

KaWan
KAWAN FOOD BERHAD

Registration No. 200401001942 (840445-V)
Incorporated in Malaysia

GROWTH. VALUE. OPPORTUNITY.

ANNUAL REPORT 2022



GROWTH.
VALUE.
OPPORTUNITY.

WE ARE PROUD TO BE IN BUSINESSES THAT HELP TO MAKE THIS WORLD A BETTER AND SAFER PLACE FOR US AND OUR FUTURE GENERATIONS TO LIVE IN.

GROWING THE VISION IS AN ASPIRATION AT KAWAN FOOD TO CREATE A BETTER WORLD FOR ALL OF US TO LIVE IN.

19TH ANNUAL GENERAL MEETING



DATE
Wednesday, 21 June 2023

TIME
10:30 a.m.



SCAN to view full Annual Report 2022
or via kawanfood.com/index.php/our-company/investor-relations/



KAWAN AT A GLANCE

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Kawan At A Glance



EMPLOYEES

610

2021: 673

MANUFACTURING FACILITIES

2

2021: 2

REVENUE

RM 293.2 MILLION
2021: RM251.8 MILLION

PROFIT BEFORE TAXATION

RM 40.1

MILLION

2021: RM36.7 MILLION

PROFIT AFTER TAXATION

RM 38.5

MILLION

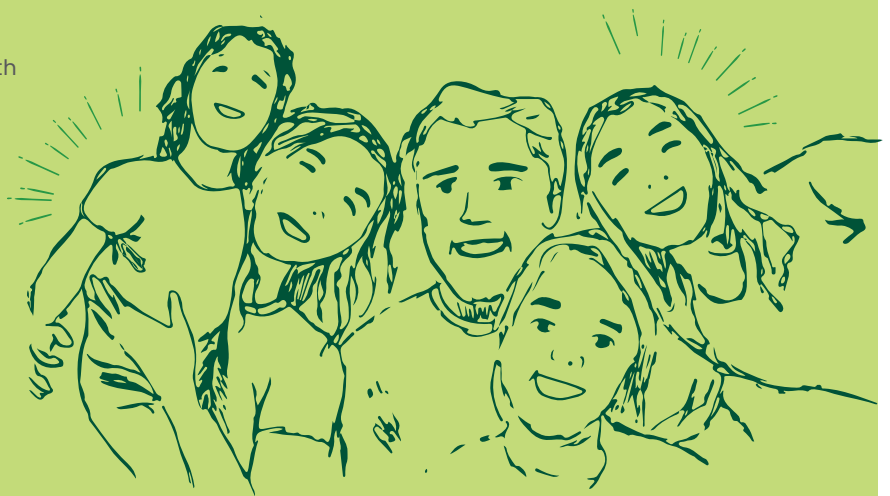
2021: RM31.8 MILLION

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 60 years of heritage dating back to the 1960s, we have grown to become one of Malaysia's leading exporter and 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 610, we produce a range of food products including paratha, spring roll, pastry, chapati, finger food, bakery and desserts that are sold under five brands.

Our products are exported to 39 countries and counting, utilising a range of distribution channels such as distributorship, direct sales to key account customers, e-Commerce, and sales to retailer and wholesalers.



NET ASSETS PER SHARE

RM **1.09** 2021: RM1.03

SHARE PRICE

RM **2.22** 2021: RM1.64

MARKET CAPITALISATION

RM **804.9** MILLION 2021: RM589.6 MILLION

EARNINGS SHARE

10.70 SEN 2021: 8.84 sen

DIVIDEND PER SHARE

3.0 SEN 2021: 3.0 sen

Our Corporate Profile

Mission

- 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 values in a sustainable way to our stakeholders and contribute to economic, social and environmental developments.

Vision

To be the leading international company that provides products which create values and enhance lifestyle of our customers.

Core 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.

