



KaWan

KAWAN FOOD BERHAD

KAWAN FOOD BERHAD

200401001942 (640445-V) (Incorporated in Malaysia)

Annual Report 2020

Better Health Through Better Lifestyle



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CORPORATE INFORMATION



GAN THIAM CHAI

Executive Chairman

TIMOTHY TAN HENG HAN

Group Managing Director
(Resigned on 1 January 2021)

GAN THIAM HOCK

Non-Independent Executive Director

KWAN SOK KAY

Non-Independent Executive Director

GAN KA BIEN

Non-Independent Executive Director
(Appointed on 24 November 2020)

DR. NIK ISMAIL BIN NIK DAUD

Senior Independent Non-Executive Director

LIM HUN SOON @ DAVID LIM

Independent Non-Executive Director

EUGENE HON KAH WENG

Independent Non-Executive Director

ABDUL RAZAK BIN SHAKOR

Non-Independent Non-Executive Director

NARESHCHANDRA

GORDHANDAS NAGRECHA

Non-Independent Non-Executive Director
(Retired on 19 June 2020)

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

LIM HUN SOON @ DAVID LIM

Member

(Appointed on 24 November 2020)

ABDUL RAZAK BIN SHAKOR

Member

(Ceased on 24 November 2020)

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 2698 6600

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

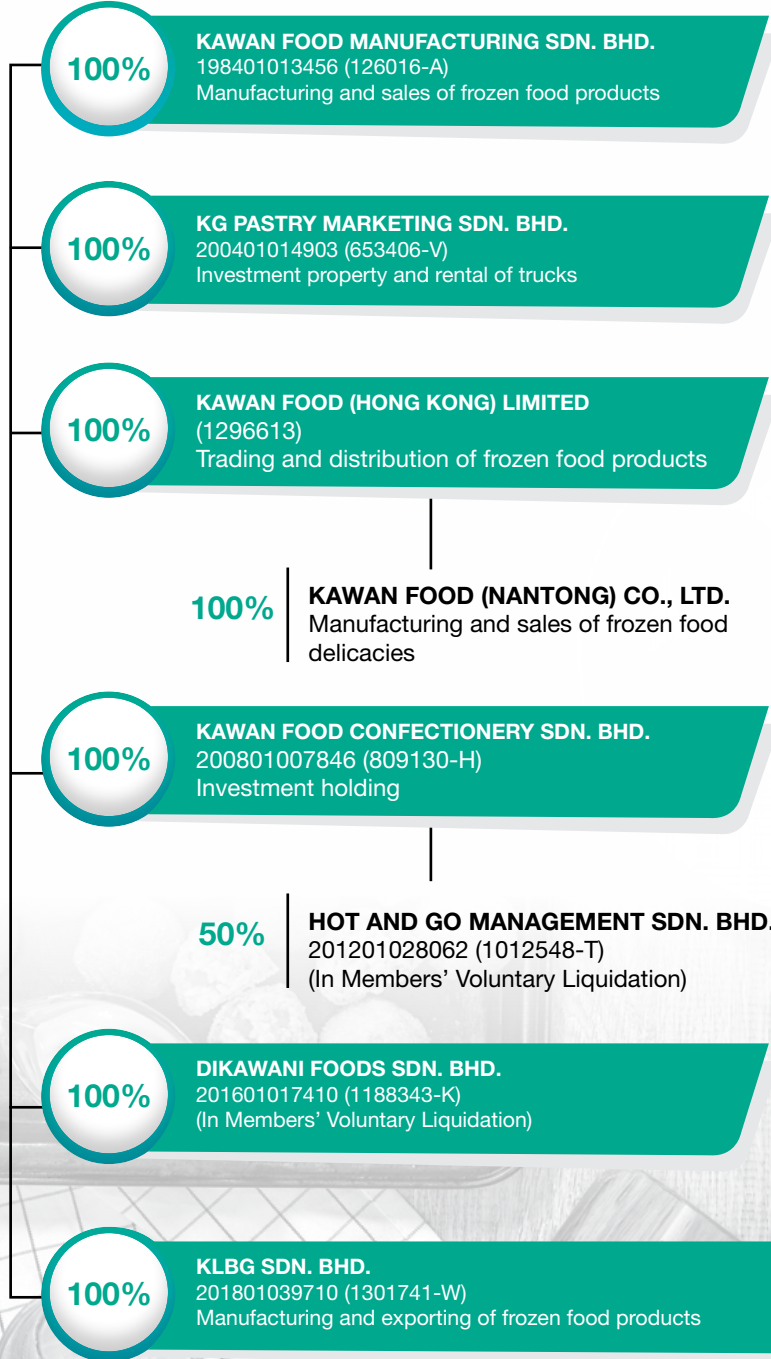
MAIN MARKET OF
BURSA MALAYSIA
SECURITIES BERHAD
Stock Short Name: KAWAN
Stock Code: 7216

WEBSITE

www.kawanfood.com

GROUP CORPORATE STRUCTURE

KAWAN FOOD BERHAD
200401001942 (640445-V)
Investment holding



100%

KAWAN FOOD MANUFACTURING SDN. BHD.
198401013456 (126016-A)
Manufacturing and sales of frozen food products

100%

KG PASTRY MARKETING SDN. BHD.
200401014903 (653406-V)
Investment property and rental of trucks

100%

KAWAN FOOD (HONG KONG) LIMITED
(1296613)
Trading and distribution of frozen food products

