

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

	3 months ended		9 months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM	RM	RM	RM
Revenue	48,498,515	47,709,975	147,164,868	150,322,855
Cost of sales	(28,965,251)	(27,145,867)	(88,925,642)	(86,839,198)
Gross profit	19,533,264	20,564,108	58,239,226	63,483,657
Other income	1,031,893	382,742	1,693,431	1,360,423
Selling & distribution expenses*	(7,736,018)	(7,039,637)	(27,014,124)	(24,060,009)
Administrative expenses#	(4,629,570)	(2,961,283)	(12,675,603)	(11,417,145)
Finance costs	(265,688)	(112,322)	(374,483)	(298,781)
Profit before tax	7,933,881	10,833,608	19,868,447	29,068,145
Income tax expense	(838,181)	(2,030,082)	(2,673,119)	(5,853,984)
Profit for the period	7,095,700	8,803,526	17,195,328	23,214,161
Other comprehensive income, net of tax				
Exchange differences on translation of foreign operations	321,997	(446,719)	(639,969)	(2,318,766)
Other comprehensive income, net of tax	321,997	(446,719)	(639,969)	(2,318,766)
Total comprehensive income for the period	7,417,697	8,356,807	16,555,359	20,895,395
Profit attributable to:				
Owners of the company	7,095,700	8,813,650	17,195,328	23,254,478
Non-controlling interest	-	(10,124)	-	(40,317)
Profit for the period	7,095,700	8,803,526	17,195,328	23,214,161
Total comprehensive income attributable to:				
Owners of the company	7,417,697	8,366,931	16,555,359	20,935,712
Non-controlling interest	-	(10,124)	-	(40,317)
Total comprehensive income for the period	7,417,697	8,356,807	16,555,359	20,895,395
Earnings per share				
Basic (Sen)	1.97	2.45	4.78	6.47
Diluted (Sen)	N/A	N/A	N/A	N/A

* Inclusive of net foreign currency gains of RM0.6 million and RM0.5 million in Q3 of 2018 and 9 months of 2018 respectively.

Inclusive of net foreign currency losses of RM0.7 million and RM1.8 million in Q3 of 2017 and 9 months 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 September 2018 - Unaudited

	unaudited	audited
	30.9.2018	31.12.2017
	RM	RM
ASSETS		
Non-current assets		
Property, plant and equipment	240,013,319	230,809,766
Investment properties	2,481,641	2,539,157
Prepaid lease payments	2,952,159	3,114,167
Deferred tax assets	440,946	406,670
	<u>245,888,065</u>	<u>236,869,760</u>
Current assets		
Other investments	12,283,925	871,591
Inventories	19,647,645	15,210,068
Current tax assets	3,084,356	2,767,208
Trade and other receivables	48,124,311	49,209,264
Prepayments	2,314,270	244,698
Cash and cash equivalents	37,283,351	62,785,272
	<u>122,737,858</u>	<u>131,088,101</u>
Total assets	<u><u>368,625,923</u></u>	<u><u>367,957,861</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	179,759,880	179,759,880
Reserves	136,607,358	129,039,994
Total equity	<u>316,367,238</u>	<u>308,799,874</u>
Liabilities		
Non-current liabilities		
Loans and borrowings	13,886,256	16,603,132
Deferred tax liabilities	1,247,099	1,199,190
	<u>15,133,355</u>	<u>17,802,322</u>
Current liabilities		
Loan and borrowings	3,622,502	7,760,460
Trade and other payables	33,502,828	33,134,075
Current tax liabilities	-	461,130
	<u>37,125,330</u>	<u>41,355,665</u>
Total liabilities	<u>52,258,685</u>	<u>59,157,987</u>
Total equity and liabilities	<u><u>368,625,923</u></u>	<u><u>367,957,861</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u>0.88</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 Nine Months Ended 30 September 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	-	-	-	17,195,328	17,195,328	17,195,328
Other comprehensive income for the financial period	-	-	(639,969)	-	(639,969)	(639,969)
Total comprehensive income for the financial period	-	-	(639,969)	17,195,328	16,555,359	16,555,359
Contributions by and distributions to owners						
-dividends to owners of the Company	-	-	-	(8,987,995)	(8,987,995)	(8,987,995)
At 30 September 2018	179,759,880	-	9,344,934	127,262,424	316,367,238	316,367,238

