

*Condensed Consolidated Statement of Profit or Loss and Comprehensive Income
For the Six Months Ended 30 June 2016 - Unaudited*

	3 months ended		6 months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM	RM	RM	RM
Revenue	55,508,968	44,289,438	97,014,608	81,632,713
Cost of sales	(29,646,756)	(23,755,596)	(52,248,205)	(45,143,080)
Gross profit	25,862,212	20,533,842	44,766,403	36,489,633
Other income #	418,645	828,690	788,646	2,385,422
Selling & distribution expenses	(11,636,137)	(7,753,578)	(18,107,583)	(15,240,044)
Administrative expenses *	(2,368,639)	(3,418,274)	(9,455,890)	(6,027,206)
Finance costs	(122,700)	(96,298)	(210,470)	(170,869)
Profit before tax	12,153,381	10,094,382	17,781,106	17,436,936
Income tax expense	(2,978,083)	(2,827,837)	(4,240,592)	(4,616,059)
Profit for the period	9,175,298	7,266,545	13,540,514	12,820,877
Other comprehensive income, net of tax				
Exchange differences on translation of foreign operations	766,055	916,854	(4,013,226)	3,268,351
Other comprehensive income, net of tax	766,055	916,854	(4,013,226)	3,268,351
Total comprehensive income for the period	9,941,353	8,183,399	9,527,288	16,089,228
Profit attributable to:				
Owners of the company	9,175,298	7,269,293	13,540,514	12,823,584
Non-controlling interest	-	(2,748)	-	(2,707)
Profit for the period	9,175,298	7,266,545	13,540,514	12,820,877
Total comprehensive income attributable to:				
Owners of the company	9,941,353	8,186,147	9,527,288	16,091,935
Non-controlling interest	-	(2,748)	-	(2,707)
Total comprehensive income for the period	9,941,353	8,183,399	9,527,288	16,089,228
Earning per share				
Basic (Sen)	4.01	3.60	5.92	6.35
Diluted (Sen)	3.65	3.09	5.39	5.45

Inclusive of RM2 million of foreign currency gain in six months period ended 30 June 2015.

* Inclusive of RM1.9 million of foreign currency loss in six months period ended 30 June 2016.

The Condensed Consolidated Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Financial Position
As at 30 June 2016 - Unaudited

	unaudited	audited
	30.6.2016	31.12.2015
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	174,908,543	152,519,023
Investment properties	2,604,278	2,681,166
Prepaid lease payments	3,149,728	3,483,319
Deferred tax assets	284,228	188,382
	<u>180,946,777</u>	<u>158,871,890</u>
Current assets		
Other investments	1,293,990	1,615,649
Inventories	13,018,837	9,392,505
Current tax assets	-	1,671,029
Trade and other receivables	49,482,694	38,819,755
Prepayments	428,051	157,535
Cash and cash equivalents	67,763,892	63,018,086
	<u>131,987,464</u>	<u>114,674,559</u>
Total assets	<u>312,934,241</u>	<u>273,546,449</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	119,516,340	104,838,773
Reserves	128,357,491	111,966,850
Total equity attributable to owners of the Company	<u>247,873,831</u>	<u>216,805,623</u>
Liabilities		
Non-current liabilities		
Loans and borrowings	25,357,511	25,357,511
Deferred tax liabilities	170,175	58,536
	<u>25,527,686</u>	<u>25,416,047</u>
Current liabilities		
Loan and borrowings	543,339	1,074,334
Trade and other payables	38,732,783	27,934,446
Current tax liabilities	256,602	2,315,999
	<u>39,532,724</u>	<u>31,324,779</u>
Total liabilities	<u>65,060,410</u>	<u>56,740,826</u>
Total equity and liabilities	<u>312,934,241</u>	<u>273,546,449</u>
Net assets per share attributable to equity holders of the parent (RM)	<u>1.04</u>	<u>1.03</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity
For the Six Months Ended 30 June 2016 - Unaudited