100%

KAWAN FOOD (NANTONG) CO., LTD.
Manufacturing and sales of frozen food delicacies

100%

KAWAN FOOD CONFECTIONERY SDN. BHD.
200801007846 (809130-H)
Investment holding

50%

HOT AND GO MANAGEMENT SDN. BHD.
201201028062 (1012548-T)
(In Members' Voluntary Liquidation)

100%

DIKAWANI FOODS SDN. BHD.
201601017410 (1188343-K)
(In Members' Voluntary Liquidation)

100%

KLBG SDN. BHD.
201801039710 (1301741-W)
Manufacturing and exporting of frozen food products

OUR FOOTPRINT



COUNTRIES
37
2020

MANAGEMENT DISCUSSION AND ANALYSIS

EXECUTIVE CHAIRMAN'S STATEMENT

Although FY2020 had been an extra demanding year for Kawan as our factory had to produce higher volumes of product with less people to meet significantly higher demand due to the COVID-19 pandemic, we delivered commendable results nonetheless.

This report highlights Kawan Food Berhad's ("Kawan") accomplishments throughout the year as we strived to provide products that enrich people's lives and enhance the lifestyle of our customers.

Overview

The global outbreak affected lives and livelihoods as governments imposed movement restrictions and physical distancing measures to contain the outbreak. In Malaysia, non-essential businesses had to temporarily shutter their premises and limit their operational capacity, bringing the economy to a standstill. Malaysia's gross domestic product ("GDP") dropped by 5.6% for FY2020, while global GDP recorded a contraction of 3.5% in 2020.

Amid the air of doom and gloom, our priority for the year was on protecting our business and keeping our people safe first and foremost, while continuing to build on our capabilities, drive efficiencies within the organisation and strengthen our relationships with stakeholders.

Management Discussion and Analysis (cont'd)

The Food and Beverage (“F&B”) industry in which we operate experienced unprecedented supply and demand volatility in FY2020. Movement restrictions impacted supply chain and operational efficiencies industry-wide, resulting in growth of frozen food sales at grocers and retailers while, foodservice outlets experienced a dramatic reduction in customer footfall for much of the year. Changes in customers’ purchasing and consumption behaviour are summarised below:



Despite facing a succession of challenges, our team rose to the occasion. They demonstrated tremendous energy and commitment to calmly navigate an uncertain environment, collaborating and supporting each other while we adapted to the new operating conditions. The Group rallied together and successfully turned in a commendable performance for FY2020.

Kawan At A Glance

Kawan Food Berhad is an investment holding company based in Malaysia, operating in the food processing industry. Our Company’s principal activities involve the manufacturing, sale, trading and distribution of frozen food products. With over 40 years of heritage dating back to the 1960s, we have grown to become one of Malaysia’s leading exporter and largest manufacturer of frozen Asian food delicacies worldwide.

We operate two manufacturing plants, one located in Pulau Indah, Selangor, and another in Nantong, China. With staff strength numbering 660, we produce a range of food products including paratha, spring roll, pastry, frozen vegetable, chapati, finger food, bakery and desserts that are sold under five brands:



Our products are exported to 37 territories and counting, utilising a range of distribution channels such as distributorship, direct sales to key account customers, e-Commerce, and sales to retailers and wholesalers.

Strategic Response

Given our reputation as a frozen food manufacturer, the pandemic-driven market trends worked in our favour as our product ranges primarily service the home-dining segment, providing convenient, easy-to-prepare food products and frozen-ready-meals for ease of consumption. The trend towards convenient and healthier food options is also aligned with the Group’s growth strategy, while the e-Commerce collaborations established in previous years have prepared us to meet the surge in digital sales. Our products are also widely available at grocers, retailers and convenience stores where consumers are diverting their spending in place of foodservice.

Management Discussion and Analysis

(cont'd)

Against this backdrop, Kawan was well positioned to take advantage of these shifts in demand. We were mindful to ensure that our manufacturing arm could continue production amid the pandemic to keep up with demand growth while safeguarding the health of our operations staff. Our aim was not just to recover from the pandemic setbacks but to drive growth in all business segments.

To power our business through this global crisis, we implemented a range of mitigating measures throughout the year to manage cashflow while focusing on maintaining liquidity and preserving the strong financial position of the Group to capitalise on opportunities emerging in the landscape of the 'new normal'.

Ensuring Business Continuity

As a food manufacturing company, Kawan operates in the essential services sector. As such, we were able to continue operating our manufacturing facilities for most of the year within the 50% workforce limit set during MCO while observing social distancing and with other pandemic prevention measures in place.

Our leadership team streamlined our production and product ranges in order to protect margins while maintaining supply and availability. As the conditions began to progressively stabilise, we quickly rebuilt the mix elements of our product ranges to continue to broaden our consumer choices. We leveraged on our insights in consumer behaviour patterns in decision making.

We activated our business continuity management processes in the early days of the pandemic, allowing non-essential personnel to work off-site and utilised a range of traditional and digital channels of communication to maintain operational efficiency. Pandemic prevention measures were put in place at our manufacturing facilities to ensure that production can continue safely, while we leveraged the strong supply chain partnerships we built over the years to ensure a steady supply of raw materials throughout the outbreak. This allowed us to sustain our production and minimise supply disruption to our customers, who appreciated the high level of service provided during this challenging period, and our ability to deliver orders on time.

We were able to contribute positively to the nation's food security in this uncertain period and successfully retained our customers in FY2020.

