12,464,257
Total comprehensive income attributable to:					
Owners of the Company		11,438,974	21,652,864	10,549,076	12,464,257
Non-controlling interests		(176,067)	–	–	–
		11,262,907	21,652,864	10,549,076	12,464,257
Earnings per ordinary share:		2019 sen	2018 sen		
- Basic	28	3.39	6.34		

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Note	Attributable to owners of the Company		Total RM	Non-controlling interests RM	Total equity RM
		Non-distributable	Distributable			
		Share capital RM	Translation reserve RM	Retained earnings RM		
Group						
Balance as at 1.1.2018		179,759,880	9,984,903	119,055,091	308,799,874	- 308,799,874
Profit for the financial year		-	-	22,807,277	22,807,277	- 22,807,277
Other comprehensive expense for the financial year		-	(1,154,413)	-	(1,154,413)	- (1,154,413)
Total comprehensive (expense)/ income for the financial year		-	(1,154,413)	22,807,277	21,652,864	- 21,652,864
Contribution by and distributions to owners - dividend to owners of the Company	29	-	-	(8,987,995)	(8,987,995)	- (8,987,995)
Balance as at 31.12.2018/ 1.1.2019		179,759,880	8,830,490	132,874,373	321,464,743	- 321,464,743
Profit for the financial year		-	-	12,189,784	12,189,784	(176,067) 12,013,717
Other comprehensive expense for the financial year		-	(750,810)	-	(750,810)	- (750,810)
Total comprehensive (expense)/ income for the financial year		-	(750,810)	12,189,784	11,438,974	(176,067) 11,262,907
Contributions by and distributions to owners - dividend to owners of the Company	29	-	-	(8,987,995)	(8,987,995)	- (8,987,995)
- non-controlling interests acquired in a new subsidiary		-	-	-	-	1,200,000 1,200,000
Total transactions with owners of the Company		-	-	(8,987,995)	(8,987,995)	1,200,000 (7,787,995)
Balance as at 31.12.2019		179,759,880	8,079,680	136,076,162	323,915,722	1,023,933 324,939,655

The annexed notes form an integral part of the financial statements.

Statements of Changes in Equity
For the financial year ended 31 December 2019
(cont'd)

	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total RM
Company				
Balance as at 1.1.2018		179,759,880	3,683,662	183,443,542
Profit and total comprehensive income for the financial year		–	12,464,257	12,464,257
Contribution by and distributions to owners - dividend to owners of the Company	29	–	(8,987,995)	(8,987,995)
Balance as at 31.12.2018/1.1.2019		179,759,880	7,159,924	186,919,804
Profit and total comprehensive income for the financial year		–	10,549,076	10,549,076
Contribution by and distributions to owners - dividend to owners of the Company	29	–	(8,987,995)	(8,987,995)
Balance as at 31.12.2019		179,759,880	8,721,005	188,480,885

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		15,354,048	29,244,575	11,674,444	14,209,432
Adjustments for:					
Amortisation of prepaid lease payments	9	–	77,245	–	–
Depreciation of investment properties	8	48,049	52,689	–	–
Depreciation of property, plant and equipment	6	16,405,667	6,837,683	–	–
Depreciation of right-of-use assets	7	347,190	–	–	–
Dividends income		–	–	(8,134,000)	(7,876,000)
Finance income from intercompany	23	–	–	(5,038,587)	(6,965,474)
Finance income from deposits	23	(489,705)	(655,352)	(191,429)	(226,292)
Impairment loss on trade receivables	13	724,114	–	–	–
Impairment loss on property, plant and equipment	6	474,258	–	–	–
Provision for slow moving inventories	15	270,497	–	–	–
Inventories written off	15	744,239	780,532	–	–
Finance costs	24	997,902	626,876	–	–
Gain on disposal of property, plant and equipment	25	(531,993)	(48,217)	–	–
Gain on disposal of investment properties	25	(993,459)	–	–	–
Fair value (gain)/loss on financial assets	25	(420,000)	683,200	–	–
Trade and other receivables written off	25	–	652,802	–	–
Unrealised loss/(gain) on foreign exchange	25	820,610	(243,339)	300,168	(822,353)
Operating profit/(loss) before working capital changes		33,751,417	38,008,694	(1,389,404)	(1,680,687)
Increase in inventories		(1,248,717)	(9,036,055)	–	–
Decrease/(Increase) in trade and other receivables, prepayments and other financial assets		6,996,525	(6,509,443)	(7,810,677)	(10,827,733)
Increase/(Decrease) in trade and other payables		2,391,321	(942,493)	92,337	1,831
Cash generated from/(used in) operations		41,890,546	21,520,703	(9,107,744)	(12,506,589)

Statements of Cash Flows
For the financial year ended 31 December 2019
(cont'd)

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Dividend received		–	–	8,134,000	7,876,000
Income tax paid		(2,669,060)	(3,329,211)	(1,406,391)	(1,495,000)
Income tax refund		2,563,722	–	49,885	–
Net cash generated from/(used in) operating activities		41,785,208	18,191,492	(2,330,250)	(6,125,589)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary		–	–	(1,800,000)	–
Proceeds from disposal of property, plant and equipment		1,081,061	51,000	–	–
Proceeds from disposal of investment properties		1,497,429	–	–	–
Purchase of property, plant and equipment	(b)	(21,182,957)	(21,279,001)	–	–
Finance income received from intercompany	23	–	–	5,038,587	6,965,474
Finance income received from deposits	23	489,705	655,352	191,429	226,292
Placement in other investments		(3,599,889)	(2,225,454)	–	–
Net cash (used in)/generated from investing activities		(21,714,651)	(22,798,103)	3,430,016	7,191,766
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to owners of the Company	29	(8,987,995)	(8,987,995)	(8,987,995)	(8,987,995)
Issue of shares by a subsidiary to non-controlling interests		1,200,000	–	–	–
Repayment of loans and borrowings		(9,167,522)	(7,760,460)	–	–
Drawdown of loans and borrowings		8,438,337	–	–	–
Finance costs on loans and borrowings	24	(997,902)	(626,876)	–	–
Net cash used in financing activities		(9,515,082)	(17,375,331)	(8,987,995)	(8,987,995)

Statements of Cash Flows
For the financial year ended 31 December 2019
(cont'd)

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,555,475	(21,981,942)	(7,888,229)	(7,921,818)
Effect of foreign exchange differences		(1,191,715)	(1,343,945)	(40,018)	720,094
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		39,459,385	62,785,272	12,491,175	19,692,899
CASH AND CASH EQUIVALENTS CARRIED FORWARD	16	48,823,145	39,459,385	4,562,928	12,491,175

NOTES TO THE STATEMENTS OF CASH FLOWS

(a) **Cash outflows for leases as a lessee**

Included in net cash from operating activities:

Payment relating to short-term leases	277,924	–	–	–
Total cash outflows for leases	277,924	–	–	–

(b) **Purchase of property, plant and equipment during the financial year is financed by:**

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Cash		21,182,957	21,279,001	–	–
Finance lease arrangements		–	419,630	–	–
	6	21,182,957	21,698,631	–	–

The annexed notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. PRINCIPAL ACITIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

The accounting policies of subsidiaries are change when necessary to align them with the policies adopted by the Group.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures goodwill at the acquisition date as:

- (a) the fair value of the consideration transferred; plus
- (b) the recognised amount of any non-controlling interests in the acquiree; plus
- (c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- (d) the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Jointly-controlled entities

Jointly controlled entities are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted joint ventures, after adjustments, if any, to align the accounting policies with those of the Group, from the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale or distribution.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Group and of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Financial instruments

(i) Initial recognition and measurement

The Group and the Company recognise a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group and the Company become a party to the contractual provisions of the instruments.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(ii) Financial assets

For the purpose of subsequent measurement, the Group or the Company classify financial assets into two measurement categories, namely: (i) financial asset at amortised cost ("AC") and (ii) financial assets at fair value through profit or loss ("FVPL"). The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group and the Company measure financial assets, as follow:

(i) Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(ii) Financial assets (continued)

After initial recognition, the Group and the Company measure financial assets, as follow: (continued)

(ii) Financial assets at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC model.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 3(k)(i).

(iii) Financial liabilities

After initial recognition, the Group and the Company measure all financial liabilities at amortised cost using the effective interest method, except for:

Financial guarantee contracts issued, and commitments to provide loans at a below-market interest rate given, by the Group and the Company are measured at the higher of: (a) the amount of impairment loss determined and (b) the amount initially recognised less, when appropriate, the cumulative of income recognised in accordance with the principles in MFRS 15 *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(iv) Derecognition of financial instruments

For derecognition purposes, the Group and the Company first determine whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial assets, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group and the Company transfer the contractual rights to receive cash flows of the financial asset, including circumstances when the Group and the Company act only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(v) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3(u).

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(vi) Recognition of gains and losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, interest income and interest expense are recognised in profit or loss using the effective interest method. A gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "administrative expenses" respectively in profit or loss.

(ii) Subsequent cost

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful lives that is different from the remainder of that asset, then that component is depreciated separately.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Leasehold land is amortised over the remaining lease periods ranging from 69 to 85 years. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives of other property, plant and equipment for the current and previous years are as follows:

Buildings	40 to 50 years
Apartments	50 years
Motor vehicles	5 to 10 years
Furniture, fittings and office equipment	5 to 10 years
Plant and machinery	10 years
Renovation	10 years
Signage	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(f) Leases

The Group has applied MFRS 16 *Leases* using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117 *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either the Group has the right to operate the asset; or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on straight-line basis over the lease term as part of "other income".

Previous financial year

(iv) Recognition and initial measurement

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Assets and liabilities arising from finance lease contracts are initially recognised in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease rentals.

After initial recognition, the depreciation policy applied is consistent with that for depreciable assets that are owned. As a result, the depreciation recognised is calculated in accordance with the useful life stated for property, plant and equipment (the Group and the Company does not hold leased intangible assets). In cases where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

The interest element of rental obligations is charged to profit or loss over the period of the lease at a constant rate on the balance of finance lease obligations outstanding.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term. Incentives to take out operating leases are credited to the profit or loss on a straight-line basis over the lease term.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Previous financial year (continued)

(iv) Recognition and initial measurement (continued)

Provision is made in the statement of financial position for the present value of the onerous element of operating leases. This typically arises when the Group and the Company cease to use premises and they are left vacant to the end of the lease or are sublet at rentals, which fall short of the amount payable by the Group and the Company under the lease.

(g) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the joint venture.

