

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020**

	Note	3 months ended		6 months ended	
		30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Revenue	8	79,334	57,212	132,975	107,536
Cost of sales		(47,652)	(38,840)	(79,946)	(73,122)
Gross profit		31,682	18,372	53,029	34,414
Other income		1,275	271	4,634	612
Selling & distribution expenses		(14,958)	(10,679)	(25,647)	(19,565)
Administrative expenses		(6,929)	(4,187)	(13,252)	(9,368)
Finance costs	18	(188)	(264)	(398)	(509)
Profit before tax	17	10,882	3,513	18,366	5,584
Income tax expense	19	(2,065)	(766)	(2,950)	(1,262)
Profit for the period		8,817	2,747	15,416	4,322
Other comprehensive income					
Exchange differences on translation of foreign operations		(298)	(60)	1,667	53
Total comprehensive income for the period		8,519	2,687	17,083	4,375
Profit attributable to:					
Owners of the company		8,847	2,747	15,462	4,322
Non-controlling interest ("NCI")		(30)	-	(46)	-
Profit for the period		8,817	2,747	15,416	4,322
Total comprehensive income attributable to:					
Owners of the company		8,549	2,687	17,129	4,375
Non-controlling interest		(30)	-	(46)	-
Total comprehensive income for the period		8,519	2,687	17,083	4,375
Earnings per share	24				
Basic (sen)		2.46	0.76	4.30	1.20
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 30 JUNE 2020

	Note	30.6.2020 RM'000 Unaudited	31.12.2019 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		222,339	225,921
Right-of-use assets		17,642	17,699
Investment properties		8,216	8,565
Deferred tax assets		479	465
		<u>248,676</u>	<u>252,650</u>
Current assets			
Trade and other receivables		65,067	46,287
Other investments		17,191	6,434
Inventories		19,584	23,700
Current tax assets		196	3,695
Prepayments		3,217	1,493
Cash and cash equivalents		50,788	48,823
		<u>156,043</u>	<u>130,432</u>
Total assets		<u><u>404,719</u></u>	<u><u>383,082</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		179,760	179,760
Translation reserve		9,747	8,080
Retained earnings		142,550	136,076
Equity attributable to owners of the Company		<u>332,057</u>	<u>323,916</u>
Non-controlling interests		978	1,024
Total equity		<u>333,035</u>	<u>324,940</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	21	7,547	9,358
Deferred tax liabilities		8,847	7,385
		<u>16,394</u>	<u>16,743</u>
Current liabilities			
Loan and borrowings	21	6,719	6,399
Trade and other payables		48,311	34,847
Current tax liabilities		260	153
		<u>55,290</u>	<u>41,399</u>
Total liabilities		<u>71,684</u>	<u>58,142</u>
Total equity and liabilities		<u><u>404,719</u></u>	<u><u>383,082</u></u>
Net assets per share attributable to owners of the Company (RM)		<u><u>0.93</u></u>	<u><u>0.90</u></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 30 JUNE 2020

	<-----Attributable to Owners of the Company----->				Non- Controlling Interests RM'000	Total Equity RM'000
	<----Non-distributable---->		Distributable			
(Audited)	Share Capital RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Sub Total 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
(Unaudited)						
At 1 January 2020	179,760	8,080	136,076	323,916	1,024	324,940
Net profit for the financial year	-	-	15,462	15,462	(46)	15,416
Other comprehensive expense for the financial year	-	1,667	-	1,667	-	1,667
Total comprehensive (expense)/income for the financial year	-	1,667	15,462	17,129	(46)	17,083
Contributions by and distributions to owners						
-dividends to owners of the Company	-	-	(8,988)	(8,988)	-	(8,988)
At 30 June 2020	179,760	9,747	142,550	332,057	978	333,035

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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