Keeping our Workforce Safe

Various measures were implemented to help minimise the contagion risks of the outbreak on our premises, including:

- Implementing and complying with all Ministry of Health ("MoH") guidelines;
- Daily temperature screening of employees;
- Enforcing stringent hygiene practices and providing sanitisation facilities;
- Provision of additional personal protective equipment for employees;
- Enforcing physical distancing requirements and minimising contact between employees;
- Regularly engaging with government agencies to assess and monitor outbreak risks; and
- Enhanced communications with our employees.

Aside from physical health, we worked hard in creating an open culture that encourage our people to take time to understand each other's concerns, exchange ideas, and support each other through the challenges of this pandemic. We also provided crisis management training to our managers to help them work through the crisis while navigating the roller coaster of emotions experienced by staff amid heightened fear and uncertainty.

These efforts underpin our commitment to the physical and mental wellbeing of our employees. Leading with passion and compassion, we will continue to make every effort to keep abreast with the latest COVID-19 developments to minimise its impact on our employees and our operations.

Management Discussion and Analysis

(cont'd)

Diversifying our Range and Reach

As the initial supply-demand shocks subsided, we were able to rebuild our product inventory and continue on our strategic intent to broaden our product range and provide more choices for consumers. Leveraging consumer behavioural insights to guide our decision making, we created new recipes that add value for our customers and branched into Frozen-Ready-Meals in FY2020.

In tandem with the growth of our product range, Kawan also ramped up efforts to expand our distribution channels to widen the market for our products. We further enhanced our business model to offer more products online while engaging with our consumers via social media networks.

HIGHLIGHTS OF ACHIEVEMENTS

Notwithstanding the tremendous changes in both the consumer trend and economic landscape, Kawan surpassed the year's challenges to deliver a strong operational and financial performance for FY2020.

Enterprise Resource Planning (“ERP”) System

In early FY2020, Kawan rolled out a new ERP system at our Malaysian base to help us better coordinate production, resources, procurement, inventory, orders, invoicing and payments with greater efficiency. The data analytics provided by the new ERP system helped us to better navigate the challenges of the pandemic, providing timely and relevant data to ensure Kawan's smooth operations even when managers could not be on the premises due to COVID-19 restrictions.

With the proven success of the new ERP system, it was subsequently implemented at our subsidiary in China in December 2020 to further strengthen the Group's operational efficiency. The integration of these business processes into one cloud-based system will make the Group more agile in processing information for more effective decision making.

Food Safety & Health

Food safety continues to be a priority for us and throughout FY2020, we continued to deliver quality food despite the disruptions.

Cognisant of the growing expectations of higher food safety levels, we had strengthened our food safety management standards and processes with more stringent hygiene measures and guideline adherence to ensure we safeguard the health of our consumers.

We are happy to report that in the year under review, Kawan continued to meet the high standards of international food handling best practices. Our facilities have successfully maintained our Hazard Analysis Critical Control Point (“HACCP”) MS1480:2019 Certificate, HALAL authentication certificate from JAKIM Malaysia, as well as the Good Manufacturing Practices (“GMP”) certificate in FY2020, signalling our compliance with all relevant food safety, quality and operational requirements for food manufacturers.

We are also proud to have obtained a Grade A certification from British Retailer Consortium (“BRC”) Global Standard for Food Safety (Issue 8) for our sites in FY2020, which is a step up from our FY2019 achievement.

These recognitions are critical to our ability to continue operating in the food manufacturing sector, serving as a sign of confidence in our products that consumers can trust.

Promoting Health

With an ever-increasing consumer demand for healthier food products, Kawan has taken the opportunity to aggressively promote our healthier range of products, namely our Low GI Chapatti and Low GI Plain Paratha, via social media platforms such as Facebook, Instagram and YouTube throughout the year.

The ongoing initiative was undertaken to meet consumers' demand while also serving to encourage a healthier lifestyle among the community.

Management Discussion and Analysis

(cont'd)

New Affordable and Convenience Range

Aspiring towards global leadership in our sector, we were driven to innovate and improve our recipes and technologies to deliver delicious food that met the consumers' evolving needs. The culmination of this was the launch of several new and differentiated products in FY2020 to meet the increased demand for affordably priced convenience foods amid the pandemic, bolstering the strength of Kawan's product offering with the following new additions:

New pizza-snack with exciting topping flavours such as Banana Kaya, Jackfruit Kaya, Four Cheese, Pepperoni Chicken, and Salted Egg & Chicken Slices to satisfy customers' need for personal indulgence and for sharing with their family.



Introduced Frozen-Ready-Meals range of convenience food products with dishes such as Ayam Masak Lemak Cili Api, BBQ Chicken Wings, Chicken Curry, Chicken Curry Kapitan, Chicken Rendang and Mutton Curry.



Management Discussion and Analysis

(cont'd)

These products will help to strengthen Kawan's visibility in the frozen food sector, enhancing our reach in our target markets and designated growth areas.

Giving Back to the Community

Aside from our profit commitment to shareholders, we have pledged to support the communities in which we operate and are driven to act for the good of society, ensuring that our operations do not negatively impact the environment and our communities.

In light of the unprecedented hardships on marginalised communities caused by COVID-19, we stepped up to engage with national charities to offer our support. Leveraging our sizeable food manufacturing operations, Kawan contributed food donations to support charities such as the local food banks, PERTIWI Soup Kitchen and other local charity organisations that provided nourishment to those in need during the pandemic. Aside from that, we also made donations to support free sanitisation in schools and care homes to help fight poor hygiene and curb the spread of the COVID-19 virus.