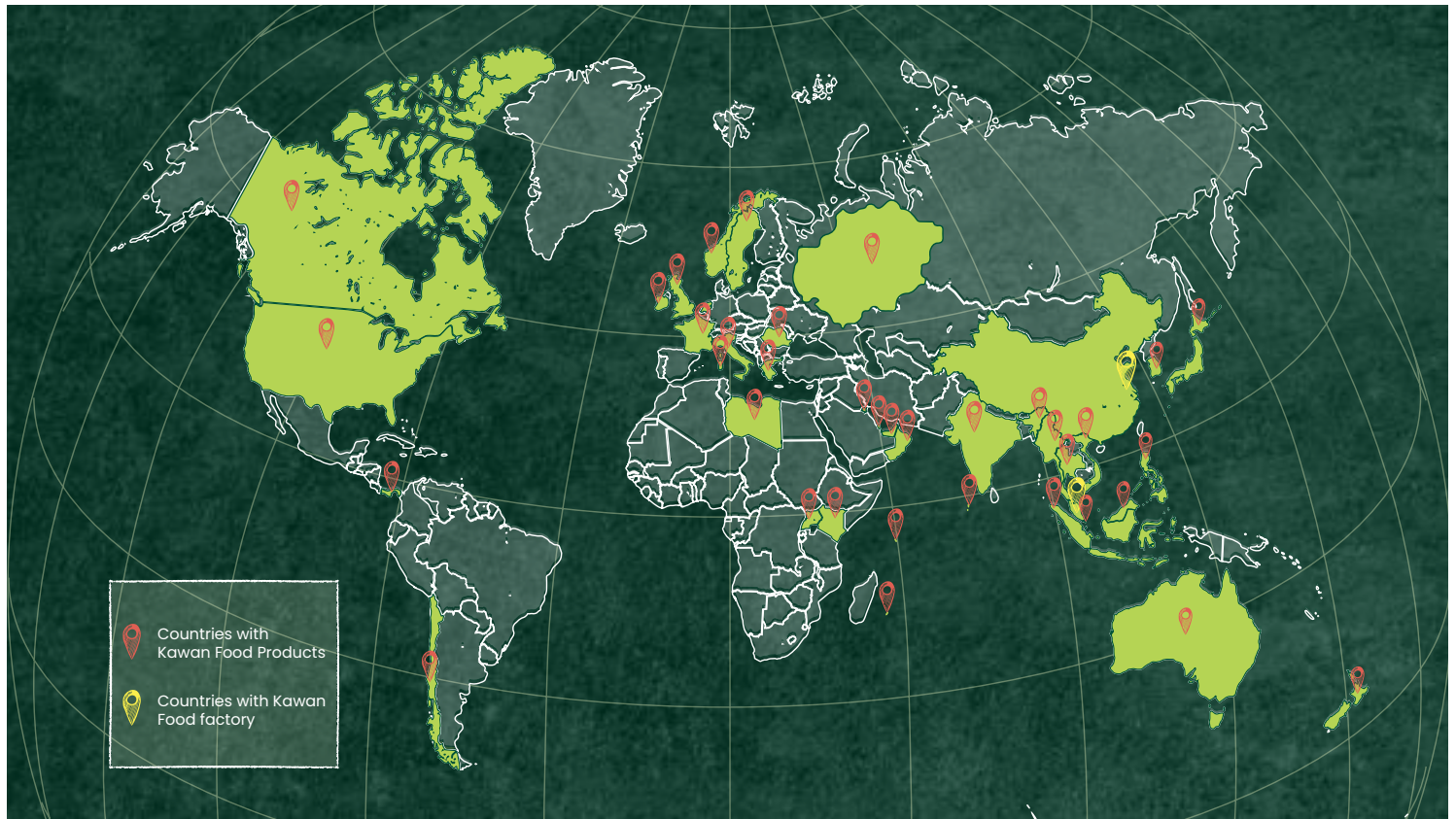
DISCIPLINE

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

INNOVATIVE

We embrace new ideas and constantly changing to meet customer's needs.