	Unaudited 30.6.2020 RM'000	Unaudited 30.6.2019 RM'000
Cash flows from operating activities		
Profit before tax	18,366	5,584
Adjustments for:		
Depreciation and amortisation	8,455	8,367
Finance income from deposits	(214)	(254)
Finance costs	398	438
Impairment loss on property, plant and equipment	-	-
Impairment loss on trade receivables	33	-
Provision for slow moving inventories	594	-
Inventories written off	151	-
(Gain)/loss on disposal of property, plant and equipment	(240)	54
Gain on disposal of investment properties	(377)	-
Fair value loss/(gain) on financial assets	336	(67)
Unrealised (gain)/loss on foreign exchange	(562)	169
<i>Operating profit before working capital changes</i>	26,940	14,291
Changes in working capital:		
Inventories	3,370	(713)
Trade and other receivables, prepayments and other financial assets	(20,077)	(3,751)
Trade and other payables	13,431	2,498
<i>Cash generated from operations</i>	23,664	12,325
Income tax paid	(810)	(1,944)
Income tax refund	3,070	202
Net cash from operating activities	25,924	10,583
Cash flows from investing activities		
Acquisition of property, plant and equipment, net of interest capitalised	(3,939)	(6,730)
Proceeds from disposal of property, plant and equipment	284	88
Proceeds from disposal of investment properties	653	-
Finance income from deposits	214	254
Placement in other investments	(11,092)	(2,030)
Net cash generated from/(used in) investing activities	(13,880)	(8,418)
Cash flows from financing activities		
Dividends paid to owners of the Company	(8,988)	(8,988)
Repayment of loans and borrowings	(4,909)	(2,492)
Finance cost on loans and borrowings	(398)	(438)
Drawdown of loans and borrowings	3,150	5,557
Net cash used in financing activities	(11,145)	(6,361)
Net (decrease)/increase in cash and cash equivalents	899	(4,196)
Effect of changes in foreign exchange rate	1,066	(54)
Cash and cash equivalents at beginning of year	48,823	39,459
Cash and cash equivalents at end of year	50,788	35,209

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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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 2019 except the adoption of standards, interpretations and amendments to standards that are mandatory applied beginning on 1 January 2020 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

Except for the Covid-19 pandemic, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial period ended 30 June 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 30 June 2020.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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		
	30 June 2020	30 June 2019	Changes (%)	30 June 2020	30 June 2019	Changes (%)
	RM'000	RM'000		RM'000	RM'000	
Malaysia	38,746	25,374	52.7%	62,050	45,080	37.6%
China	3,181	3,605	-11.8%	6,177	7,236	-14.6%
Rest of Asia	7,524	7,850	-4.2%	16,260	15,792	3.0%
Europe	5,353	4,799	11.5%	10,245	10,434	-1.8%
North America	20,663	12,410	66.5%	31,847	23,951	33.0%
Oceania	3,721	3,037	22.5%	5,974	4,724	26.5%
Africa	146	137	6.6%	422	319	32.3%
Consolidated	<u>79,334</u>	<u>57,212</u>	<u>38.7%</u>	<u>132,975</u>	<u>107,536</u>	<u>23.7%</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 30 June 2020 is as follows:

Property, plant and equipment	RM'000
Contracted but not provided for	<u>7,626</u>

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

12 Related party transactions

The Group's related party transactions in the current quarter and the financial period ended 30 June 2020 are as follows:

	3 months ended 30 June 2020 RM'000	Year-to-date ended 30 June 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	90	420
Transactions with a company in which the daughters of Gan Thiam Chai and Kwan Sok Kay, and the son of Gan Thiam Hock GT Chain Sdn Bhd -Sales	-	1
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	12 438	28 892
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	5,694 70	10,280 154
Transactions with companies in which Nareshchandra Gordhandas Nagrecha, a Director of the Company has interest: Shana Foods Limited -Sales	3,729	7,320
Rubicon Food Products Limited -Sales	1,619	3,549
Transactions with a company in which the son of Nareshchandra Gordhandas Nagrecha, a Director of the Company has interests: Rubicon Exotic Drinks FZE -Sales	54	104
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	128	128
Transactions with a company in which the brother-in-law of Gan Thiam Hock, a Director of the Company has interests: La'mis Sdn Bhd -Plaster ceiling and partition works	-	35
Transactions with a company in which the sons and the spouse of Gan Thiam Hock, a Director of the Company has interests: La-Vision Logistics Sdn Bhd -Provision of transportation services	18	18

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.

KAWAN FOOD BERHAD (640445-V)
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

13 Review of performance

	3 months ended 30 June 2020 ("2Q 2020") RM'000	3 months ended 30 June 2019 ("2Q 2019") RM'000	Changes (%)	Year-to-date ended 30 June 2020 (YTD 2020") RM'000	Year-to-date ended 30 June 2019 ("YTD 2019") RM'000	Changes (%)
Revenue	79,334	57,212	38.7%	132,975	107,536	23.7%
Profit before tax	10,882	3,513	209.8%	18,366	5,584	228.9%
Profit after tax	8,817	2,747	221.0%	15,416	4,322	256.7%
Profit attributable to owners of the Company	8,847	2,747	222.1%	15,462	4,322	257.8%

Comparison between 2Q 2020 with 2Q 2019

For the 2Q 2020, the Group achieved revenue of RM79.3 million, an increase of 38.7% as compared to corresponding quarter of RM57.2 million. The increase in revenue were mainly due to rising demand in Domestic, Europe, North America, Oceania and Africa market. The Group's profit after tax increased by 221.0% (RM6.1 million) from RM2.7 million in 2Q 2019 to RM8.8 million in 2Q 2020. The increase was principally due to production efficiency, stronger US Dollars against Ringgit Malaysia and higher sales revenue.