Management Discussion and Analysis

(cont'd)

REVIEW OF OPERATIONS

Operational Overview

As a growing company, Kawan is constantly seeking opportunities to expand in our chosen categories, widen our distribution channels and diversify our customer base in the food industry. Kawan differentiates through products, innovation and technology, accompanied with technical skills to further strengthen efficiency, quality and value in our products.

Our products are exported around the world, with 56.3% of our sales coming from the international market, mainly the US, while the Malaysian market accounted for 43.7% of our Group's total revenue.

Although FY2020 presented greater operational challenges for the Group in managing our supply chain, adjusting to the fluctuating supply and demand, and sustaining our manufacturing capabilities with outbreak prevention measures in place, the changes in consumer behaviour ultimately bode well for the Group's growth performance in FY2020.

Revenue was 19.0% higher than FY2019 as the social restrictions implemented including work-from-home measures had driven demand for our products, while travel related operational cost for the Group decreased significantly.

We were pleased to be able to provide a continuous supply of safe and delicious food to our customers that contributed to the outstanding performance of Kawan in the pandemic year.

Export Market

Kawan moves our 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 mainly a mixture of hypermarkets, supermarkets and traditional retailers.

At present, we export our products to all major continents, particularly to countries such as US, Canada, UAE, UK and Australia which have a large diaspora of Asian communities.

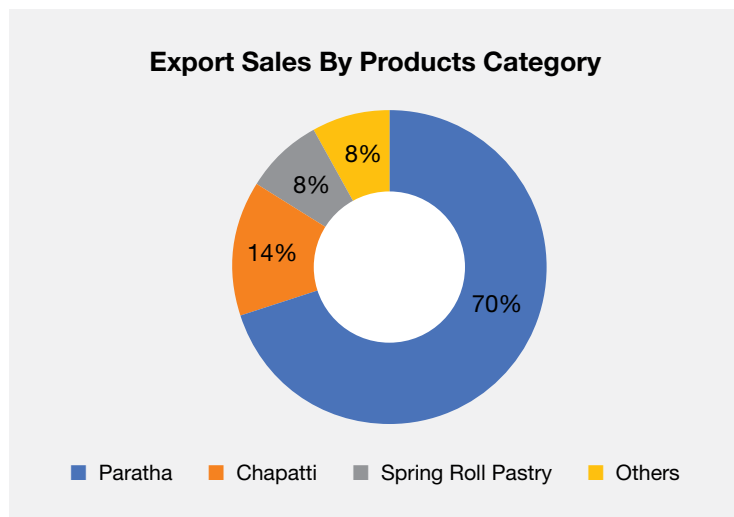
In FY2020, our export revenue increased by 13.3% to RM128.4 million, from RM113.4 million in FY2019. Growth is seen across the board in most of our export markets.

Top five (5) export countries for the FY2020	
Countries	Sales (RM)
USA	50.8 million
UK	15.9 million
Canada	9.6 million
Dubai	9.4 million
France	4.1 million

Export Markets	Growth (%)	Amount (RM)
Asia	14.0	32.5 million
Europe	17.0	22.2 million
North America*	10.1	60.4 million
Oceania	18.9	12.5 million
Africa	70.2	0.8 million

* United States and Canada only

Management Discussion and Analysis
(cont'd)



Paratha remained our core product for the export market, contributing 70% of our international sales, followed by Chapatti and Spring Roll Pastry, coming in at 14% and 8% of our export sales respectively for FY2020.

Malaysian Operations

Here at our home base, our products are distributed mainly through traditional retailers, distributors, agents, hypermarkets, supermarkets, foodservice distributors, and to hotels, restaurants and caterers (“HORECA”). Our products are also sold online through our e-Commerce website www.kawanfood.my and various ecommerce platforms such as Lazada, Shopee and Dropee.

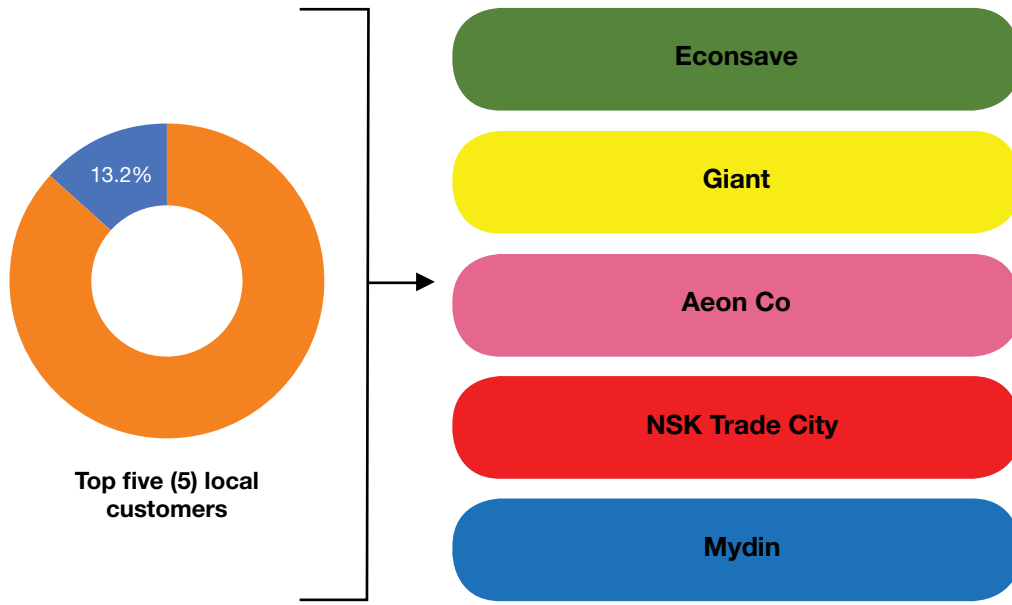
Despite the challenging local economic conditions, our domestic sales increased by 31.7% to RM111.3 million in FY2020, up from 84.5 million in FY2019. The increase in revenue was mainly contributed by the growth from the following sales channels:

Domestic market channels	Growth %	Amount (RM)
Distributors	27.1	36.3 million
Key accounts	51.3	52.0 million
e-Commerce	>100.0	1.0 million
Retail, wholesaler & cash sales	15.4	12.1 million

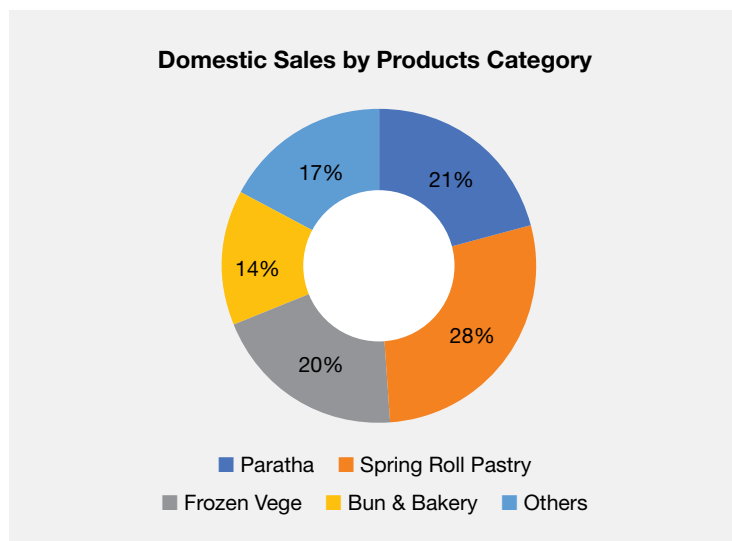


Management Discussion and Analysis
(cont'd)

The majority of our domestic sales are through retailers. Our top five (5) customers contributed 13.2% to our total domestic sales in FY2020.



Foodservices revenue had decreased slightly by 9.4% from RM11 million in FY2019 to RM9.9 million in FY2020 following the implementation of lockdown measures and restrictions on outdoor activities. We recognise that the foodservice environment will remain challenging as long as the disruption from the COVID-19 pandemic continues. Nevertheless, its long-term potential continues to be promising and remains a key strategic segment of the Group where we intend to keep building our market share.



Spring Roll Pastry was our largest domestic product category, contributing 28% to the local sales. This was followed by Paratha and Frozen Vegetable categories, contributing 21% and 20% of our local revenue respectively, followed by Bun and Bakery products at 14%.

Our Malaysian operation was quick to adapt to the pandemic as it emerged, leveraging social media platforms to market our products, grow brand awareness and increase our presence in the digital sphere. The use of social media analytics also allowed us to better understand customer behaviour and conduct “sentiment analysis”, which allowed Kawan to respond more quickly to relevant trends and activities.

Management Discussion and Analysis (cont'd)

E-Commerce Segment

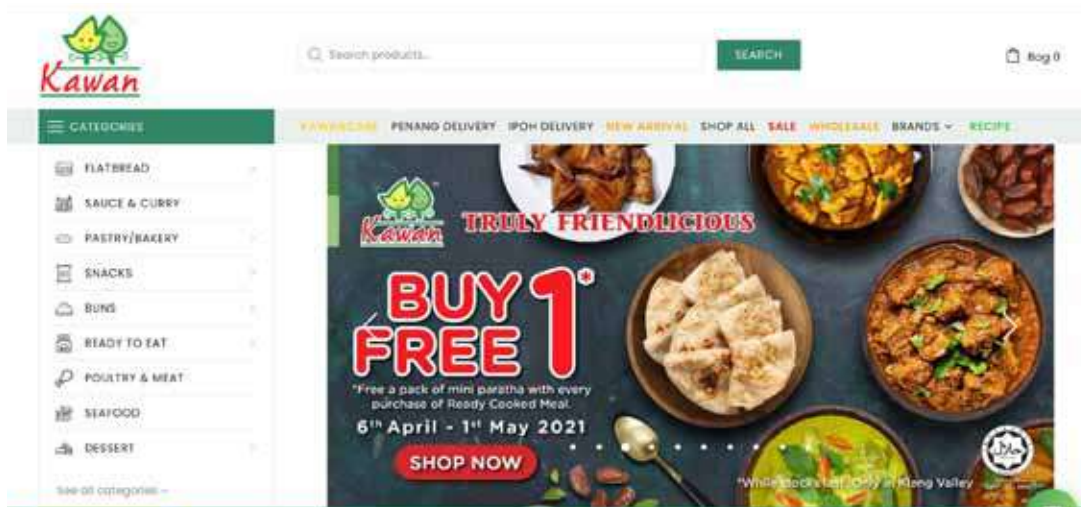
Currently, our e-Commerce sells directly to consumers (“B2C”) and to small business retailers (“B2B”).

FY2020 was a significant year of growth for our e-Commerce business, which saw sales increase by more than 100.0% to RM998,400 in FY2020, up from RM130,000 in FY2019.