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(h) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a lease held for a currently undetermined future use. Properties that are occupied by the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are measured at cost and are accounted for similarly to property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

An investment property is derecognised on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings and over the remaining lease periods of 88 years for leasehold land. Freehold land is not depreciated.

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash with insignificant risk of changes in fair value.

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit losses, except for cash and bank balance. Loss allowances for trade receivables is always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12 months expected losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experiences.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(i) Financial assets (continued)

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amount of the other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units (groups of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rate basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Equity instruments (continued)

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Dividend distribution

Dividends are recognised as liabilities when they are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders' Annual General Meeting. Interim dividends are recognised when paid.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the assets.

The Group transfers control of goods or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income (continued)

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(iv) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss except for finance income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, and adjusted for own shares held.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Fair value measurements (continued)

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2019:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Financial Instruments (2014) – Prepayment Features with Negative Compensation*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 11 *Joint Arrangements – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 112 *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employees Benefits – Plan Amendment, Curtailment or Settlement*

The adoption of the above-mentioned accounting standards, amendments and interpretations have no significant impact on the financial statements of the Group and of the Company.

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

Amendments to MFRSs effective date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The directors anticipate that the above-mentioned accounting standards, amendments and interpretations will be adopted by the Group and the Company when they become effective.

Amendments to MFRS 4 *Insurance Contracts – Applying MFRS 9 Financial Instruments* with MFRS 4 *Insurance Contracts* and MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Group and the Company.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its financial statements, the Group and the Company have made significant judgements, estimates and assumptions that impact on the carrying value of certain assets, liabilities, income and expenses as well as other information reported in the notes. The Group and the Company periodically monitor such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment and right-of-use assets

The cost of property, plant and equipment and right-of-use assets is depreciated on a straight-line basis over their estimated economic useful lives. The directors estimate the useful lives of these property, plant and equipment and right-of-use assets to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment and right-of-use assets is disclosed in Note 6 and Note 7 respectively.

(b) Impairment of non-financial assets

The Group and the Company assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The carrying amount of the non-financial assets are disclosed in Notes 6 to 11 respectively.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Loss allowances of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(d) Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

The carrying amount of current tax assets at 31 December 2019 is RM3,694,881 (2018: RM5,777,869) and RM42,237 (2018: Nil) of the Group and of the Company, respectively.

The carrying amount of current tax liabilities at 31 December 2019 is RM153,232 (2018: RM736,765) and Nil (2018: RM188,901) of the Group and of the Company, respectively.

The carrying amount of deferred tax assets and liabilities are disclosed in Note 12.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date (as reflected in Note 15).

Notes to the Financial Statements
For the financial year ended 31 December 2019

(cont'd)

6. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold lands	Buildings	Apartments	Motor vehicles	Furniture, fittings and office equipment	Plant and machinery	Renovations	Signage	Capital work in progress	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2018	22,801,710	26,111,942	1,067,293	4,315,369	3,945,680	47,413,886	4,981,061	39,800	165,541,860	276,218,601
Additions	-	174,262	-	998,692	747,091	5,142,605	-	182,230	14,034,121	21,279,001
Disposals	-	-	-	(342,500)	(15,071)	-	-	-	-	(357,571)
Effect of movements in exchange rates	-	(620,853)	(17,992)	(33,649)	(43,503)	(603,502)	-	-	-	(1,319,499)
Reclassification	-	90,632,699	-	-	5,499,737	76,276,052	314,157	23,364	(172,746,009)	-
At 31 December 2018, as previously reported	22,801,710	116,298,050	1,049,301	4,937,912	10,133,934	128,229,041	5,295,218	245,394	6,829,972	295,820,532
Adjustment on initial application of MFRS 16	(22,801,710)	-	-	-	-	-	-	-	-	(22,801,710)
At 1 January 2019, as stated	-	116,298,050	1,049,301	4,937,912	10,133,934	128,229,041	5,295,218	245,394	6,829,972	273,018,822
Additions	-	269,581	-	1,372,075	959,575	2,601,161	1,615,720	37,485	14,327,360	21,182,957
Disposals	-	-	(521,423)	(687,592)	(6,546)	(522,511)	-	-	-	(1,738,072)
Written off	-	(94,657)	-	-	-	(11,400)	-	-	-	(106,057)
Transfer to investment properties	-	(2,082,925)	-	-	-	-	-	-	-	(2,082,925)
Effect of movements in exchange rates	-	(416,791)	(11,966)	(29,243)	(30,547)	(420,680)	-	-	36,099	(873,128)
Reclassification	-	55,831	-	-	89,982	4,341,918	1,154,251	4,150	(5,646,132)	-
At 31 December 2019	-	114,029,089	515,912	5,593,152	11,146,398	134,217,529	8,065,189	287,029	15,547,299	289,401,597

Notes to the Financial Statements
For the financial year ended 31 December 2019

(cont'd)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold lands RM	Buildings RM	Apartments RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovations RM	Signage RM	Capital work in progress RM	Total RM
Accumulated depreciation										
At 1 January 2018	2,236,749	5,013,018	242,722	1,625,896	2,816,526	29,177,426	4,259,033	37,465	-	45,408,835
Charge for the financial year	269,714	654,784	20,340	467,158	521,997	4,469,559	429,053	5,078	-	6,837,683
Disposals	-	-	-	(342,496)	(12,292)	-	-	-	-	(354,788)
Effect of movements in exchange rates	-	(100,822)	(3,510)	(22,004)	(31,574)	(336,028)	-	-	-	(493,938)
At 31 December 2018, as previously reported	2,506,463	5,566,980	259,552	1,728,554	3,294,657	33,310,957	4,688,086	42,543	-	51,397,792
Adjustment on initial application of MFRS 16	(2,506,463)	-	-	-	-	-	-	-	-	(2,506,463)
At 1 January 2019, as stated	-	5,566,980	259,552	1,728,554	3,294,657	33,310,957	4,688,086	42,543	-	48,891,329
Charge for the financial year	-	2,397,249	16,514	560,863	1,133,290	11,899,998	374,562	23,191	-	16,405,667
Written off	-	(94,657)	-	-	-	(11,400)	-	-	-	(106,057)
Disposals	-	-	(116,722)	(559,938)	(873)	(511,471)	-	-	-	(1,189,004)
Transfer to investment properties	-	(556,057)	-	-	-	-	-	-	-	(556,057)
Effect of movements in exchange rates	-	(83,696)	(2,695)	(18,627)	(25,706)	(304,122)	-	-	-	(434,846)
At 31 December 2019	-	7,229,819	156,649	1,710,852	4,401,368	44,383,962	5,062,648	65,734	-	63,011,032

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold lands RM	Buildings RM	Apartments RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Plant and machinery RM	Renovations RM	Signage RM	Capital work in progress RM	Total RM
Accumulated Impairment loss										
At 1 January 2018/ 31 December 2018	-	-	-	-	-	-	-	-	-	-
Charge for the financial year	-	-	-	-	-	474,258	-	-	-	474,258
Effect of movements in exchange rates	-	-	-	-	-	(5,183)	-	-	-	(5,183)
At 31 December 2019	-	-	-	-	-	469,075	-	-	-	469,075
Carrying amounts										
At 31 December 2018	20,295,247	110,731,070	789,749	3,209,358	6,839,277	94,918,084	607,132	202,851	6,829,972	244,422,740
At 31 December 2019	-	106,799,270	359,263	3,882,300	6,745,030	89,364,492	3,002,541	221,295	15,547,299	225,921,490

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Apartments

The strata title for apartments with net carrying amount of RM167,541 (2018: RM172,530) have yet to be issued to a subsidiary.

(b) Security

Buildings with net carrying amount of RM Nil (2018: RM3,919,006) have been charge to licensed banks for banking facilities granted to subsidiaries (Note 19).

7. RIGHT-OF-USE ASSETS

	Leasehold lands RM	Prepaid lease payments RM	Total RM
Cost			
At 1 January 2019	22,801,710	3,862,238	26,663,948
Transfer to investment properties	(6,063,920)	–	(6,063,920)
Effect of movement in exchange rates	–	(86,639)	(86,639)
At 31 December 2019	16,737,790	3,775,599	20,513,389
Accumulated depreciation			
At 1 January 2019	2,506,463	926,936	3,433,399
Charge for the financial year	269,714	77,476	347,190
Transfer to investment properties	(943,301)	–	(943,301)
Effect of movement in exchange rates	–	(22,756)	(22,756)
At 31 December 2019	1,832,876	981,656	2,814,532
Carrying amounts			
At 1 January 2019	20,295,247	2,935,302	23,230,549
At 31 December 2019	14,904,914	2,793,943	17,698,857

(a) Lands

The lands are wholly related to leasehold lands with unexpired lease period of more than 50 years.

(b) Prepaid lease payments

The prepaid lease payments are wholly related to a leasehold land with unexpired lease period of less than 50 years. The prepaid lease payments are not transferable and have a remaining tenure of 37 (2018: 38) years.

(c) Security

Leasehold lands with net carrying amount of RM13,421,176 (2018: RM18,784,368) have been charged to licensed banks banking facilities granted to a subsidiary (Note 19).

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

8. INVESTMENT PROPERTIES

	2019 RM	Group 2018 RM
Cost		
At 1 January	3,341,812	3,362,335
Disposals	(608,911)	–
Transfer from property, plant and equipment	2,082,925	–
Transfer from right-of-use assets	6,063,920	–
Effect of movement in exchange rates	506	(20,523)
At 31 December	10,880,252	3,341,812
Accumulated depreciation		
At 1 January	872,912	823,178
Charge for the financial year	48,049	52,689
Disposals	(104,941)	–
Transfer from property, plant and equipment	556,057	–
Transfer from right-of-use assets	943,301	–
Effect of movement in exchange rates	76	(2,955)
At 31 December	2,315,454	872,912
Carrying amounts		
At 31 December	8,564,798	2,468,900
Represented by:		
Freehold land	78,000	78,000
Leasehold land with unexpired lease period of more than 50 years	6,059,612	951,753
Buildings	2,427,186	929,296
Apartments	–	509,851
	8,564,798	2,468,900

Investment properties comprise three commercial properties that are leased to third parties. The leases are renewable on yearly basis. No contingent is charged.

The fair value of the investment properties are as follows:

	2019 RM	Group 2018 RM
At 31 December	62,766,841	27,421,555

The Group estimates the fair value of its investment properties based on the comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

8. INVESTMENT PROPERTIES (CONTINUED)

The disclosure of fair value above was measured at the reporting date using the following method:

Significant observable inputs other than quoted prices (Level 2)

The valuation of residential investment property is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

Significant unobservable inputs (Level 3)

The valuation of commercial property is based on market comparable approach. The significant unobservable input is yield adjustment based on Directors' assumptions. The yield adjustments are made for any difference in the nature, location or condition of the specific property.

