

Condensed Consolidated Statement of Profit or Loss and Comprehensive Income
For the Six Months Ended 30 June 2017 - Unaudited

	3 months ended		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM	RM	RM	RM
Revenue	55,098,798	55,508,968	102,612,880	97,014,608
Cost of sales	(31,163,738)	(29,646,756)	(59,693,331)	(52,248,205)
Gross profit	23,935,060	25,862,212	42,919,549	44,766,403
Other income*	295,485	1,756,727	977,681	788,646
Selling & distribution expenses	(8,007,850)	(11,636,137)	(17,020,372)	(18,107,583)
Administrative expenses #	(4,895,847)	(3,706,721)	(8,455,862)	(9,455,890)
Finance costs	(94,113)	(122,700)	(186,459)	(210,470)
Profit before tax	11,232,735	12,153,381	18,234,537	17,781,106
Income tax expense	(2,249,702)	(2,978,083)	(3,823,902)	(4,240,592)
Profit for the period	8,983,033	9,175,298	14,410,635	13,540,514
Other comprehensive income, net of tax				
Exchange differences on translation of foreign operations	(1,276,188)	766,055	(1,872,047)	(4,013,226)
Other comprehensive income, net of tax	(1,276,188)	766,055	(1,872,047)	(4,013,226)
Total comprehensive income for the period	7,706,845	9,941,353	12,538,588	9,527,288
Profit attributable to:				
Owners of the company	8,995,733	9,175,298	14,440,828	13,540,514
Non-controlling interest	(12,700)	-	(30,193)	-
Profit for the period	8,983,033	9,175,298	14,410,635	13,540,514
Total comprehensive income attributable to:				
Owners of the company	7,719,545	9,941,353	12,568,781	9,527,288
Non-controlling interest	(12,700)	-	(30,193)	-
Total comprehensive income for the period	7,706,845	9,941,353	12,538,588	9,527,288
Earning per share				
Basic (Sen)	3.34	4.01	5.36	5.92
Diluted (Sen)	3.34	3.65	5.36	5.39

* Inclusive of RM1.3 million foreign currency gain in 2Q of 2016.

Inclusive of net foreign currency loss of RM1 million in 2Q of 2017, RM1.1 million and RM2 million in six months period ended 30 June 2017 and 30 June 2016 respectively.

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 2016 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Financial Position
As at 30 June 2017 - Unaudited

	unaudited	audited
	30.6.2017	31.12.2016
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	216,384,510	201,634,421
Investment properties	2,575,650	2,613,423
Prepaid lease payments	3,211,891	3,317,239
Deferred tax assets	447,211	277,664
	<u>222,619,262</u>	<u>207,842,747</u>
Current assets		
Other investments	1,349,469	1,167,716
Inventories	13,014,714	12,909,270
Current tax assets	471,140	929,797
Trade and other receivables	55,659,783	48,518,579
Prepayments	401,876	169,144
Cash and cash equivalents	69,627,788	80,439,204
	<u>140,524,770</u>	<u>144,133,710</u>
Total assets	<u><u>363,144,032</u></u>	<u><u>351,976,457</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	134,819,910	134,819,910
Reserves	162,441,070	156,613,288
Equity attributable to owners of the Company	<u>297,260,980</u>	<u>291,433,198</u>
Non-controlling interest	62,907	-
Total equity	<u>297,323,887</u>	<u>291,433,198</u>
Liabilities		
Non-current liabilities		
Loans and borrowings	18,414,383	20,225,634
Deferred tax liabilities	465,832	290,936
	<u>18,880,215</u>	<u>20,516,570</u>
Current liabilities		
Loan and borrowings	7,948,506	3,622,501
Trade and other payables	38,425,876	34,956,515
Current tax liabilities	565,548	1,447,673
	<u>46,939,930</u>	<u>40,026,689</u>
Total liabilities	<u>65,820,145</u>	<u>60,543,259</u>
Total equity and liabilities	<u><u>363,144,032</u></u>	<u><u>351,976,457</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u>1.10</u>	<u>1.08</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 2017 - Unaudited

