

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

	3 months ended		9 months ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM	RM	RM	RM
Revenue	47,709,975	47,315,491	150,322,855	144,330,099
Cost of sales	(27,145,867)	(24,213,126)	(86,839,198)	(76,461,331)
Gross profit	20,564,108	23,102,365	63,483,657	67,868,768
Other income*	382,742	1,565,886	1,360,423	1,282,870
Selling & distribution expenses	(7,039,637)	(6,510,906)	(24,060,009)	(24,618,489)
Administrative expenses#	(2,961,283)	(3,906,844)	(11,417,145)	(12,291,072)
Finance costs	(112,322)	(138,174)	(298,781)	(348,644)
Profit before tax	10,833,608	14,112,327	29,068,145	31,893,433
Income tax expense	(2,030,082)	(1,864,541)	(5,853,984)	(6,105,133)
Profit for the period	8,803,526	12,247,786	23,214,161	25,788,300
Other comprehensive income, net of tax				
Exchange differences on translation of foreign operations	(446,719)	1,505,439	(2,318,766)	(2,507,787)
Other comprehensive income, net of tax	(446,719)	1,505,439	(2,318,766)	(2,507,787)
Total comprehensive income for the period	8,356,807	13,753,225	20,895,395	23,280,513
Profit attributable to:				
Owners of the company	8,813,650	12,247,786	23,254,478	25,788,300
Non-controlling interest	(10,124)	-	(40,317)	-
Profit for the period	8,803,526	12,247,786	23,214,161	25,788,300
Total comprehensive income attributable to:				
Owners of the company	8,366,931	13,753,225	20,935,712	23,280,513
Non-controlling interest	(10,124)	-	(40,317)	-
Total comprehensive income for the period	8,356,807	13,753,225	20,895,395	23,280,513
Earning per share		restated		restated
Basic (Sen)	2.45	3.69	6.47	7.77
Diluted (Sen)	N/A	N/A	N/A	N/A

* Inclusive of RM1.1 million net foreign currency gain in 3Q of 2016,

Inclusive of net foreign currency loss of RM0.7 million in 3Q of 2017. RM1.8 million and RM0.9 million in the nine months period ended 30 September 2017 and 30 September 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 September 2017 - Unaudited

	unaudited	audited
	30.9.2017	31.12.2016
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	223,585,079	201,634,421
Investment properties	2,563,899	2,613,423
Prepaid lease payments	3,200,631	3,317,239
Deferred tax assets	448,482	277,664
	<u>229,798,091</u>	<u>207,842,747</u>
Current assets		
Other investments	827,657	1,167,716
Inventories	13,112,397	12,909,270
Current tax assets	833,535	929,797
Trade and other receivables	45,001,071	48,518,579
Prepayments	318,901	169,144
Cash and cash equivalents	75,342,931	80,439,204
	<u>135,436,492</u>	<u>144,133,710</u>
Total assets	<u><u>365,234,583</u></u>	<u><u>351,976,457</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	179,759,880	134,819,910
Reserves	125,868,031	156,613,288
Equity attributable to owners of the Company	<u>305,627,911</u>	<u>291,433,198</u>
Non-controlling interest	52,783	-
Total equity	<u>305,680,694</u>	<u>291,433,198</u>
Liabilities		
Non-current liabilities		
Loans and borrowings	17,508,757	20,225,634
Deferred tax liabilities	466,304	290,936
	<u>17,975,061</u>	<u>20,516,570</u>
Current liabilities		
Loan and borrowings	7,873,194	3,622,501
Trade and other payables	32,323,523	34,956,515
Current tax liabilities	1,382,111	1,447,673
	<u>41,578,828</u>	<u>40,026,689</u>
Total liabilities	<u>59,553,889</u>	<u>60,543,259</u>
Total equity and liabilities	<u><u>365,234,583</u></u>	<u><u>351,976,457</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u>0.85</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 Nine Months Ended 30 September 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 2016	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 2016/1 January 2017	134,819,910	37,535,013	14,983,699	104,094,576	291,433,198	-	291,433,198
Net profit for the period	-	-	-	23,254,478	23,254,478	(40,317)	23,214,161
Other comprehensive income for the period	-	-	(2,318,766)	-	(2,318,766)	-	(2,318,766)
Total comprehensive income for the period	-	-	(2,318,766)	23,254,478	20,935,712	(40,317)	20,895,395
Contributions by and distributions to owners							
-effect arising from acquisition of a subsidiary	-	-	-	-	-	93,100	93,100
-bonus issue	44,939,970	(37,535,013)	-	(7,404,957)	-	-	-
-dividends to owners of the Company	-	-	-	(6,740,999)	(6,740,999)	-	(6,740,999)
At 30 September 2017	179,759,880	-	12,664,933	113,203,098	305,627,911	52,783	305,680,694