The following are recognised in profit or loss in respect of investment properties:

	2019 RM	Group 2018 RM
Rental income	610,382	464,793
Direct operating expenses		
- income generating investment properties	140,462	40,421

Investment properties of the Group amounting to RM8,288,576 (2018: RM1,676,621) has been charged to a licensed bank for credit facilities granted to a subsidiary (Note 19).

9. PREPAID LEASE PAYMENTS

	2019 RM	Group 2018 RM
Cost		
At 1 January	-	3,992,520
Effect of movement in exchange rates	-	(130,282)
At 31 December	-	3,862,238
Accumulated amortisation		
At 1 January	-	878,353
Charge for the financial year	-	77,245
Effect of movement in exchange rates	-	(28,662)
At 31 December	-	926,936
Carrying amount		
At 31 December	-	2,935,302
Amount to be amortised:		
- not later than one year	-	77,245
- later than one year but not later than five years	-	308,980
- later than five years	-	2,549,077
	-	2,935,302

With adoption of MFRS 16 *Leases*, prepaid lease payments were reclassified to right-of-use assets with effect from 1 January 2019.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted shares - at cost	35,237,514	35,237,514
Addition	1,800,000	-
	37,037,514	35,237,514
Less: Impairment loss	(96,900)	(96,900)
	36,940,614	35,140,614
Capital contribution	24,774,746	25,034,896
	61,715,360	60,175,510

Details of the subsidiaries are as follows:

Subsidiaries of the Company	Effective ownership interest		Country of incorporation	Principal activities
	2019 %	2018 %		
Kawan Food Manufacturing Sdn. Bhd.	100	100	Malaysia	Manufacturing and sale of frozen food products
KG Pastry Marketing Sdn. Bhd.	100	100	Malaysia	Investment property and rental of trucks
Kawan Food Confectionery Sdn. Bhd.	100	100	Malaysia	Investment holding
Dikawani Food Sdn. Bhd.*	51	51	Malaysia	Food truck operator
Kawan Food (Hong Kong) Limited**#	100	100	Hong Kong	Trading and distribution of frozen food products
KLBG Sdn. Bhd.@	60	-	Malaysia	Manufacturing and exporting of frozen food products
Subsidiary of Kawan Food (Hong Kong) Limited				
Kawan Food (Nantong) Co., Ltd.**	100	100	The People's Republic of China	Manufacturing and trading of frozen food delicacies

* In the progress of winding up

** Audited by other member firms of RSM International

@ On 30 October 2018, the Company incorporated a subsidiary known as KLBG Sdn. Bhd. with 1,000 ordinary shares at RM1,000. Subsequently, the subsidiary increased its issued and paid up capital of RM2,999,000 by way of an issue of 2,999,000 ordinary shares for a total consideration of RM2,999,000, for cash, for the purpose of increase in the working capital of the company.

The capital contribution to Kawan Food (Hong Kong) Limited are interest free and are determined to form part of the Company's net investment in the subsidiary, hence are deemed as quasi-equity.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiary

The Group's subsidiary that has material non-controlling interests ("NCI") is as follow:

	KLBG Sdn. Bhd. RM
2019	
NCI percentage of ownership interest and voting interest	60%
Carrying amount of NCI	1,023,933
Loss allocated to NCI	(176,067)
<hr/>	
Summarised financial information before intra-group elimination	
As at 31 December	
Non-current asset	742,829
Current assets	1,868,076
Current liability	(51,073)
<hr/>	
Net assets	2,559,832
<hr/>	
Revenue	-
Loss and total comprehensive expense for the financial year	440,168
<hr/>	
Cash flows used in operating activities	(819,343)
Cash flows used in investing activity	(753,054)
Cash flows from financing activity	2,999,000
<hr/>	
Net increase in cash and cash equivalent	1,426,603

11. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2019 RM	2018 RM
Unquoted shares - at cost	-	-

Details of the jointly controlled entity are as follows:

Jointly controlled entity	Effective ownership interest		Country of incorporation	Principal activities
	2019 %	2018 %		
Hot & Go Management Sdn. Bhd.	50	50	Malaysia	Operation of kiosk for food and beverage

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

11. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

Summary as per management accounts of the jointly controlled entity, not adjusted for the percentage of ownership by the Group:

	2019 RM	Group 2018 RM
Revenue (100%)	–	7,486
Net loss for the financial year (100%)	–	261,283
Total assets (100%)	–	47,133
Total liabilities (100%)	–	1,782,038

As at 31 December 2019, the company is in the progress of winding up.

12. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Group						
Property, plant and equipment	–	–	(12,731,862)	(11,204,895)	(12,731,862)	(11,204,895)
Provisions	2,047,755	1,445,759	–	–	2,047,755	1,445,759
Unabsorbed capital allowances	3,938,698	5,443,580	–	–	3,938,698	5,443,580
Others	95,778	34,210	(270,044)	(902,791)	(174,266)	(868,581)
Deferred tax assets/(liabilities)	6,082,231	6,923,549	(13,001,906)	(12,107,686)	(6,919,675)	(5,184,137)
Set off	(5,617,375)	(6,448,026)	5,617,375	6,448,026	–	–
Net deferred tax assets/(liabilities)	464,856	475,523	(7,384,531)	(5,659,660)	(6,919,675)	(5,184,137)

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the financial year

Group	Recognised		Recognised		Recognised		Recognised	
	At 1.1.2018 RM	in profit or loss (Note 26) RM	in other comprehensive income (Note 27) RM	At 31.12.2018/ 1.1.2019 RM	in profit or loss (Note 26) RM	in other comprehensive income (Note 27) RM	At 31.12.2019 RM	
Property, plant and equipment	(2,016,862)	(9,187,986)	(47)	(11,204,895)	(1,526,967)	-	(12,731,862)	
Provisions	2,055,946	(605,425)	(4,762)	1,445,759	598,551	3,445	2,047,755	
Unabsorbed capital allowances	-	5,443,580	-	5,443,580	(1,504,882)	-	3,938,698	
Others	(831,604)	(39,299)	2,322	(868,581)	696,206	(1,891)	(174,266)	
	(792,520)	(4,389,130)	(2,487)	(5,184,137)	(1,737,092)	1,554	(6,919,675)	

13. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Trade					
Trade receivables	(a)	45,250,365	49,810,431	-	-
Less: Impairment loss					
- Individual impairment losses		(371,427)	-	-	-
- Collective impairment losses		(352,687)	-	-	-
Effect of movement in exchange rates		8,520	-	-	-
		44,534,771	49,810,431	-	-
Non-trade					
Advances to subsidiaries	(b)	-	-	122,284,335	114,449,613
Other receivables		1,752,066	2,977,474	2,000	28,155
		1,752,066	2,977,474	122,286,335	114,477,768
		46,286,837	52,787,905	122,286,335	114,477,768

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables of the Group is amount of RM5,364,827 (2018: RM4,882,783) due from companies in which certain directors have interests and held directorship.

(b) Advances to subsidiaries

Advances to subsidiaries of RM122,284,335 (2018: RM114,449,613) are unsecured, subject to interest at base lending rate ("BLR") of 4.76% (2018: 6.85%-6.99%) and receivable on demand.

Notes to the Financial Statements
For the financial year ended 31 December 2019
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14. OTHER INVESTMENTS

	Shares quoted in Malaysia RM	Unit trust RM	Total RM
Group			
2019			
Current			
Financial assets at fair value through profit or loss	593,600	5,840,134	6,433,734
Market value of quoted investments	593,600	5,840,134	6,433,734
2018			
Current			
Financial assets at fair value through profit or loss	173,600	2,240,245	2,413,845
Market value of quoted investments	173,600	2,240,245	2,413,845

15. INVENTORIES

	Group	
	2019 RM	2018 RM
At cost		
Raw materials	2,862,818	2,952,278
Packing materials	4,454,735	4,392,394
Finished goods	13,846,054	16,120,919
Spare parts	113,708	–
Goods-in-transit	2,422,257	–
	23,699,572	23,465,591
Recognised in profit or loss:		
Inventories recognised as cost of sales	142,333,310	120,563,123
Inventories written off	744,239	780,532
Provision for slow moving inventories	270,497	–

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deposits placed with licensed banks	15,976,895	11,062,408	3,051,337	6,890,186
Cash and bank balances	32,846,250	28,396,977	1,511,591	5,600,989
	48,823,145	39,459,385	4,562,928	12,491,175

Notes to the Financial Statements
For the financial year ended 31 December 2019
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16. CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM1,136,087 (2018: RM728,601) and RM696,245 (2018: RM314,384) respectively are redeemable at call whereas RM14,840,808 (2018: RM10,333,807) and RM2,355,092 (2018: RM6,575,802) respectively are redeemable upon 1 day notice.

These deposits are subject to interest at rates ranging from 0.25% to 3.61% (2018: 2.40% to 3.69%) per annum.

17. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		2019	2018
	2019	2018	RM	RM
Issued and fully paid	359,519,760	359,519,760	179,759,880	179,759,880

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18. RESERVES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
<i>Non-distributable:</i>				
Translation reserve	8,079,680	8,830,490	–	–
<i>Distributable:</i>				
Retained earnings	136,076,162	132,874,373	8,721,005	7,159,924
	144,155,842	141,704,863	8,721,005	7,159,924

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than Ringgit Malaysia ("RM").

	Group	
	2019	2018
	RM	RM
At beginning of financial year	8,830,490	9,984,903
Foreign currency translation during the financial year	(750,810)	(1,154,413)
At end of financial year	8,079,680	8,830,490

Notes to the Financial Statements
For the financial year ended 31 December 2019
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19. LOANS AND BORROWINGS

	2019 RM	Group 2018 RM
Term loans		
Classified as:		
- non-current liability	9,358,129	12,980,630
- current liability	6,398,971	3,622,502
	<hr/> 15,757,100	<hr/> 16,603,132
Present value of term loans		
Analysed as follow:		
- not later than 1 year	6,398,971	3,622,502
- later than 1 year but not later than 5 years	9,358,129	12,980,630
	<hr/> 15,757,100	<hr/> 16,603,132

The Group's term loans which are secured over leasehold lands and buildings of subsidiaries and subject to interest at rates ranging from 3.41% to 5.00% (2018: 4.03% to 5.11%) per annum (Notes 6,7 and 8).

