

Condensed Consolidated Statement of Profit or Loss and Comprehensive Income
For the Six Months Ended 30 June 2018 - Unaudited

	3 months ended		6 months ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM	RM	RM	RM
Revenue	52,385,709	55,098,798	98,666,353	102,612,880
Cost of sales	(32,117,122)	(31,163,738)	(59,960,391)	(59,693,331)
Gross profit	20,268,587	23,935,060	38,705,962	42,919,549
Other income	436,032	295,485	729,212	977,681
Selling & distribution expenses	(9,982,788)	(8,007,850)	(19,278,106)	(17,020,372)
Administrative expenses#	(3,485,447)	(4,895,847)	(8,113,707)	(8,455,862)
Finance costs	(60,135)	(94,113)	(108,795)	(186,459)
Profit before tax	7,176,249	11,232,735	11,934,566	18,234,537
Income tax expense	(1,095,296)	(2,249,702)	(1,834,938)	(3,823,902)
Profit for the period	6,080,953	8,983,033	10,099,628	14,410,635
Other comprehensive income, net of tax				
Exchange differences on translation of foreign operations	974,319	(1,276,188)	(961,966)	(1,872,047)
Other comprehensive income, net of tax	974,319	(1,276,188)	(961,966)	(1,872,047)
Total comprehensive income for the period	7,055,272	7,706,845	9,137,662	12,538,588
Profit attributable to:				
Owners of the company	6,080,953	8,995,733	10,099,628	14,440,828
Non-controlling interest	-	(12,700)	-	(30,193)
Profit for the period	6,080,953	8,983,033	10,099,628	14,410,635
Total comprehensive income attributable to:				
Owners of the company	7,055,272	7,719,545	9,137,662	12,568,781
Non-controlling interest	-	(12,700)	-	(30,193)
Total comprehensive income for the period	7,055,272	7,706,845	9,137,662	12,538,588
Earnings per share				
Basic (Sen)	1.69	2.50	2.81	4.02
Diluted (Sen)	N/A	N/A	N/A	N/A

Inclusive of net foreign currency loss of RM0.07 million and RM1.1 million in 1H of 2018 and 1H 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 30 June 2018 - Unaudited

	unaudited	audited
	30.6.2018	31.12.2017
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	237,134,692	230,809,766
Investment properties	2,502,689	2,539,157
Prepaid lease payments	3,016,917	3,114,167
Deferred tax assets	447,692	406,670
	<u>243,101,990</u>	<u>236,869,760</u>
Current assets		
Other investments	12,434,254	871,591
Inventories	18,450,805	15,210,068
Current tax assets	3,604,657	2,767,208
Trade and other receivables	48,098,205	49,209,264
Prepayments	704,628	244,698
Cash and cash equivalents	36,104,975	62,785,272
	<u>119,397,524</u>	<u>131,088,101</u>
Total assets	<u><u>362,499,514</u></u>	<u><u>367,957,861</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	179,759,880	179,759,880
Reserves	129,189,661	129,039,994
Total equity	<u>308,949,541</u>	<u>308,799,874</u>
Liabilities		
Non-current liabilities		
Loans and borrowings	14,791,881	16,603,132
Deferred tax liabilities	1,247,791	1,199,190
	<u>16,039,672</u>	<u>17,802,322</u>
Current liabilities		
Loan and borrowings	3,622,502	7,760,460
Trade and other payables	33,887,799	33,134,075
Current tax liabilities	-	461,130
	<u>37,510,301</u>	<u>41,355,665</u>
Total liabilities	<u>53,549,973</u>	<u>59,157,987</u>
Total equity and liabilities	<u><u>362,499,514</u></u>	<u><u>367,957,861</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u>0.86</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 Six Months Ended 30 June 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
At 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 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)
At 31 December 2017/1 January 2018	179,759,880	-	9,984,903	119,055,091	308,799,874	308,799,874
Net profit for the financial period	-	-	-	10,099,628	10,099,628	10,099,628
Other comprehensive income for the financial period	-	-	(961,966)	-	(961,966)	(961,966)
Total comprehensive income for the financial period	-	-	(961,966)	10,099,628	9,137,662	9,137,662
Contributions by and distributions to owners						
-dividends to owners of the Company	-	-	-	(8,987,995)	(8,987,995)	(8,987,995)
At 30 June 2018	179,759,880	-	9,022,937	120,166,724	308,949,541	308,949,541