Although e-Commerce represents just a fraction of our total sales at the moment, we are keen to tap on the current digitalisation trend to expand this segment of our business as a means to strengthen our direct customer relationships. To that end, we pursued several business opportunities in FY2020 to drive growth via this channel:

- Launched a new interactive Kawan Food Malaysia online webpage for consumers to click and purchase;
- Initiated collaborations with new e-Commerce platforms such as Halal Food Master, Youbeli and Dropee; and
- Provided discounts, promotions and loyalty programmes to attract new customers and retain consumer loyalty.

By FY2020, the Kawan’s e-Commerce store had 14.5k registered members, of which 8.5k members also registered in our loyalty programme. Kawan utilises this data and data analytics to target its marketing strategies more precisely. Our efforts on this front had been noted by the Selangor Information Technology and E-Commerce Council (“SITEC”), who have shortlisted Kawan for the Malaysia Top E-Commerce Merchant Awards 2020, recognising our contributions in building a sustainable market.



Management Discussion and Analysis

(cont'd)

China-Based Operation

Our China base of operations consist of a manufacturing facility as well a distribution network servicing mainly China's mainland, while supporting our global export operations. Our customers in China are mainly industrial users, wholesalers and customers from foodservice channels, primarily from Shanghai, Beijing, Jiangsu, Fujian, Hebei, Shandong, Zhejiang, Hubei, Guangdong and Anhui.

In FY2020, domestic sales accounted for 43.6% of our revenue in China, with the remainder 56.4% of our revenue coming from sales to customers in our export markets.

Our China outpost was the first within the Group to be affected by the pandemic in January and February 2020 as the Chinese authorities imposed pandemic prevention measures such as temporary business closures and movement restrictions in an effort to contain the outbreak. Changes in consumer behaviour for the remainder of the year impacted the foodservice business, resulting in lower domestic sales in China and a corresponding decrease in revenue by 7.6% from RM16.3 million in FY2019 to RM15.0 million in FY2020.

GROUP FINANCIAL REVIEW

Fiscal Performance

Our position in the frozen food supply value chain helped us benefit from the sales surge to deliver an outstanding performance in FY2020, providing safe and delicious food to our customers amid disruptions to production and global supply chains.

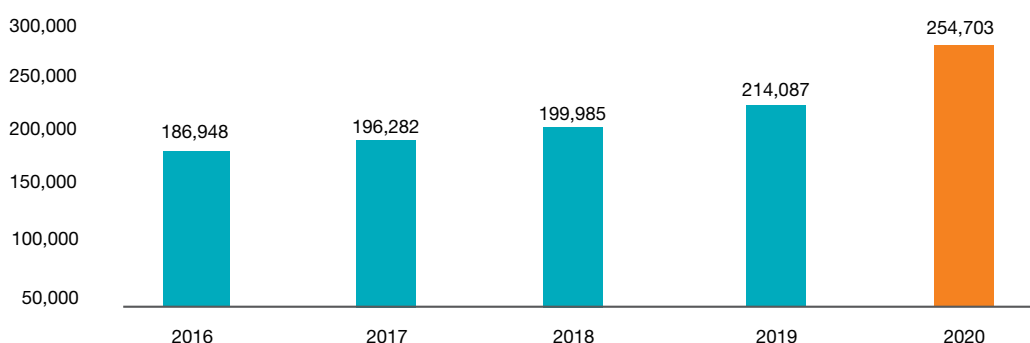
As such, Group revenue grew by 19.0% from RM214.1 million in FY2019 to RM254.7 million in FY2020, driven by export and domestic sales which grew by 13.3% and 31.7% respectively. Paratha remained the highest product contributor to the Group sales revenue which accounted for 45.3% of the Group's sales. In terms of revenue contribution by geographical segments, Malaysia remained the largest market for Kawan, generating 43.7% of the Group turnover, followed by North America at 23.7% and Asia at 13.0%.

The Group's Profit Before Tax ("PBT") in FY2020 increased by 108.5% to RM32.0 million, mainly due to higher revenue.

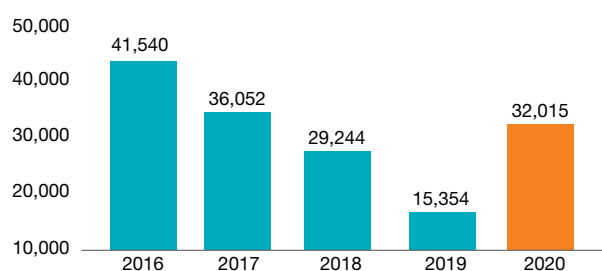
Our financial position remained strong after a tumultuous FY2020, ending the year with a market capitalisation of RM747.8 million.

Key Performance Indicators

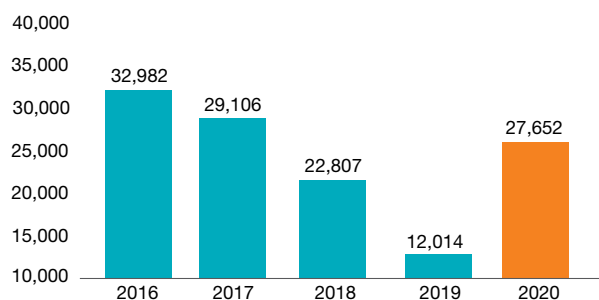
REVENUE (RM'000)



PROFIT BEFORE TAX (RM'000)