20. TRADE AND OTHER PAYABLES

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Trade					
Trade payables	(a)	14,953,086	16,263,372	-	-
Non-trade					
Other payables		3,351,457	3,061,033	48,431	239
Accruals		16,542,679	13,131,496	100,070	55,925
		<hr/> 19,894,136	<hr/> 16,192,529	<hr/> 148,501	<hr/> 56,164
		<hr/> 34,847,222	<hr/> 32,455,901	<hr/> 148,501	<hr/> 56,164

(a) Trade payables

- (i) Credit terms of trade payables are ranging from 30 to 60 days (2018: 30 to 60 days).
- (ii) Included in trade payables of the Group is an amount of RM4,007,508 (2018: RM4,330,925) due to companies in which certain Directors have interests.

Notes to the Financial Statements
For the financial year ended 31 December 2019
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21. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers	214,044,870	199,942,904	–	–
Others				
- rental of property	42,000	42,000	–	–
- dividends	–	–	8,134,000	7,876,000
	214,086,870	199,984,904	8,134,000	7,876,000
Revenue from contracts with customers in primary geographical markets				
Malaysia	84,451,475	81,183,284	8,134,000	7,876,000
North America	54,893,242	53,216,280	–	–
Rest of Asia	44,744,380	38,159,076	–	–
Europe	19,049,847	16,203,895	–	–
Oceania	10,491,824	10,756,713	–	–
Africa	456,102	465,656	–	–
	214,086,870	199,984,904	8,134,000	7,876,000
Timing of recognition				
At a point in time	214,044,870	199,942,904	8,134,000	7,876,000
Over time	42,000	42,000	–	–
	214,086,870	199,984,904	8,134,000	7,876,000

Nature of goods	Timing of recognition	Significant payment terms	Variable element in consideration	Obligation for returns or refund	Warranty
Frozen food products	Revenue is recognised upon transfer of significant risk and reward of ownership of the goods to the customer	Local sales: Credit period of 30 to 90 days from invoice date Export sales: Telegraphic transfer at sight and telegraphic transfer 90 days from bill of lading date	Not applicable	Not applicable	Not applicable
Rental of property	Revenue is recognised based on the consideration specified in a rental agreement with tenant	On or before 10 th of each calendar month	Not applicable	Upon expiry rental agreement, security deposit is refundable after deduct unpaid rent, repairs for damage other than normal wear and tear or earlier termination by any parties.	Not applicable

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

22. OTHER INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Gain on foreign exchange				
- realised	557,597	781,827	-	-
- unrealised	-	243,339	-	822,353
Rental income	626,867	474,830	-	-
Other income	2,167,845	434,632	-	-
	3,352,309	1,934,628	-	822,353

23. FINANCE INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest income of financial assets calculated using the effective interest method that are at amortised cost				
- intercompany	-	-	5,038,587	6,965,474
- deposits with licensed banks	489,705	655,352	191,429	226,292
	489,705	655,352	5,230,016	7,191,766

24. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- term loans, secured	825,674	832,661	-	-
- other bank charges	172,228	213,845	138	345
	997,902	1,046,506	138	345
Recognised in profit or loss	997,902	626,876	138	345
Capitalised on qualifying assets:				
- property, plant and equipment	-	419,630	-	-
	997,902	1,046,506	138	345

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

25. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging/(crediting):

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditor's remuneration				
- audit fee	271,887	231,670	45,000	42,000
- non-audit fee	5,000	2,500	5,000	2,500
Amortisation of prepaid lease payments	-	77,245	-	-
Depreciation of investment properties	48,049	52,689	-	-
Depreciation of property, plant and equipment	16,405,667	6,837,683	-	-
Depreciation of right-of-use assets	347,190	-	-	-
Impairment loss on trade receivables				
- Individual impairment loss	371,427	-	-	-
- Collective impairment loss	352,687	-	-	-
Impairment loss on property, plant and equipment	474,258	-	-	-
Trade receivable written off	-	48,801	-	-
Other receivables written off	-	604,001	-	-
Inventories written off	744,239	780,532	-	-
Personnel expenses (including key management personnel)				
- wages, salaries and others	32,347,957	29,557,084	28,000	29,000
- contributions to State Plans	2,933,252	2,576,673	-	-
Provision for slow moving inventories	270,497	-	-	-
Rental expenses (#) in respect of:				
- coldroom	177,224	598,259	-	-
- equipment	35,800	34,200	-	-
- hostel	64,900	70,060	-	-
Fair value loss on financial assets	-	683,200	-	-
Loss on foreign exchange:				
- unrealised	820,610	-	300,168	-
- realised	61	-	61	281,783
Loss on disposal of property, plant and equipment	-	2,779	-	-
Gain on disposal of property, plant and equipment	(531,993)	(48,217)	-	-
Gain on disposal of investment properties	(993,459)	-	-	-
Fair value gain on financial assets	(420,000)	-	-	-
Gain on foreign exchange				
- unrealised	-	(243,339)	-	(822,353)
- realised	(557,597)	(781,827)	-	-
Rental income from investment properties	(610,382)	(422,793)	-	-
Rental income from hostel	(114,750)	(99,850)	-	-

For short-term leases with lease term of 12 months or less and for leases of low value assets of less than RM21,000, the Group has availed the exemption in MFRS 16 not to recognise the right-of-use assets and lease liabilities. Instead, payments made for these leases are recognised as expense when incurred.

Notes to the Financial Statements
For the financial year ended 31 December 2019
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26. TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax				
Malaysia				
- current	1,385,474	1,814,838	1,126,514	1,543,786
- (over)/under provision in prior financial years	(29,176)	(605,828)	(1,146)	201,389
Overseas				
- current	246,941	782,173	-	-
- under provision in prior years	-	56,985	-	-
	1,603,239	2,048,168	1,125,368	1,745,175
Deferred tax				
Original and reversal of temporary differences	2,749,706	4,416,995	-	-
Over provision in prior financial years	(1,012,614)	(27,865)	-	-
	1,737,092	4,389,130	-	-
Total tax expense	3,340,331	6,437,298	1,125,368	1,745,175

Reconciliation of effective tax expense

The numerical reconciliations between the tax expense and the product of accounting results multiplied by the applicable tax rates are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before taxation	15,354,048	29,244,575	11,674,444	14,209,432
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	3,684,972	7,018,698	2,801,867	3,410,264
Tax effects in respect of:				
Effect of reduction in Malaysian statutory tax rate	-	(4,117)	-	-
Effect of tax rate in foreign jurisdiction	(21,961)	(224,511)	-	-
Non-deductible expenses	1,995,925	1,872,219	1,290,688	1,146,452
Non-taxable income	(967,938)	(1,222,619)	(967,938)	(1,039,978)
Tax exempt income	(103,901)	(147,343)	(1,998,103)	(1,972,952)
Double deduction on qualifying expenditure	(643,307)	(374,541)	-	-
Others	438,331	96,220	-	-
	4,382,121	7,014,006	1,126,514	1,543,786
(Over)/Under provision:				
- current tax	(29,176)	(548,843)	(1,146)	201,389
- deferred tax	(1,012,614)	(27,865)	-	-
	3,340,331	6,437,298	1,125,368	1,745,175

Notes to the Financial Statements
For the financial year ended 31 December 2019
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27. OTHER COMPREHENSIVE EXPENSE

	2019 RM	Group 2018 RM
Foreign currency translation loss for foreign operations during the financial year	(752,364)	(1,151,926)
Less: Tax expense	1,554	(2,487)
Net of tax	(750,810)	(1,154,413)

28. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to owners of the Company of RM12,189,784 (2018: RM22,807,277) and a weighted average number of ordinary shares outstanding of 359,519,760 (2018: 359,519,760).

Diluted earnings per ordinary share

As at 31 December 2019, there is no diluted earnings per ordinary share as the Company does not have any dilutive ordinary shares.

29. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM	Date of payment
2019			
Interim 2019 ordinary - single tier	2.5	8,987,995	29 March 2019
2018			
Interim 2018 ordinary - single tier	2.5	8,987,995	30 March 2018

In respect of the financial year ending 31 December 2020, the Company declared and paid an interim single tier dividend of 2.5 sen per ordinary share totalling RM8,987,995 on 30 March 2020.

30. OPERATING SEGMENTS

The accounting policies of the reportable segments are as described in Note 3(s).

The Group's reportable segment are organised in accordance with the Group entities, which are the Group's strategic business units. The strategic business units offer products to different markets and managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

Notes to the Financial Statements
For the financial year ended 31 December 2019
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30. OPERATING SEGMENTS (CONTINUED)

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total assets are used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provide regularly to the Managing Director. Hence no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, investment properties and intangible assets other than goodwill.

	Manufacturing and trading	
	2019 RM	2018 RM
Group		
Reporting segment profit	41,422,044	44,038,183
<hr/>		
Included in the measure of segment profit are:		
- revenue from external customer	214,086,870	199,984,904
- inter-company revenue	122,255,715	119,953,291
<hr/>		
Not included in the measure of reporting segment profit but provided to Managing Director:		
- depreciation and amortisation	(16,800,906)	(6,967,617)
- finance costs	(6,327,155)	(8,006,416)
- finance income	5,818,958	8,038,239
- income tax expense	(3,334,317)	(6,475,109)
<hr/>		
Segment assets		
Included in the measure of segment assets are:		
- additions to non-current assets other than financial instruments and deferred tax assets	21,182,957	21,279,001
<hr/>		

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For the financial year ended 31 December 2019
(cont'd)

30. OPERATING SEGMENTS (CONTINUED)

Reconciliation of reportable segment revenues, profit or loss, assets and other material items:

	2019 RM	Group 2018 RM
Profit or loss		
Total profit or loss for reportable segments	41,422,044	44,038,183
Elimination of inter-segment profits	(8,758,893)	(7,854,467)
Depreciation and amortisation	(16,800,906)	(6,967,617)
Finance income	489,705	655,352
Finance costs	(997,902)	(626,876)
Consolidated profit before tax	15,354,048	29,244,575

	External revenue RM	Depreciation and amortisation RM	Finance costs RM	Finance income RM	Segment assets RM
2019					
Total reportable segments	336,342,585	(16,800,906)	(6,327,155)	5,818,958	629,025,193
Elimination of inter-segment transaction or balances	(122,255,715)	-	5,329,253	(5,329,253)	(245,943,453)
Consolidated	214,086,870	(16,800,906)	(997,902)	489,705	383,081,740
2018					
Total reportable segments	319,938,195	(6,967,617)	(8,006,416)	8,038,239	595,311,383
Elimination of inter-segment transaction or balances	(119,953,291)	-	7,379,540	(7,382,887)	(218,391,182)
Consolidated	199,984,904	(6,967,617)	(626,876)	655,352	376,920,201

Geographical segments

The manufacturing of frozen food products is carried out solely in Malaysia and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Geographical information

The geographical information is shown in Note 21.

