

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020**

	Note	3 months ended		3 months ended	
		31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
Revenue	8	53,641	50,324	53,641	50,324
Cost of sales		(32,294)	(34,282)	(32,294)	(34,282)
Gross profit		21,347	16,042	21,347	16,042
Other income		3,359	341	3,359	341
Selling & distribution expenses		(10,689)	(8,886)	(10,689)	(8,886)
Administrative expenses		(6,323)	(5,181)	(6,323)	(5,181)
Finance costs	18	(210)	(245)	(210)	(245)
Profit before tax	17	7,484	2,071	7,484	2,071
Income tax expense	19	(885)	(496)	(885)	(496)
Profit for the period		6,599	1,575	6,599	1,575
Other comprehensive income					
Exchange differences on translation of foreign operations		1,965	113	1,965	113
Total comprehensive income for the period		8,564	1,688	8,564	1,688
Profit attributable to:					
Owners of the company		6,615	1,575	6,615	1,575
Non-controlling interest ("NCI")		(16)	-	(16)	-
Profit for the period		6,599	1,575	6,599	1,575
Total comprehensive income attributable to:					
Owners of the company		8,580	1,688	8,580	1,688
Non-controlling interest		(16)	-	(16)	-
Total comprehensive income for the period		8,564	1,688	8,564	1,688
Earnings per share	24				
Basic (sen)		1.84	0.44	1.84	0.44
Diluted (sen)		N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	31.3.2020 RM'000 Reviewed	31.12.2019 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		225,261	225,921
Right-of-use assets		17,727	17,699
Investment properties		8,252	8,565
Deferred tax assets		481	465
		<u>251,721</u>	<u>252,650</u>
Current assets			
Trade and other receivables		58,980	46,287
Other investments		1,034	6,434
Inventories		24,887	23,700
Current tax assets		337	3,695
Prepayments		2,355	1,493
Cash and cash equivalents		48,467	48,823
		<u>136,060</u>	<u>130,432</u>
Total assets		<u><u>387,781</u></u>	<u><u>383,082</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		179,760	179,760
Translation reserve		10,045	8,080
Retained earnings		133,703	136,076
Equity attributable to owners of the Company		<u>323,508</u>	<u>323,916</u>
Non-controlling interests		1,008	1,024
Total equity		<u>324,516</u>	<u>324,940</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	21	8,453	9,358
Deferred tax liabilities		7,585	7,385
		<u>16,038</u>	<u>16,743</u>
Current liabilities			
Loan and borrowings	21	7,281	6,399
Trade and other payables		39,795	34,847
Current tax liabilities		151	153
		<u>47,227</u>	<u>41,399</u>
Total liabilities		<u>63,265</u>	<u>58,142</u>
Total equity and liabilities		<u><u>387,781</u></u>	<u><u>383,082</u></u>
Net assets per share attributable to owners of the Company (RM)		<u>0.90</u>	<u>0.90</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2020

	<-----Attributable to Owners of the Company----->					
	<----Non-distributable---->		Distributable			
(Audited)	Share Capital RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Sub Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
At 1 January 2019	179,760	8,831	132,874	321,465	-	321,465
Net profit for the financial year	-	-	12,190	12,190	(176)	12,014
Other comprehensive expense for the financial year	-	(751)	-	(751)	-	(751)
Total comprehensive (expense)/income for the financial year	-	(751)	12,190	11,439	(176)	11,263
Contributions by and distributions to owners						
-NCI acquired in new subsidiary	-	-	-		1,200	1,200
-dividend to owners of the Company	-	-	(8,988)	(8,988)	-	(8,988)
At 31 December 2019	179,760	8,080	136,076	323,916	1,024	324,940
(Reviewed)						
At 1 January 2020	179,760	8,080	136,076	323,916	1,024	324,940
Net profit for the financial year	-	-	6,615	6,615	(16)	6,599
Other comprehensive expense for the financial year	-	1,965	-	1,965	-	1,965
Total comprehensive (expense)/income for the financial year	-	1,965	6,615	8,580	(16)	8,564
Contributions by and distributions to owners						
-dividends to owners of the Company	-	-	(8,988)	(8,988)	-	(8,988)
At 31 March 2020	179,760	10,045	133,703	323,508	1,008	324,516