Our Corporate Profile



Our Products

39 Countries with Kawan Food

- | | |
|---------------------|------------------------------|
| 1. Australia | 21. New Zealand |
| 2. Bahrain | 22. Norway |
| 3. Brunei | 23. Oman |
| 4. Canada | 24. Panama |
| 5. Chile | 25. Philippines |
| 6. China | 26. Qatar |
| 7. France | 27. Reunion Island |
| 8. Greece | 28. Romania |
| 9. India | 29. Russia |
| 10. Italy | 30. Seychelles |
| 11. Indonesia | 31. Singapore |
| 12. Ireland | 31. South Korea |
| 13. Japan | 33. Sweden |
| 14. Kenya | 34. Taiwan |
| 15. Kuwait | 35. Thailand |
| 16. Libya | 36. UAE |
| 17. Malaysia | 37. Uganda |
| 18. Maldives | 38. United Kingdom |
| 19. Myanmar | 39. United States of America |
| 20. Netherlands | |



 Countries with Kawan Food factories

Our Supply Chain Model

01

Raw
Materials

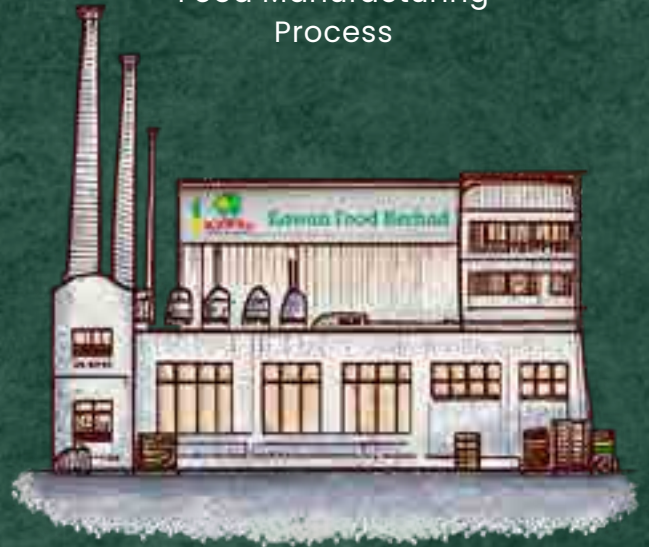
02

Manufacturing

Plantation
and Flour Milling



Food Manufacturing
Process



Food
Ingredients



High Quality
Frozen Food

Our Supply Chain Model

03 Outbound Logistic

04 Marketing and Sales

Distribution Transport

Retailers, distributors, hypermarket, supermarket and more



Freight, logistic and worldwide distribution

Authentic and safe food with love and care

Corporate Information

Board of Directors

GAN THIAM CHAI
Executive Chairman

GAN THIAM HOCK
Non-Independent
Executive Director

KWAN SOK KAY
Non-Independent
Executive Director

GAN KA BIEN
Non-Independent
Executive Director

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

AUDIT COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE
LIM HUN SOON @ DAVID LIM Chairman	EUGENE HON KAH WENG Chairman	DR. NIK ISMAIL BIN NIK DAUD Chairman
DR. NIK ISMAIL BIN NIK DAUD Member	DR. NIK ISMAIL BIN NIK DAUD Member	LIM HUN SOON @ DAVID LIM Member
EUGENE HON KAH WENG Member	LIM HUN SOON @ DAVID LIM Member	EUGENE HON KAH WENG 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
F +603 7890 4670

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 PLT

202206000002 (LLP0030276-LCA) & 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



Management Discussion & Analysis

Dear Shareholders,

I am proud that Kawan has a team with great people who possess strength and resilience to overcome the tough challenges over the year. Together, we have faced difficult periods and emerged stronger. I have full confidence that we will continue to rise to the occasion and navigate through any future obstacles with determination and excellence.