Major customers

The Group has one (2018: one) major customer contributing revenue greater than 10% of the Group's total revenue.

Notes to the Financial Statements
For the financial year ended 31 December 2019
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31. FINANCIAL RISK MANAGEMENT

The Group and the Company have exposure to the following risks from its use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of the Company are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables is credit impaired.

The gross carrying amount of credit impaired trade receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to write off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

At the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

For each significant receivable that is credit-impaired, individual lifetime Expected Credit Loss ("ECL") is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, current conditions and forecast of future economic benefits.

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categorises based on ageing profiles. The collective lifetime ECLs are measured based on total outstanding trade receivables as per aged bracket multiply by probability of default. Probability of default is average of incremental rate of trade receivables over total sales.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Receivables (continued)

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was as follows:

	2019 RM	Group 2018 RM
Malaysia	16,276,986	16,277,547
North America	13,435,371	16,780,600
Europe	5,568,582	4,264,478
Rest of Asia	5,420,275	7,539,541
Oceania	3,431,676	4,571,481
Africa	401,881	376,784
	44,534,771	49,810,431

At the end of the reporting period, the Group has no significant concentration of credit risk except for the amount due from one customer (2018: one customer) representing 14% (2018: 19%) of total trade receivables of the Group. The Group does not anticipate the carrying amount recorded at the end of each reporting period to be significantly different from the value that would eventually be received.

Impairment losses

The aging analysis of trade receivables as at the end of the reporting period was:

	Gross amount RM	Individual impairment RM	Collective impairment RM	Effect of movement in exchange rate RM	Net amount RM
2019					
Not past due	23,035,424	-	(78,427)	508	22,957,505
Past due 1-30 days	8,079,231	-	(61,742)	804	8,018,293
Past due 31-90 days	8,371,611	(19,718)	(111,689)	2,198	8,242,402
Past due more than 90 days	5,764,099	(351,709)	(100,829)	5,010	5,316,571
Total past due	22,214,941	(371,427)	(274,260)	8,012	21,577,266
	45,250,365	(371,427)	(352,687)	8,520	44,534,771
2018					
Not past due	34,598,234	-	-	-	34,598,234
Past due 1-30 days	7,216,061	-	-	-	7,216,061
Past due 31-90 days	4,733,160	-	-	-	4,733,160
Past due more than 90 days	3,262,976	-	-	-	3,262,976
Total past due	15,212,197	-	-	-	15,212,197
	49,810,431	-	-	-	49,810,431

Notes to the Financial Statements
For the financial year ended 31 December 2019
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31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

For balances which are past due but not impaired, management is monitoring individual balances closely and is confident of repayment based on subsequent collections after year end past repayment trends of these customers.

The allowance account is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

	2019 RM	Group	2018 RM
At 1 January	–		–
Impairment loss recognised:			
- Individual impairment loss	371,427		–
- Collective impairment loss	352,687		–
At 31 December	724,114		–

(ii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk of the Company amounts to RM15,757,100 (2018: RM16,603,132) representing the outstanding loan amount of the subsidiaries at the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiaries would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(iii) Inter-company loans advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay loans and advances on an individual basis.

Notes to the Financial Statements
For the financial year ended 31 December 2019
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31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Inter-company loans advances (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Advances are only provided to subsidiaries which are wholly owned by the Company.

Recognition and measurement of impairment losses

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan for advance to be credit impaired when:

- the subsidiary is unlikely to repay its loan or advance to the Company in full;
- the subsidiary's loan or advance is overdue for more than 365 days; or
- the subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

As at the end of the reporting period, there was no indication that the advance to the subsidiaries are not recoverable.

(iv) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risk. Consequently, the Group and the Company are of the view that the loss allowances is not material and hence, it is not provided for.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Notes to the Financial Statements
For the financial year ended 31 December 2019
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31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Less than 1 year RM	1 - 2 years RM	2 - 5 years RM
2019 Group						
Loans and borrowings	15,757,100	3.41% - 5.00%	16,878,749	6,957,537	3,969,971	5,951,241
Trade and other payables	34,847,222		34,847,222	34,847,222	-	-
	50,604,322		51,725,971	41,804,759	3,969,971	5,951,241
Company						
Trade and other payables	148,501		148,501	148,501	-	-
2018 Group						
Loans and borrowings	16,603,132	4.03% - 5.11%	18,292,311	4,288,612	4,109,310	9,894,389
Trade and other payables	32,455,901		32,455,901	32,455,901	-	-
	49,059,033		50,748,212	36,744,513	4,109,310	9,894,389
Company						
Trade and other payables	56,164		56,164	56,164	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on sales, purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EURO"), and Renminbi ("RMB").

Risk management objectives, policies and processes for managing the risk

The Group manages its foreign currency exposure by matching as far as possible receipts and payments in each individual currency. The Group's exposure to foreign currency risk is monitored on an ongoing basis. The Group enters into forward exchange contracts in the normal course of business, where appropriate, to manage its exposure against foreign currency fluctuations on sales and purchase transactions denominated in foreign currencies.

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31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts at the end of the reporting period was:

Group	USD RM	SGD RM	Denominated in	
			EURO RM	RMB RM
2019				
Trade and other receivables	1,220,837	738,614	–	702
Cash and cash equivalents	5,525,145	755,784	24,067	167,167
Trade and other payables	(1,054,097)	–	(14,156)	(154,341)
	5,691,885	1,494,398	9,911	13,528
2018				
Trade and other receivables	3,200,405	(123,666)	–	–
Cash and cash equivalents	13,859,767	1,352,852	800,240	182,551
Trade and other payables	(1,263,670)	–	–	–
	15,796,502	1,229,186	800,240	182,551
			Denominated in USD	
Company			2019 RM	2018 RM
Cash and cash equivalents			1,335,746	5,491,911

Currency risk sensitivity analysis

A 10% (2018: 10%) strengthening of Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Group Profit or loss		Company Profit or loss	
	2019 RM	2018 RM	2019 RM	2018 RM
USD	432,583	1,200,534	101,517	417,385
SGD	113,574	93,418	–	–
EURO	753	60,818	–	–
RMB	1,028	13,874	–	–
	547,938	1,368,644	101,517	417,385

A 10% (2018: 10%) weakening of the above currencies against the Ringgit Malaysia at the end of the reporting period would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Notes to the Financial Statements
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31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk

The Group's fixed rate deposits and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of changes in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's exposure to interest rate risk mainly arises from its short term funds, fixed deposits and borrowings and is managed through effective negotiation with financial institutions for best available rates.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Floating rate instruments				
Financial assets	15,976,895	11,062,408	125,335,672	121,339,799
Financial liabilities	(15,757,100)	(16,603,132)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

	Group Profit or loss		Company Profit or loss	
	100 bp increase RM	100 bp decrease RM	100 bp increase RM	100 bp decrease RM
2019				
Financial assets	121,424	(121,424)	952,551	(952,551)
Financial liabilities	(119,754)	119,754	-	-
2018				
Financial assets	84,074	(84,074)	922,182	(922,182)
Financial liabilities	(126,184)	126,184	-	-

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Price risk

Price risk is the risk that the fair value or future cash flow of the financial statements will fluctuate because of changes in market prices (other than currency or interest rate).

The Group and the Company is exposed to equity securities price risk arising from the investments held by the Group and the Company which are classified on the statements of financial position as fair value to profit or loss. These securities are listed in Malaysia. The Group and the Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity, the Company diversifies its portfolio.

A 5% (2018: 5%) decrease in share price at the end of the reporting period would have decreased profit by RM29,680 (2018: RM8,680) for quoted investments classified as fair value through profit or loss. A 5% (2018: 5%) increased in share price would have had equal but opposite effect on equity and profit respectively.

(d) Fair value of financial instruments

(i) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amount are a reasonable approximation of fair value

The Group's financial assets and liabilities include cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings.

The carrying amount of these financial assets and liabilities are reasonable approximation of fair values, because these are short term in nature or that they are floating rate instruments that are repriced to market interest rates on or near to the end of the reporting period.

(ii) Financial assets and liabilities measured at fair value

	Level 1 RM	Level 2 RM	Level 3 RM
Group			
2019			
Financial assets			
Investment in shares quoted in Malaysia	593,600	–	–
Investment in unit trust	5,840,134	–	–
<hr/>			
2018			
Financial assets			
Investment in shares quoted in Malaysia	173,600	–	–
Investment in unit trust	2,240,245	–	–
<hr/>			

The fair values of these financial assets that are quoted in an active market are determined by reference to the quoted closing bid price at the end of the reporting period.

Notes to the Financial Statements
For the financial year ended 31 December 2019
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31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value of financial instruments (continued)

(iii) Policy of transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2018: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Valuation processes applied by the Company for Level 3 fair value

The Group and the Company use discounted cash flows in respect of the measurement of fair values of financial instruments. The management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

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32. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a capital base adequate to safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by equity attributable to owners of the Company. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents.

The debt-to-equity ratio of the Group at the end of the reporting period is as follows:

	2019 RM	Group 2018 RM
Loans and borrowings	15,757,100	16,603,132
Trade and other payables	34,847,222	32,455,901
	50,604,322	49,059,033
Less: Cash and cash equivalents	(48,823,145)	(39,459,385)
Net debt	1,781,177	9,599,648
Equity attributable to owners of the Company	323,915,722	321,464,743
Debt-to-equity ratio	< 0.01	0.03

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40million. The Company has complied with this requirement.

The Group and the Company is not subject to any externally imposed capital requirement.