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020

	Reviewed	Audited
	31.3.2020	31.12.2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	7,484	15,354
Adjustments for:		
Depreciation and amortisation	4,225	16,801
Finance income from deposits	(108)	(490)
Finance costs	175	998
Impairment loss on property, plant and equipment	-	474
Impairment loss on trade receivables	232	724
Provision for slow moving inventories	156	270
Inventories written off	124	744
Gain on disposal of property, plant and equipment	(227)	(532)
Gain on disposal of investment properties	(377)	(993)
Fair value loss/(gain) on financial assets	442	(420)
Unrealised (gain)/loss on foreign exchange	(1,979)	821
<i>Operating profit before working capital changes</i>	<u>10,147</u>	<u>33,751</u>
Changes in working capital:		
Inventories	(1,468)	(1,249)
Trade and other receivables, prepayments and other financial assets	(11,556)	6,997
Trade and other payables	4,680	2,391
<i>Cash generated from operations</i>	<u>1,803</u>	<u>41,890</u>
Income tax paid	(393)	(2,669)
Income tax refund	3,062	2,564
Net cash from operating activities	<u>4,472</u>	<u>41,785</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment, net of interest capitalised	(2,607)	(21,183)
Proceeds from disposal of property, plant and equipment	271	1,081
Proceeds from disposal of investment properties	653	1,497
Finance income from deposits	108	490
Placement in other investments	4,957	(3,600)
Net cash generated from/(used in) investing activities	<u>3,382</u>	<u>(21,715)</u>
Cash flows from financing activities		
Dividends paid to owners of the Company	(8,988)	(8,988)
Repayment of loans and borrowings	(906)	(9,167)
Finance cost on loans and borrowings	(175)	(998)
Issue of shares by a subsidiary to non-controlling interests	-	1,200
Drawdown of loans and borrowings	680	8,438
Net cash used in financing activities	<u>(9,389)</u>	<u>(9,515)</u>
Net (decrease)/increase in cash and cash equivalents	(1,535)	10,555
Effect of changes in foreign exchange rate	1,179	(1,192)
Cash and cash equivalents at beginning of year	<u>48,823</u>	<u>39,460</u>
Cash and cash equivalents at end of year	<u>48,467</u>	<u>48,823</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020

1 Basis of Preparation

The condensed consolidated interim financial statements ("interim financial statements") are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS"), MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2019. These explanatory notes attached to the interim financial statement provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in audited financial statements for the financial year ended 31 December 2018. The newly issued Malaysia Financial Reporting Standards (MFRS 16 Leases), interpretations and amendments to standards that are mandatory applied beginning on 1 January 2019 did not have any material impact on the financial statements of the Group.

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 2	Shared-based Payments
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to:-	
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 20	Stripping Cost in the Production Phase of a Surface Mine
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
IC Interpretation 132	Intangible Assets - Web Site Costs

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application.

2 Qualification of financial statements

There was no qualification made on the preceding audited financial statements.

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 and financial period ended 31 March 2020.

5 Changes in estimates

There were no significant changes in estimates for prior periods that have materially affected the results of current quarter and financial period ended 31 March 2020.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020

6 Debt and equity securities

The Company has implemented an ESOS of up to 15% of the Company's issued and paid-up share capital (excluding treasury shares, if any) for the eligible employees of the Group effective from 2 October 2018. As at the date of this report, the Company has yet to grant any options under the ESOS.

7 Dividends paid

The following dividends were paid during the current and previous financial year ended:

	31 Dec 2020	31 Dec 2019
First interim dividend		
For the financial year ended	31 Dec 2020	31 Dec 2019
Approval and declared on	3 Mar 2020	4 Mar 2019
Date paid	30 Mar 2020	29 Mar 2019
Number of ordinary shares on which dividends were paid ('000)	359,520	359,520
Interim dividend per share (single-tier)	2.5 sen	2.5 sen
Net dividend paid (RM'000)	8,988	8,988

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 2020	31 Mar 2019	Changes (%)	31 Mar 2020	31 Mar 2019	Changes (%)
	RM'000	RM'000		RM'000	RM'000	
Malaysia	23,304	19,706	18.3%	23,304	19,706	18.3%
China	2,996	3,631	-17.5%	2,996	3,631	-17.5%
Rest of Asia	8,736	7,942	10.0%	8,736	7,942	10.0%
Europe	4,892	5,635	-13.2%	4,892	5,635	-13.2%
North America	11,184	11,541	-3.1%	11,184	11,541	-3.1%
Oceania	2,253	1,687	33.6%	2,253	1,687	33.6%
Africa	276	182	51.6%	276	182	51.6%
Consolidated	<u>53,641</u>	<u>50,324</u>	<u>6.6%</u>	<u>53,641</u>	<u>50,324</u>	<u>6.6%</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 up to the date of this report.