14 Variance of quarterly results compared to preceding quarter

	Current Quarter 30 June 2020 RM'000	Immediate Preceding Quarter 31 Mar 2020 RM'000	Changes (%)
Revenue	79,334	53,641	47.9%
Profit before tax	10,882	7,484	45.4%
Profit after tax	8,817	6,599	33.6%
Profit attributable to owner of the Company	8,847	6,615	33.7%

For the current quarter under review, the Group achieved revenue of RM79.3 million, an increase of 47.9% from the preceding quarter of RM53.6 million, principally attributable to stronger sales demand during Movement Control Order ("MCO") in the current quarter. With the higher revenue attained, the Group reported a higher profit after tax of 33.6% from RM6.6 million in preceding quarter to RM8.8 million in current quarter.

15 Commentary on the prospect

KAWAN's new plant in Pulau Indah has achieved greater production efficiency which resulted in improved product margins. In addition to that, with on-going cost optimisation and automation solution activities, our production efficiency has achieved higher yields. The group had allocated capital expenditure for the installation of a solar panel system. The use of solar energy would decrease the power consumption and thus contributing to a more sustainable energy usage.

We are seeing the emergence of new orders and new consumption not previously seen prior to Covid-19. The Group is experiencing increase in volume of orders mainly due to the Movement Control Order (MCO) where consumers tend to eat more at home and that our products provide them a convenient solution. Despite the adverse risk, Covid-19 may have on the Group's operations, due to compliance of SOP and disruption in operation with the new norm, we have been able to mitigate the situation with measures and streamline our production to cope with the additional orders. We will continue to monitor the key developments closely as the global economy rides out the head winds in the horizon.

KAWAN is still cautiously optimistic in its outlook; the growing population of young working adults and millennials with RTE (ready-to-eat) consumption habits are some of the factors that are expected to fuel revenue growth of the global and local frozen food business.

KAWAN FOOD BERHAD (640445-V)
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

16 Variance of actual and profit forecast

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

17 Profit before tax

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

	3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000	Year-to-date ended 30 June 2020 RM'000	Year-to-date ended 30 June 2019 RM'000
Profit before tax is arrived at after charging/(crediting):				
Finance costs	223	264	398	438
Depreciation and amortisation	4,230	4,186	8,455	8,367
Foreign exchange (gain)/loss				
-Realised	(1,057)	331	(1,080)	(213)
-Unrealised	1,417	99	(562)	169
Impairment loss on trade receivables	(199)	-	33	-
Inventories written off	27	214	151	-
Provision for slow moving inventories	438	-	594	-
Fair value (gain)/loss on financial assets	(106)	(39)	336	(67)
Interest income	(106)	139	(214)	254
(Gain)/loss on disposal of investment property	-	-	(377)	-
(Gain)/loss on disposal of property, plant and equipment	(13)	18	(240)	54

18 Finance cost

	3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000	Year-to-date ended 30 June 2020 RM'000	Year-to-date ended 30 June 2019 RM'000
Interest expense of financial liabilities that are -not at fair value through profit or loss:				
Term loans, secured	223	229	318	438
Other bank charges	45	35	80	71
	<u>268</u>	<u>264</u>	<u>398</u>	<u>509</u>

19 Income tax expense

	3 months ended 30 June 2020 RM'000	Year-to-date ended 30 June 2020 RM'000
Tax expense - Current year	1,195	1,897
Deferred tax expense		
-origination and reversal of temporary differences	870	1,053
Total	<u>2,065</u>	<u>2,950</u>

20 Corporate Proposals

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

KAWAN FOOD BERHAD (640445-V)
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

21 Borrowings (secured)

	As at 30 June 2020 RM'000	As at 30 June 2019 RM'000
Short term borrowings:		
in Malaysia Ringgit	4,556	3,623
in RMB	536	2,008
in US Dollar	1,627	2,834
	<u>6,719</u>	<u>8,465</u>
Long term borrowings:		
in Malaysia Ringgit	<u>7,547</u>	<u>11,169</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 30 June 2020	3 months ended 30 June 2019	Year-to-date ended 30 June 2020	Year-to-date ended 30 June 2019
Profit attributable to equity holders of the parent (RM'000)	<u>8,847</u>	<u>2,747</u>	<u>15,462</u>	<u>4,322</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>2.46</u>	<u>0.76</u>	<u>4.30</u>	<u>1.20</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: 27 Aug 2020