Condensed Consolidated Statement of Cash Flows
For the Nine Months Ended 30 September 2018 - Unaudited

	9 months ended	
	30.9.2018	30.9.2017
	RM	RM
Cash flows from operating activities		
Profit before tax	19,868,447	29,068,145
Adjustments for:		
Depreciation and amortisation	4,573,097	4,677,466
(Gain)/loss on disposal of plant and equipment	(49,538)	27,621
Interest expense	217,253	119,192
Interest income	(486,903)	(550,140)
Unrealised foreign exchange differences	(348,886)	3,894,259
Net impairment gain on financial assets	263,200	(140,000)
<i>Operating profit before working capital changes</i>	24,036,670	37,096,543
Changes in working capital:		
Inventories	(4,437,577)	(203,127)
Trade and other receivables	(2,030,112)	3,813,864
Trade and other payables	1,414,242	(2,929,352)
<i>Cash generated from operations</i>	18,983,223	37,777,928
Income tax paid	(3,435,702)	(5,998,123)
Income tax refund	-	194,669
Net cash generated from operating activities	15,547,521	31,974,474
Cash flows from investing activities		
Interest received	486,903	550,140
Changes in investment in unit trust	(11,675,535)	480,060
Proceeds from disposal of plant and equipment	51,000	-
Purchase of property, plant and equipment, net of interest capitalised	(14,498,055)	(27,013,751)
Net cash used in investing activities	(25,635,687)	(25,983,551)
Cash flows from financing activities		
Dividend paid	(8,987,995)	(6,740,999)
Interest paid	(217,253)	(119,192)
Drawdown of borrowings	-	4,445,155
Repayment of borrowings	(6,854,835)	(2,716,876)
Net cash used in financing activities	(16,060,083)	(5,131,912)
Net (decrease)/increase in cash and cash equivalents	(26,148,249)	859,011
Effect of changes in foreign exchange rate	646,328	(5,955,284)
Cash and cash equivalents at beginning of period	62,785,272	80,439,204
Cash and cash equivalents at end of period	37,283,351	75,342,931

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 SEPTEMBER 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 SEPTEMBER 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 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	16,611	17,691	60,262	58,559
Rest of Asia	8,808	8,798	27,962	26,116
Europe	3,962	2,061	13,394	11,826
North America	16,410	15,987	38,156	45,681
Oceania	2,639	2,889	7,151	7,630
Africa	69	284	240	511
Consolidated	48,499	47,710	147,165	150,323

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 SEPTEMBER 2018**

12 Capital commitments

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

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>10,276</u>

13 Related party transactions

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

	3 months ended 30 Sep 2018 RM'000	Year-to-date ended 30 Sep 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>414</u>	<u>1,153</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>-</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	203	679
-Purchases	<u>389</u>	<u>1,027</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	4,016	14,605
-Rental of factory	<u>12</u>	<u>39</u>

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

	3 months ended 30 Sep 2018 RM'000	Year-to-date ended 30 Sep 2018 RM'000
Transactions with companies in which Nareshchandra Gordhandas Nagrecha, a Director of the Company has interest:		
Shana Foods Limited		
-Sales	3,311	9,550
	<u>3,311</u>	<u>9,550</u>
Rubicon Food Products Limited		
-Sales	1,423	4,869
	<u>1,423</u>	<u>4,869</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
	<u>-</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	20	156
	<u>20</u>	<u>156</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 SEPTEMBER 2018

14 Review of performance

	3 months ended 30 Sep 2018 RM'000	3 months ended 30 Sep 2017 RM'000	Changes (%)	Year-to-date ended 30 Sep 2018 RM'000	Year-to-date ended 30 Sep 2017 RM'000	Changes (%)
Revenue	48,499	47,710	1.7%	147,165	150,323	-2.1%
Profit before tax	7,934	10,834	-26.8%	19,868	29,068	-31.6%
Profit after tax	7,096	8,804	-19.4%	17,195	23,214	-25.9%
Profit attributable to ordinary equity holders of the parent	7,096	8,813	-19.5%	17,195	23,254	-26.1%

Quarter 3, 2018 vs Quarter 3, 2017

For the current quarter ended 30 September 2018, the Group recorded a revenue of RM48.5 million, 1.7% higher than the corresponding quarter ended 30 September 2017. The increase in turnover were mainly due to increase turnover from Europe, North America and Asia region.