Condensed Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2018 - Unaudited

	6 months ended	
	30.6.2018	30.6.2017
	RM	RM
Cash flows from operating activities		
Profit before tax	11,934,566	18,234,537
Adjustments for:		
Depreciation and amortisation	3,059,467	3,110,740
Loss on disposal of plant and equipment	671	28,403
Interest expense	6,848	77,336
Interest income	(318,559)	(368,382)
Unrealised foreign exchange differences	561,673	3,448,949
Net impairment gain on financial assets	50,400	(173,600)
<i>Operating profit before working capital changes</i>	<u>15,295,066</u>	<u>24,357,983</u>
Changes in working capital:		
Inventories	(3,240,737)	(105,444)
Trade and other receivables	(394,364)	(7,141,204)
Trade and other payables	1,799,216	3,469,361
<i>Cash generated from operations</i>	<u>13,459,181</u>	<u>20,580,696</u>
Income tax paid	(3,136,143)	(4,364,144)
Income tax refund	-	135,798
Net cash generated from operating activities	<u>10,323,038</u>	<u>16,352,350</u>
Cash flows from investing activities		
Interest received	318,559	368,382
Changes in investment in unit trust	(11,613,064)	(8,152)
Purchase of property, plant and equipment, net of interest capitalised	(9,359,547)	(18,354,419)
Net cash used in investing activities	<u>(20,654,052)</u>	<u>(17,994,189)</u>
Cash flows from financing activities		
Dividend paid	(8,987,995)	(6,740,999)
Interest paid	(426,478)	(77,336)
Drawdown of borrowings	-	4,445,155
Repayment of borrowings	(5,949,210)	(1,811,251)
Net cash used in financing activities	<u>(15,363,683)</u>	<u>(4,184,431)</u>
Net decrease in cash and cash equivalents	(25,694,697)	(5,826,270)
Effect of changes in foreign exchange rate	(985,600)	(4,985,146)
Cash and cash equivalents at beginning of period	<u>62,785,272</u>	<u>80,439,204</u>
Cash and cash equivalents at end of period	<u>36,104,975</u>	<u>69,627,788</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 30 JUNE 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
30 JUNE 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	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	24,390	22,742	43,651	40,868
Rest of Asia	9,521	8,681	19,154	17,317
Europe	4,047	4,215	9,432	9,765
North America	11,589	16,148	21,746	29,694
Oceania	2,777	3,085	4,512	4,741
Africa	62	227	171	227
Consolidated	<u>52,386</u>	<u>55,098</u>	<u>98,666</u>	<u>102,612</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

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 30 JUNE 2018

12 Capital commitments

The capital commitments of the Group as at 30 June 2018 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>21,184</u>

13 Related party transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 30 June 2018 are as follows:

	3 months ended 30 Jun 2018 RM'000	Year-to-date ended 30 Jun 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>341</u>	<u>739</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>1</u>	<u>3</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	305	476
-Purchases	<u>394</u>	<u>638</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	5,696	10,589
-Rental of factory	<u>18</u>	<u>27</u>

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2018**

	3 months ended 30 Jun 2018 RM'000	Year-to-date ended 30 Jun 2018 RM'000
Transactions with companies in which Nareshchandra Gordhandas Nagrecha, a Director of the Company has interest:		
Shana Foods Limited		
-Sales	2,927	6,239
	<u>2,927</u>	<u>6,239</u>
Rubicon Food Products Limited		
-Sales	1,062	3,446
	<u>1,062</u>	<u>3,446</u>
Transactions with a company in which the son of Nareshchandra Gordhandas Nagrecha, a Director of the Company has interests:		
Rubicon Exotic Drinks FZE		
-Sales	64	64
	<u>64</u>	<u>64</u>
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	86	136
	<u>86</u>	<u>136</u>

