

**Condensed Consolidated Statement of Profit or Loss and Comprehensive Income**  
**For the Three Months Ended 31 March 2018 - Unaudited**

	3 months ended		3 months ended	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RM	RM	RM	RM
<b>Revenue</b>	46,280,644	47,514,082	46,280,644	47,514,082
Cost of sales	(27,843,269)	(28,529,593)	(27,843,269)	(28,529,593)
<b>Gross profit</b>	<b>18,437,375</b>	<b>18,984,489</b>	<b>18,437,375</b>	<b>18,984,489</b>
Other income	293,180	682,196	293,180	682,196
Selling & distribution expenses	(9,295,318)	(9,012,522)	(9,295,318)	(9,012,522)
Administrative expenses#	(4,628,260)	(3,560,015)	(4,628,260)	(3,560,015)
Finance costs	(48,660)	(92,346)	(48,660)	(92,346)
<b>Profit before tax</b>	<b>4,758,317</b>	<b>7,001,802</b>	<b>4,758,317</b>	<b>7,001,802</b>
Income tax expense	(739,642)	(1,574,200)	(739,642)	(1,574,200)
<b>Profit for the period</b>	<b>4,018,675</b>	<b>5,427,602</b>	<b>4,018,675</b>	<b>5,427,602</b>
<b>Other comprehensive income, net of tax</b>				
Exchange differences on translation of foreign operations	(1,936,285)	(595,859)	(1,936,285)	(595,859)
<b>Other comprehensive income, net of tax</b>	<b>(1,936,285)</b>	<b>(595,859)</b>	<b>(1,936,285)</b>	<b>(595,859)</b>
<b>Total comprehensive income for the period</b>	<b>2,082,390</b>	<b>4,831,743</b>	<b>2,082,390</b>	<b>4,831,743</b>
<b>Profit attributable to:</b>				
Owners of the company	4,018,675	5,445,095	4,018,675	5,445,095
Non-controlling interest	-	(17,493)	-	(17,493)
<b>Profit for the period</b>	<b>4,018,675</b>	<b>5,427,602</b>	<b>4,018,675</b>	<b>5,427,602</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the company	2,082,390	4,849,236	2,082,390	4,849,236
Non-controlling interest	-	(17,493)	-	(17,493)
<b>Total comprehensive income for the period</b>	<b>2,082,390</b>	<b>4,831,743</b>	<b>2,082,390</b>	<b>4,831,743</b>
<b>Earnings per share</b>		<b>restated</b>		<b>restated</b>
Basic (Sen)	1.12	1.51	1.12	1.51
Diluted (Sen)	N/A	N/A	N/A	N/A

# Inclusive of net foreign currency loss of RM0.9 million and RM0.1 million in 1Q of 2018 and 1Q of 2017 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 2017 and the accompanying explanatory notes attached to the interim financial statements.

*Condensed Consolidated Statement of Financial Position*  
*As at 31 March 2018 - Unaudited*

	<b>unaudited</b>	<b>audited</b>
	<b>31.3.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	235,704,444	230,809,766
Investment properties	2,520,721	2,539,157
Prepaid lease payments	3,064,361	3,114,167
Deferred tax assets	451,799	406,670
	<u>241,741,325</u>	<u>236,869,760</u>
<b>Current assets</b>		
Other investments	8,983,441	871,591
Inventories	18,435,446	15,210,068
Current tax assets	3,348,723	2,767,208
Trade and other receivables	46,407,769	49,209,264
Prepayments	708,261	244,698
Cash and cash equivalents	39,316,468	62,785,272
	<u>117,200,108</u>	<u>131,088,101</u>
<b>Total assets</b>	<u><u>358,941,433</u></u>	<u><u>367,957,861</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	179,759,880	179,759,880
Reserves	122,134,389	129,039,994
<b>Total equity</b>	<u>301,894,269</u>	<u>308,799,874</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	15,697,507	16,603,132
Deferred tax liabilities	1,248,165	1,199,190
	<u>16,945,672</u>	<u>17,802,322</u>
<b>Current liabilities</b>		
Loan and borrowings	3,622,506	7,760,460
Trade and other payables	36,022,303	33,134,075
Current tax liabilities	456,683	461,130
	<u>40,101,492</u>	<u>41,355,665</u>
<b>Total liabilities</b>	<u>57,047,164</u>	<u>59,157,987</u>
<b>Total equity and liabilities</b>	<u><u>358,941,433</u></u>	<u><u>367,957,861</u></u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u>0.84</u>	<u>0.86</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