Profit after tax for the Group decreased to RM7.1 million from RM8.8 million in the corresponding quarter ended 30 September 2017, mainly led by unfavourable USD/RM exchange rate, higher advertisement and promotion expenses and start up cost of the new plant incurred in the current quarter.

Year-to-date, 2018 vs Year-to-date, 2017

For the nine months ended 30 September 2018, the Group registered a turnover of RM147 million, 2.1% lower than the previous year's corresponding period. The decrease in turnover was mainly driven by the North American performance, which dropped by 16.5%.

Profit after tax for the Group decreased by 26.1% or RM6.1 million compared to last year, mainly led by lower export sales coupled with unfavourable USD/RM exchange rate, higher advertisement and promotion expenses and higher operation costs in the current year.

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

15 Variance of quarterly results compared to preceding quarter

	Current Quarter 30 Sep 2018 RM'000	Immediate Preceding Quarter 30 Jun 2018 RM'000	Changes %
Revenue	48,499	52,386	-7%
Profit before tax	7,934	7,176	11%
Profit after tax	7,096	6,081	17%
Profit attributable to ordinary equity holders of the parent	7,096	6,081	17%

The Group recorded a lower turnover of RM48.5 million and higher profit after tax of RM7.1 million for the current quarter under review compared to the immediate preceding quarter of RM52.4 million and RM6.1 million. The increase in profit after tax were mainly due to increase in export sales, which the margin is higher and favourable USD/RM exchange rate in 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 is operational already. 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 operational 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.

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

18 Profit before tax

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

	3 months ended 30 Sep 2018 RM'000	3 months ended 30 Sep 2017 RM'000	Year-to-date ended 30 Sep 2018 RM'000	Year-to-date ended 30 Sep 2017 RM'000
Interest income	(168)	(182)	(487)	(550)
Other income	(301)	(200)	(711)	(810)
Interest expense	210	42	217	119
Depreciation and amortisation	1,514	1,566	4,573	4,677
Net foreign exchange (gain)/loss	(564)	712	(496)	1,819
(Gain)/loss on disposal of property, plant and equipment	(51)	-	(50)	28

19 Finance cost

	3 months ended 30 Sep 2018 RM'000	3 months ended 30 Sep 2017 RM'000	Year-to-date ended 30 Sep 2018 RM'000	Year-to-date ended 30 Sep 2017 RM'000
Interest expense of financial liabilities that are -not at fair value through profit or loss:				
Term loans, secured	210	269	637	831
Other bank charges	55	71	157	180
	<u>265</u>	<u>340</u>	<u>794</u>	<u>1,011</u>
Recognised in profit or loss	265	113	374	299
Capitalised on qualifying assets: -property, plant and equipment	-	227	420	712
	<u>265</u>	<u>340</u>	<u>794</u>	<u>1,011</u>

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

20 Taxation

	3 months ended 30 Sep 2018 RM'000	Year-to-date ended 30 Sep 2018 RM'000
Tax expense - Current year	825	2,662
Deferred tax expense		
-origination and reversal of temporary differences	13	11
Total	<u>838</u>	<u>2,673</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 Sep 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>13,886</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.

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

25 Earnings per share ("EPS")

a) Basic earnings per share

	3 months ended 30 Sep 2018	3 months ended 30 Sep 2017	Year-to-date ended 30 Sep 2018	Year-to-date ended 30 Sep 2017
Profit attributable to equity holders of the parent (RM'000)	7,096	8,814	17,195	23,254
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)	1.97	2.45	4.78	6.47

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: 22 November 2018