Executive Chairman
Gan Thiam Chai



Profit Before Taxation

RM40.1 Mil

2021: RM36.7 million

Profit After Taxation

RM38.5 Mil

2021: RM31.8 million

Management Discussion & Analysis

Revenue

RM293.2 Mil

2021: RM251.8 million

Cash & Cash Equivalents

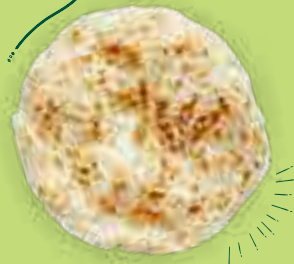
RM98.6 Mil

2021: RM88.6 million

Net Assets Per Share

RM1.09

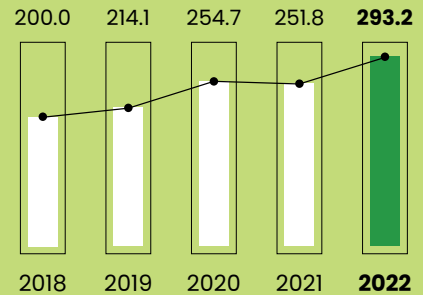
2021: RM1.03



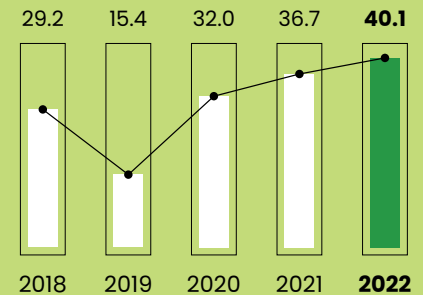
Financial Highlights



Total Revenue (RM million)



Profit Before Tax (RM million)



OVERVIEW

Year 2022 was marked by significant volatility, as a multitude of global events over the year including US-China tensions, the unravelling of loose monetary policy and the Ukraine-Russian conflict came together to disrupt the world's recovery from the COVID-19 pandemic.

These broad events underpinned a year characterised by a volatile labour market, an energy crisis and disrupted supply chains which subsequently led to inflation rates rising to multi-decade highs. The response by central banks to rapidly hike interest rates in a bid to cool inflation has dampened the economic outlook and consumer sentiment. As a result, consumers have been tightening their belts and purchasing fewer products due to the cost-of-living crisis which has led to an increase in the consumption of cheaper products.

While it was certainly a challenging year, we were able to navigate the need to balance affordable prices for consumers while securing raw materials supply and protecting our businesses. We adjusted our prices carefully and responsibly to recover our increased costs, doing so without damaging key relationships. We also worked closely with our customers and suppliers to maintain our service levels, overcoming supply chain deficiencies, unprecedented inflation on input costs and labour supply challenges. We are grateful for the hard work and commitment of our employees and management during this challenging period as well as the continued support of our customers and suppliers in navigating these headwinds. There is still a lot of work to be done but thanks to the skills and work of our people, we are making good progress.

In FY2022, our revenue increased by 16.4% to RM293.2 million from RM251.8 million in FY2021, primarily driven by higher average selling prices. Profit before tax ("PBT") increased from RM36.7 million in FY2021 to RM40.1 million in FY2022. However, the higher input costs put our margins under pressure despite efforts to improve internal efficiencies and implementing cost saving measures. Consequently, our PBT margin decreased slightly to 13.7% in FY2022 from 14.6% in FY2021. We have also absorbed high input cost inflation, mainly in the prices of raw materials, wages and other key costs, but we have nevertheless restricted price increases even though it impacts our margin. Going forward, we remain committed to restoring our margin levels, given the opportunities present in our business.

The Group's balance sheet remains in a strong position with cash and cash equivalents of RM98.6 million. Cash will continue to be a priority for us throughout the year and we will continue to manage it tightly in FY2023.



Management Discussion & Analysis

OPERATING ENVIRONMENT



Market Trends

We remain mindful of the evolving trends that are shaping the food and beverage industry. Consumer preferences are changing rapidly and we are adapting to meet their needs in a responsible and sustainable manner.



Convenience

The demand for convenience food continues to rise as consumers seek out quick and easy options such as ready to eat meals, snacks and beverages that can be consumed on the go.



Health and Wellness

There is a growing concern among consumers on health and wellness. Consumers are increasingly selecting food that are healthier and better for them.



Sustainability

Sustainability is becoming an important consideration for consumers who prefer sustainable brands and products that are both environmentally friendly in terms of size and packaging.



Cost of Living Crisis

The current cost of living crisis is impacting consumer purchasing decisions with value for money becoming an influential factor in product or brand choice.



OUR STRATEGIES

Kawan remains resilient in the face of a challenging business environment, anchored in our strong foundation comprising a great team, a broad product portfolio, robust customers and supplier relationships and an unwavering focus on delivering quality products.

We remain committed to driving growth from our market position in Malaysia whilst accelerating growth internationally. Our growth is underpinned by consistently gaining market share in categories, channels and customers while maintaining strong relationships with our customers and consumers.

Kawan differentiates itself through our people, unrelenting commitment to producing quality food and continuously improving the sustainability of our business to building a stronger and responsible company.