	<-----Attributable to owners of the Company----->						
	<----Non-distributable---->			Distributable		Non- Controlling Interest RM	Total Equity RM
	Share Capital RM	Share Premium RM	Translation Reserve RM	Retained Profits RM	Total RM		
At 1 January 2015	104,838,773	11,751,235	13,905,904	86,309,711	216,805,623	-	216,805,623
Net profit for the financial year	-	-	-	32,981,617	32,981,617	-	32,981,617
Other comprehensive income for the financial year	-	-	1,077,795	-	1,077,795	-	1,077,795
Total comprehensive income for the financial year	-	-	1,077,795	32,981,617	34,059,412	-	34,059,412
Contributions by and distributions to owners							
-issuance of shares pursuant to warrant conversion	29,981,137	25,783,778	-	-	55,764,915	-	55,764,915
-dividends to owners of the Company	-	-	-	(15,196,752)	(15,196,752)	-	(15,196,752)
At 31 December 2015/1 January 2016	134,819,910	37,535,013	14,983,699	104,094,576	291,433,198	-	291,433,198
Net profit for the period	-	-	-	14,440,828	14,440,828	(30,193)	14,410,635
Other comprehensive income for the period	-	-	(1,872,047)	-	(1,872,047)	-	(1,872,047)
Total comprehensive income for the period	-	-	(1,872,047)	14,440,828	12,568,781	(30,193)	12,538,588
Contributions by and distributions to owners							
-effect arising from acquisition of a subsidiary	-	-	-	-	-	93,100	93,100
-dividends to owners of the Company	-	-	-	(6,740,999)	(6,740,999)	-	(6,740,999)
At 30 June 2017	134,819,910	37,535,013	13,111,652	111,794,405	297,260,980	62,907	297,323,887

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2017 - Unaudited

	6 months ended	
	30.6.2017	30.6.2016
	RM	RM
Cash flows from operating activities		
Profit before tax	18,234,537	17,781,106
Adjustments for:		
Depreciation and amortisation	3,110,740	3,303,142
Loss on disposal of plant and equipment	28,403	35,386
Interest expense	77,336	22,012
Interest income	(368,382)	(405,008)
Unrealised foreign exchange differences	3,448,949	1,526,658
Net impairment (gain)/loss on financial assets	(173,600)	330,400
<i>Operating profit before working capital changes</i>	<u>24,357,983</u>	<u>22,593,696</u>
Changes in working capital:		
Inventories	(105,444)	(3,626,332)
Trade and other receivables	(7,141,204)	(10,681,237)
Trade and other payables	3,469,361	10,798,329
<i>Cash generated from operations</i>	<u>20,580,696</u>	<u>19,084,456</u>
Income tax paid	(4,364,144)	(4,746,535)
Income tax refund	135,798	132,039
Net cash generated from operating activities	<u>16,352,350</u>	<u>14,469,960</u>
Cash flows from investing activities		
Interest received	368,382	405,008
Changes in investment in unit trust	(8,152)	8,740
Proceeds from disposal of plant and equipment	-	234,906
Purchase of property, plant and equipment	(18,354,419)	(28,453,576)
Net cash used in investing activities	<u>(17,994,189)</u>	<u>(27,804,922)</u>
Cash flows from financing activities		
Dividend paid	(6,740,999)	(5,759,355)
Interest paid	(77,336)	(22,012)
Proceeds from issuance of shares	-	27,300,276
Drawdown of borrowings	4,445,155	-
Repayment of borrowings	(1,811,251)	(530,996)
Net cash (used in)/generated from financing activities	<u>(4,184,431)</u>	<u>20,987,913</u>
Net (decrease)/increase in cash and cash equivalents	(5,826,270)	7,652,951
Effect of changes in foreign exchange rate	(4,985,146)	(2,907,145)
Cash and cash equivalents at beginning of period	80,439,204	63,018,086
Cash and cash equivalents at end of period	<u>69,627,788</u>	<u>67,763,892</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 2017

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134: Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the most recent audited financial statements of the Company as at and for the year ended 31 December 2016.

2 Qualification of financial statements

The financial statements of the Company and its subsidiaries for the financial year ended 31 December 2016 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.

5 Changes in estimates

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

6 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities by the Company during the current quarter under review.