*Condensed Consolidated Statement of Changes in Equity*  
*For the Three Months Ended 31 March 2018 - Unaudited*

	<-----Attributable to owners of the Company----->					
	<----Non-distributable---->			Distributable		
	Share Capital RM	Share Premium RM	Translation Reserve RM	Retained Profits RM	Total RM	Total Equity RM
<b>At 1 January 2017</b>	134,819,910	37,535,013	14,983,699	104,094,576	291,433,198	291,433,198
Net profit for the financial year	-	-	-	29,106,471	29,106,471	29,106,471
Other comprehensive income for the financial year	-	-	(4,998,796)	-	(4,998,796)	(4,998,796)
Total comprehensive income for the financial year	-	-	(4,998,796)	29,106,471	24,107,675	24,107,675
Contributions by and distributions to owners						
-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)
<b>At 31 December 2017/1 January 2018</b>	179,759,880	-	9,984,903	119,055,091	308,799,874	308,799,874
Net profit for the financial period	-	-	-	4,018,675	4,018,675	4,018,675
Other comprehensive income for the financial period	-	-	(1,936,285)	-	(1,936,285)	(1,936,285)
Total comprehensive income for the financial period	-	-	(1,936,285)	4,018,675	2,082,390	2,082,390
Contributions by and distributions to owners						
-dividends to owners of the Company	-	-	-	(8,987,995)	(8,987,995)	(8,987,995)
<b>At 31 March 2018</b>	179,759,880	-	8,048,618	114,085,771	301,894,269	301,894,269

*Condensed Consolidated Statement of Cash Flows*  
*For the Three Months Ended 31 March 2018 - Unaudited*

	<b>3 months ended</b>	
	<b>31.3.2018</b>	<b>31.3.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>		
Profit before tax	4,758,317	7,001,802
Adjustments for:		
Depreciation and amortisation	1,539,917	1,556,752
Loss on disposal of plant and equipment	-	14,154
Interest expense	6,848	35,163
Interest income	(158,193)	(211,356)
Unrealised foreign exchange differences	872,864	2,690,096
Net impairment gain on financial assets	(78,400)	(162,400)
<i>Operating profit before working capital changes</i>	<u>6,941,353</u>	<u>10,924,211</u>
Changes in working capital:		
Inventories	(3,225,378)	(1,126,102)
Trade and other receivables	2,337,932	(1,904,733)
Trade and other payables	2,888,228	5,001,737
<i>Cash generated from operations</i>	<u>8,942,135</u>	<u>12,895,113</u>
Income tax paid	(1,331,972)	(1,830,166)
Income tax refund	-	135,798
<b>Net cash generated from operating activities</b>	<u>7,610,163</u>	<u>11,200,745</u>
<b>Cash flows from investing activities</b>		
Interest received	158,193	211,356
Changes in investment in unit trust	(8,033,450)	(4,012)
Purchase of property, plant and equipment	(6,644,272)	(10,352,960)
<b>Net cash used in investing activities</b>	<u>(14,519,529)</u>	<u>(10,145,616)</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(8,987,995)	(6,740,999)
Interest paid	(6,848)	(35,163)
Drawdown of borrowings	-	4,445,155
Repayment of borrowings	(5,043,584)	(905,625)
<b>Net cash used in financing activities</b>	<u>(14,038,427)</u>	<u>(3,236,632)</u>
<b>Net decrease in cash and cash equivalents</b>	(20,947,793)	(2,181,503)
<b>Effect of changes in foreign exchange rate</b>	(2,521,011)	(3,395,984)
<b>Cash and cash equivalents at beginning of period</b>	<u>62,785,272</u>	<u>80,439,204</u>
<b>Cash and cash equivalents at end of period</b>	<u>39,316,468</u>	<u>74,861,717</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 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  
31 MARCH 2018**