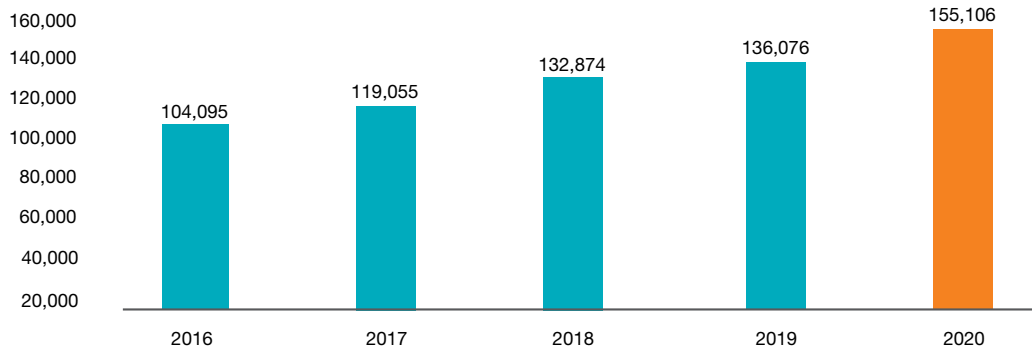


PROFIT AFTER TAX (RM'000)

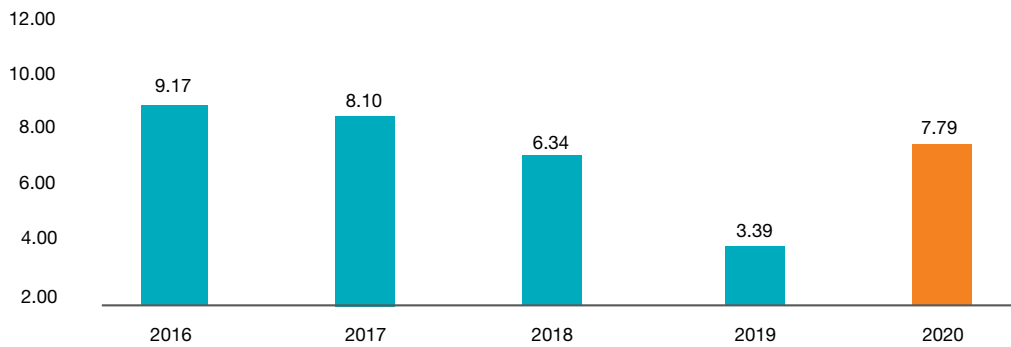


Management Discussion and Analysis
(cont'd)

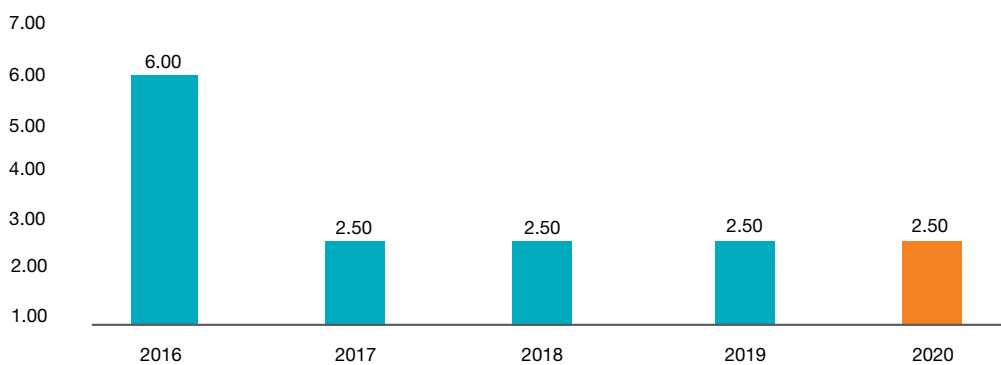
RETAINED EARNINGS (RM'000)



EARNINGS PER SHARE ("EPS") (sen)



DIVIDEND PER SHARE ("DPS") (sen)



Management Discussion and Analysis

(cont'd)

STATEMENT OF PROFIT AND LOSS (RM'000)

	2016	2017	2018	2019	2020
Revenue	186,948	196,282	199,985	214,087	254,703
Profit Before Tax	41,540	36,052	29,244	15,354	32,015
Taxation	8,558	6,946	6,437	3,340	4,363
Profit After Tax	32,982	29,106	22,807	12,014	27,652
Non-Controlling Interests	-	-	-	(176)	(365)
Dividends	15,197	6,741	8,988	8,988	8,988
Bonus Issues	-	7,405	-	-	-
Retained Earnings (opening)	86,310	104,095	119,055	132,874	136,076
Retained Earnings (closing)	104,095	119,055	132,874	136,076	155,106

STATEMENT OF FINANCIAL POSITION (RM'000)

	2016	2017	2018	2019	2020
Issued and Paid-up Share Capital	134,820	179,760	179,760	179,760	179,760
Share Premium	37,535	-	-	-	-
Non-Distributable Reserve	14,984	9,985	8,831	8,080	10,141
Retained Earnings	104,094	119,055	132,874	136,076	155,106
Shareholders' Fund	291,434	308,800	321,465	323,916	345,008
Non-Controlling Interests	-	-	-	1,024	659
Deferred Taxation	291	1,199	5,660	7,384	9,220
Long Term Borrowings	20,226	16,603	12,980	9,358	5,736
	311,951	326,602	340,105	341,682	360,623
Property, Plant and Equipment, Investment Properties, Right-of-use assets and Prepaid Lease Payments	207,565	236,463	249,827	252,185	254,185
Deferred Taxation	278	407	476	465	486
Net Current Assets	104,108	89,732	89,802	89,802	105,952
	311,951	326,602	340,105	341,682	360,623