7 Dividends paid

An interim single tier dividend of 2.5 sen per ordinary share totalling RM6,740,999 in respect of the financial year ending 31 December 2017 has been paid on 31 March 2017.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2017**

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 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	22,742	19,653	40,868	35,857
Rest of Asia	8,681	8,482	17,317	15,391
Europe	4,215	5,389	9,765	8,950
North America	16,148	19,212	29,694	31,490
Oceania	3,085	2,670	4,741	5,072
Africa	227	103	227	255
Consolidated	<u>55,098</u>	<u>55,509</u>	<u>102,612</u>	<u>97,015</u>

9 Valuation of property, plant and equipment

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

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

On 26 January 2017, the Group has acquired 51% of the issued and paid-up share capital in Dikawani Foods Sdn Bhd ("Dikawani") for a cash consideration of RM51. The Group had on the same date, subscribed 76,449 new ordinary shares of RM1.00 each in the share capital of Dikawani, for a total consideration of RM76,449.

Subsequent to the acquisition, Dikawani became a subsidiary of Kawan Food Berhad.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2017**

12 Capital commitments

The capital commitments of the Group as at 30 June 2017 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>21,906</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 2017 RM'000	As at 31 Dec 2016 RM'000
- Realised	156,740	136,802
- Unrealised	(12,090)	(2,128)
	<u>144,650</u>	<u>134,674</u>
Total share of post acquisition reserve of jointly controlled entity - realised	(100)	(100)
	<u>144,550</u>	<u>134,574</u>
Consolidation adjustments	(32,756)	(30,479)
Total Group retained profits as per consolidated accounts	<u>111,794</u>	<u>104,095</u>

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2017**

14 Related party transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 30 June 2017 are as follows:

	Current Quarter Ended 30 Jun 2017 RM'000	Year-to-date Ended 30 Jun 2017 RM'000
Transactions with a company in which the daughter of Gan Thiam Chai and Kwan Sok Kay, the spouse of Timothy Tan Heng Han, Directors of the Company has interests:		
Hot & Roll Sdn Bhd		
-Sales	347	750
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	3	6
-Purchases	-	34
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	209	409
-Purchases	456	674
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	4,422	8,013
Transactions with companies in which Nareshchandra Gordhandas Nagrecha, a Director of the Company has interest:		
Shana Foods Limited		
-Sales	3,581	7,395
Rubicon Food Products Limited		
-Sales	2,338	3,508

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.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

15 Review of performance

	Individual Period (2nd Quarter)		Changes Amount (%)	Cumulative Period		Changes Amount (%)
	Current Year Quarter 30/6/17	Preceding Year Corresponding Quarter 30/6/16		Current Year To Date 30/6/17	Preceding Year Corresponding Period 30/6/16	
	RM	RM		RM	RM	
Revenue	55,098,798	55,508,968	-0.7%	102,612,880	97,014,608	5.8%
Profit Before Interest and Tax	11,326,848	12,276,081	-7.7%	18,402,996	17,991,576	2.3%
Profit Before Tax	11,232,735	12,153,381	-7.6%	18,234,537	17,781,106	2.6%
Profit After Tax	8,983,033	9,175,298	-2.1%	14,410,635	13,540,514	6.4%
Profit Attributable to Ordinary Equity Holders of the Parent	8,995,733	9,175,298	-2.0%	14,440,828	13,540,514	6.6%

For the current quarter ended 30 June 2017, the Group recorded revenue a revenue of RM55 million which is broadly similar to the corresponding quarter ended 30 June 2016.

Profit after taxation for the Group for the current quarter ended 30 June 2017 remained at RM9 million, which is broadly similar to the corresponding quarter ended 30 June 2016. The savings from the lower advertisement and promotion expenses was offset by higher material cost and higher foreign currency loss in the current quarter.

16 Variance of quarterly results compared to preceding quarter

	Current Quarter 30/6/17 RM	Immediate Preceding Quarter 31/3/17 RM	Changes Amount %
Revenue	55,098,798	47,514,082	16%
Profit Before Interest and Tax	11,326,848	7,094,148	60%
Profit Before Tax	11,232,735	7,001,802	60%
Profit After Tax	8,983,033	5,427,602	66%
Profit Attributable to Ordinary Equity Holders of the Parent	8,995,733	5,445,095	65%

The Group recorded a higher turnover of RM55.1 million for the current quarter under review compared to the immediate preceding quarter of RM47.5 million. The increase was due to increase turnover from all regions except North America and Europe

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
 30 JUNE 2017**

The profit after tax increased to RM8.9 million compared to the immediate preceding quarter of RM5.4 million. The increase was mainly due to higher turnover registered and lower advertisement and promotion expenses in the current quarter.