**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 2017.

The accounting policies and methods of computation are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2017 except for the newly issued Malaysia Financial Reporting Standards (MFRS), interpretations and amendments to standards to be applied by all Entities Other Than Private Entities for the financial period beginning on or after 1 January 2018:

-MFRS 15: Revenue from Contracts with Customers

-MFRS 9: Financial Instruments

The adoption of the above did not have any significant effect 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 2017 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.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED  
31 MARCH 2018**

**7 Dividends paid**

An interim single tier dividend of 2.5 sen per ordinary share totalling RM8,987,995 in respect of the financial year ending 31 December 2018 has been paid on 30 March 2018.

**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	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	19,262	18,126	19,262	18,126
Rest of Asia	9,633	8,636	9,633	8,636
Europe	5,385	5,550	5,385	5,550
North America	10,157	13,546	10,157	13,546
Oceania	1,735	1,656	1,735	1,656
Africa	109	-	109	-
Consolidated	46,281	47,514	46,281	47,514

**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**

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2018**

**12 Capital commitments**

The capital commitments of the Group as at 31 March 2018 is as follows:

	RM'000
<b>Property, plant and equipment</b>	
Contracted but not provided for	<u>21,898</u>

**13 Related party transactions**

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 31 March 2018 are as follows:

	3 months ended 31 Mar 2018 RM'000	Year-to-date ended 31 Mar 2018 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	<u>398</u>	<u>398</u>
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	<u>2</u>	<u>2</u>
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	171	171
-Purchases	<u>244</u>	<u>244</u>
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	4,893	4,893
-Rental of factory	<u>9</u>	<u>9</u>

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED  
31 MARCH 2018**

	3 months ended 31 Mar 2018 RM'000	Year-to-date ended 31 Mar 2018 RM'000
Transactions with companies in which Nareshchandra Gordhandas Nagrecha, a Director of the Company has interest:		
Shana Foods Limited		
-Sales	3,312	3,312
Rubicon Food Products Limited		
-Sales	2,384	2,384
Transactions with companies in which Lim Hun Soon @ David Lim, a Director of the Company has interest:		
Peoplelogy Development Sdn Bhd		
-Professional fee on Strategic Coaching & Development Program	50	50

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.

**14 Review of performance**

	3 months ended 31 Mar 2018 RM'000	3 months ended 31 Mar 2017 RM'000	Changes (%)	Year-to-date ended 31 Mar 2018 RM'000	Year-to-date ended 31 Mar 2017 RM'000	Changes (%)
Revenue	46,281	47,514	-2.6%	46,281	47,514	-2.6%
Profit before tax	4,758	7,002	-32.0%	4,758	7,002	-32.0%
Profit after tax	4,019	5,428	-26.0%	4,019	5,428	-26.0%
Profit attributable to ordinary equity holders of the parent	4,019	5,445	-26.2%	4,019	5,445	-26.2%

**Quarter 1, 2018 vs Quarter 1, 2017**

For the current quarter ended 31 March 2018, the Group recorded a revenue of RM46.3 million, 2.6% lower than the corresponding quarter ended 31 March 2017. The decrease in turnover was mainly due to lower exchange rate in the current quarter, compared to preceding year corresponding quarter.

Profit after tax for the Group decreased to RM4.0 million from RM5.4 million in the corresponding quarter ended 31 March 2017, mainly led by lower turnover, higher foreign currency losses (1Q 2018 - foreign currency loss of RM0.9 million, 1Q 2017 - foreign currency loss of RM0.1 million) and higher operation costs in the current quarter.