33. CAPITAL COMMITMENTS

	2019 RM	Group 2018 RM
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for:		
Within one year	2,265,575	5,506,143

Notes to the Financial Statements
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(cont'd)

34. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows:

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors					
Fees		290,000	292,750	290,000	292,750
Salaries and bonuses		3,604,561	2,415,424	–	–
Defined contribution benefits		411,172	274,958	–	–
Benefits-in-kind		89,788	86,125	–	–
Meeting allowances	(a)	28,000	29,000	28,000	29,000
		4,423,521	3,098,257	318,000	321,750
Non-Executive Directors					
Fees		396,000	429,409	396,000	429,409
Meeting allowances	(a)	72,000	71,575	72,000	71,575
		468,000	500,984	468,000	500,984
		4,891,521	3,599,241	786,000	822,734

The number of Directors of the Company whose income falls within the following bands are:

	Executive Directors		Non-Executive Directors	
	2019 RM	2018 RM	2019 RM	2018 RM
RM150,000 and below	–	–	4	6
RM200,000 to RM500,000	–	–	1	–
RM500,001 to RM1,000,000	3	4	–	–
RM1,000,001 and above	1	–	–	–
Total	4	4	5	6

(a) Meeting allowances vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended during the financial year.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

35. RELATED PARTIES

Identity of related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third party and the other entity is an associate of the third party.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the Company).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

The Group has related party relationship with its subsidiaries, jointly controlled entity, companies which certain directors have interest and key management personnel.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

35. RELATED PARTIES (CONTINUED)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the transactions below are shown in Notes 13 and 20.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Subsidiaries				
Interest income on loans	–	–	5,038,587	6,965,474
Other related party transaction				
<i>Companies in which Directors of the Company have interest:</i>				
Sale of goods	18,735,984	26,904,457	–	–
<i>Companies in which persons related to Directors of the Company have interest:</i>				
Sales of goods	1,093,719	2,635,000	–	–
Purchase of goods	19,210,743	20,591,713	–	–
Rental of office	27,600	–	–	–
Rental of plant and machineries	443	–	–	–
Plaster ceiling and partition works	75,098	–	–	–
Key management personnel				
Executive Directors:				
- fees	290,000	292,750	290,000	292,750
- remuneration	3,604,561	2,415,424	–	–
- defined contribution plans	411,172	274,958	–	–
- benefits-in-kind	89,788	86,125	–	–
- meeting allowances	28,000	29,000	28,000	29,000
	4,423,521	3,098,257	318,000	321,750
<i>Other key management personnel:</i>				
- short term employee benefits	5,118,381	4,703,237	–	–
- defined contribution plans	500,469	441,861	–	–
- benefits-in-kind	13,691	16,400	–	–
	5,632,541	5,161,498	–	–
Total compensation paid to key management personnel	10,056,062	8,259,755	318,000	321,750

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

36. CONTINGENCIES

	2019 RM	Company 2018 RM
Corporate guarantees given by the Company to licensed banks for banking facilities granted to subsidiaries	96,232,500	82,115,000

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 30 October 2018, the Company incorporated a subsidiary known as KLBG Sdn. Bhd. with 1,000 ordinary shares at RM1,000. Subsequently, the subsidiary increased its issued and paid up capital of RM2,999,000 by way of an issue of 2,999,000 ordinary shares for a total consideration of RM2,999,000, for cash, for the purpose of increase in the working capital of the company.

The intended principal activity of the company is manufacturing and exporting of frozen food products.

The above incorporation of subsidiary does not have any material effect to the financial statements.

38. EVENTS AFTER THE REPORTING PERIOD

- (a) On 1 January 2020, the Company has subscribed 122,000,000 redeemable convertible preference shares at an issue price of RM1.00 per share in the ordinary shares of a subsidiary for a total consideration of RM122,000,000 by capitalisation of amount due from the subsidiary.
- (b) On 16 March 2020, the Government announced the Movement Control Order ("MCO") which started from 18 March 2020 as a measure to curb the Covid-19 pandemic. The Covid-19 pandemic outbreak has caused disruptions to its businesses. Despite the more challenging business operating environment, the Group continues its operations to meet the growing customers' orders in order to continue supply to the local and international markets for food. Following thereto, the Group has streamlined its operations to enhance its production capacity and productivity of both the factories in Malaysia and China.

The Group is well positioned to withstand the near-term impact from the outbreak based on the Group's strong liquidity position vis-a vis its financial obligations. Cash flow remains strong underpinned by sustained profitability and sound asset quality.

Going forward, the global economy remains uncertain amidst disruptions from the impact arising from the Covid-19 pandemic and this is expected to have an impact on the Group's and Company's business, financial performance and results of its operations. In any case, the Group and the Company will continue to remain vigilant in monitoring its financial position and business operations.

The Group's and the Company's financial statements for the financial year ended 31 December 2019 have been prepared with the application of going concern principle. The directors and management of the Group and of the Company are cognizant of the impact of the Covid-19 pandemic on its business and has implemented measures to counter its adverse impacts. The directors and the management of the Group and of the Company are therefore of the view that the Covid-19 pandemic will not affect its fundamentals and going concern of its business in the longer term.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

39. SIGNIFICANT CHANGES TO ACCOUNTING POLICIES

The Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019. There are no adjustments made to the prior period presented.

Impacts on financial statements

The following table presents the impact of changes to the statements of financial position of the Group resulting from the adoption of MFRS 16 *Leases* as at 1 January 2019:

Group	31.12.2018 RM	Changes RM	1.1.2019 RM
Non-current assets			
Cost			
- Property, plant and equipment	22,801,710	(22,801,710)	-
- Prepaid lease payment	3,862,238	(3,862,238)	-
- Right-of-use assets	-	26,663,948	26,663,948
	26,663,948	-	26,663,948
Accumulated depreciation			
- Property, plant and equipment	2,506,463	(2,506,463)	-
- Prepaid lease payment	926,936	(926,936)	-
- Right-of-use assets	-	3,433,399	3,433,399
	3,433,399	-	3,433,399
Carrying amounts			
- Property, plant and equipment	20,295,247	(20,295,247)	-
- Prepaid lease payment	2,935,302	(2,935,302)	-
- Right-of-use assets	-	23,230,549	23,230,549
	23,230,549	-	23,230,549

- (a) The right-of-use assets comprise leasehold lands leased from third parties and recognised during the period. Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.
- (b) For short-term leases with lease term of 12 months or less and for the leases of low value assets of less than RM21,000, the Group has availed the exemption in MFRS 16 not to recognise the right-of-use assets and lease liabilities. Instead, payments made for these leases are recognised as expense when incurred (Note 25).

Other than the above, the Group elected to apply exemption for a lease of premises expiring within 12 months under the Appendix C, paragraph 10(c) of MFRS 16. The lease payments are recognised as an expense on a straight-line basis over the remaining lease term during the current financial year.

Notes to the Financial Statements
For the financial year ended 31 December 2019
(cont'd)

40. OTHER INFORMATION

- (a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.
- (b) The registered office of the Company is located at:
- 12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
- (c) The principal place of business of the Company is located at:
- Lot 129351, Jalan Sungai Pinang 4/19
Taman Perindustrian Pulau Indah
Selangor Halal Hub, Fasa 2C
42920 Pulau Indah
Selangor Darul Ehsan
- (d) The financial statements are expressed in Ringgit Malaysia, which is also the Group's and the Company's functional currency.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 27 April 2020.

LIST OF PROPERTIES

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
* Held under H.S. (D) No. 135852, PT129351, Mukim dan Daerah Klang, Negeri Selangor, with address at Lot 96, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor Darul Ehsan	Factory cum office	Leasehold interest for a term of 99 years expiring on 24 February 2097	2 years	12 October 2011	63,079.9 sq. metres/ 49,404.82 sq. metres	18 May 2018	102,321,059
* Held under H.S. (D) No. 98527, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan	Factory cum office	Leasehold interest for a term of 99 years expiring on 6 August 2074	40 years	28 May 2004	7,337.24 sq. metres/ 6,417.91 sq. metres	23 May 2007	5,018,878
** Held under PTD No. 59709 H.S. (D) 207237 Mukim of Tebrau, Negeri Johor with address at No.52, Jalan Mutiara Emas 5/12, Taman Mount Austin, 81100 Johor Bahru, Johor Darul Takzim	Factory cum office	Freehold	21 years	31 May 2005	289.86 sq. metres/ 254 sq. metres	2 November 1998	276,222
* Held under H.S. (D) 98490, P.T. No. 617, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 4, Jalan Lada Hitam 16/12A, 40000 Shah Alam, Selangor Darul Ehsan,	Factory cum office	Leasehold interest for a term of 99 years expiring on 20 July 2094	30 years	28 June 1999	4,484 sq. metres/ 3,149.43 sq. metres	24 September 1990	1,641,090
* Held under H.S. (D) 98500 for P.T. No. 714, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 2A, Persiaran Kemajuan, Seksyen 16, 40000 Shah Alam, Selangor Darul Ehsan.	Factory cum office	Leasehold interest for a term of 99 years expiring on 20 July 2094	30 years	25 May 2005	21,796 sq. metres/ 3,584.91 sq. metres	7 May 1990	6,647,486
* Parcel No. 2F-41C with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	20 years	16 May 2003	67.85 sq. metres	27 March 2003	43,396

List of Properties

(cont'd)

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
* Parcel No. 2B-41D with address at 41D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	20 years	29 July 2003	67.85 sq. metres	27 March 2003	40,373
* Parcel No. 2F-31C with address at 31C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56062 PT 59169 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	20 years	16 May 2003	67.85 sq. metres	27 March 2003	43,396
* Parcel No. 2B-21D with address at 21D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56057 PT 59164 in the Mukim of Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	20 years	29 July 2003	67.85 sq. metres	27 March 2003	40,373
* Shop Apartment Parcel No. B3/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	19 years	21 February 2001	69.52 sq. metres	26 October 2004	38,345

List of Properties
(cont'd)

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
* Shop Apartment Parcel No. B4/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67207 Lot No. P.T. No. 65652 in the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	19 years	21 February 2001	69.52 sq. metres	26 October 2004	38,345
* Shop Apartment Parcel No. D4/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	19 years	21 February 2001	69.52 sq. metres	26 October 2004	38,345
* Shop Apartment Parcel No. D3/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67207 Lot No. P.T. No. 65652 in the Mukim Klang, District of Klang, State of Selangor Darul Ehsan	Shop apartment occupied as staff hostel	Freehold	19 years	21 February 2001	69.52 sq. metres	26 October 2004	38,345
* Shop Apartment Parcel No. D2/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in the Mukim Klang, District of Klang, State of Selangor darul Ehsan	Shop apartment occupied as staff hostel	Freehold	19 years	21 February 2001	69.52 sq. metres	26 October 2004	38,345

List of Properties

(cont'd)

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
*** Industrial Land at 13, Kexing Road North, Nantong Economic & Technology Development Area ("NETDA"), China Held under Lot No. 03-10-(001)-338, Land Registry No. 35.45-92.10	Factory cum office	Leasehold interest for a term of 50 years expiring on 25 December 2056	10 years	26 December 2006	40,773.90 sq. metres/ 16,000 sq. metres	N/A	17,354,999

* Held under Kawan Food Manufacturing Sdn. Bhd.