Management Discussion and Analysis

(cont'd)

FINANCIAL RATIOS

	2016	2017	2018	2019	2020
Revenue growth (%)	12.77	4.99	1.89	7.05	19.0
Current ratio (times)	3.60	3.17	3.44	3.15	2.89
Cash ratio (times)	2.01	1.52	1.07	1.18	1.18
P/E ratio (times)	41.44	36.30	30.13	41.00	26.70
Total borrowings/Equity (%)	8.18	7.89	5.16	4.85	4.39
Long-term borrowings/ Equity (%)	6.94	5.38	4.04	2.88	1.66
Basic earnings per share (sen)	*9.17	8.10	6.34	3.39	7.79
Dividend per share (sen)	6.00	2.50	2.50	2.50	2.50
Net assets per share attributable to shareholders of the Company (RM)	1.08	0.86	0.89	0.90	0.96
Share Price - High (RM)	4.00	5.07	3.08	1.96	2.88
Share Price - Low (RM)	3.00	2.90	1.81	1.18	0.82
Share price at 31 December	3.80	2.94	1.91	1.39	2.08
Company market capitalisation (RM'000)	1,024,631	1,056,988	686,683	499,732	747,801

* restated due to adjustments for bonus issue

FIVE YEAR DIVIDEND PAYMENT AS % OF PROFIT AFTER TAX

	2016	2017	2018	2019	2020
Profit After Tax (RM'000)	32,982	29,106	22,807	12,014	27,652
Dividend Paid (RM'000)	15,197	6,741	8,988	8,988	8,988
Dividend Payment as % of Profit after Tax	46%	23%	39%	75%	33%

Capital Expenditure

During the year under review, the Group incurred capital expenditure amounting to RM18.3 million, which was focused on infrastructure and equipment for our Pulau Indah manufacturing facilities. The amount was financed through internally generated funds.

Dividend

An interim single tier dividend of 2.5 sen per ordinary share amounting to RM8.99 million was paid during the year under review. Additionally, the Group had on 22 February 2021, declared an interim single-tier dividend of 3.0 sen per ordinary share amounting to RM10.8 million in respect of the FY2021, which was paid on 30 March 2021.

Management Discussion and Analysis

(cont'd)

Outlook and Prospects

While countries the world over have begun rolling out mass vaccinations to rein in the pandemic, including Malaysia, we expect market conditions to remain volatile and unpredictable for FY2021 due to the uncertainty of the vaccines' viability, trade tensions and financial stress caused by high debt levels. Meanwhile, Malaysia also faces headwinds from the continued domestic political uncertainty.

Although the operating environment remains challenging, Kawan is well positioned to take advantage of the current condition to optimise our growth potential and secure new business opportunities. Indeed, we are anticipating further growth of our distribution channels, customer base, product range and product sales in FY2021, building on the inroads we have made over the past few years. Further investments in digitalisation, automation and Industry 4.0 will help drive efficiencies in our manufacturing and distribution processes and empower us to make data-driven decisions that create sustainable value for our customers and stakeholders.

We have also put in place the appropriate mitigating measures in managing known and anticipated risks material to Kawan, which are discussed on page 70 to 78 of the annual report.

Looking ahead, we recognise that the food industry will remain somewhat challenging as long as the disruption from COVID-19 pandemic continues. Nevertheless, Kawan is poised and prepared to face the future and will continue to grow our product portfolio, diversify our channels and build market share through whatever challenges to ensure we continue to deliver sustainable value for all our stakeholders.

Closing Remarks and Appreciation

In parting, I would like to thank our people for their extraordinary efforts in FY2020. Our people went above and beyond their duty to provide our food products to our customers amid a raging pandemic, and I must commend them for their commitment.

Likewise, my gratitude extends as well to Mr Timothy Tan Heng Han ("Mr Timothy Tan") our former GMD, who left the Board in 1 January 2021. Mr Timothy Tan made strong contributions to the development and performance of the Group during his sixteen (16) years tenure at Kawan, and helped to ensure a seamless transition of Kawan's leadership. I wish him well in his future endeavours.

In his place, we have welcomed on board Mr Ng Hooi Khai ("Mr. Ng") to helm the Group as the Chief Executive Officer in August 2020. Mr Ng brings with him extensive corporate and manufacturing experience and a sterling track record spanning 28 years, having served in multinational companies in Malaysia and China. We look forward to a new era of growth for Kawan under his capable leadership.

FY2020 also saw changes to our Board composition. Our Non-Executive Director Mr Nareshchandra Gordhandas Nagrecha ("Mr. Naresh") retired from the Board at the conclusion of the Annual General Meeting in June 2020. Mr Naresh had served as a Non-Executive Director for almost 11 years. He provided strong support, guidance and oversight, and we thank him sincerely for his contribution.

Bolstering female Board representation to 22%, Ms Gan Ka Bien was appointed to the Board as an Executive Director with effect from November 2020. This appointment is important in adding strategic thinking and marketing expertise to the Board.

Last but not least, I wish to thank the Group management for their selfless dedication and commitment to the success of Kawan. I am grateful for the strong support of our Board, customers, consumers, suppliers, shareholders and other stakeholders as we navigate through this challenging environment.

It is a privilege to lead Kawan with all this support, and I look forward with excitement to grow the prospect of Kawan in the years ahead.

Mr Gan Thiam Chai
Chairman