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 2018

14 Review of performance

	3 months ended 30 Jun 2018 RM'000	3 months ended 30 Jun 2017 RM'000	Changes (%)	Year-to-date ended 30 Jun 2018 RM'000	Year-to-date ended 30 Jun 2017 RM'000	Changes (%)
Revenue	52,386	55,099	-4.9%	98,666	102,613	-3.8%
Profit before tax	7,176	11,233	-36.1%	11,935	18,235	-34.5%
Profit after tax	6,081	8,983	-32.3%	10,100	14,411	-29.9%
Profit attributable to ordinary equity holders of the parent	6,081	8,996	-32.4%	10,100	14,441	-30.1%

Quarter 2, 2018 vs Quarter 2, 2017

For the current quarter ended 30 June 2018, the Group recorded a revenue of RM52.4 million, 4.9% lower than the corresponding quarter ended 30 June 2017. The decrease in turnover were mainly due to decrease turnover from North America and lower USD exchange rate in the current quarter, compared to preceding year corresponding quarter.

Profit after tax for the Group decreased to RM6.1 million from RM9.0 million in the corresponding quarter ended 30 June 2017, mainly led by lower export turnover, higher operation and promotion costs in the current quarter.

15 Variance of quarterly results compared to preceding quarter

	Current Quarter 30 Jun 2018 RM'000	Immediate Preceding Quarter 31 Mar 2018 RM'000	Changes %
Revenue	52,386	46,281	13%
Profit before tax	7,176	4,758	51%
Profit after tax	6,081	4,019	51%
Profit attributable to ordinary equity holders of the parent	6,081	4,019	51%

The Group recorded a higher turnover of RM52.4 million and higher profit after tax of RM6.1 million for the current quarter under review compared to the immediate preceding quarter of RM46.0 million and RM4.0 million. The increase in profit after tax were mainly due to higher turnover registered and favourable USD/RM exchange rate in the current, compared to immediate preceding quarter.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2018**

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 partially operated as of July 2018. The Group is set to embark on a new era in its corporate history, where the new plant will increase the production capacity significantly and improve the Group's operations efficiency. The research and development activities are on going for new products which are planned to be manufactured in the new plant.

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 30 Jun 2018 RM'000	3 months ended 30 Jun 2017 RM'000	Year-to-date ended 30 Jun 2018 RM'000	Year-to-date ended 30 Jun 2017 RM'000
Interest income	(161)	(157)	(319)	(368)
Other income	(275)	(139)	(410)	(610)
Interest expense	-	42	7	77
Depreciation and amortisation	1,519	1,554	3,059	3,111
Net foreign exchange (gain)/loss	(793)	994	68	1,107
Loss on disposal of property, plant and equipment	1	14	1	28

19 Finance cost

	3 months ended 30 Jun 2018 RM'000	3 months ended 30 Jun 2017 RM'000	Year-to-date ended 30 Jun 2018 RM'000	Year-to-date ended 30 Jun 2017 RM'000
Interest expense of financial liabilities that are -not at fair value through profit or loss:				
Term loans, secured	216	279	427	562
Other bank charges	60	52	102	109
	<u>276</u>	<u>331</u>	<u>529</u>	<u>671</u>
Recognised in profit or loss	60	94	109	186
Capitalised on qualifying assets: -property, plant and equipment	216	237	420	485
	<u>276</u>	<u>331</u>	<u>529</u>	<u>671</u>

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2018**

20 Taxation

	3 months ended 30 Jun 2018 RM'000	Year-to-date ended 30 Jun 2018 RM'000
Tax expense - Current year	1,096	1,837
Deferred tax expense		
-origination and reversal of temporary differences	(1)	(2)
Total	<u>1,095</u>	<u>1,835</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 30 Jun 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>14,792</u>	<u>16,603</u>

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.

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2018**

25 Earnings per share ("EPS")

a) Basic earnings per share

	3 months ended 30 Jun 2018	3 months ended 30 Jun 2017	Year-to-date ended 30 Jun 2018	Year-to-date ended 30 Jun 2017
Profit attributable to equity holders of the parent (RM'000)	6,081	8,996	10,100	14,441
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)	1.69	Restated 2.50	2.81	Restated 4.02

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: 21 August 2018