	<-----Attributable to owners of the Company----->						
	<----Non-distributable---->			Distributable			
	Share Capital RM	Share Premium RM	Translation Reserve RM	Retained Profits RM	Total RM	Non- Controlling Interest RM	Total Equity RM
At 1 January 2015	91,174,546	-	5,317,723	57,932,328	154,424,597	(5,160)	154,419,437
Net profit for the financial year	-	-	-	32,034,520	32,034,520	-	32,034,520
Other comprehensive income for the financial year	-	-	8,588,181	-	8,588,181	-	8,588,181
Total comprehensive income for the financial year	-	-	8,588,181	32,034,520	40,622,701	-	40,622,701
Contributions by and distributions to owners							
-issuance of shares pursuant to warrant conversion	13,664,227	11,751,235	-	-	25,415,462	-	25,415,462
-dividends to owners of the Company	-	-	-	(3,657,137)	(3,657,137)	-	(3,657,137)
Changes in ownership interests in a subsidiary	-	-	-	-	-	5,160	5,160
At 31 December 2015/1 January 2016	104,838,773	11,751,235	13,905,904	86,309,711	216,805,623	-	216,805,623
Net profit for the period	-	-	-	13,540,514	13,540,514	-	13,540,514
Other comprehensive income for the period	-	-	(4,013,226)	-	(4,013,226)	-	(4,013,226)
Total comprehensive income for the period	-	-	(4,013,226)	13,540,514	9,527,288	-	9,527,288
Contributions by and distributions to owners							
-issuance of shares pursuant to warrant conversion	14,677,567	12,622,708	-	-	27,300,275	-	27,300,275
-dividends to owners of the Company	-	-	-	(5,759,355)	(5,759,355)	-	(5,759,355)
At 30 June 2016	119,516,340	24,373,943	9,892,678	94,090,870	247,873,831	-	247,873,831

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2016 - Unaudited

	6 months ended	
	30.6.2016	30.6.2015
	RM	RM
Cash flows from operating activities		
Profit before tax	17,781,106	17,436,936
Adjustments for:		
Depreciation and amortisation	3,303,142	3,275,189
Loss on disposal of plant and equipment	35,386	2,717
Interest expense	22,012	49,054
Interest income	(405,008)	(163,957)
Unrealised foreign exchange differences	1,526,658	1,506,574
Net impairment loss on financial assets	330,400	(56,000)
<i>Operating profit before working capital changes</i>	<u>22,593,696</u>	<u>22,050,513</u>
Changes in working capital:		
Inventories	(3,626,332)	802,674
Trade and other receivables	(10,681,237)	(17,690,776)
Trade and other payables	10,798,329	9,228,409
<i>Cash generated from operations</i>	<u>19,084,456</u>	<u>14,390,820</u>
Income tax paid	(4,746,535)	(2,597,633)
Income tax refund	132,039	631,605
Net cash generated from operating activities	<u>14,469,960</u>	<u>12,424,792</u>
Cash flows from investing activities		
Interest received	405,008	163,957
Changes in investment in unit trust	8,740	4,955,542
Proceeds from disposal of plant and equipment	234,906	45,280
Purchase of property, plant and equipment	(28,453,576)	(28,916,656)
Net cash used in investing activities	<u>(27,804,922)</u>	<u>(23,751,877)</u>
Cash flows from financing activities		
Dividend paid	(5,759,355)	(3,657,137)
Interest paid	(22,012)	(49,054)
Proceeds from issuance of share	27,300,276	18,316,025
Repayment of borrowings	(530,996)	(503,953)
Net cash generated from financing activities	<u>20,987,913</u>	<u>14,105,881</u>
Net increase in cash and cash equivalents	7,652,951	2,778,796
Effect of changes in foreign exchange rate	(2,907,145)	(693,338)
Cash and cash equivalents at beginning of period	<u>63,018,086</u>	<u>37,032,486</u>
Cash and cash equivalents at end of period	<u><u>67,763,892</u></u>	<u><u>39,117,944</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2016

1 Accounting policies and basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

The significant accounting policies and methods adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2015.

The Group had adopted the new and revised Malaysian Financial Reporting Standards ("MFRS") and IC Interpretations that became mandatory for the current reporting period. The adoption of the new and revised MFRSs and IC interpretations did not have any significant impact on the interim financial statements upon their initial application.

2 Qualification of financial statements

The financial statements of the Company and its subsidiaries for the financial year ended 31 December 2015 were not qualified.

3 Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review except for warrant conversion under Note 6.