11 Capital commitments

The capital commitments of the Group as at 31 March 2020 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>2,927</u>

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020

12 Related party transactions

follows:

	3 months ended 31 Mar 2020 RM'000	Year-to-date ended 31 Mar 2020 RM'000
Transaction 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	329	329
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 -Purchases	16 454	16 454
Transactions 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 -Rental income	4,586 84	4,586 84
Transactions with companies in which Nareshchandra Gordhandas Nagrecha, a Director of the Company has interest: Shana Foods Limited -Sales	3,591	3,591
Rubicon Food Products Limited -Sales	1,930	1,930

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.

13 Review of performance

	3 months ended 31 Mar 2020 ("1Q 2020") RM'000	3 months ended 31 Mar 2019 ("1Q 2019") RM'000	Changes (%)	Year-to-date ended 31 Mar 2020 (YTD 2020) RM'000	Year-to-date ended 31 Mar 2019 ("YTD 2019") RM'000	Changes (%)
Revenue	53,641	50,324	6.6%	53,641	50,324	6.6%
Profit before tax	7,484	2,071	261.4%	7,484	2,071	261.4%
Profit after tax	6,599	1,575	319.0%	6,599	1,575	319.0%
Profit attributable to owners of the Company	6,615	1,575	320.0%	6,615	1,575	320.0%

Comparison between 1Q 2020 with 1Q 2019

For the 1Q 2020, the Group achieved revenue of RM53.6 million, an increase of 6.6% as compared to corresponding quarter of RM50.3 million. The increase in revenue were mainly due to rising demand in Domestic, Rest of Asia, Oceania and Africa market. The Group's profit after tax increased by 319.0% (RM5.0 million) from RM1.6 million in 1Q 2019 to RM6.6 million in 1Q 2020. The increase was principally due to lower operating expenses and stronger US Dollars against Ringgit Malaysia.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020

14 Variance of quarterly results compared to preceding quarter

	Current Quarter 31 Mar 2020 RM'000	Immediate Preceding Quarter 31 Dec 2019 RM'000	Changes %
Revenue	53,641	56,397	-4.9%
Profit before tax	7,484	6,535	14.5%
Profit after tax	6,599	4,857	35.9%
Profit attributable to owner of the Company	6,615	4,888	35.3%

For the current quarter under review, the Group achieved revenue of RM53.6 million, decrease of 4.9% from the preceding quarter of RM56.4 million principally attributable to stronger sales demand of festive season in the preceding quarter. Despite with the lower revenue attained, the Group reported a higher profit after tax of 35.9% from RM4.9 million in preceding quarter to RM6.6 million in current quarter.

15 Commentary on the prospect

KAWAN's new plant in Pulau Indah has achieved greater production efficiency which resulted in increased profit margin from 37% to 40% in fourth quarter 2019 and first quarter 2020 attributable to the on-going costs optimisation and automation solution. The production capacity is currently ahead of demand growth, but the new capacity will eventually be taken up by the growing demand in the domestic and export market.

The overview of the business environment remains challenging with the rising of operating expenses such as minimum wage. To mitigate increasing margin pressure, KAWAN continues investing in automation solutions to reduce dependency on manual labour and human error. In addition, KAWAN had allocated RM7.7 million capital expenditure for the installation of solar system. The use of solar energy is cost effective and environment friendly.

Moving forward, KAWAN remains optimistic on the long term prospects underpinned by four (4) key pillars of our business as follows:-

- 1) Market - the global demand for our products remain in expansionary mode;
- 2) Productivity - the on-going activities on the cost optimisation and automation solutions are expected to mitigate the potential escalating cost and further enhance the existing profit margin;
- 3) Distribution channel - the sales growth from the expansion of our distribution channels including e-commerce;
- 4) Product innovation - potential sales growth from the new products sales such as rice bites, potato croquettes, low GI range, etc. In August 2019, KAWAN "Cheesy Italian Rice Bites" and Multigrain Mantou" won the two highest awards (Platinum & Gold) in the Product Innovation 2019 competition organised by the Malaysian Institute of Food Technology (MIFT).

