

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

	Note	3 months ended		9 months ended	
		30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Revenue	8	61,139	50,148	194,114	157,684
Cost of sales		(35,562)	(33,247)	(115,508)	(106,369)
Gross profit		<u>25,577</u>	<u>16,901</u>	<u>78,606</u>	<u>51,315</u>
Other income		664	2,486	5,298	3,098
Selling & distribution expenses		(9,502)	(10,865)	(35,149)	(30,430)
Administrative expenses		(9,537)	(5,018)	(22,789)	(14,386)
Finance costs	18	(198)	(237)	(596)	(746)
Profit before tax	17	<u>7,004</u>	<u>3,267</u>	<u>25,370</u>	<u>8,851</u>
Income tax expense	19	(988)	(724)	(3,938)	(1,986)
Profit for the period		<u>6,016</u>	<u>2,543</u>	<u>21,432</u>	<u>6,865</u>
Other comprehensive income					
Exchange differences on translation of foreign operations		(335)	(543)	1,332	(490)
Total comprehensive income for the period		<u>5,681</u>	<u>2,000</u>	<u>22,764</u>	<u>6,375</u>
Profit attributable to:					
Owners of the company		6,158	2,688	21,620	7,010
Non-controlling interest ("NCI")		(142)	(145)	(188)	(145)
Profit for the period		<u>6,016</u>	<u>2,543</u>	<u>21,432</u>	<u>6,865</u>
Total comprehensive income attributable to:					
Owners of the company		5,823	2,145	22,952	6,520
Non-controlling interest		(142)	(145)	(188)	(145)
Total comprehensive income for the period		<u>5,681</u>	<u>2,000</u>	<u>22,764</u>	<u>6,375</u>
Earnings per share	24				
Basic (sen)		1.71	0.75	6.01	1.95
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 SEPTEMBER 2020

	Note	30.9.2020 RM'000 Unaudited	31.12.2019 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		219,090	225,921
Right-of-use assets		17,594	17,699
Investment properties		8,179	8,565
Deferred tax assets		482	465
		<u>245,345</u>	<u>252,650</u>
Current assets			
Trade and other receivables		60,872	46,287
Other investments		17,310	6,434
Inventories		27,973	23,700
Current tax assets		42	3,695
Prepayments		2,716	1,493
Cash and cash equivalents		51,811	48,823
		<u>160,724</u>	<u>130,432</u>
Total assets		<u>406,069</u>	<u>383,082</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		179,760	179,760
Translation reserve		9,412	8,080
Retained earnings		148,708	136,076
Equity attributable to owners of the Company		<u>337,880</u>	<u>323,916</u>
Non-controlling interests		836	1,024
Total equity		<u>338,716</u>	<u>324,940</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	21	6,641	9,358
Deferred tax liabilities		9,031	7,385
		<u>15,672</u>	<u>16,743</u>
Current liabilities			
Loan and borrowings	21	7,405	6,399
Trade and other payables		43,784	34,847
Current tax liabilities		492	153
		<u>51,681</u>	<u>41,399</u>
Total liabilities		<u>67,353</u>	<u>58,142</u>
Total equity and liabilities		<u>406,069</u>	<u>383,082</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.94</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 30 SEPTEMBER 2020

	<-----Attributable to Owners of the Company----->			Sub Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Translation Reserve RM'000	Retained Earnings RM'000			
(Audited)						
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	-	-	21,620	21,620	(188)	21,432
Other comprehensive expense for the financial year	-	1,332	-	1,332	-	1,332
Total comprehensive (expense)/income for the financial year	-	1,332	21,620	22,952	(188)	22,764
Contributions by and distributions to owners						
-dividends to owners of the Company	-	-	(8,988)	(8,988)	-	(8,988)
At 30 September 2020	179,760	9,412	148,708	337,880	836	338,716