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 Nine Months Ended 30 September 2017 - Unaudited

	9 months ended	
	30.9.2017	30.9.2016
	RM	RM
Cash flows from operating activities		
Profit before tax	29,068,145	31,893,433
Adjustments for:		
Depreciation and amortisation	4,677,466	4,902,321
Loss on disposal of plant and equipment	27,621	16,877
Interest expense	119,192	24,669
Interest income	(550,140)	(700,829)
Unrealised foreign exchange differences	3,894,259	(439,863)
Net impairment (gain)/loss on financial assets	(140,000)	358,400
<i>Operating profit before working capital changes</i>	<u>37,096,543</u>	<u>36,055,008</u>
Changes in working capital:		
Inventories	(203,127)	(1,868,412)
Trade and other receivables	3,813,864	(6,228,080)
Trade and other payables	(2,929,352)	3,251,468
<i>Cash generated from operations</i>	<u>37,777,928</u>	<u>31,209,984</u>
Income tax paid	(5,998,123)	(6,589,965)
Income tax refund	194,669	132,039
Net cash generated from operating activities	<u>31,974,474</u>	<u>24,752,058</u>
Cash flows from investing activities		
Interest received	550,140	700,829
Changes in investment in unit trust	480,060	12,882
Proceeds from disposal of plant and equipment	-	267,050
Purchase of property, plant and equipment	(27,013,751)	(44,262,298)
Net cash used in investing activities	<u>(25,983,551)</u>	<u>(43,281,537)</u>
Cash flows from financing activities		
Dividend paid	(6,740,999)	(5,759,355)
Interest paid	(119,192)	(24,669)
Proceeds from issuance of shares	-	55,764,916
Drawdown of borrowings	4,445,155	-
Repayment of borrowings	(2,716,876)	(1,678,084)
Net cash (used in)/generated from financing activities	<u>(5,131,912)</u>	<u>48,302,808</u>
Net increase in cash and cash equivalents	859,011	29,773,329
Effect of changes in foreign exchange rate	(5,955,284)	(123,016)
Cash and cash equivalents at beginning of period	80,439,204	63,018,086
Cash and cash equivalents at end of period	<u>75,342,931</u>	<u>92,668,399</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 SEPTEMBER 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.

KAWAN FOOD BERHAD (640445-V)
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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
 30 SEPTEMBER 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 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	17,691	16,850	58,559	52,707
Rest of Asia	8,798	7,046	26,116	22,437
Europe	2,061	2,940	11,826	11,890
North America	15,987	17,549	45,681	49,039
Oceania	2,889	2,869	7,630	7,941
Africa	284	61	511	316
Consolidated	<u>47,710</u>	<u>47,315</u>	<u>150,323</u>	<u>144,330</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 SEPTEMBER 2017**

12 Capital commitments

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

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>24,440</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 Sep 2017 RM'000	As at 31 Dec 2016 RM'000
- Realised	156,901	136,802
- Unrealised	<u>(10,379)</u>	<u>(2,128)</u>
	146,522	134,674
Total share of post acquisition reserve of jointly controlled entity - realised	<u>(100)</u>	<u>(100)</u>
	146,422	134,574
Consolidation adjustments	<u>(33,219)</u>	<u>(30,479)</u>
Total Group retained profits as per consolidated accounts	<u>113,203</u>	<u>104,095</u>

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

14 Related party transactions

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

	3 months ended 30 Sep 2017 RM'000	Year-to-date ended 30 Sep 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	419	1,169
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	9
-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	258	667
-Purchases	331	1,005
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	3,870	11,883
Transactions with companies in which Nareshchandra Gordhandas Nagrecha, a Director of the Company has interest:		
Shana Foods Limited		
-Sales	1,061	8,456
Rubicon Food Products Limited		
-Sales	1,153	4,661

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.

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

15 Review of performance

	3 months ended 30 Sep 2017	3 months ended 30 Sep 2016	Changes (%)	Year-to-date ended 30 Sep 2017	Year-to-date ended 30 Sep 2016	Changes (%)
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
Revenue	47,710	47,315	0.8%	150,323	144,330	4.2%
Profit before interest and tax	10,694	13,819	-22.6%	28,637	31,217	-8.3%
Profit before tax	10,834	14,112	-23.2%	29,068	31,893	-8.9%
Profit after tax	8,804	12,248	-28.1%	23,214	25,788	-10.0%
Profit attributable to ordinary equity holders of the parent	8,814	12,248	-28.0%	23,254	25,788	-9.8%

Quarter 3, 2017 vs Quarter 3, 2016

For the current quarter ended 30 September 2017, the Group recorded a revenue of RM48 million which is broadly similar to the corresponding quarter ended 30 September 2016.