** Held under KG Pastry Marketing Sdn. Bhd.

*** Held under Kawan Food (Nantong) Co., Ltd.

ANALYSIS ON SHAREHOLDINGS

as per record of depositors as at 23 April 2020

Issued Share Capital	:	RM 179,759,880.00 comprising 359,519,760 ordinary shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	188	8.06	5,034	0.00
100 - 1,000	855	36.66	352,036	0.10
1,001 - 10,000	808	34.65	3,650,041	1.02
10,001 - 100,000	340	14.58	11,080,998	3.08
100,001 to less than 5% of issued shares	138	5.92	170,716,269	47.48
5% and above of issued shares	3	0.13	173,715,382	48.32
Total	2,332	100.00	359,519,760	100.00

SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 23 April 2020

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	87,724,248	24.40	9,464,149*	2.632
2. VG Trustee Limited (as Trustee of the Narvee Foundation)	71,144,200	19.79	–	–
3. Gan Thiam Hock	22,462,133	6.25	1,516,300**	0.422
4. Kwan Sok Kay	17,724,405	4.93	9,464,149*	2.632
5. Nareshchandra Gordhandas Nagrecha	–	–	71,144,200***	19.79

* Deemed interested in the shares by virtue of Section 59 of the Companies Act, 2016 ("the Act"), held through his/her children, namely Gan Ka Bien, Gan Ka Hui and Gan Ka Ooi who holds 4,013,849, 2,700,300 and 2,750,000 ordinary shares respectively, representing a total of 2.632% in the shareholdings of the Company.

** Deemed interested in the shares by virtue of Section 59 of the Act, held through his children, namely Gan Meng Hoi, Gan Meng Yeow, Gan Meng Hoo and Gan Kha Yee who holds 444,000, 344,000, 344,300 and 344,000 ordinary shares respectively and his spouse, Lam Saw Kuan who holds 40,000 ordinary shares representing a total of 0.422% in the shareholdings of the Company.

*** Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Narvee Foundation.

Analysis on Shareholdings
as per record of depositors as at 23 April 2020
(cont'd)

STATEMENT OF DIRECTORS' SHAREHOLDINGS

as per Register of Directors' shareholdings as at 23 April 2020

Name of Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	87,724,248	24.40	9,464,149*	2.632
2. Kwan Sok Kay	17,724,405	4.93	9,464,149*	2.632
3. Gan Thiam Hock	22,462,133	6.25	1,516,300**	0.422
4. Nareshchandra Gordhandas Nagrecha	–	–	71,144,200***	19.79
5. Timothy Tan Heng Han	135,000	0.04	–	–
6. Lim Hun Soon @ David Lim	7,577,028	2.11	–	–
7. Abdul Razak Bin Shakor	–	–	–	–
8. Dr. Nik Ismail Bin Nik Daud	–	–	–	–
9. Eugene Hon Kah Weng	–	–	–	–

* Deemed interested in the shares by virtue of Section 59 of the Act, held through his/her children, namely Gan Ka Bien, Gan Ka Hui and Gan Ka Ooi who holds 4,013,849, 2,700,300 and 2,750,000 ordinary shares respectively, representing a total of 2.632% in the shareholdings of the Company.

** Deemed interested in the shares by virtue of Section 59 of the Act, held through his children, namely Gan Meng Hoi, Gan Meng Yeow, Gan Meng Hoo and Gan Kha Yee who holds 444,000, 344,000, 344,300 and 344,000 ordinary shares respectively and his spouse, Lam Saw Kuan who holds 40,000 ordinary shares representing a total of 0.422% in the shareholdings of the Company.

*** Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Narvee Foundation.

Analysis on Shareholdings
as per record of depositors as at 23 April 2020

(cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 23 APRIL 2020

No.	Name of Shareholders	No. of Shares	%
1.	Gan Thiam Chai	80,537,582	22.40
2.	Maybank Securities Nominees (Asing) Sdn. Bhd. <i>Exempt AN for VG Trustee Limited (Narvee Foundation)</i>	71,144,200	19.79
3.	Gan Thiam Hock	22,033,600	6.13
4.	Kumpulan Wang Persaraan (Diperbadankan)	16,149,433	4.49
5.	Kwan Sok Kay	14,163,405	3.94
6.	Wu, Meng-Che	10,402,633	2.89
7.	Amanahraya Trustees Berhad <i>Public Strategic Smallcap Fund</i>	7,269,266	2.02
8.	Lim Hun Soon @ David Lim	7,257,028	2.02
9.	Cimsec Nominees (Tempatan) Sdn. Bhd. <i>CIMB for Gan Thiam Chai (PB)</i>	7,186,666	2.00
10.	Kong Poh Yin	5,456,500	1.52
11.	Amanahraya Trustees Berhad <i>PB Growth Fund</i>	4,887,966	1.36
12.	Amanahraya Trustees Berhad <i>PB Smallcap Growth Fund</i>	4,562,266	1.27
13.	HLIB Nominees (Asing) Sdn. Bhd. <i>Hong Leong Bank Bhd for Wu Chung Chen</i>	4,460,000	1.24
14.	Gan Ka Bien	4,013,849	1.12
15.	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera 3 - Didik</i>	3,862,566	1.07
16.	Permodalan Nasional Berhad	3,679,000	1.02
17.	Kwan Sok Kay	3,561,000	0.99
18.	Amanahraya Trustees Berhad <i>ASN Umbrella for ASN Sara (Mixed Asset Conservative) 1</i>	3,494,466	0.97
19.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Maybank Trustees Berhad for RHB Capital Fund (200189)</i>	2,884,266	0.80
20.	Citigroup Nominees (Asing) Sdn. Bhd. <i>Exempt AN for UBS AG Singapore (Foreign)</i>	2,800,000	0.78
21.	HLIB Nominees (Asing) Sdn. Bhd. <i>Hong Leong Bank Bhd for Chen Tsai Tien</i>	2,792,466	0.78
22.	Gan Ka Ooi	2,750,000	0.76
23.	Gan Ka Hui	2,700,300	0.75
24.	HLIB Nominees (Asing) Sdn. Bhd. <i>Hong Leong Bank Bhd for Chiang Peter</i>	2,604,000	0.72
25.	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera 2</i>	2,407,300	0.67
26.	Maybank Securities Nominees (Asing) Sdn. Bhd. <i>Pledged Securities Account for Shah Kamal Kant Zaverchand</i>	2,168,382	0.60
27.	Amanahraya Trustees Berhad <i>Amanah Saham Malaysia 3</i>	2,117,533	0.59
28.	HLIB Nominees (Asing) Sdn. Bhd. <i>Hong Leong Bank Bhd for Wu Chia Lung</i>	2,051,682	0.57
29.	Amanahraya Trustees Berhad <i>Public Islamic Emerging Opportunities Fund</i>	1,871,200	0.52
30.	Amanahraya Trustees Berhad <i>Public Select Treasures Equity Fund</i>	1,857,400	0.52
Total		303,125,955	84.30

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting (“16th AGM”) of Kawan Food Berhad will be conducted virtually for the purpose of considering and if thought fit, passing with or without modifications the resolutions setting out in this notice.

Meeting Platform	:	https://tjih.online
Day and Date	:	Friday, 19 June 2020
Time	:	10.30 a.m.
Broadcast Venue	:	Tricor Business Centre, Manuka 2 & 3 Meeting Room Unit 29-01, Level 29, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8 Jalan Kerinchi 59200 Kuala Lumpur, Wilayah Persekutuan
Mode of Communication	:	Shareholders may submit questions to the Board of Directors prior to the 16 th AGM via Tricor’s TIH Online website at https://tjih.online by selecting “e-Services” to login, pose questions and submit electronically not later than 10.30 a.m. on Wednesday, 17 June 2020 or to use the query box to transmit questions to Board of Directors via Remote Participation and Voting (“RPV”) facilities during live streaming

AGENDA

AS ORDINARY BUSINESS

- | | |
|---|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. | Please refer to
Note 1 of the
Explanatory Notes |
| 2. To approve the Directors’ fees and benefits payable to the Directors of the Company of up to RM1 Million for the financial year ending 31 December 2020. | Ordinary Resolution 1 |
| 3. To re-elect the following Directors who are retiring under Clause 115(1) of the Constitution of the Company: | |
| (i) Madam Kwan Sok Kay | Ordinary Resolution 2 |
| (ii) Mr. Timothy Tan Heng Han | Ordinary Resolution 3 |
| (iii) Mr. Nareshchandra Gordhandas Nagrecha | Ordinary Resolution 4 |
| (iv) Dr. Nik Ismail Bin Nik Daud | Ordinary Resolution 5 |
| 4. To re-appoint Messrs. RSM Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:

- | | |
|--|-------------------------------|
| 5. Proposed Renewal of Shareholders’ Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with the following related parties (“Proposed Renewal of Shareholders’ Mandate”): | |
| (i) Shana Foods Limited and Rubicon Food Products Limited | Ordinary Resolution 7 |
| (ii) Food Valley Sdn. Bhd. | Ordinary Resolution 8 |
| (iii) K.C. Belight Food Industry (M) Sdn. Bhd. and MH Delight Sdn. Bhd. | Ordinary Resolution 9 |
| (iv) Hot & Roll Sdn. Bhd. | Ordinary Resolution 10 |

(Collectively referred to as “Related Parties”)

Notice of the Sixteenth Annual General Meeting
(cont'd)

“THAT approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as “Recurrent Transactions”) with the above Related Parties as stated in Section 2.4 of the Circular to Shareholders dated 28 May 2020 which are necessary for the Company’s day-to-day operations subject further to the following:

- (i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to Related Parties than those generally available to the public, and are not to the detriment of the minority shareholders;
- (ii) the approval is subject to annual renewal and shall only continue to be in force until:
 - (a) the conclusion of the next AGM of the Company following the forthcoming AGM of the Company at which the Proposed Renewal of Shareholders’ Mandate is approved, at which time it will lapse unless by a resolution passed at the AGM the mandate is again renewed;
 - (b) the expiration of the period within which the next AGM of the Company after the date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (“Act”) (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,whichever is the earlier; and
- (iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Renewal of Shareholders’ Mandate in the Annual Report of the Company based on the following information:
 - (a) the type of Recurrent Transactions entered into; and
 - (b) the names of the Related Parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/ or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit.”

6. Authority under Section 75 and 76 of the Act for the Directors to allot and issue shares

“THAT pursuant to Section 75 and 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at the time of issue, subject to the Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue.”