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 THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Unaudited 30.9.2020 RM'000	Unaudited 30.9.2019 RM'000
Cash flows from operating activities		
Profit before tax	25,370	8,851
Adjustments for:		
Depreciation and amortisation	12,680	12,441
Finance income from deposits	(359)	(367)
Finance costs	596	638
Impairment loss on property, plant and equipment	-	-
Impairment loss on trade receivables	22	-
Provision for slow moving inventories	838	-
Inventories written off	220	-
(Gain)/loss on disposal of property, plant and equipment	(240)	(1,517)
Gain on disposal of investment properties	(377)	-
Fair value loss/(gain) on financial assets	308	(190)
Unrealised (gain)/loss on foreign exchange	1,121	(1)
<i>Operating profit before working capital changes</i>	<u>40,179</u>	<u>19,855</u>
Changes in working capital:		
Inventories	(5,332)	1,076
Trade and other receivables, prepayments and other financial assets	(17,078)	965
Trade and other payables	9,003	(1,437)
<i>Cash generated from operations</i>	<u>26,772</u>	<u>20,459</u>
Income tax paid	(1,228)	(2,355)
Income tax refund	3,070	2,378
Net cash from operating activities	<u>28,614</u>	<u>20,482</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment, net of interest capitalised	(4,598)	(12,881)
Proceeds from disposal of property, plant and equipment	284	2,520
Proceeds from disposal of investment properties	653	-
Finance income from deposits	359	367
Placement in other investments	(11,184)	(5,054)
Net cash generated from/(used in) investing activities	<u>(14,486)</u>	<u>(15,048)</u>
Cash flows from financing activities		
Dividends paid to owners of the Company	(8,988)	(8,988)
Repayment of loans and borrowings	(7,392)	(6,120)
Finance cost on loans and borrowings	(596)	(638)
Issue of shares by a subsidiary to non-controlling interests	-	1,200
Drawdown of loans and borrowings	5,436	6,492
Net cash used in financing activities	<u>(11,540)</u>	<u>(8,054)</u>
Net (decrease)/increase in cash and cash equivalents	2,588	(2,620)
Effect of changes in foreign exchange rate	400	(482)
Cash and cash equivalents at beginning of year	<u>48,823</u>	<u>39,459</u>
Cash and cash equivalents at end of year	<u>51,811</u>	<u>36,357</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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 September 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 September 2020.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 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. The Company has offered 7,310,000 units of ESOS options on 28 August 2020 at exercise price of RM2.35 .

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 Sep 2020	30 Sep 2019	Changes	30 Sep 2020	30 Sep 2019	Changes
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
Malaysia	21,241	18,062	17.6%	83,291	63,142	31.9%
China	4,458	4,303	3.6%	10,635	11,539	-7.8%
Rest of Asia	8,883	6,759	31.4%	25,143	22,551	11.5%
Europe	6,722	4,177	60.9%	16,967	14,611	16.1%
North America	15,772	13,719	15.0%	47,619	37,670	26.4%
Oceania	3,853	3,128	23.2%	9,827	7,852	25.2%
Africa	210	-	0.0%	632	319	98.1%
Consolidated	<u>61,139</u>	<u>50,148</u>	<u>21.9%</u>	<u>194,114</u>	<u>157,684</u>	<u>23.1%</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 September 2020 is as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>9,498</u>

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

12 Related party transactions

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

	3 months ended 30 Sep 2020 RM'000	Year-to-date ended 30 Sep 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	343	763
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	2	3
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	217	28 1,108
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	4,827 84	15,095 239
Transactions with companies in which Nareshchandra Gordhandas Nagrecha, a Major Shareholder and Former Director of the Company has interest; and Nareshchandra's associate En Abdul Razak Bin Shakor is a non independent non executive director in the Company Shana Foods Limited -Sales	4,706	12,026
Rubicon Food Products Limited -Sales	3,541	7,090
Transactions with a company in which the son of Nareshchandra Gordhandas Nagrecha, a Major Shareholder and Former Director of the Company has interests: and Nareshchandra's associate En Abdul Razak Bin Shakor is a non independent non executive director in the Company Rubicon Exotic Drinks FZE -Sales	108	213
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
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	29	47

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.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

13 Review of performance

	3 months ended 30 Sep 2020 ("2Q 2020") RM'000	3 months ended 30 Sep 2019 ("2Q 2019") RM'000	Changes (%)	Year-to-date ended 30 Sep 2020 (YTD 2020") RM'000	Year-to-date ended 30 Sep 2019 ("YTD 2019") RM'000	Changes (%)
Revenue	61,139	50,148	21.9%	194,114	157,684	23.1%
Profit before tax	7,004	3,267	114.4%	25,370	8,851	186.6%
Profit after tax	6,016	2,543	136.6%	21,432	6,865	212.2%
Profit attributable to owners of the Company	6,158	2,688	129.1%	21,620	7,010	208.4%

Comparison between 3Q 2020 with 3Q 2019

For the 3Q 2020, the Group achieved revenue of RM61.1 million, an increase of 21.9% as compared to corresponding quarter of RM50.1 million. The increase in revenue were mainly due to rising demand in Malaysia, Europe, North America and Oceania market. The Group's profit after tax increased by 136.6% (RM3.8 million) from RM2.5 million in 3Q 2019 to RM6.0 million in 3Q 2020. The increase was principally due to production efficiency and higher sales revenue.