5 Changes in estimates

There were no changes in estimates that have had material effect in the current quarter results.

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2016

6 Debt and equity securities

During the current quarter under review, the Company issued 10,199,111 new ordinary shares through warrant conversion. As at 30 June 2016, 30,967,005 warrants remained unexercised.

Except for the above, there were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities by the Company during the current quarter under review.

7 Dividend proposed, declared and paid

An interim single tier dividend of 2.5 sen per ordinary share totalling RM5,759,355 in respect of the financial year ending 31 December 2016 has been paid on 22 April 2016.

8 Segmental information

The Group's business segments comprise mainly the manufacturing and sale of frozen food products.

Business segmental information therefore has not been prepared as all the Group's revenue, operating profit, assets employed, liabilities, depreciation and amortisation, and non-cash expenses are mainly confined to one business segment.

Geographical segments

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

	3 months ended		Year-to-date ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	19,653	16,482	35,857	31,349
Rest of Asia	8,482	5,890	15,391	12,050
Europe	5,389	5,419	8,950	9,946
North America	19,212	14,014	31,490	24,869
Oceania	2,670	2,356	5,072	3,198
Africa	103	128	255	221
Consolidated	<u>55,509</u>	<u>44,289</u>	<u>97,015</u>	<u>81,633</u>

9 Valuation of property, plant and equipment

No revaluation of property, plant and equipment were undertaken during the current quarter under review.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2016

10 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter under review.

11 Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

12 Capital commitments

The capital commitments of the Group as at 30 June 2016 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>40,957</u>

13 Supplementary information disclosed pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special matter No.1, determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

Realised and unrealised profits or losses

	As at 30 Jun 2016	As at 31 Dec 2015
	RM'000	RM'000
- Realised	135,622	115,298
- Unrealised	(8,335)	325
	<u>127,287</u>	<u>115,623</u>
Total share of post acquisition reserve of jointly controlled entity - realised	(100)	(100)
	<u>127,187</u>	<u>115,523</u>
Consolidation adjustments	(33,096)	(29,213)
Total Group retained profits as per consolidated accounts	<u>94,091</u>	<u>86,310</u>

KAWAN FOOD BERHAD (640445-V)
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2016

14 Related party transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 30 June 2016 are as follows:

	Current Quarter Ended 30 Jun 2016 RM'000	Year-to-date Ended 30 Jun 2016 RM'000
Transactions with a company in which Gan Thiam Chai, a Director of the Company has interests:		
Hot & Roll Sdn Bhd		
-Sales	480	941
Transactions with a company in which the spouse of Gan Thiam Hock, a Director of the Company has interests:		
K.C. Belight Food Industry (M) Sdn Bhd		
-Sales	210	364
-Purchases	389	749
Transactions with a company in which the sons and the spouse of Gan Thiam Hock, a Director of the Company has interests:		
MH Delight Sdn Bhd		
-Sales	12	41
Transaction with a company in which the daughters of Gan Thiam Chai and Kwan Sok Kay, the son of Gan Thiam Hock and the spouse of Timothy Tan Heng Han, Directors of the Company have interests:		
Food Valley Sdn Bhd		
-Purchases	3,456	6,069
Transactions with companies in which Nareshchandra Gordhandas Nagrecha and Jayendra Janardan Ved, Directors of the Company have interest:		
Shana Foods Limited		
-Sales	3,775	6,652
Rubicon Food Products Limited		
-Sales	1,080	1,367
Transactions with a company in which Timonthy Tan Heng Han, a Director of the Company has interests:		
Eat Meee Solutions Sdn Bhd		
-Sales	3	8

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2016

The above transactions have been entered in the normal course of business and have been established on terms and condition that are not materially different from those obtainable in similar transactions with unrelated parties.

15 Review of performance (Quarter 2, 2016 vs Quarter 2, 2015)

For the current quarter ended 30 June 2016, the Group recorded a higher revenue of RM55.51 million against RM44.29 million in the corresponding quarter ended 30 June 2015, an increase was due to higher sales registered from all regions except Europe and Africa.

Profit after taxation for the Group increased by 26.3% or RM1.9 million compared to the corresponding quarter ended 30 June 2015, mainly led by higher sales registered and favourable RM/USD exchange rate in the current quarter.