KAWAN has put in place robust precautionary measures during this Covid-19 pandemic. The impact upon the general economy will depend on:-

- 1) how long the outbreak and its after effects will last;
 - 2) efforts by the Government to support both key industries which & employees who have been disrupted and displaced.
- We will continue to monitor the key developments closely as the global economy rides out the head winds in the horizon.

KAWAN is however, cautiously optimistic in its outlook; the new norm is to eat more at home. Since there are more people working from home, our convenient food remains high in demand as we provide a fast solution for the need of a fair & square meal. Additionally, eating at home is more economical than take away or food delivery. Therefore, sales to retailers and E-commerce platforms will continue to see a strong positive trend.

16 Variance of actual and profit forecast

The Group did not issue any profit forecast or profit guarantee for the current financial year.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020

17 Profit before tax

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

	3 months ended 31 Mar 2020 RM'000	3 months ended 31 Mar 2019 RM'000	Year-to-date ended 31 Mar 2020 RM'000	Year-to-date ended 31 Mar 2019 RM'000
Profit before tax is arrived at after charging:				
Finance costs	175	209	175	209
Depreciation and amortisation	4,225	4,186	4,225	4,186
Foreign exchange (gain)/loss				
-Realised	(23)	331	(23)	331
-Unrealised	(1,979)	99	(1,979)	99
Impairment loss on trade receivables	232	-	232	-
Inventories written off	124	214	124	214
Provision for slow moving inventories	156	-	156	-
Fair value (gain)/loss on financial assets	442	(39)	442	(39)
Trade receivables written off	4	-	4	-
and after crediting:				
Interest income	108	139	108	139
Gain/(loss) on disposal of investment property	377	-	377	-
Gain/(loss) on disposal of property, plant and equipment	227	18	227	18

18 Finance cost

	3 months ended 31 Mar 2020 RM'000	3 months ended 31 Mar 2019 RM'000	Year-to-date ended 31 Mar 2020 RM'000	Year-to-date ended 31 Mar 2019 RM'000
Interest expense of financial liabilities that are -not at fair value through profit or loss:				
Term loans, secured	175	209	175	209
Other bank charges	35	36	35	36
	<u>210</u>	<u>245</u>	<u>210</u>	<u>245</u>

19 Income tax expense

	3 months ended 31 Mar 2020 RM'000	Year-to-date ended 31 Mar 2020 RM'000
Tax expense - Current year	702	702
Deferred tax expense		
-origination and reversal of temporary differences	183	183
Total	<u>885</u>	<u>885</u>

20 Corporate Proposals

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

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2020

21 Borrowings (secured)

	As at 31 Mar 2020 RM'000	As at 31 Mar 2019 RM'000
Short term borrowings:		
in Malaysia Ringgit	3,622	6,399
in RMB	1,423	-
in US Dollar	2,236	-
	<u>7,281</u>	<u>6,399</u>
Long term borrowings:		
in Malaysia Ringgit	<u>8,453</u>	<u>9,358</u>

22 Material litigation

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

23 Dividends

An interim single tier dividend of 2.5 sen per ordinary share totalling RM8,987,995 in respect of the financial year ended 31 December 2020 has been paid on 30 March 2020.

24 Earnings per share ("EPS")

a) Basic earnings per share

	3 months ended 31 Mar 2020	3 months ended 31 Mar 2019	Year-to-date ended 31 Mar 2020	Year-to-date ended 31 Mar 2019
Profit attributable to equity holders of the parent (RM'000)	<u>6,615</u>	<u>1,575</u>	<u>6,615</u>	<u>1,575</u>
Weighted average number of ordinary shares in issue (units)	<u>359,519,760</u>	<u>359,519,760</u>	<u>359,519,760</u>	<u>359,519,760</u>
Basic earnings per share (sen)	<u>1.84</u>	<u>0.44</u>	<u>1.84</u>	<u>0.44</u>

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: 28 May 2020