14 Variance of quarterly results compared to preceding quarter

	Current Quarter 30 Sep 2020 RM'000	Immediate Preceding Quarter 30 June 2020 RM'000	Changes %
Revenue	61,139	79,334	-22.9%
Profit before tax	7,004	10,882	-35.6%
Profit after tax	6,016	8,817	-31.8%
Profit attributable to owner of the Company	6,158	8,847	-30.4%

For the current quarter under review, the Group achieved revenue of RM61.1 million, a decrease of 22.9% from the preceding quarter of RM79.3 million. The decrease in revenue mainly due to lower demand in Malaysia market as compared to stronger sales demand during Movement Control Order ("MCO") and Raya festive seasonal sales in the immediate preceding quarter. The Group reported a profit after tax of RM6.0 million in current quarter due to lower sales, a decrease of 31.8% from the preceding quarter of RM8.8 million.

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, 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 cost of power consumption and thus contributing to a more sustainable energy usage.

The Group is experiencing increase in volume of orders mainly due to the Covid-19 pandemic where consumers tend to eat more at home and that our products provide them a convenient solution. Despite the adverse risk of Covid-19 may have on the Group's operations, due to compliance of SOP and disruption in operation with the possibility of additional periods of conditional movement control order in various parts of Malaysia, we remain cautious for the prospects on the fourth quarter of 2020. Notwithstanding the others external circumstances, the Company will continue to maintain its strong financial resilience and optimize its operations to ride through the highly volatile business environment.

16 Variance of actual and profit forecast

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

17 Profit before tax

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

	3 months ended 30 Sep 2020 RM'000	3 months ended 30 Sep 2019 RM'000	Year-to-date ended 30 Sep 2020 RM'000	Year-to-date ended 30 Sep 2019 RM'000
Profit before tax is arrived at after charging/(crediting):				
Finance costs	198	200	596	638
Depreciation and amortisation	4,225	4,074	12,680	12,441
Foreign exchange (gain)/loss				
-Realised	33	(346)	(1,047)	(559)
-Unrealised	1,683	(170)	1,121	(1)
Impairment loss on trade receivables	(11)	-	22	-
Inventories written off	69	-	220	-
Provision for slow moving inventories	244	-	838	-
Fair value (gain)/loss on financial assets	(28)	(123)	308	(190)
Interest income	(145)	(621)	(359)	(367)
(Gain)/loss on disposal of investment property	-	-	(377)	-
(Gain)/loss on disposal of property, plant and equipment	-	(1,571)	(240)	(1,517)

18 Finance cost

	3 months ended 30 Sep 2020 RM'000	3 months ended 30 Sep 2019 RM'000	Year-to-date ended 30 Sep 2020 RM'000	Year-to-date ended 30 Sep 2019 RM'000
Interest expense of financial liabilities that are -not at fair value through profit or loss:				
Term loans, secured	198	163	451	638
Other bank charges	65	37	145	108
	<u>263</u>	<u>200</u>	<u>596</u>	<u>746</u>

19 Income tax expense

	3 months ended 30 Sep 2020 RM'000	Year-to-date ended 30 Sep 2020 RM'000
Tax expense - Current year	222	2,302
Deferred tax expense		
-origination and reversal of temporary differences	766	1,636
Total	<u>988</u>	<u>3,938</u>

The effective tax rate for the Group for the quarter under review is lower than the statutory tax rate. This is mainly due to the unabsorbed capital allowances and reinvestment allowances b/f and current year available for set off against chargeable income.

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 THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

21 Borrowings (secured)

	As at 30 Sep 2020 RM'000	As at 30 Sep 2019 RM'000
Short term borrowings:		
in Malaysia Ringgit	3,623	3,622
in RMB	1,481	1,957
in US Dollar	2,301	959
	<u>7,405</u>	<u>6,538</u>
Long term borrowings:		
in Malaysia Ringgit	<u>6,641</u>	<u>10,264</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 Sep 2020	3 months ended 30 Sep 2019	Year-to-date ended 30 Sep 2020	Year-to-date ended 30 Sep 2019
Profit attributable to equity holders of the parent (RM'000)	<u>6,158</u>	<u>2,688</u>	<u>21,620</u>	<u>7,010</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>1.71</u>	<u>0.75</u>	<u>6.01</u>	<u>1.95</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: 24 November 2020