Profit after tax for the Group decreased to RM8.8 million from RM12.2 million in the corresponding quarter ended 30 September 2016, mainly driven by lower revenue from export markets and higher operation costs (material cost, overhead cost, logistics cost, advertisement and promotion expenses and foreign currency loss) in the current quarter.

Year-to-date, 2017 vs Year-to-date, 2016

For the nine months ended 30 September 2017, the Group registered a turnover of RM150 million, 4.2% higher than the previous year's corresponding period. The growth was driven by the Malaysia performance which grew at 11%.

Profit after tax for the Group decreased by 10% or RM2.6 million compared to last year, mainly led by lower revenue from export markets and higher operation costs (material cost, overhead cost, logistics cost and foreign currency loss) in the current year.

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

16 Variance of quarterly results compared to preceding quarter

	Current Quarter 30 Sep 2017 RM'000	Immediate Preceding Quarter 30 Jun 2017 RM'000	Changes %
Revenue	47,710	55,099	-13%
Profit before interest and tax	10,694	11,118	-4%
Profit before tax	10,834	11,233	-4%
Profit after tax	8,804	8,983	-2%
Profit attributable to ordinary equity holders of the parent	8,814	8,996	-2%

The Group recorded a lower turnover of RM47.7 million and lower profit after tax of RM8.8 million for the current quarter under review compared to the immediate preceding quarter of RM55.1 million and RM9 million. The decreases were mainly due to decrease revenue from Malaysia, Europe and North America regions.

17 Commentary on the prospect

The construction of the new plant at Pulau Indah is targeted to complete by end of this year and is expected to be commissioned in first quarter of 2018. The research and development activities are continuous for new products which are planned to be manufactured at the new factory.

The Malaysia business environment is expected to remain challenging, as a result of poor consumer sentiment and higher operation costs. The Group will strive to achieve better results for the financial year ending 31 December 2017.

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 Sep 2017 RM'000	3 months ended 30 Sep 2016 RM'000	Year-to-date ended 30 Sep 2017 RM'000	Year-to-date ended 30 Sep 2016 RM'000
Interest income	(182)	(296)	(550)	(701)
Other income	(200)	(198)	(810)	(582)
Interest expense	42	3	119	25
Depreciation and amortisation	1,566	1,599	4,677	4,902
Net foreign exchange loss	712	(1,024)	1,819	908
Loss on disposal of property, plant and equipment	-	(18)	28	17

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

20 Finance cost

	3 months ended 30 Sep 2017 RM'000	3 months ended 30 Sep 2016 RM'000	Year-to-date ended 30 Sep 2017 RM'000	Year-to-date ended 30 Sep 2016 RM'000
Interest expense of financial liabilities that are -not at fair value through profit or loss:				
Term loans, secured	269	309	831	802
Other bank charges	71	135	180	324
	<u>340</u>	<u>444</u>	<u>1,011</u>	<u>1,126</u>
Recognised in profit or loss	113	138	299	349
Capitalised on qualifying assets: -property, plant and equipment	227	306	712	777
	<u>340</u>	<u>444</u>	<u>1,011</u>	<u>1,126</u>

21 Taxation

	3 months ended 30 Sep 2017 RM'000	Year-to-date ended 30 Sep 2017 RM'000
Tax expense		
-Current year	3,075	6,890
-Overprovision	(1,036)	(1,036)
	<u>2,039</u>	<u>5,854</u>
Deferred tax expense		
-origination and reversal of temporary differences	(9)	-
Total	<u>2,030</u>	<u>5,854</u>

The effective tax rate of the Group is lower than the statutory tax rate. This is mainly due to overprovision of income tax in the previous year.

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.

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

23 Borrowings (secured)

	As at 30 Sep 2017 RM'000	As at 31 Dec 2016 RM'000
Short term borrowings:		
in Malaysia Ringgit	3,622	3,622
in US Dollar	4,251	-
	<u>7,873</u>	<u>3,622</u>
Long term borrowings:		
in Malaysia Ringgit	<u>17,509</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.

26 Earning per share ("EPS")

a) Basic earning per share

	3 months ended 30 Sep 2017	3 months ended 30 Sep 2016	Year-to-date ended 30 Sep 2017	Year-to-date ended 30 Sep 2016
Profit attributable to equity holders of the parent (RM'000)	<u>8,814</u>	<u>12,248</u>	<u>23,254</u>	<u>25,788</u>
Weighted average number of ordinary shares in issue (units)	<u>359,519,760</u>	<u>332,012,965</u>	<u>359,519,760</u>	<u>332,012,965</u>
Basic earning per share (sen)	<u>2.45</u>	<u>3.69</u>	<u>6.47</u>	<u>7.77</u>

b) Diluted earning per share

There are no diluted EPS as the Company does not have any convertible financial instrument as at the end of the current quarter under review.

By Order of the Board

Gan Thiam Chai
Executive Chairman
Date: 21 November 2017