16 Review of performance (Year-to-date, 2016 vs Year-to-date, 2015)

For the period ended 30 June 2016, the Group recorded a higher revenue of RM97.01 million against RM81.63 million last year, an increase was due to higher sales registered from all regions except Europe.

Profit after taxation for the Group increased by 5.6% or RM0.7 million compared to last year, mainly led by the favourable RM/USD exchange rate in the current year.

17 Variance of quarterly results compared to preceding quarter (Quarter 2, 2016 vs Quarter 1, 2016)

The Group recorded a higher turnover of RM55.51 million for the current quarter under review compared to the immediate preceding quarter of RM41.51 million. The increase was due to increase turnover from all regions except Africa.

The profit before tax increased to RM12.15 million compared to the immediate preceding quarter of RM5.63 million. The increase mainly due higher foreign currency gain as a result of favourable RM/USD exchange rate in the current quarter amounting to RM1.3 million (Quarter 1, 2016 - foreign currency loss of RM3.3 million).

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2016

18 Commentary on the prospect

As reported in last year's annual accounts, the Group continues to grow from strength to strength as evident by the increase in revenue for the first half of 2016.

The construction of the new plant at Pulau Indah is progressing as planned. The progress is in conjunction with the continued research and development activities for new products which are planned to be manufactured at the new factory.

19 Variance of actual and profit forecast

Not applicable as the Group did not issue any profit forecast for the current financial year.

20 Profit before tax

The following have been included in arriving at profit before tax:

	3 months ended 30 Jun 2016 RM'000	3 months ended 30 Jun 2015 RM'000	Year-to-date ended 30 Jun 2016 RM'000	Year-to-date ended 30 Jun 2015 RM'000
Interest income	(254)	(70)	(405)	(164)
Other income	(165)	(117)	(384)	(250)
Interest expense	9	23	22	49
Depreciation and amortisation	1,626	1,651	3,303	3,275
Foreign exchange loss/(gain)	(1,385)	(641)	1,932	(1,971)
Loss on disposal of property, plant and equipment	(1)	-	35	3

21 Taxation

	Current Quarter Ended 30 Jun 2016 RM'000	Year-to-date Ended 30 Jun 2016 RM'000
Tax expense -Current year	2,974	4,230
Deferred tax expense -origination and reversal of temporary differences	4	11
Total	2,978	4,241

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2016

22 Corporate Proposals

There was no corporate proposal announced but not completed as at date of this report.

23 Borrowings (secured)

	As at 30 Jun 2016 RM'000	As at 31 Dec 2015 RM'000
Short term borrowings:		
Term loans	543	1,074
	<u>543</u>	<u>1,074</u>
Long term borrowings:		
Term loans	25,358	25,358
	<u>25,358</u>	<u>25,358</u>

The borrowings are denominated in Malaysia Ringgit.

24 Material litigation

The Group does not have any material litigation as at the date of this announcement.

25 Dividend

An interim single tier dividend of 2.5 sen per ordinary share totalling RM5,759,355 in respect of the financial year ending 31 December 2016 has been paid on 22 April 2016.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2016

26 Earning per share ("EPS")

a) Basic earning per share

	3 months ended 30 Jun 2016	3 months ended 30 Jun 2015	Year-to-date ended 30 Jun 2016	Year-to-date ended 30 Jun 2015
Profit attributable to equity holders of the parent (RM'000)	9,175	7,269	13,541	12,824
Weighted average number of ordinary shares in issue (units)	228,806,406	202,043,742	228,806,406	202,043,742
Basic earning per share (sen)	4.01	3.60	5.92	6.35

b) Diluted earning per share

Profit attributable to equity holders of the parent (RM'000)	9,175	7,269	13,541	12,824
Weighted average number of ordinary shares in issue (units)	228,806,406	202,043,742	228,806,406	202,043,742
Effect of dilution under warrant conversion	22,623,408	33,452,380	22,623,408	33,452,380
	251,429,814	235,496,122	251,429,814	235,496,122
Diluted earning per share (sen)	3.65	3.09	5.39	5.45

By Order of the Board

Gan Thiam Chai
 Executive Chairman
 Date: 24 August 2016