**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2018**

**15 Variance of quarterly results compared to preceding quarter**

	Current Quarter 31 Mar 2018 RM'000	Immediate Preceding Quarter 31 Dec 2017 RM'000	Changes %
Revenue	46,281	45,959	1%
Profit before tax	4,758	6,985	-32%
Profit after tax	4,019	5,892	-32%
Profit attributable to ordinary equity holders of the parent	4,019	5,892	-32%

The Group recorded a higher turnover of RM46.3 million and lower profit after tax of RM4.0 million for the current quarter under review compared to the immediate preceding quarter of RM46.0 million and RM5.9 million. The decrease in profit after tax was mainly due to lower exchange rate during the current quarter, compared to immediate preceding quarter.

**16 Commentary on the prospect**

The new state of the art plant with the build up size of over 700,000 square foot in Pulau Indah is being commissioned and will be operational in July 2018. This will increase the production capacity of the Group significantly. The research and development activities are on going for new products which are planned to be manufactured in the new factory.

The Malaysia business environment is expected to remain challenging in year 2018. The Group will continue to focus in improving the Group's performance by innovating new products portfolio, broadening the distributor network to grow the Group's revenue and profitability.

**17 Variance of actual and profit forecast**

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

**18 Profit before tax**

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

	3 months ended 31 Mar 2018 RM'000	3 months ended 31 Mar 2017 RM'000	Year-to-date ended 31 Mar 2018 RM'000	Year-to-date ended 31 Mar 2017 RM'000
Interest income	(158)	(211)	(158)	(211)
Other income	(135)	(471)	(135)	(471)
Interest expense	7	35	7	35
Depreciation and amortisation	1,540	1,557	1,540	1,557
Net foreign exchange loss	861	113	861	113
Loss on disposal of property, plant and equipment	-	14	-	14

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED  
31 MARCH 2018**

**19 Finance cost**

	3 months ended 31 Mar 2018 RM'000	3 months ended 31 Mar 2017 RM'000	Year-to-date ended 31 Mar 2018 RM'000	Year-to-date ended 31 Mar 2017 RM'000
Interest expense of financial liabilities that are -not at fair value through profit or loss:				
Term loans, secured	211	283	211	283
Other bank charges	42	57	42	57
	<u>253</u>	<u>340</u>	<u>253</u>	<u>340</u>
Recognised in profit or loss	49	92	49	92
Capitalised on qualifying assets:				
-property, plant and equipment	204	248	204	248
	<u>253</u>	<u>340</u>	<u>253</u>	<u>340</u>

**20 Taxation**

	3 months ended 31 Mar 2018 RM'000	Year-to-date ended 31 Mar 2018 RM'000
Tax expense - Current year	741	741
Deferred tax expense		
-origination and reversal of temporary differences	(1)	(1)
Total	<u>740</u>	<u>740</u>

The effective tax rate of the Group is lower than the statutory tax rate. This is mainly due to availability of reinvestment allowance.

**21 Corporate Proposals**

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

**22 Borrowings (secured)**

	As at 31 Mar 2018 RM'000	As at 31 Dec 2017 RM'000
Short term borrowings:		
in Malaysia Ringgit	3,622	3,622
in US Dollar	-	4,138
	<u>3,622</u>	<u>7,760</u>
Long term borrowings:		
in Malaysia Ringgit	<u>15,698</u>	<u>16,603</u>

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED  
31 MARCH 2018**

**23 Material litigation**

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

**24 Dividends**

An interim single tier dividend of 2.5 sen per ordinary share totalling RM8,987,995 in respect of the financial year ending 31 December 2018 has been paid on 30 March 2018.

**25 Earnings per share ("EPS")**

a) Basic earnings per share

	3 months ended 31 Mar 2018	3 months ended 31 Mar 2017	Year-to-date ended 31 Mar 2018	Year-to-date ended 31 Mar 2017
Profit attributable to equity holders of the parent (RM'000)	4,019	5,445	4,019	5,445
Weighted average number of ordinary shares in issue (units)	359,519,760	359,519,760	359,519,760	359,519,760
Basic earning per share (sen)	1.12	<b>Restated</b> 1.51	1.12	<b>Restated</b> 1.51

b) Diluted earnings 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: 24 May 2018