Management Discussion & Analysis



Our People

Kawan is committed to fostering a culture that enables our people to realise their potential by building the capability of our leaders and leveraging the power of a diverse workforce.

Our goal is to create an inclusive culture that encourages our people to be themselves and unlock their full potential. We prioritise inclusion and diversity and make informed business decisions based on diverse perspectives. This enables us to better reflect the evolving needs of our customers and consumers which gives us the agility to anticipate and respond to change effectively. Our success depends on our capable and cohesive team who are vital in driving our business forward and which we are greatly invested in. In FY2022, we provided our team leaders with the opportunity to participate in a leadership development programme in order to scale up their capabilities further.

We have also made some important appointments and promoted from within this year to bolster our management team. For instance, Mr. Andy Yeap was promoted to the position of Chief Operating Officer from Senior Factory Manager in July 2022. He has a proven track record of implementing advance manufacturing and green technologies. Ms. Esther Lee was appointed to the position of Group Financial Controller which oversees the financial operations of the Group, while Dr. Kuan Yau Hoong joined us in April 2022 as our factory manager, bringing over ten (10) years of experience to our team. These dynamic individuals are valuable additions to our executive team.

Most significantly, we appointed Mr. Adam Pandian, who will join us as Executive Adviser to Chair and Head of Transformation in March 2023. He has an outstanding track record of implementing operational excellence in the fast moving consumer goods sector and his leadership will be critical to our efforts to improving our operations.

Sustainability


Despite volatile times, we remain steadfast in our commitment to advance our sustainability efforts. Our approach is built on our sustainability strategic framework encompassing three pillars: Trusted Enterprise, Nurturing & Empowering People and Environmental Stewardship. We have laid a solid foundation and are seeking ways to fulfil our commitments. In FY2022, we prioritised the development of policies, processes, targets and budget while continuing to integrate sustainability into our day-to-day operations.

Our sustainability agenda has progressed significantly over the last 12 months and we are well on our way to embedding sustainability as part of our business. Moving forward, we will concentrate our efforts on short, mid- and long-term commitments under these three pillars.

Giving Back to the Community

We continued to collaborate with national charities and local communities to distribute our food to those in need during this challenging period. As part of our efforts, we relaunched the special "buy two free one" food donation campaign on our online sales portal. For every two packs of Kawan Paratha purchased by consumers, they can choose to donate a free pack to either What A Waste or Great Heart Charity, both of which Kawan has partnered with for this initiative.

In addition to this initiative, Kawan continued to provide support to a range of community-based programmes that improve the lives of underprivileged children and schools in need. During FY2022, our contributions toward these programmes came up to RM125,000.




 More information on our Corporate Social Responsibility contributions is disclosed on pages 60 to 61 of our Sustainability Statement.

Management Discussion & Analysis



The Board and Management of Kawan continued to actively monitor risks that may potentially impact the performance of the Group as part of our robust risk management and internal control measures. The Audit Committee (“AC”) has met four (4) times during the year under review to deliberate on the Group’s risk management agenda.

The following table highlights the key focus areas of their deliberations in FY2022 regarding risks arising from our operating environment, its potential implications and the corresponding mitigation measures implemented:

 RISING RAW MATERIAL COSTS AND INFLATION (High)	
Description of its Implication	Mitigation Measures
Supply chain disruption caused by political instabilities, civil unrest and other remained challenging that continue to give rise to higher operational costs leading to rising inflation.	<ul style="list-style-type: none"> Maintain supply chain resilience and minimise business disruption Closely monitoring and track market geo-political developments Maintained strong relationship with suppliers and work closely with them to receive necessary supplies and materials Diversification of suppliers and alternative sources of materials Leveraging advanced technologies such as data analytics to provide valuable insights into supply chain performance and potential disruptions Ensure that our supply chains remained strong without significant impact to ongoing orders
 HEIGHTENED SUSTAINABILITY FOCUS (High)	
Description of its Implication	Mitigation Measures
With the growing focus among stakeholders on sustainability matters such as human rights, social equality and climate change, companies flagged for ESG underperformance risk the loss of stakeholders’ confidence.	<ul style="list-style-type: none"> Kawan has rolled out our sustainability roadmap outlining our sustainability strategy for the period 2022 – 2030 The Executive Director of Marketing & Sustainability leads the execution of the sustainability strategies through various sustainability initiatives under our sustainability framework
 POST PANDEMIC (High)	
Description of its Implication	Mitigation Measures
Macro uncertainty driven by post COVID 19 pandemic, political crisis, forex fluctuations and inflation. Economy recovery was expected in 2022 as the pandemic subsided with foodservice growth driven by changing lifestyles. However, the Company faced aggressive expansion by competitors and intense price competition work closely with them consumer purchasing power.	<ul style="list-style-type: none"> Remained vigilant in monitoring our cash flow and financial position for continued stability and growth Focused on continued performance growth on revenue and PBT and capturing new growth from new products and geographical expansion. Continue to focus on innovation while simultaneously transforming our internal processes and systems for better synergies with the organisation Continue to focus on Industry 4.0 to further promote efficiency and resiliency of our technological capabilities. Focus on capturing market share by expanding coverage and product portfolio using data analytics

Management Discussion & Analysis


The Board and Management of Kawan continued to actively monitor risks that may potentially impact the performance of the Group as part of our robust risk management and internal control measures. The Audit Committee (“AC”) has met four (4) times during the year under review to deliberate on the Group’s risk management agenda.

The other key activities undertaken by the AC in FY2022 include:

- 01 Monitored impact of post pandemic factors on employee safety, business continuity, supply chain, impact on growth, productivity, operations, service delivery and financial resilience;
- 02 Reviewed top risks in terms of risk trend, the likelihood of their occurrence, potential impact and progress of mitigation action;
- 03 Continuously monitored the effectiveness of the measures taken by the Group;
- 04 Reviewed key updates in relation to business continuity that were provided by Management;
- 05 Reviewed key strategic, financial, regulatory, operational risk and actions based on the external assessments of the risk register and internal audit findings.



As we continue our journey forward, the Group will remain vigilant in monitoring our operating environment for any emerging risks to minimise uncertainties that may impact our assets, our business performance, and the wellbeing of our employees and communities. Although these risks cannot be fully eliminated, we believe our risk management function remains effective in protecting our business against potential losses and liabilities, while enabling us to maximise opportunities towards achieving our goals and vision for a better future.

 A detailed explanation of Kawan’s risk management approach and internal control activities can be found in the Statement on Risk Management and Internal Control on pages 89 to 95 of this report.

Management Discussion & Analysis

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, which we continued to pursue in FY2022.

Our products continued to be exported around the world, with 54.7% of our sales in FY2022 coming from international markets, mainly from North America, while the Malaysian market accounted for 45.3% of our Group's total revenue.

Our competitive advantage lies in the strength of our brand and products, and our strong adoption of innovation and technology accompanied by technical skills to further strengthen efficiency, quality and value as we progress with each year.



PROFIT
BEFORE TAX

RM40.1
MILLION

2021: RM36.7 million

INCREASE OF

9.3%

compare to 2021

Management Discussion & Analysis



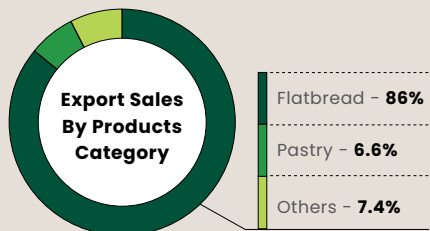
Export Market

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 USA, United Kingdom, Canada, United Arab Emirates, and Australia, which have large Asian communities.

In FY2022, the Pulau Indah facility's export revenue increased by 31.0% to RM153.3 million from RM117.0 million in FY2021. We also managed to secure new businesses with new distributors and OEM customers.

TOP THREE (3) EXPORT CONTINENTS FOR FY2022	
CONTINENTS	Sales (RM)
North America	65.4 million
Asia	42.6 million
Europe	30.2 million



Flatbread remained our core product for the export market, contributing 86% of our international sales, followed by Pastry coming in at 6.6% of our export sales for FY2022.

Malaysian Operation

Here at our home base, our products are distributed 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 9.2% to RM132.8 million in FY2022, up from RM121.6 million in FY2021.