Ordinary Resolution 11

Notice of the Sixteenth Annual General Meeting

(cont'd)

7. Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

“THAT subject to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits as at 31 December 2019 to purchase such amount of ordinary shares in the Company (“Proposed Renewal of Share Buy-Back Authority”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company.

THAT an amount not exceeding the Company’s retained profits be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 127 of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them.

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:-

- (i) the conclusion of the next AGM of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Share Buy-Back Authority as may be agreed or allowed by any relevant governmental and/or regulatory authority.”

Ordinary Resolution 12

8. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
SSM PC No.: 202008001023

TAI YUEN LING (LS 0008513)
SSM PC No.: 202008001075

Company Secretaries
Kuala Lumpur

Date: 28 May 2020

Notice of the Sixteenth Annual General Meeting (cont'd)

EXPLANATORY NOTES:

1. To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.

2. Ordinary Resolutions 7, 8, 9 & 10 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolutions 7, 8, 9 & 10 proposed, if passed, will empower the Directors from the date of the 16th AGM, to deal with the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations. These recurrent related party transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public and not to the detriment of the minority shareholders.

This authority unless revoked or varied at a general meeting, will expire at the next AGM of the Company and subject always to provision (ii) of the resolution.

For further information on Ordinary Resolutions 7, 8, 9 & 10 please refer to the Circular to Shareholders dated 28 May 2020 accompanying the Annual Report of the Company for the financial year ended 31 December 2019.

3. Ordinary Resolution 11 - Authority under Section 75 and 76 of the Act for the Directors to allot and issue shares

The Ordinary Resolution 11 proposed under item 6 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 75 and 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

The Company did not allot and issue any shares pursuant to the general mandate granted by the shareholders at the previous AGM.

4. Ordinary Resolution 12 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

The proposed Ordinary Resolution 12, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company is required by law to be held.

For further information on Ordinary Resolution 12, please refer to the Statement to Shareholders dated 28 May 2020 accompanying the Annual Report of the Company for the financial year ended 31 December 2019.

Notice of the Sixteenth Annual General Meeting

(cont'd)

Notes:

1. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be at the main venue of the meeting. **No shareholders/proxy(ies)** from the public will be physically present at the Broadcast venue.

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 16th AGM using the Remote Participation and Voting facilities ("RPV") provided by the Special Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. via its **TIIH Online** website at <https://tiih.online>.

Please read these Notes carefully and follow the procedures in the Administrative Guide on 16th AGM in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 15 June 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
3. A member entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
4. A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
6. A member who has appointed a proxy or attorney or authorised representative to participate at the 16th AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Information for Shareholders on 16th AGM.
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

- (i) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

- (ii) By electronic means

The proxy form can be electronically lodged with the Special Registrar of the Company via TIIH Online at <https://tiih.online>. Kindly refer to the Information for Shareholders on the procedures for electronic lodgement of proxy form via TIIH Online.

Notice of the Sixteenth Annual General Meeting (cont'd)

8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
9. Last date and time for lodging the proxy form is **Wednesday, 17 June 2020 at 10.30 a.m.**
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
 - a. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - b. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - i. at least two (2) authorised officers, of whom one shall be a director; or
 - ii. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
12. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the notice of any general meeting will be put to vote by poll.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADMINISTRATIVE GUIDE ON 16TH ANNUAL GENERAL MEETING

Date	:	Friday, 19 June 2020
Time	:	10.30 a.m.
Broadcast Venue	:	Tricor Business Centre Manuka 2 & 3 Meeting Room Unit 29-01, Level 29, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia

MODE OF MEETING

In view of the COVID-19 outbreak and as part of the safety measures, the 16th Annual General Meeting (“AGM”) will be conducted entirely through live streaming from the Broadcast Venue. This is in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, including any amendment that may be made from time to time.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Shareholders **WILL NOT BE ALLOWED** to attend the 16th AGM in person at the Broadcast Venue on the day of the meeting.

REMOTE PARTICIPATION AND VOTING FACILITIES (“RPV”)

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely at the 16th AGM using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its **TIIH Online** website at <https://tiih.online>.

Shareholders who appoint proxies to participate via RPV in the 16th AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Wednesday, 17 June 2020 at 10.30 a.m.**

Corporate representatives of corporate members must deposit their original certificate of appointment of corporate representative to Tricor not later than **Wednesday, 17 June 2020 at 10.30 a.m.** to participate via RPV in the 16th AGM.

Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor not later than **Wednesday, 17 June 2020 at 10.30 a.m.** to participate via RPV in the AGM.

A shareholder who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV at TIIH Online website at <https://tiih.online>.

As the 16th AGM is a fully virtual AGM, members who are unable to participate in this AGM may appoint the Chairperson of the meeting as his/her proxy and indicate the voting instructions in the proxy form.

PROCEDURES FOR RPV

Shareholders/proxies/corporate representatives/attorneys who wish to participate the 16th AGM remotely using the RPV are to follow the requirements and procedures as summarized below:

	Procedure	Action
BEFORE THE AGM DAY		
(a)	Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access the website at https://tiih.online. Register as a user under the “e-Services”. Refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.

Administrative Guide on 16th Annual General Meeting (cont'd)

(b)	Submit your registration for RPV	<ul style="list-style-type: none"> • Registration is open from 10.30 a.m. Thursday, 28 May 2020 up to 10.30 a.m. Wednesday, 17 June 2020. • Login with your user ID and password and select the corporate event: “(REGISTRATION) KAWAN 16th AGM.” • Read and agree to the Terms & Conditions and confirm the Declaration. • Select “Register for Remote Participation and Voting”. • Review your registration and proceed to register. • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the General Meeting Record of Depositors as at 15 June 2020, the system will send you an e-mail to approve or reject your registration for remote participation.
ON THE DAY OF THE AGM		
(c)	Login to TIIH Online	<ul style="list-style-type: none"> • Login with your user ID and password for remote participation at the 16th AGM at any time from 10.00 a.m. i.e. 30 minutes before the commencement of the AGM on Friday, 19 June 2020 at 10.30 a.m.
(d)	Participate through Live Streaming	<ul style="list-style-type: none"> • Select the corporate event: “(LIVE STREAM MEETING) KAWAN 16th AGM” to engage in the proceedings of the 16th AGM remotely. • If you have any question for the Chairperson/Board, you may use the query box to transmit your question. The Chairperson/Board will endeavor to respond to questions submitted by remote participants during the 16th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
(e)	Online Remote Voting	<ul style="list-style-type: none"> • Voting session commences from 10.30 a.m. on Friday, 19 June 2020 until a time when the Chairperson announces the completion of the voting session of the 16th AGM. • Select the corporate event: “(REMOTE VOTING) KAWAN 16th AGM”. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
(f)	End of remote participation	<ul style="list-style-type: none"> • Upon the announcement by the Chairperson on the closure of the 16th AGM, the live streaming will end.

Note to users of the RPV facilities:

1. Should your registration for RPV be approved we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

PROXY

The 16th AGM will be conducted via virtual meeting, if you are unable to attend the meetings via RPV on Friday, 19 June 2020, you may appoint the Chairman of the meeting as proxy and indicate the voting instructions in the Proxy Form.

You may submit your proxy form to Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Counter at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof, otherwise the proxy form shall not be treated as valid.

You may also submit the proxy form electronically via **TIIH Online** website at <https://tiih.online> no later than **Wednesday, 17 June 2020 at 10.30 a.m.** Please do read and follow the procedures below to submit proxy form electronically.

Administrative Guide on 16th Annual General Meeting

(cont'd)

ELECTRONIC SUBMISSION OF PROXY FORM

The procedures to submit your proxy form electronically via Tricor's **TIIH Online** website are summarised below:

	Procedure	Action
a	Register as a User with TIIH Online	<ul style="list-style-type: none"> Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again.
b	Proceed with submission of Proxy Form	<ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. Select the corporate event: "Submission of Proxy Form". Read and agree to the Terms & Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. Review and confirm your proxy(s) appointment. Print proxy form for your record.

POLL VOTING

The voting at the 16th AGM will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).

Shareholders/proxies/corporate representatives/attorneys can proceed to vote on the resolutions at any time from the commencement of the 16th AGM at 10.30 a.m. on Friday, 19 June 2020 but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to item (e) of the above Procedures for RPV for guidance on how to vote remotely from TIIH Online website at <https://tiih.online>.

Upon completion of the voting session for the 16th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the 16th AGM via Tricor's TIIH Online website at <https://tiih.online> by selecting "e-Services" to login, pose questions and submit electronically no later than Wednesday, 17 June 2020 at 10.30 a.m.. The Board will endeavor to answer the questions received at the AGM.

DOOR GIFT/FOOD VOUCHER

There will be **NO distribution** of door gifts or food vouchers for the 16th AGM since the meeting is being conducted on a fully virtual basis.

Kawan Food Berhad would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 8.30 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line : +603-2783 9299
 Fax Number : +603-2783 9222
 Email : is.enquiry@my.tricorglobal.com
 Contact persons : Ms Lee Siew Li: +603-2783 9234 (Siew.Li.Lee@my.tricorglobal.com)
 : Encik Zulhafri Bin Abdul Rahman: +603-2783 9289 (Zulhafri@my.tricorglobal.com)

Signature/Common Seal

Date:

Contact No.:

IMPORTANT NOTES:

1. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the Meeting to be at the main venue of the meeting. **No shareholders/proxy(ies)** from the public will be physically present at the Broadcast venue.

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 16th AGM using the Remote Participation and Voting facilities ("RPV") provided by the Special Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. via its **TIIH Online** website at <https://tiih.online>.

Please read these Notes carefully and follow the procedures in the Administrative Guide on 16th AGM in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 15 June 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
3. A member entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
4. A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
6. A member who has appointed a proxy or attorney or authorised representative to participate at the 16th AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Information for Shareholders on 16th AGM.
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - (i) In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - (ii) By electronic means
The proxy form can be electronically lodged with the Special Registrar of the Company via TIIH Online at <https://tiih.online>. Kindly refer to the Information for Shareholders on the procedures for electronic lodgement of proxy form via TIIH Online.
8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
9. Last date and time for lodging the proxy form is **Wednesday, 17 June 2020 at 10.30 a.m.**
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Special Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:
 - a. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - b. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - i. at least two (2) authorised officers, of whom one shall be a director; or
 - ii. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
12. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the notice of any general meeting will be put to vote by poll.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 28 May 2020.

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AFFIX
STAMP

The Special Registrar

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.

Registration No.:197101000970 (11324-H)

Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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KAWAN FOOD BERHAD

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