17 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 during the year.

The construction of the new plant at Pulau Indah is progressing accordingly to the revised schedule. The new factory is expected to be commissioned in second half of the year. The research and development activities are continuing for new products which are planned to be manufactured at the new factory.

18 Variance of actual and profit forecast

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

19 Profit before tax

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

	3 months ended 30 Jun 2017 RM'000	3 months ended 30 Jun 2016 RM'000	Year-to-date ended 30 Jun 2017 RM'000	Year-to-date ended 30 Jun 2016 RM'000
Interest income	(157)	(254)	(368)	(405)
Other income	(139)	(165)	(610)	(384)
Interest expense	42	9	77	22
Depreciation and amortisation	1,554	1,626	3,111	3,303
Net foreign exchange loss	994	(1,338)	1,107	1,979
Loss on disposal of property, plant and equipment	14	(1)	28	35

KAWAN FOOD BERHAD (640445-V)
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2017**

20 Finance cost

	3 months ended 30 Jun 2017 RM'000	3 months ended 30 Jun 2016 RM'000	Year-to-date ended 30 Jun 2017 RM'000	Year-to-date ended 30 Jun 2016 RM'000
Interest expense of financial liabilities that are -not at fair value through profit or loss:				
Term loans, secured	279	268	562	493
Other bank charges	52	113	109	188
	<u>331</u>	<u>381</u>	<u>671</u>	<u>681</u>
Recognised in profit or loss	94	122	186	210
Capitalised on qualifying assets:		-		
-property, plant and equipment	237	259	485	471
	<u>331</u>	<u>381</u>	<u>671</u>	<u>681</u>

21 Taxation

	Current Quarter Ended 30 June 2017 RM'000	Year-to-date Ended 30 June 2017 RM'000
Tax expense -Current year	2,242	3,815
Deferred tax expense		
-origination and reversal of temporary differences	8	9
Total	<u>2,250</u>	<u>3,824</u>

The effective tax rate of the Group for current period under review is lower than the statutory tax rate. These are mainly due to lower tax rate in an oversea subsidiary and the tax incentive available to a Malaysia subsidiary.

KAWAN FOOD BERHAD (640445-V)
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
 30 JUNE 2017**

22 Corporate Proposals

On 4 July 2017, the Company announced its proposal to undertake a bonus issue of 89,879,940 new ordinary shares of the Company ("Bonus Share") to be credited as fully paid-up on the basis of one (1) Bonus Share for every three (3) existing shares of the Company. The proposal were approved by Bursa Malaysia Securities Berhad on 25 July 2017 and the shareholders of the Company at the Extraordinary General Meeting on 18 August 2017.

23 Borrowings (secured)

	As at 30 June 2017 RM'000	As at 31 Dec 2016 RM'000
Short term borrowings:		
in Malaysia Ringgit	3,623	3,622
in US Dollar	4,326	-
	<u>7,949</u>	<u>3,622</u>
Long term borrowings:		
in Malaysia Ringgit	<u>18,414</u>	<u>20,226</u>

24 Material litigation

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

25 Dividends

An interim single tier dividend of 2.5 sen per ordinary share totalling RM6,740,999 in respect of the financial year ending 31 December 2017 has been paid on 31 March 2017.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2017**

26 Earning per share ("EPS")

a) Basic earning per share

	3 months ended 30 Jun 2017	3 months ended 30 Jun 2016	Year-to-date ended 30 Jun 2017	Year-to-date ended 30 Jun 2016
Profit attributable to equity holders of the parent (RM'000)	8,996	9,175	14,441	13,541
Weighted average number of ordinary shares in issue (units)	269,639,820	228,806,406	269,639,820	228,806,406
Basic earning per share (sen)	3.34	4.01	5.36	5.92

b) Diluted earning per share

Profit attributable to equity holders of the parent (RM'000)	8,996	9,175	14,441	13,541
Weighted average number of ordinary shares in issue (units)	269,639,820	228,806,406	269,639,820	228,806,406
Effect of dilution under warrant conversion	-	22,623,408	-	22,623,408
	269,639,820	251,429,814	269,639,820	251,429,814
Diluted earning per share (sen)	3.34	3.65	5.36	5.39

By Order of the Board

Gan Thiam Chai
Executive Chairman
Date: 18 August 2017